

177354  
FLORIDA PUBLIC SERVICE COMMISSION  
Tallahassee, Florida

REPORT OF COMBINATION  
IN CONNECTION WITH APPLICATION OF  
FLORIDA POWER & LIGHT COMPANY  
FOR AUTHORITY TO BUY AND SELL SECURITIES  
DURING CALENDAR YEAR 1958

ORIGINAL

DOCUMENT NUMBER - DATE

04003-MAR 29 68



March 29, 1999

Ms. Blanca Bayó, Director  
Division of Records and Reporting  
Florida Public Service Commission  
4075 Esplanade Way, Room 110  
Tallahassee, Florida 32399-0850

Re: Florida Power & Light Company's Report of Consumption

Dear Ms. Bayó:

Enclosed are one signed and three conformed copies of Florida Power & Light Company's Report of Consumption in connection with the Application for Authority to Issue and Sell Securities pursuant to Florida Statutes, Section 366.04 (Docket No. 971304-EI), relating to the issuance and sale of \$200,000,000 principal amount of First Mortgage Bonds, 6% Series due June 1, 2008.

Very truly yours,

*Dilek Samil*

Dilek Samil  
Treasurer

DS:md  
Enclosures

cc: W. G. Walker, III  
Vice President  
(w/o exhibits)

RECEIVED & FILED

*[Signature]*  
FPSC BUREAU OF RECORDS

RECEIVED-FPSC  
99 MAR 29 PM 2:37  
RECORDS AND  
REPORTING

**FLORIDA PUBLIC SERVICE COMMISSION  
Tallahassee, Florida**

---

**REPORT OF CONSUMMATION**

**IN CONNECTION WITH**

**APPLICATION OF  
FLORIDA POWER & LIGHT COMPANY  
FOR AUTHORITY TO ISSUE AND SELL SECURITIES**

**IN REFERENCE TO:**

**\$200,000,000 PRINCIPAL AMOUNT OF FIRST MORTGAGE BONDS,  
6% SERIES DUE JUNE 1, 2008**

**Address communications in connection with this Report of Consummation to:**

**Dilek Samil  
Treasurer  
Florida Power & Light Company  
700 Universe Boulevard  
Juno Beach, Florida 33408  
Telephone (561) 694-6324**

**Date: March 29, 1999**

BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

IN RE: APPLICATION OF FLORIDA POWER & LIGHT COMPANY  
FOR AUTHORITY TO ISSUE AND SELL SECURITIES

REPORT OF CONSUMMATION

In compliance with the requirements of Order No. PSC-97-1533-FOF-EI, issued by the Commission on December 8, 1997, in the above-captioned matter (Docket No. 971304-EI), the Applicant, Florida Power & Light Company ("FPL") hereby submits its Report of Consummation regarding a transaction involving the issuance and sale of \$200,000,000 principal amount of First Mortgage Bonds, 6% Series due June 1, 2008 (the "6% Offered Bonds"). The 6% Offered Bonds were issued under FPL's registration statements filed pursuant to Rule 415 of the Rules and Regulations under the Securities Act of 1933, as amended (Registration No. 33-61390 which became effective April 28, 1993) and (Registration No. 333-53053 which became effective May 28, 1998). This Report of Consummation relates only to the Offered Bonds. It provides the information required for submission by Rule 25-8.009 of the Florida Administrative Code as follows:

- (1) On June 16, 1998 (the closing date of the transaction), FPL sold, through a competitive bid underwritten sale, \$200,000,000 principal amount of First Mortgage Bonds, 6% Series dated June 1, 1998 and due June 1, 2008. The proceeds received by FPL on June 16, 1998 were \$198,202,000 in cash covering principal less discount and underwriting commissions, plus \$500,000 in cash covering interest accrued from June 1, 1998 to June 16, 1998, for a total of \$198,702,000.

For terms and conditions of issues: For the 6% Offered Bonds, see Exhibit (c)-1A, pages S-2 and S-3 of the Prospectus Supplement dated June 11, 1998 and pages 3 through 6 of the Prospectus.

For statement showing pro forma capitalization: See Exhibit (c)-2.

For statement of pretax interest coverage, together with debt interest: See Exhibit (c)-3.

Annual Preferred Stock dividend requirement for the fiscal year ended as of December 31, 1998: \$14,762,250.00.

The other costs incurred to date (excluding underwriters' discount and commission) by FPL in connection with transaction are tabulated as follows:

	6% Offered Bonds
Filing Fees for Registration Statement	\$ 64,021
Legal, Accounting, Rating Agency and Trustee Fees	138,837
Printing (S-3, Prospectus, etc.)	6,108
Florida Taxes and Recording Fees	760,252
Miscellaneous	<u>20,000</u>
Total Costs	<u>\$ 989,218</u>



List of Exhibits (Corresponds to sections of Rule 25-8.009)

- \* (a)-1 Restated Articles of Incorporation of FPL dated March 23, 1992 were filed with the Florida Public Service Commission (FPSC) in connection with Docket No. 910904-EI as Exhibit (a)-1 of Report of Consummation No. 2.
- \* (a)-1A Amendment to FPL's Restated Articles of Incorporation dated March 23, 1992 was filed with the FPSC in connection with Docket No. 910904-EI as Exhibit (a)-1A of Report of Consummation No. 2.
- \* (a)-1B Amendment to FPL's Restated Articles of Incorporation dated May 11, 1992 was filed with the FPSC in connection with Docket No. 910904-EI as Exhibit (a)-1B of Report of Consummation No. 2.
- \* (a)-1C Amendment to FPL's Restated Articles of Incorporation dated March 12, 1993 was filed with the FPSC in connection with Docket No. 920955-EI as Exhibit (a)-1C of Report of Consummation No. 1.
- \* (a)-1D Amendment to FPL's Restated Articles of Incorporation dated June 16, 1993 was filed with the FPSC in connection with the 1994 Application of Florida Power & Light Company for authority to issue and sell securities Docket No. 930855-EI.
- \* (a)-1E Amendment to FPL's Restated Articles of Incorporation dated September 15, 1993 was filed with the FPSC in connection with Docket No. 920955-EI as Exhibit (a)-1E of Report of Consummation No. 6.
- \* (a)-1F Amendment to FPL's Restated Articles of Incorporation dated November 30, 1993 was filed with the FPSC in connection with Docket No. 920955-EI as Exhibit (a)-1F of Report of Consummation No. 7.
- \* (a)-2 Mortgage and Deed of Trust dated as of January 1, 1944, between FPL and Bankers Trust Company and The Florida National Bank of Jacksonville (now known as First Union National Bank of Florida) as Trustees, and Ninety-five Supplements thereto were filed with the FPSC as follows: Exhibit D, Docket No. 3417-EU; Exhibit D-1, Docket No. 3758-EU; Exhibit D-1A, Docket No. 4147-EU; Exhibit D-1B, Docket No. 4685-EU; Exhibit D-1C, Docket No. 4922-EU; Exhibit D-1D, Docket No. 5057-EU; Exhibit D-1E, Docket No. 5315-EU; Exhibit D-1F, Docket No. 5745-EU; Exhibit D-1G, Docket No. 5872-EU; Exhibit D-1H, Docket No. 6659-EU; Exhibit D-1I, Docket No. 7427-EU; Exhibit D-1J, Docket No. 7831-EU; Exhibit D-1K, Docket No. 8308-EU; Exhibit D-1L, Docket No. 8738-EU; Exhibit D-1M, Docket No. 9097-EU; Exhibit D-1N, Docket No. 9676-EU; Exhibit D-1O, Docket No. 9892-EU; Exhibit D-1P, Docket No. 69262-EU; Exhibit D-1Q, Docket No. 70255-EU; Exhibit D-1R, Docket No. 70565-EU; Exhibit D-1S, Docket No. 71363-EU; Exhibit D-1T, Docket No. 72281-EU; Exhibit D-1U, Docket No. 72685-EU; Exhibit D-1V, Docket No. 73428-EU; Exhibit D-1W, Docket No. 73743-EU; Exhibit D-1X, Docket No. 74249-EU; Exhibit D-1Y, Docket No. 750108-EU; Exhibit D-1Z, Docket No. 750201-EU; Exhibit D-2A, Docket No. 750439-EU; Exhibit D-3A, Docket No. 760335-EU; Exhibit D-3B Docket No. 770929-EU (F1); Exhibit D-3C, Docket No. 770928-EU (F1); Exhibit D-3D, Docket No. 790592-EU; Exhibit D-3E, Docket No. 790830-EU; Exhibit D-3F, Docket No. 800082-EU(MC); Exhibit D-3G, Docket No. 800319-EU; Exhibit D-3H, Docket No. 800591-EU; Exhibits D-3I, D-3J, D-3K and D-3L, Docket No. 800755-EU(SS), Reports of Consummation Nos. 1, 3, 5 and 6 respectively; Exhibits (a)-3, (a)-4, Docket No. 810421-EU (SS), Reports of Consummation Nos. 1, 3 and 5 respectively; Exhibits (a)-3, Docket No. 820403-EU, Reports of Consummation Nos. 2 and 4, respectively; Exhibit (a)-4, Docket No. 830491-EI, Report of Consummation No. 3; Exhibits (a)-3, Docket No. 830445-EU, Reports of Consummation Nos. 1 and 4, respectively; Exhibits (a)-2A, (a)-2B and (a)-2A, Docket No. 840353-EI, Reports of Consummation Nos. 1, 2 and 3, respectively;

Exhibits (a)-2A and (a)-2B, Docket No. 850664-EI, Reports of Consummation Nos. 1, 2, 4 and 5, respectively; Exhibits (a)-2A, Docket No. 861209-EI, Reports of Consummation Nos. 2 and 3, respectively; Exhibits (a)-2A, Docket No. 870952-EI, Reports of Consummation Nos. 1, 2 and 3, respectively; Exhibit (a)-2A, Docket No. 881158-EI, Report of Consummation Nos. 1 and 2, respectively; Exhibit (a)-2A and Exhibit (a)-2B, Docket No. 891104-EI, Report of Consummation No. 2; Exhibit (a)-2A, Docket No. 891104-EI, Report of Consummation No. 3; Exhibit (a)-2A, Exhibit (a)-2B, Exhibit (a)-2C and Exhibit (a)-2D, Docket No. 900736-EI, Report of Consummation No. 2; Exhibit (a)-2A, Docket No. 900736-EI, Report of Consummation No. 3; Exhibit (a)-2A, Docket No. 910904-EI, Report of Consummation No. 3; Exhibit (a)-2A, Docket No. 910904-EI, Report of Consummation No. 2; Exhibit (a)-2B, Docket No. 910904-EI, Report of Consummation No. 3; Exhibit (a)-2A, Docket No. 910904-EI, Report of Consummation No. 5; Exhibit (a)-2A, Docket No. 910904-EI, Report of Consummation No. 7; Exhibit (a)-2A, Docket No. 920955-EI, Report of Consummation No. 1; Exhibit (a)-2A, Docket No. 920955-EI, Report of Consummation No. 3; Exhibit (a)-2B, Docket No. 920955-EI, Report of Consummation No. 3; Exhibit (a)-2C, Docket No. 920955-EI, Report of Consummation No. 3 and Exhibit (a)-2D, Docket No. 920955-EI, Report of Consummation No. 3; Exhibit (a)-2A, Docket No. 920955-EI, Report of Consummation No. 4; Exhibit (a)-2B, Docket No. 920955-EI, Report of Consummation No. 4 and Exhibit (a)-2C, Docket No. 920955-EI, Report of Consummation No. 4; Exhibit (a)-2A, Docket No. 920955-EI, Report of Consummation No. 6 and Exhibit (a)-2B, Docket No. 920955-EI, Report of Consummation No. 6; Exhibit (a)-2A, Docket No. 920955-EI, Report of Consummation No. 7; Exhibit (a)-2A, Docket No. 930855-EI, Report of Consummation No. 1 and Exhibit (a)-2A, Docket No. 940912-EI, Report of Consummation No. 1.

- (a)-2A Ninety-eighth Supplemental Indenture dated as of June 1, 1998 between FPL and Bankers Trust Company, as Trustee, with respect to the 6% Offered Bonds.
- (a)-3 For Prospectus and Prospectus Supplement, see Exhibits (c)-1A.
- (a)-4 Annual Report on Form 10-K for the year ended December 31, 1998.
- (a)-5 Quarterly Report on Form 10-Q for the quarter ended March 31, 1998.
- (a)-6 Quarterly Report on Form 10-Q for the quarter ended June 30, 1998.
- (a)-7 Quarterly Report on Form 10-Q for the quarter ended September 30, 1998.
- (a)-8 Current Report on Form 8-K dated November 16, 1998.
- (a)-9 Current Report on Form 8-K dated December 1, 1998.
- (a)-10 Current Report on Form 8-K dated March 16, 1999.
- (b) Signed opinion of FPL's legal counsel in respect to the legality of the issues.
- \*(c)-1 Form S-3 Registration Statement (including Prospectus) with respect to the issuance of all series of the Offered Bonds (Registration No. 33-61390 filed with the Securities and Exchange Commission on April 21, 1993).
- (c)-1A Form S-3 Registration Statement (including Prospectus) with respect to the issuance of all series of the Offered Bonds (Registration No. 333-53053 filed with the Securities and Exchange Commission on May 18, 1998).
- (c)-1B Prospectus Supplement dated June 11, 1998 (including Prospectus) with respect to the 6% Offered Bonds.

- (c)-2 Consolidated Statements of Capitalization.
- (c)-3 Computation of Ratio of Earnings to Fixed Charges.
- (d) Form of Proposal and attached Underwriting Agreement dated June 11, 1998 with respect to the 6% Offered Bonds.
- (e) Statement as to Underwriters' Fees.
  - (1) See Exhibit (c)-1A, Page S-1 (as to fee) and Page S-4 (as to Underwriter) of Prospectus Supplement.
  - (2) None.
  - (3) No Affiliation.
  - (4) Not applicable.

\* Incorporated by reference

Respectfully submitted this 29<sup>th</sup> day of March, 1999

FLORIDA POWER & LIGHT COMPANY

By: Dilek Samil  
Dilek Samil  
Treasurer

**Exhibit (a)-2A**

This instrument was prepared by:

K. M. Davis  
Florida Power & Light Company  
700 Universe Boulevard  
Juno Beach, Florida 33408

EXECUTED IN 60 COUNTERPARTS OF WHICH  
THIS IS COUNTERPART NO. 4

---

**FLORIDA POWER & LIGHT COMPANY**

to

**BANKERS TRUST COMPANY**

*As Trustee under Florida Power & Light  
Company's Mortgage and Deed of Trust,  
Dated as of January 1, 1944.*

***Ninety-eighth Supplemental Indenture***

***Relating to \$200,000,000 Principal Amount  
of First Mortgage Bonds, 6% Series  
due June 1, 2008.***

***Dated as of June 1, 1998***

---

*This Supplemental Indenture has been executed in several counterparts, all of which constitute but one and the same instrument. This Supplemental Indenture has been recorded in several counties, and documentary stamp taxes as required by law in the amount of \$700,000, and non-recurring intangible taxes as required by law in the amount of \$55,304.22, were paid on the Supplemental Indenture recorded in the public records of Palm Beach County, Florida.*

**Note to Examiner:** The new bonds ("New Bonds") being issued in connection with this Supplemental Indenture are secured by real property and personal property located both within Florida and outside of Florida. The aggregate fair market value of the collateral exceeds the aggregate principal amount of (y) the New Bonds plus (z) the other outstanding bonds secured by the mortgage supplemented hereby and all previous supplemental indentures thereto. The intangible tax has been computed pursuant to Section 199.133 (2), Florida Statutes, by (i) determining the percentage of the aggregate fair market value of the collateral constituting real property situated in Florida and by multiplying that percentage times the principal amount of the New Bonds (the result hereinafter defined as the "Tax Base") and (ii) multiplying the tax rate times the Tax Base.



## **NINETY-EIGHTH SUPPLEMENTAL INDENTURE**

**INDENTURE**, dated as of the first day of June, 1998, made and entered into by and between **FLORIDA POWER & LIGHT COMPANY**, a corporation of the State of Florida, whose post office address is 700 Universe Boulevard, Juno Beach, Florida 33408 (hereinafter sometimes called **FPL**), and **BANKERS TRUST COMPANY**, a corporation of the State of New York, whose post office address is Four Albany Street, New York, New York 10006 (hereinafter called the **Trustee**), as the ninety-eighth supplemental indenture (hereinafter called the **Ninety-eighth Supplemental Indenture**) to the Mortgage and Deed of Trust, dated as of January 1, 1944 (hereinafter called the **Mortgage**), made and entered into by **FPL**, the **Trustee** and **The Florida National Bank of Jacksonville**, as Co-Trustee (now resigned), the **Trustee** now acting as the sole trustee under the **Mortgage**, which **Mortgage** was executed and delivered by **FPL** to secure the payment of bonds issued or to be issued under and in accordance with the provisions thereof, reference to which **Mortgage** is hereby made, this **Ninety-eighth Supplemental Indenture** being supplemental thereto;

**WHEREAS**, Section 8 of the **Mortgage** provides that the form of each series of bonds (other than the first series) issued thereunder shall be established by Resolution of the Board of Directors of **FPL** and that the form of such series, as established by said Board of Directors, shall specify the descriptive title of the bonds and various other terms thereof, and may also contain such provisions not inconsistent with the provisions of the **Mortgage** as the Board of Directors may, in its discretion, cause to be inserted therein expressing or referring to the terms and conditions upon which such bonds are to be issued and/or secured under the **Mortgage**; and

**WHEREAS**, Section 120 of the **Mortgage** provides, among other things, that any power, privilege or right expressly or impliedly reserved to or in any way conferred upon **FPL** by any provision of the **Mortgage**, whether such power, privilege or right is in any way restricted or is unrestricted, may be in whole or in part waived or surrendered or subjected to any restriction if at the time unrestricted or to additional restriction if already restricted, and **FPL** may enter into any further covenants, limitations or restrictions for the benefit of any one or more series of bonds issued thereunder, or **FPL** may cure any ambiguity contained therein, or in any supplemental indenture, or may establish the terms and provisions of any series of bonds other than said first series, by an instrument in writing executed and acknowledged by **FPL** in such manner as would be necessary to entitle a conveyance of real estate to record in all of the states in which any property at the time subject to the Lien of the **Mortgage** shall be situated; and

**WHEREAS**, **FPL** now desires to create the series of bonds described in Article I hereof and to add to its covenants and agreements contained in the **Mortgage** certain other covenants and agreements to be observed by it and to alter and amend in certain respects the covenants and provisions contained in the **Mortgage**; and



WHEREAS, the execution and delivery by FPL of this Ninety-eighth Supplemental Indenture, and the terms of the bonds, hereinafter referred to in Article I, have been duly authorized by the Board of Directors of FPL by appropriate resolutions of said Board of Directors:

NOW, THEREFORE, THIS INDENTURE WITNESSETH: That FPL, in consideration of the premises and of One Dollar to it duly paid by the Trustee at or before the ensuealing and delivery of these presents, the receipt whereof is hereby acknowledged, and in further evidence of assurance of the estate, title and rights of the Trustee and in order further to secure the payment of both the principal of and interest and premium, if any, on the bonds from time to time issued under the Mortgage, according to their tenor and effect, and the performance of all the provisions of the Mortgage (including any instruments supplemental thereto and any modification made as in the Mortgage provided) and of said bonds, hereby grants, bargains, sells, releases, conveys, assigns, transfers, mortgages, pledges, sets over and confirms (subject, however, to Excepted Encumbrances as defined in Section 6 of the Mortgage) unto Bankers Trust Company, as Trustee under the Mortgage, and to its successor or successors in said trust, and to said Trustee and its successors and assigns forever, all property, real, personal and mixed, acquired by FPL after the date of the execution and delivery of the Mortgage (except any herein or in the Mortgage, as heretofore supplemented, expressly excepted), now owned (except any properties heretofore released pursuant to any provisions of the Mortgage and in the process of being sold or disposed of by FPL) or, subject to the provisions of Section 87 of the Mortgage, hereafter acquired by FPL and whatsoever situated, including (without in anywise limiting or impairing by the enumeration of the same the scope and intent of the foregoing) all lands, power sites, flowage rights, water rights, water locations, water appropriations, ditches, flumes, reservoirs, reservoir sites, canals, raceways, dams, dam sites, aqueducts, and all rights or means for appropriating, conveying, storing and supplying water; all rights of way and roads; all plants for the generation of electricity by steam, water and/or other power; all power houses, gas plants, street lighting systems, standards and other equipment incidental thereto, telephone, radio and television systems, air-conditioning systems and equipment incidental thereto, water works, water systems, steam heat and hot water plants, substations, lines, service and supply systems, bridges, culverts, tracks, ice or refrigeration plants and equipment, offices, buildings and other structures and the equipment thereof; all machinery, engines, boilers, dynamos, electric, gas and other machines, regulators, meters, transformers, generators, motors, electrical, gas mains and mechanical appliances, conduits, cables, water, steam heat, gas or other pipes, lines, wires, cables, tools, implements, apparatus, furniture, chattels, and choses in action; all municipal and other franchises, consents or permits; all lines for the transmission and distribution of electric current, gas, steam heat or water for any purpose including towers, poles, wires, cables, pipes, conduits, ducts and all apparatus for use in

connection therewith; all real estate, lands, easements, servitudes, licenses, permits, franchises, privileges, rights of way and other rights in or relating to real estate or the occupancy of the same and (except as herein or in the Mortgage, as heretofore supplemented, expressly excepted) all the right, title and interest of FPL in and to all other property of any kind or nature appertaining to and/or used and/or occupied and/or enjoyed in connection with any property hereinbefore or in the Mortgage, as heretofore supplemented, described.

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in anywise appertaining to the aforesaid property or any part thereof, with the reversion and reversions, remainder and remainders and (subject to the provisions of Section 57 of the Mortgage) the tolls, rents, revenues, issues, earnings, income, products and profits thereof, and all the estate, right, title and interest and claim whatsoever, at law as well as in equity, which FPL now has or may hereinafter acquire in and to the aforesaid property and franchises and every part and parcel thereof.

IT IS HEREBY AGREED by FPL that, subject to the provisions of Section 87 of the Mortgage, all the property, rights, and franchises acquired by FPL after the date hereof (except any herein or in the Mortgage, as heretofore supplemented, expressly excepted) shall be and are as fully granted and conveyed hereby and as fully embraced within the Lien of the Mortgage, as if such property, rights and franchises were now owned by FPL and were specifically described herein and conveyed hereby.

PROVIDED that the following are not and are not intended to be now or hereafter granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed hereunder and are hereby expressly excepted from the Lien and operation of this Ninety-eighth Supplemental Indenture and from the Lien and operation of the Mortgage, as heretofore supplemented, viz: (1) cash, shares of stock, bonds, notes and other obligations and other securities not hereafter specifically pledged, paid, deposited, delivered or held under the Mortgage or covenanted so to be; (2) merchandise, equipment, materials or supplies held for the purpose of sale in the usual course of business and fuel (including Nuclear Fuel unless expressly subjected to the Lien and operation of the Mortgage by FPL in a future Supplemental Indenture), oil and similar materials and supplies consumable in the operation of any properties of FPL; rolling stock, buses, motor coaches, automobiles and other vehicles; (3) bills, notes and accounts receivable, and all contracts, leases and operating agreements not specifically pledged under the Mortgage or covenanted so to be; (4) the last day of the term of any lease or leasehold which may hereafter become subject to the Lien of the Mortgage; (5) electric energy, gas, ice, and other materials or products generated, manufactured, produced or purchased by FPL for sale, distribution or use in the ordinary course of its business; all timber, minerals, mineral rights and royalties; (6) FPL's franchise to be a

corporation; and (7) the properties already sold or in the process of being sold by FPL and heretofore released from the Mortgage and Deed of Trust, dated as of January 1, 1926, from Florida Power & Light Company to Bankers Trust Company and The Florida National Bank of Jacksonville, trustees, and specifically described in three separate releases executed by Bankers Trust Company and The Florida National Bank of Jacksonville, dated July 28, 1943, October 6, 1943 and December 11, 1943, which releases have heretofore been delivered by the said trustees to FPL and recorded by FPL among the Public Records of all Counties in which such properties are located; provided, however, that the property and rights expressly excepted from the Lien and operation of the Mortgage in the above subdivisions (2) and (3) shall (to the extent permitted by law) cease to be so excepted in the event and as of the date that the Trustee or a receiver or trustee shall enter upon and take possession of the Mortgaged and Pledged Property in the manner provided in Article XIII of the Mortgage by reason of the occurrence of a Default as defined in Section 65 thereof.

TO HAVE AND TO HOLD all such properties, real, personal and mixed, granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed by FPL as aforesaid, or intended so to be, unto Bankers Trust Company, the Trustee, and its successors and assigns forever.

IN TRUST NEVERTHELESS, for the same purposes and upon the same terms, trusts and conditions and subject to and with the same provisos and covenants as are set forth in the Mortgage, as heretofore supplemented, this Ninety-eighth Supplemental Indenture being supplemental thereto.

AND IT IS HEREBY COVENANTED by FPL that all terms, conditions, provisos, covenants and provisions contained in the Mortgage shall affect and apply to the property hereinbefore described and conveyed and to the estate, rights, obligations and duties of FPL and the Trustee and the beneficiaries of the trust with respect to said property, and to the Trustee and its successors as Trustee of said property in the same manner and with the same effect as if said property had been owned by FPL at the time of the execution of the Mortgage, and had been specifically and at length described in and conveyed to said Trustee, by the Mortgage as a part of the property therein stated to be conveyed.

FPL further covenants and agrees to and with the Trustee and its successors in said trust under the Mortgage, as follows:

## ARTICLE I

### Ninety-fifth Series of Bonds

Section 1. (I) There shall be a series of bonds designated "6% Series due June 1, 2008", herein sometimes referred to as the "Ninety-fifth Series", each of which shall also bear the descriptive title First Mortgage Bond, and the form thereof, which shall be established by Resolution of the Board of Directors of FPL, shall contain suitable provisions with respect to the matters hereinafter in this Section specified. Bonds of the Ninety-fifth Series shall mature on June 1, 2008 and shall be issued as fully registered bonds in denominations of One Thousand Dollars and, at the option of FPL, in any multiple or multiples of One Thousand Dollars (the exercise of such option to be evidenced by the execution and delivery thereof); they shall bear interest at the rate of 6% per annum, payable semi-annually on June 1 and December 1 of each year commencing December 1, 1998; the principal of and interest on each said bond to be payable at the office or agency of FPL in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts. Bonds of the Ninety-fifth Series shall be dated as in Section 10 of the Mortgage provided.

(II) Bonds of the Ninety-fifth Series shall be redeemable either at the option of FPL or pursuant to the requirements of the Mortgage (including, among other requirements, the application of cash delivered to or deposited with the Trustee pursuant to the provisions of Section 64 of the Mortgage or with proceeds of Released Property) in whole at any time, or in part from time to time, prior to maturity, upon notice, as provided in Section 52 of the Mortgage, mailed at least thirty (30) days prior to the date fixed for redemption (the "Redemption Date"), at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest, if any, to the Redemption Date plus a premium, if any (the "Make-Whole Premium") (the "Redemption Price"). In no event will the Redemption Price be less than 100% of the principal amount of the bonds of the Ninety-fifth series being redeemed plus accrued interest to the Redemption Date.

The amount of the Make-Whole Premium with respect to any bond of the Ninety-fifth Series (or portion thereof) to be redeemed will be equal to the excess, if any, of:

1. the sum of the present values, calculated as of the Redemption Date, of:
  - a. each interest payment that, but for such redemption, would have been payable on the bond of the Ninety-fifth Series (or



portion thereof) being redeemed on each interest payment date occurring after the Redemption Date (excluding any accrued interest for the period prior to the Redemption Date); and

- b. the principal amount that, but for such redemption, would have been payable at the final maturity of the bond of the Ninety-fifth Series (or portion thereof) being redeemed; over
2. the principal amount of the bond of the Ninety-fifth Series (or portion thereof) being redeemed.

The present values of interest and principal payments referred to in clause (1) above will be determined in accordance with generally accepted principles of financial analysis. Such present values will be calculated by discounting the amount of each payment of interest or principal from the date that each such payment would have been payable, but for the redemption, to the Redemption Date at a discount rate equal to the Treasury Yield (as defined below) plus 10 basis points.

The Make-Whole Premium will be calculated by an independent investment banking institution of national standing appointed by the Company; *provided* that if the Company fails to make such appointment at least 30 calendar days prior to the Redemption Date, or if the institution so appointed is unwilling or unable to make such calculation, such calculation will be made by BancAmerica Robertson Stephens or, if such firm is unwilling or unable to make such calculation, by an independent investment banking institution of national standing appointed by the Trustee (in any such case, an "Independent Investment Banker").

For purposes of determining the Make-Whole Premium, "Treasury Yield" means a rate of interest per annum equal to the weekly average yield to maturity of United States Treasury Notes that have a constant maturity that corresponds to the remaining term to maturity of the bonds of the Ninety-fifth Series, calculated to the nearest 1/12th of a year (the "Remaining Term"). The Treasury Yield will be determined as of the third business day immediately preceding the applicable Redemption Date.

The weekly average yields of United States Treasury Notes will be determined by reference to the most recent statistical release published by the Federal Reserve Bank of New York and designated "H.15(519) Selected Interest Rates" or any successor release (the "H.15 Statistical Release"). If the H.15 Statistical Release sets forth a weekly average yield for the United States Treasury Notes having a constant

maturity that is the same as the Remaining Term, then the Treasury Yield will be equal to such weekly average yield. In all other cases, the Treasury Yield will be calculated by interpolation, on a straight-line basis, between the weekly average yields on the United States Treasury Notes that have a constant maturity closest to and greater than the Remaining Term and the United States Treasury Notes that have a constant maturity closest to and less than the Remaining Term (in each case as set forth in the H.15 Statistical Release). Any weekly average yields so calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200th of 1% or above being rounded upward. If weekly average yields for United States Treasury Notes are not available in the H.15 Statistical Release or otherwise, then the Treasury Yield will be calculated by interpolation of comparable rates selected by the Independent Investment Banker.

(III) At the option of the registered owner, any bonds of the Ninety-fifth Series, upon surrender thereof for cancellation at the office or agency of FPL in the Borough of Manhattan, The City of New York, together with a written instrument of transfer wherever required by FPL, duly executed by the registered owner or by his duly authorized attorney, shall (subject to the provisions of Section 12 of the Mortgage) be exchangeable for a like aggregate principal amount of bonds of the same series of other authorized denominations.

Bonds of the Ninety-fifth Series shall be transferable (subject to the provisions of Section 12 of the Mortgage) at the office or agency of FPL in the Borough of Manhattan, The City of New York.

Upon any exchange or transfer of bonds of the Ninety-fifth Series, FPL may make a charge therefor sufficient to reimburse it for any tax or taxes or other governmental charge, as provided in Section 12 of the Mortgage, but FPL hereby waives any right to make a charge in addition thereto for any exchange or transfer of bonds of the Ninety-fifth Series.

## ARTICLE II

### Dividend Covenant

SECTION 2. Section 3 of the Third Supplemental Indenture, as heretofore amended, is hereby further amended by inserting the words "or Ninety-fifth Series" immediately before the words "remain Outstanding".



### ARTICLE III

#### Miscellaneous Provisions

SECTION 3. Subject to the amendments provided for in this Ninety-eighth Supplemental Indenture, the terms defined in the Mortgage, as heretofore supplemented, shall, for all purposes of this Ninety-eighth Supplemental Indenture, have the meanings specified in the Mortgage, as heretofore supplemented.

SECTION 4. The holders of bonds of the Ninety-fifth Series consent that FPL may, but shall not be obligated to, fix a record date for the purpose of determining the holders of bonds of the Ninety-fifth Series entitled to consent to any amendment, supplement or waiver. If a record date is fixed, those persons who were holders at such record date (or their duly designated proxies), and only those persons, shall be entitled to consent to such amendment, supplement or waiver or to revoke any consent previously given, whether or not such persons continue to be holders after such record date. No such consent shall be valid or effective for more than 90 days after such record date.

SECTION 5. The Trustee hereby accepts the trust herein declared, provided, created or supplemented and agrees to perform the same upon the terms and conditions herein and in the Mortgage, as heretofore supplemented, set forth and upon the following terms and conditions:

The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Ninety-eighth Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made by FPL solely. In general, each and every term and condition contained in Article XVII of the Mortgage, as heretofore amended, shall apply to and form part of this Ninety-eighth Supplemental Indenture with the same force and effect as if the same were herein set forth in full with such omissions, variations and insertions, if any, as may be appropriate to make the same conform to the provisions of this Ninety-eighth Supplemental Indenture.

SECTION 6. Whenever in this Ninety-eighth Supplemental Indenture either of the parties hereto is named or referred to, this shall, subject to the provisions of Articles XVI and XVII of the Mortgage, as heretofore amended, be deemed to include the successors and assigns of such party, and all the covenants and agreements in this Ninety-eighth Supplemental Indenture contained by or on behalf of FPL, or by or on behalf of the Trustee, or either of them, shall, subject as aforesaid, bind and inure to the respective benefits of the respective successors and assigns of such parties, whether so expressed or not.

SECTION 7. Nothing in this Ninety-eighth Supplemental Indenture, expressed or implied, is intended, or shall be construed, to confer upon, or to give to, any person, firm or corporation, other than the parties hereto and the holders of the bonds and coupons Outstanding under the Mortgage, any right, remedy or claim under or by reason of this Ninety-eighth Supplemental Indenture or any covenant, condition, stipulation, promise or agreement hereof, and all the covenants, conditions, stipulations, promises and agreements in this Ninety-eighth Supplemental Indenture contained by or on behalf of FPL shall be for the sole and exclusive benefit of the parties hereto, and of the holders of the bonds and coupons Outstanding under the Mortgage.

SECTION 8. The Mortgage, as heretofore supplemented and amended and as supplemented hereby, is intended by the parties hereto, as to properties now or hereafter encumbered thereby and located within the State of Georgia, to operate and is to be construed as granting a lien only on such properties and not as a deed passing title thereto.

SECTION 9. This Ninety-eighth Supplemental Indenture shall be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, FPL has caused its corporate name to be hereunto affixed, and this instrument to be signed and sealed by its President or one of its Vice Presidents, and its corporate seal to be attested by its Secretary or one of its Assistant Secretaries for and in its behalf, and BANKERS TRUST COMPANY has caused its corporate name to be hereunto affixed, and this instrument to be signed and sealed by one of its Vice Presidents or Assistant Vice Presidents, and its corporate seal to be attested by one of its Assistant Vice Presidents or one of its Assistant Secretaries, all as of the day and year first above written.

FLORIDA POWER & LIGHT COMPANY

By: 

K. M. Davis

Vice President, Accounting, Controller  
and Chief Accounting Officer

9250 West Flagler Street

P. O. Box 029100

Miami, FL 33102

Attest:



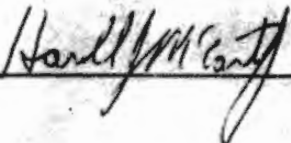
Dilek Samil

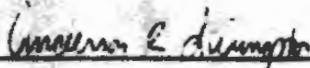
Treasurer and Assistant Secretary

700 Universe Boulevard

Juno Beach, FL 33408

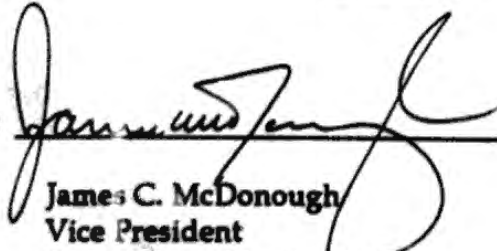
Executed, sealed and delivered by  
FLORIDA POWER & LIGHT COMPANY  
in the presence of:






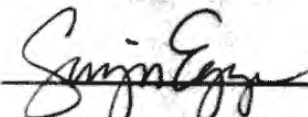

Bankers Trust Company,

As Trustee

By:   
 James C. McDonough  
 Vice President  
 Four Albany Street, 4th Floor  
 New York, NY 10006

Attest:   
 Scott F. Thiel  
 Assistant Vice President  
 Four Albany Street, 4th Floor  
 New York, NY 10006

Executed, sealed and delivered  
 by Bankers Trust Company  
 in the presence of:

STATE OF FLORIDA  
COUNTY OF PALM BEACH }  
SS.:

On the 11th day of June, in the year 1998, before me personally came K. M. Davis, to me known, who, being by me duly sworn, did depose and say that he resides at 1101 N.W. 115th Ave., Plantation, FL 33323; that he is the Vice President, Accounting, Controller and Chief Accounting Officer of FLORIDA POWER & LIGHT COMPANY, one of the corporations described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

I HEREBY CERTIFY, that on this 11th day of June, 1998 before me personally appeared K. M. Davis and Dilek Samil, respectively, the Vice President, Accounting, Controller and Chief Accounting Officer and the Treasurer and Assistant Secretary of FLORIDA POWER & LIGHT COMPANY, a corporation under the laws of the State of Florida, to me known to be the persons described in and who executed the foregoing instrument and severally acknowledged the execution thereof to be their free act and deed as such officers, for the uses and purposes therein mentioned; and that they affixed thereto the official seal of said corporation, and that said instrument is the act and deed of said corporation.

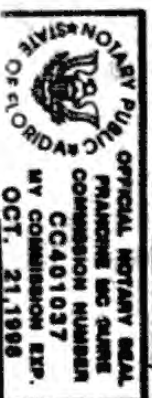
K. M. Davis and Dilek Samil produced Florida Driver's License No. D120-513-46-467-0 and Florida Driver's License No. S540-160-55-827-0 as identification, respectively.

Witness my signature and official seal at Juno Beach, in the County of Palm Beach, and State of Florida, the day and year last aforesaid.

*Prudence McNeill*  
Notary Public, State of Florida

Commission No. CC491037

My Commission Expires OCT. 21, 1998




State of New York           )  
   > ss:  
 County of New York        )

On the 11th of June, in the year 1998, before me personally came James C. McDonough, to me know, who, being by me duly sworn, did depose and say that he resides at 150 Draper Lane, Dobbs Ferry, New York; that he is a Vice President of Bankers Trust Company, one of the corporations described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

I Hereby Certify, that on this 11th day of June, before me personally appeared James C. McDonough and Scott F. Thiel, respectively, a Vice President and an Assistant Vice President of Bankers Trust Company, a corporation under the laws of the state of New York, to me known to be the persons described in and who executed the foregoing instrument and severally acknowledged the execution thereof to be their free act and deed as such officers, for the uses and purposes therein mentioned; and that they affixed thereto the official seal of said corporation, and that said instrument is the act and deed of said corporation.

James C. McDonough and Scott Thiel produced New York Driver's License No. 286 690 794 and New Jersey Driver's License No. T3441 69466 03654 as identification, respectively.

Witness my signature and official seal at New York City, in the County of New York, and State of New York, the day and year last aforesaid.

  
 Notary Public, State of New York  
 Commission No. \_\_\_\_\_  
 Qualified in \_\_\_\_\_ County  
 My Commission Expires \_\_\_\_\_

MATTHEW SHERMAN  
 Notary Public, State of New York  
 No. 01543087382  
 Qualified in Westchester Co.  
 Commission Expires

4/3/99





UNITED STATES 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, 1998**

OR

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

Commission File Number	Exact name of Registrants as specified in their charters, address of principal executive offices and Registrants' telephone number	IRS Employer Identification Number
1-8841	<b>FPL GROUP, INC.</b>	59-2449419
1-3545	<b>FLORIDA POWER &amp; LIGHT COMPANY</b> 700 Universal Boulevard Juno Beach, Florida 33408 (561) 694-4000	59-0247775

State or other jurisdiction of incorporation or organization: Florida

Name of exchange  
on which registered

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

FPL Group, Inc.: Common Stock, \$.01 Par Value and Preferred Share Purchase Rights  
Florida Power & Light Company: None

New York Stock Exchange

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

FPL Group, Inc.: None  
Florida Power & Light Company: Preferred Stock, \$100 Par Value

Indicate by check mark whether the registrants (1) have 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) have been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrants' knowledge in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Aggregate market value of the voting stock of FPL Group, Inc. held by non-affiliates as of January 31, 1999 (based on the closing market price on the Composite Tape on January 31, 1999) was \$9,678,529,053 (determined by subtracting from the number of shares outstanding on that date the number of shares held by directors and officers of FPL Group, Inc.).

There was no voting stock of Florida Power & Light Company held by non-affiliates as of January 31, 1999.

The number of shares outstanding of each class of FPL Group, Inc. common stock, as of the latest practicable date. Common Stock, \$.01 Par Value, outstanding at January 31, 1999: 180,334,935 shares

As of January 31, 1999, there were issued and outstanding 1,000 shares of Florida Power & Light Company's common stock, without par value, all of which were held, beneficially and of record, by FPL Group, Inc.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of FPL Group, Inc.'s Proxy Statement for the 1999 Annual Meeting of Shareholders are incorporated by reference in Part III hereof.

This combined Form 10-K represents separate filings by FPL Group, Inc. and Florida Power & Light Company. Information contained herein relating to an individual registrant is filed by that registrant on its own behalf. Florida Power & Light Company makes no representations as to the information relating to FPL Group, Inc.'s other operations.

## DEFINITIONS

Acronyms and defined terms used in the text include the following:

<u>Term</u>	<u>Meaning</u>
capacity clause	Capacity cost recovery clause
Central Maine	Central Maine Power Company
charter	Restated Articles of Incorporation, as amended, of FPL Group or FPL, as the case may be
conservation clause	Energy conservation cost recovery clause
DOE	U.S. Department of Energy
EMF	Electric and magnetic fields
environmental clause	Environmental compliance cost recovery clause
FDEP	Florida Department of Environmental Protection
FERC	Federal Energy Regulatory Commission
FGT	Florida Gas Transmission Company
FMPA	Florida Municipal Power Agency
FPL	Florida Power & Light Company
FPL Energy	FPL Energy, Inc.
FPL Group	FPL Group, Inc.
FPL Group Capital	FPL Group Capital Inc
FPSC	Florida Public Service Commission
fuel clause	Fuel and purchased power cost recovery clause
Holding Company Act	Public Utility Holding Company Act of 1935, as amended
IBEW	International Brotherhood of Electrical Workers
JEA	Jacksonville Electric Authority
kv	Kilovolt
kva	Kilovolt-ampere
kwh	Kilowatt-hour
Management's Discussion	Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
mortgage	FPL's Mortgage and Deed of Trust dated as of January 1, 1944, as supplemented and amended
mw	Megawatt(s)
NIEHS	National Institute of Environmental Health Sciences
Note ____	Note ____ to Consolidated Financial Statements
NRC	U.S. Nuclear Regulatory Commission
Nuclear Waste Policy Act	Nuclear Waste Policy Act of 1982
O&M expenses	Other operations and maintenance expenses in the Consolidated Statements of Income
Public Counsel	State of Florida Office of Public Counsel
PURPA	Public Utility Regulatory Policies Act of 1978, as amended
qualifying facilities	Non-utility power production facilities meeting the requirements of a qualifying facility under the PURPA
Reform Act	Private Securities Litigation Reform Act of 1995
ROE	Return on common equity
SJRPP	St. Johns River Power Park

## SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

In connection with the safe harbor provisions of the Reform Act, FPL Group and FPL (collectively, the Company) are hereby filing cautionary statements identifying important factors that could cause the Company's actual results to differ materially from those projected in forward-looking statements (as such term is defined in the Reform Act) made by or on behalf of the Company which are made in this combined Form 10-K, in presentations, in response to questions or otherwise. Any statements that express, or involve discussions as to expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as will likely result, are expected to, will continue, is anticipated, estimated, projection, outlook) are not statements of historical facts and may be forward-looking. Forward-looking statements involve estimates, assumptions and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Accordingly, any such statements are qualified in their entirety by reference to, and are accompanied by, the following important factors that could cause the Company's actual results to differ materially from those contained in forward-looking statements made by or on behalf of the Company.

Any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

Some important factors that could cause actual results or outcomes to differ materially from those discussed in the forward-looking statements include changing governmental policies and regulatory actions, including those of the FERC, the FPSC and the NRC, with respect to allowed rates of return including but not limited to ROE and equity ratio limits, industry and rate structure, operation of nuclear power facilities, acquisition, disposal, depreciation and amortization of assets and facilities, operation and construction of plant facilities, recovery of fuel and purchased power costs, decommissioning costs, and present or prospective wholesale and retail competition (including but not limited to retail wheeling and transmission costs).

The business and profitability of the Company are also influenced by economic and geographic factors including political and economic risks, changes in and compliance with environmental and safety laws and policies, weather conditions (including natural disasters such as hurricanes), population growth rates and demographic patterns, competition for retail and wholesale customers, pricing and transportation of commodities, market demand for energy from plants or facilities, changes in tax rates or policies or in rates of inflation, unanticipated development project delays or changes in project costs, unanticipated changes in operating expenses and capital expenditures, capital market conditions, competition for new energy development opportunities, legal and administrative proceedings (whether civil, such as environmental, or criminal) and settlements, and any unanticipated impact of the year 2000, including delays or changes in costs of year 2000 compliance, or the failure of major suppliers, customers and others with whom the Company does business to resolve their own year 2000 issues on a timely basis.

All such factors are difficult to predict, contain uncertainties which may materially affect actual results, and are beyond the control of the Company.

## PART I

### Item 1. Business

#### FPL GROUP

FPL Group is a public utility holding company, as defined in the Holding Company Act. It was incorporated in 1984 under the laws of Florida. FPL Group's principal subsidiary, FPL, is engaged in the generation, transmission, distribution and sale of electric energy. Other operations are conducted through FPL Group Capital and its subsidiaries and mainly consist of independent power projects. FPL Group and its subsidiaries employ 10,375 persons.

FPL Group is exempt from substantially all of the provisions of the Holding Company Act on the basis that FPL Group's and FPL's businesses are predominantly intrastate in character and carried on substantially in a single state in which both are incorporated.

#### FPL OPERATIONS

**General.** FPL was incorporated under the laws of Florida in 1925 and is a wholly-owned subsidiary of FPL Group. FPL supplies electric service throughout most of the east and lower west coasts of Florida with a population of approximately 7 million. During 1998, FPL served approximately 3.7 million customer accounts. Operating revenues were as follows:

	<u>Years Ended December 31</u>		
	<u>1998</u>	<u>1997</u>	<u>1996</u>
	(Millions of dollars)		
Residential .....	\$3,580	\$3,394	\$3,324
Commercial .....	2,239	2,222	2,116
Industrial .....	197	206	203
Other, including the net change in unbilled revenues ..	350	310	343
	<u>\$6,366</u>	<u>\$6,132</u>	<u>\$5,986</u>

**Regulation.** The retail operations of FPL provided approximately 99% of FPL's operating revenues for 1998. Such operations are regulated by the FPSC which has jurisdiction over retail rates, service territory, issuances of securities, planning, siting and construction of facilities and other matters. FPL is also subject to regulation by the FERC in various respects, including the acquisition and disposition of facilities, interchange and transmission services and wholesale purchases and sales of electric energy.

FPL's nuclear power plants are subject to the jurisdiction of the NRC. NRC regulations govern the granting of licenses for the construction and operation of nuclear power plants and subject such power plants to continuing review and regulation.

Federal, state and local environmental laws and regulations cover air and water quality, land use, power plant and transmission line siting, EMF from power lines and substations, noise and aesthetics, solid waste and other environmental matters. Compliance with these laws and regulations increases the cost of electric service by requiring, among other things, changes in the design and operation of existing facilities and changes or delays in the location, design, construction and operation of new facilities. Capital expenditures required to comply with environmental laws and regulations for 1999 through 2001 are included in FPL's projected capital expenditures set forth in Item 1. Business - FPL Operations - Capital Expenditures and are not material.

FPL holds franchises with varying expiration dates to provide electric service in various municipalities and counties in Florida. FPL considers its franchises to be adequate for the conduct of its business.

**Retail Ratemaking.** The underlying concept of utility ratemaking is to set rates at a level that allows the utility to collect from customers total revenues (revenue requirements) equal to its cost of providing service, including a reasonable rate of return on invested capital. To accomplish this, the FPSC uses various ratemaking mechanisms.

The basic costs of providing electric service, other than fuel and certain other costs, are recovered through base rates, which are designed to recover the costs of constructing, operating and maintaining the utility system. These basic costs include O&M expenses, depreciation and taxes, as well as a return on FPL's investment in assets used and useful in providing electric service (rate base). The rate of return on rate base approximates FPL's weighted cost of capital, which includes its costs for debt and preferred stock and an allowed ROE. FPL's allowed ROE range for 1998 was 11% to 13% with a midpoint of 12%. The FPSC monitors FPL's ROE through a surveillance report that is filed monthly by FPL with the FPSC. The FPSC does not provide assurance that the allowed ROE will be achieved. Base rates are determined in rate proceedings which occur at irregular intervals at the initiative of FPL, the FPSC, Public Counsel or a substantially affected party. FPL's last full rate proceeding was in 1984. In 1990, FPL's base rates were reduced following a change in federal income tax rates.



In December 1998, after negotiations between FPL and the FPSC staff, the FPSC issued a proposed order approving a settlement regarding FPL's allowed ROE, equity ratio and the special amortization program. Under the proposed settlement, beginning in 1999 FPL's allowed ROE range would be 10.2% to 12.2% with a midpoint of 11.2%. FPL agreed to a maximum adjusted equity ratio of 55.83% through 2000. The adjusted equity ratio reflected a discounted amount for off-balance sheet obligations under certain long-term purchase power contracts. See Note 9 - Contracts. The proposed settlement also extended the special amortization program through 2000 and modified the program to include an additional fixed amount of \$140 million per year in addition to the variable amount. FPL continues to record a \$30 million fixed nuclear amount under a previous FPSC order. In January 1999, several parties challenged the FPSC's proposed order. In mid-February 1999, FPL withdrew from the settlement agreement; the FPSC subsequently approved this withdrawal and concluded the proceeding. FPL is authorized to continue to record special amortization through 1999 in accordance with the extension of the special amortization program approved by the FPSC in 1997.

In January 1999, Public Counsel petitioned the FPSC to conduct a full rate proceeding for FPL and requested that certain revenues be held subject to refund. Other parties have requested participation with Public Counsel. The FPSC is scheduled to address Public Counsel's request in March 1999. FPL is unable to predict the outcome of this matter or any potential effect on its financial statements. See Management's Discussion - Results of Operations and Note 1 - Regulation.

Fuel costs totaled \$1.7 billion in 1998 and are recovered through levelized charges per kwh established pursuant to the fuel clause. These charges are calculated annually based on estimated fuel costs and estimated customer usage for the following year, plus or minus a true-up adjustment to reflect the variance of actual costs and usage from the estimates used in setting the fuel adjustment charges for prior periods.

Capacity payments to other utilities and generating companies for purchased power are recovered through the capacity clause and base rates. In 1998, \$423 million was recovered through the capacity clause. Costs associated with implementing energy conservation programs totaled \$99 million in 1998 and are recovered through the conservation clause. Costs of complying with federal, state and local environmental regulations enacted after April 1993 totaled \$19 million in 1998 and are recovered through the environmental clause to the extent not included in base rates.

The FPSC has the authority to disallow recovery of costs that it considers excessive or imprudently incurred. Such costs may include O&M expenses, the cost of replacing power lost when fossil and nuclear units are unavailable and costs associated with the construction or acquisition of new facilities.

**Competition.** The electric utility industry is facing increasing competitive pressure. FPL currently faces competition from other suppliers of electrical energy to wholesale customers and from alternative energy sources and self-generation for other customer groups, primarily industrial customers. In 1998, operating revenues from wholesale and industrial customers combined represented approximately 4% of FPL's total operating revenues. Various states, other than Florida, have either enacted legislation or are pursuing initiatives designed to deregulate the production and sale of electricity. By allowing customers to choose their electricity supplier, deregulation is expected to result in a shift from cost-based rates to market-based rates for energy production and other services provided to retail customers. Similar initiatives are also being pursued on the federal level. Although the legislation and initiatives vary substantially, common areas of focus include when market-based pricing will be available for wholesale and retail customers, what existing prudently incurred costs in excess of the market-based price will be recoverable and whether generation assets should be separated from transmission, distribution and other assets.

In the event the basis of regulation for some or all of FPL's business changes from cost-based regulation, existing regulatory assets and liabilities would be written off unless regulators specify an alternative means of recovery or refund. Further, other aspects of the business, such as generation assets and long-term power purchase commitments, would need to be reviewed to assess their recoverability in a changed regulatory environment. See Management's Discussion - Results of Operations and Note 1 - Regulation.

While legislators and state regulatory commissions will decide what impact, if any, competitive forces will have on retail transactions, the FERC has jurisdiction over potential changes which could affect competition in wholesale transactions. In 1993, FPL filed with the FERC a comprehensive revision of its service offerings in the wholesale market. FPL proposed changes to its wholesale sales tariffs for service to municipal and cooperatively-owned electric utilities and its power sharing (interchange) agreements with other utilities. A final decision by the FERC on this filing is pending.

FPL is a defendant in an antitrust suit filed by the FMPA. The complaint includes an alleged inability to utilize FPL's transmission facilities to wheel power. See Item 3, Legal Proceedings.

**System Capability and Load.** FPL's resources for serving load as of December 31, 1998 consisted of 18,509 mw, of which 16,326 mw are from FPL-owned facilities (see Item 2, Properties - Generating Facilities) and 2,183 mw are obtained through purchased power contracts. See Note 9 - Contracts. The compounded annual growth rate of retail kwh sales and retail



customers was 3.4% and 1.8%, respectively, for the three years ended December 31, 1998. It is anticipated that retail kwh sales will grow at a compounded annual rate of 2.1% for the next three years. FPL intends to repower the two Fort Myers units by the end of 2001, repower two of the three Sanford units by the end of 2002, and build three new gas-fired units, one of which will go in service in each of the years 2006, 2007 and 2008. These actions will increase FPL's power generating system by approximately 3,100 mw.

Customer usage and operating revenues are typically higher during the summer months largely due to the prevalent use of air conditioning in FPL's service territory. Occasionally extremely cold temperatures during the winter months result in unusually high electricity usage for a short period of time. From June 2, 1998 through June 5, 1998, FPL set four consecutive records for summertime peak demand, ranging from 17,156 mw to 17,897 mw. Adequate resources were available at the time of each peak to meet customer demand.

**Capital Expenditures.** FPL's capital expenditures totaled \$617 million in 1998, \$551 million in 1997 and \$474 million in 1996. Capital expenditures for the 1999-2001 period are expected to be approximately \$2.8 billion, including \$910 million in 1999. This estimate is subject to continuing review and adjustment, and actual capital expenditures may vary from this estimate. See Management's Discussion - Liquidity and Capital Resources.

**Nuclear Operations.** FPL owns and operates four nuclear units, two at St. Lucie and two at Turkey Point. The operating licenses for St. Lucie Units Nos. 1 and 2 expire in 2016 and 2023, respectively. The operating licenses for Turkey Point Units Nos. 3 and 4 expire in 2012 and 2013, respectively. In 1998, FPL informed the NRC of its intent to apply for a 20-year license renewal for Turkey Point Units Nos. 3 and 4. FPL expects to file the application with the NRC in approximately 2001. The nuclear units are periodically removed from service to accommodate normal refueling and maintenance outages, repairs and certain other modifications. A condition of the operating license for each unit requires an approved plan for decontamination and decommissioning. FPL's current plans provide for prompt dismantlement of the Turkey Point Units Nos. 3 and 4 with decommissioning activities commencing in 2012 and 2013, respectively. St. Lucie Unit No. 1 will be mothballed beginning in 2016 with decommissioning activities integrated with the prompt dismantlement of St. Lucie Unit No. 2 beginning in 2023. See estimated cost data in Note 1 - Decommissioning and Dismantlement of Generating Plant.

**Fuel.** FPL's generating plants use a variety of fuels. See Item 2. Properties - Generating Facilities and Note 9 - Contracts. The diverse fuel options, along with purchased power, enable FPL to shift between sources of generation to achieve an economical fuel mix. FPL's oil requirements are obtained under short-term contracts and in the spot market.

FPL has three contracts in place with FGT that satisfy substantially all of the anticipated needs for natural gas transportation. One of the contracts was executed in November 1998 to extend gas transportation to the Fort Myers plant and is subject to approval by the FERC. The three existing contracts expire in 2010, 2015 and 2021 but can be extended at FPL's option. To the extent desirable, FPL can also purchase interruptible gas transportation service from FGT based on pipeline availability. FPL has a 15-year firm natural gas supply contract at market rates with an affiliate of FGT to provide approximately two-thirds of FPL's anticipated needs for natural gas. The remainder of FPL's gas requirements will be purchased under other contracts and in the spot market.

FPL has, through its joint ownership interest in SJRPP Units Nos. 1 and 2, long-term coal supply and transportation contracts for a portion of the fuel needs for those units. All of the transportation requirements and a portion of the fuel supply needs for Scherer Unit No. 4 are covered by a series of annual and long-term contracts. The remaining fuel requirements will be obtained in the spot market.

FPL leases nuclear fuel for all four of its nuclear units. Currently, FPL is storing spent nuclear fuel on site and plans to provide adequate storage capacity for all of its spent nuclear fuel, pending its removal by the DOE. See Note 1 - Nuclear Fuel. Under the Nuclear Waste Policy Act, the DOE was required to construct permanent disposal facilities and take title to and provide transportation and disposal for spent nuclear fuel by January 31, 1998 for a specified fee based on current generation from nuclear power plants. Through 1998, FPL has paid approximately \$384 million in such fees to the DOE's Nuclear Waste Fund. The DOE did not meet its statutory obligation for disposal of spent nuclear fuel under the Nuclear Waste Policy Act. In 1997, a court ruled, in response to petitions filed by utilities, state governments and utility commissions, that the DOE could not assert a claim that its delay was unavoidable in any defense against lawsuits by utilities seeking money damages arising out of the DOE's failure to perform its obligations. There are no outstanding appeals relating to this matter. In 1998, FPL filed a lawsuit against the DOE seeking in excess of \$300 million in damages caused by the DOE's failure to dispose of spent nuclear fuel from FPL's nuclear power plants. The matter is pending.

**Energy Marketing and Trading.** FPL's Energy Marketing & Trading Division buys and sells wholesale energy commodities, such as natural gas and electric power. The division primarily procures natural gas for FPL's own use in power generation and sells excess electric power. Substantially all of the results of these activities are passed through to customers in the fuel or capacity clauses. The level of trading activity is expected to grow as FPL seeks to manage the risk associated with fluctuating fuel prices and increase value from its own power generation.

**Electric and Magnetic Fields.** In recent years, public, scientific and regulatory attention has been focused on possible adverse health effects of EMF. These fields are created whenever electricity flows through a power line or an appliance. Several

epidemiological (i.e., statistical) studies have suggested a linkage between EMF and certain types of cancer, including leukemia and brain cancer; other studies have been inconclusive, contradicted earlier studies or have shown no such linkage. Neither these epidemiological studies nor clinical studies have produced any conclusive evidence that EMF does or does not cause adverse health effects. In 1998, a working group of the NIEHS issued a report classifying EMF as a possible human carcinogen.

FPL is in compliance with the FDEP regulations regarding EMF levels within and at the edge of the rights of way for transmission lines. Future changes in the FDEP regulations could require additional capital expenditures by FPL for such things as increasing the right of way corridors or relocating or reconfiguring transmission facilities. It is not presently known whether any such expenditures will be required.

**Employees.** FPL had 9,845 employees at December 31, 1998. Approximately 35% of the employees are represented by the IBEW under a collective bargaining agreement with FPL expiring on October 31, 2000.

#### OTHER FPL GROUP OPERATIONS

**FPL Group Capital,** a wholly-owned subsidiary of FPL Group, holds the capital stock and provides funding for the operating subsidiaries other than FPL. At December 31, 1998, FPL Group Capital and its subsidiaries represented approximately 10% of FPL Group's total assets. The business activities of these companies primarily consist of independent power projects.

**FPL Energy.** FPL Energy, a wholly-owned subsidiary of FPL Group Capital, was formed in 1998 to aggregate the existing unregulated energy-related operations. FPL Energy's focus is on environmentally-favored generation including natural gas, wind, geothermal, solar and biomass.

FPL Energy's participation in the domestic energy market has evolved in recent years from non-controlling equity investments to a more active role that includes ownership, development, construction, management and operation of many projects. FPL Energy is actively involved in managing more than 90% of its projects. This active role is expected to continue as opportunities in the unregulated generation market are pursued. As of December 31, 1998, FPL Energy owned or had non-controlling ownership interests in operating independent power projects with a generating capacity of 1,878 mw. These projects are located in eight states and abroad with geographic concentration in California, Virginia and the Northeast.

Deregulation of the electricity utility market presents both opportunities and risks for FPL Energy. Opportunities exist for the selective acquisition of generation assets that are being divested under deregulation plans and for the construction and operation of efficient plants that can sell low-cost power in competitive markets. However, market-based pricing, competitive sources of supply and the reduced availability of long-term power sales agreements may result in fluctuations in revenues and earnings. Substantially all of the energy produced by FPL Energy's independent power projects is sold through long-term power sales agreements with utilities.

FPL Energy is a party to a contract to purchase all of Central Maine's non-nuclear generation assets for \$846 million. The contract is subject to a civil action initiated by FPL Energy. For more information see Item 3 - Legal Proceedings and Note 9.

#### EXECUTIVE OFFICERS OF THE REGISTRANTS (a)(b)

Name	Age	Position	Effective Date
James L. Broadhead	63	Chairman of the Board and Chief Executive Officer of FPL Group ....	May 8, 1990
Dennis P. Coyle	60	Chairman of the Board and Chief Executive Officer of FPL .....	January 15, 1990
		General Counsel and Secretary of FPL Group .....	June 1, 1991
K. Michael Davis	52	General Counsel and Secretary of FPL .....	July 1, 1991
		Controller and Chief Accounting Officer of FPL Group .....	May 13, 1991
		Vice President, Accounting, Controller and Chief Accounting Officer of FPL .....	July 1, 1991
Paul J. Evanston	57	President of FPL .....	January 9, 1995
Lawrence J. Kelleher	51	Vice President, Human Resources of FPL Group .....	May 13, 1991
		Senior Vice President, Human Resources of FPL .....	July 1, 1991
Thomas F. Plunkett	59	President, Nuclear Division of FPL .....	March 1, 1996
Dilek L. Samit	43	Treasurer of FPL Group .....	May 13, 1991
		Treasurer of FPL .....	July 1, 1991
C. O. Woody	60	President, Power Generation Division of FPL Group and FPL .....	January 15, 1998
Michael W. Yackira	47	President of FPL Energy, Inc. ....	January 15, 1998
Roger Young	55	President of FPL Group .....	February 15, 1999

- (a) Executive officers are elected annually by, and serve at the pleasure of, their respective boards of directors. Except as noted below, each officer has held his or her present position for five years or more and his or her employment history is continuous.
- (b) The business experience of the executive officers is as follows: Mr. Evanston was formerly vice president, finance and chief financial officer of FPL Group and senior vice president, finance and chief financial officer of FPL. Mr. Plunkett was site vice president at Turkey Point, Mr. Woody was senior vice president, power generation of FPL, and Mr. Yackira was vice president, finance and chief financial officer of FPL Group and senior vice president, finance and chief financial officer of FPL from January 1995 to January 1998. Prior to that, Mr. Yackira was senior vice president, market and regulatory services of FPL. Mr. Young was formerly chief executive officer of Scottish Hydro-Electric plc.

## Item 2. Properties

FPL Group and its subsidiaries maintain properties which are adequate for their operations. At December 31, 1998, the electric generating, transmission, distribution and general facilities of FPL represent 46%, 13%, 34% and 7%, respectively, of FPL's gross investment in electric utility plant in service.

**Generating Facilities.** As of December 31, 1998, FPL Group had the following generating facilities:

Facility	Location	No. of Units	Fuel	Net warm weather Peaking Capability (mw)
<b>FPL:</b>				
<b>STEAM TURBINES</b>				
Cape Canaveral .....	Cocoa, FL	2	Oil/Gas	800
Cutler .....	Miami, FL	2	Gas	215
Fort Myers .....	Fort Myers, FL	2	Oil	544
Manatee .....	Parrish, FL	2	Oil	1,590
Martin .....	Indiantown, FL	2	Oil/Gas	1,630
Port Everglades .....	Port Everglades, FL	4	Oil/Gas	1,241
Riviera .....	Riviera Beach, FL	2	Oil/Gas	580
St. Johns River Power Park .....	Jacksonville, FL	2	Coal/Petroleum Coke	260(a)
St. Lucie .....	Hutchinson Island, FL	2	Nuclear	1,553(b)
Sanford .....	Lake Monroe, FL	3	Oil/Gas	933
Scherer .....	Monroe County, GA	1	Coal	667(c)
Turkey Point .....	Florida City, FL	2	Oil/Gas	810
		2	Nuclear	1,386
<b>COMBINED-CYCLE</b>				
Lauderdale .....	Dania, FL	2	Gas/Oil	860
Martin .....	Indiantown, FL	2	Gas	875
Putnam .....	Palatka, FL	2	Gas/Oil	498
<b>COMBUSTION TURBINES</b>				
Fort Myers .....	Fort Myers, FL	12	Oil	612
Lauderdale .....	Dania, FL	24	Oil/Gas	840
Port Everglades .....	Port Everglades, FL	12	Oil/Gas	420
<b>DIESEL UNITS</b>				
Turkey Point .....	Florida City, FL	5	Oil	12
Total FPL .....				16,326
FPL Energy .....	Various(d)	N/M	(e)	1,878(f)
TOTAL .....				18,204

(a) Represents FPL's 20% individual ownership interest in SJRPP Units Nos. 1 and 2, which are jointly owned with the JEA.

(b) Excludes Orlando Utilities Commission's and the FMPA's combined share of approximately 15% of St. Lucie Unit No. 2.

(c) Represents FPL's approximately 76% ownership of Scherer Unit No. 4, which is jointly owned with the JEA.

(d) Approximately 697 mw in Virginia, 629 mw in California, 150 mw in New Jersey, 150 mw in Massachusetts, 150 mw in four other states and 102 mw abroad.

(e) Approximately 61% gas, 18% wind, 8% solar, 8% geothermal, 8% coal and 2% other.

(f) Represents FPL Energy's ownership interest and excludes projects under construction.

N/M - Not meaningful

**Transmission and Distribution.** FPL owns and operates 480 substations with a total capacity of 105,535,440 kva. Electric transmission and distribution lines owned and in service as of December 31, 1998 are as follows:

Nominal Voltage	Overhead Lines Pole Miles	Trench and Submarine Cable Miles
500 kv .....	1,107(a)	-
230 kv .....	2,198	31
138 kv .....	1,426	48
115 kv .....	671	-
69 kv .....	166	11
Less than 69 kv .....	39,510	20,696
Total .....	45,078	20,786

(a) Includes approximately 80 miles owned jointly with the JEA.

**Character of Ownership.** Substantially all of FPL's properties are subject to the lien of FPL's mortgage, which secures most debt securities issued by FPL. The principal properties of FPL Group are held by FPL 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. Some of FPL's electric lines are located on land not owned in fee but are covered by necessary consents of governmental authorities or rights obtained from owners of private property.



### Item 3. Legal Proceedings

In 1991, FPL entered into 30-year power purchase agreements with two qualifying facilities (as defined by PURPA) located in Palm Beach County, Florida. The power plants, which have a total generating capacity of 125 mw, were intended to sell capacity and energy to FPL and to provide steam to sugar processors. The plants were to be fueled by bagasse (sugar cane waste) and wood waste. Construction of the plants was funded, in part, through the sale of \$288.5 million of solid waste industrial development revenue bonds (the bonds). The plants are owned by Okeelanta Power Limited Partnership (Okeelanta); Osceola Power Limited Partnership (Osceola); Flo-Energy Corp.; Glades Power Partnership; Gator Generating Company, Limited Partnership; and Lake Power Leasing Partnership (collectively, the partnerships).

In January 1997, FPL filed a complaint against Okeelanta and Osceola in the Circuit Court for Palm Beach County, Florida, seeking an order declaring that FPL's obligations under the power purchase agreements were rendered of no force and effect because the power plants failed to accomplish commercial operation before January 1, 1997, as required by the agreements. In November 1997, the complaint was amended to include the partnerships.

The partnerships filed for bankruptcy under Chapter XI of the U.S. Bankruptcy Code in May 1997 and ceased all attempts to operate the power plants in September 1997. In November 1997, the partnerships entered into an agreement with the holders of more than 70% of the bonds. This agreement gives the holders of a majority of the principal amount of the bonds (the majority bondholders) the right to control, fund and manage any litigation against FPL and the right to settle with FPL on any terms such majority bondholders approve, provided that certain agreements with sugar processors are not affected and certain other conditions are met.

In January 1998, the partnerships (through the attorneys for the majority bondholders) filed an answer denying the allegations in FPL's complaint and asserting a counterclaim for approximately \$2 billion of actual damages, consisting of all capacity payments that could have been made over the 30-year term of the power purchase agreements plus some security deposits. The partnerships also seek three times their actual damages for alleged violations of Florida antitrust laws, plus attorneys' fees. In October 1998, the court dismissed all of the partnerships' antitrust claims against FPL. The partnerships have since moved for summary judgment on FPL's claims against them.

In December 1991, the FMPA, an organization comprised of municipal electric utilities operating in the state, filed a suit against FPL in the Circuit Court of the Ninth Judicial Circuit in Orange County, Florida. The suit was subsequently removed to the U.S. District Court for the Middle District of Florida. The FMPA alleges that FPL is in breach of a "contract," consisting of several different documents, by refusing to provide transmission service to the FMPA and its members on the FMPA's terms. The FMPA also alleges that FPL has violated federal and Florida antitrust laws by monopolizing or attempting to monopolize the provision, coordination and transmission of electric power in FPL's area of operation by refusing to provide transmission service or to permit the FMPA to invest in and use FPL's transmission system on the FMPA's proposed terms. The FMPA seeks \$140 million in damages, before trebling for the antitrust claim, and asks the court to require FPL: to transmit electric power among the FMPA and its members on "reasonable terms and conditions"; to permit the FMPA to contribute to and use FPL's transmission system on "reasonable terms and conditions"; and to recognize the FMPA transmission investments as part of FPL's transmission system such that the FMPA can obtain transmission on a basis equivalent to FPL or, alternatively, to provide transmission service equivalent to such FMPA transmission ownership. In 1993, the District Court granted summary judgment in favor of FPL. In 1995, the U.S. Court of Appeals for the Eleventh Circuit vacated the District Court's summary judgment and remanded the matter to the District Court for further proceedings. In 1996, the District Court ordered the FMPA to seek a declaratory ruling from the FERC regarding certain issues in the case. In November 1998, the FERC declined to make the required ruling in the FMPA case. The District Court has yet to act further.

In the event that FPL Group or FPL does not prevail in these suits, there may be a material adverse effect on their financial statements. However, FPL Group and FPL believe that they have meritorious defenses to the litigation to which they are parties and are vigorously defending these suits. Accordingly, the liabilities, if any, arising from these proceedings are not anticipated to have a material adverse effect on their financial statements.

In November 1989, Johnson Enterprises of Jacksonville, Inc. (Johnson Enterprises) filed suit in the U.S. Court for the Middle District of Florida against FPL Group, FPL Group Capital and Telesat Cablevision, Inc. (Telesat), a subsidiary of FPL Group Capital. The suit alleged breach of contract, fraud, violation of racketeering statutes and several other claims. Plaintiff claimed more than \$24 million in compensatory damages, treble damages under racketeering statutes, punitive damages and attorneys' fees. In December 1998, the U.S. Court of Appeals for the Eleventh Circuit affirmed the District Court's judgment in favor of FPL Group and Telesat on nine of twelve counts, including all of the racketeering and fraud claims, and in favor of FPL Group Capital on all counts; reversed the District Court and directed it to enter judgment in favor of FPL Group on Johnson Enterprise's breach of contract and tortious interference claims; and vacated the approximately \$6 million damages award against Telesat for breach of contract and directed the District Court to enter judgment for Johnson Enterprises for nominal damages no greater than one dollar. No appeal was filed and all appeal periods have expired.

In November 1998, a subsidiary of FPL Energy filed a civil action with the U.S. District Court for the Southern District of New York requesting a declaratory judgment that Central Maine cannot meet essential terms of the agreement with FPL Energy's subsidiary regarding the purchase of Central Maine's non-nuclear generating assets. FPL Group believes that recent FERC rulings regarding transmission prevent Central Maine from delivering on its contractual obligation that FPL Energy's subsidiary be able to operate the power plants in a manner that is substantially consistent with Central Maine's historical operation of the assets. FPL Group believes the FERC rulings constitute a material adverse effect under the purchase agreement and that FPL Energy's subsidiary should therefore not be bound to complete the transaction. The trial is scheduled for March 1999.

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

None

**PART II**

**Item 5. Market for the Registrants' Common Equity and Related Stockholder Matters**

**Common Stock Data.** All of FPL's common stock is owned by FPL Group. FPL Group's common stock is traded on the New York Stock Exchange. The high and low sales prices for the common stock of FPL Group as reported in the consolidated transaction reporting system of the New York Stock Exchange for each quarter during the past two years are as follows:

QUARTER	1998		1997	
	High	Low	High	Low
First .....	\$65 3/16	\$56 1/16	\$46 3/4	\$43 5/8
Second .....	\$65 5/8	\$58 11/16	\$48 1/8	\$42 5/8
Third .....	\$70	\$59 11/16	\$51 9/16	\$45 1/2
Fourth .....	\$72 9/16	\$60 1/2	\$60	\$49 1/2

**Approximate Number of Stockholders.** As of the close of business on January 31, 1999, there were 54,655 holders of record of FPL Group's common stock.

**Dividends.** Quarterly dividends have been paid on common stock of FPL Group during the past two years in the following amounts:

QUARTER	1998	1997
First .....	\$.50	\$.48
Second .....	\$.50	\$.48
Third .....	\$.50	\$.48
Fourth .....	\$.50	\$.48

The amount and timing of dividends payable on FPL Group's common stock are within the sole discretion of FPL Group's board of directors. The board of directors reviews the dividend rate at least annually (in February) to determine its appropriateness in light of FPL Group's financial position and results of operations, legislative and regulatory developments affecting the electric utility industry in general and FPL in particular, competitive conditions and any other factors the board deems relevant. The ability of FPL Group to pay dividends on its common stock is dependent upon dividends paid to it by its subsidiaries, primarily FPL. There are no restrictions in effect that currently limit FPL's ability to pay dividends to FPL Group. See Management's Discussion - Liquidity and Capital Resources and Note 4 - Common Stock Dividend Restrictions regarding dividends paid by FPL to FPL Group.



## Item 6. Selected Financial Data

	Years Ended December 31				
	1998	1997	1996	1995	1994
<b>SELECTED DATA OF FPL GROUP</b> (Millions of Dollars, except per share amounts):					
Operating revenues	\$ 6,661	\$ 6,369	\$ 6,037	\$ 5,592	\$ 5,423
Net income	\$ 664	\$ 618	\$ 579	\$ 553	\$ 519
Earnings per share of common stock(a)	\$ 3.85	\$ 3.57	\$ 3.33	\$ 3.16	\$ 2.91
Dividends paid per share of common stock	\$ 2.00	\$ 1.92	\$ 1.84	\$ 1.76	\$ 1.88
Total assets	\$12,029	\$12,449	\$12,219	\$12,459	\$12,618
Long-term debt, excluding current maturities	\$ 2,347	\$ 2,949	\$ 3,144	\$ 3,377	\$ 3,864
Obligations of FPL under capital lease, excluding current maturities	\$ 146	\$ 186	\$ 182	\$ 179	\$ 186
Preferred stock of FPL with sinking fund requirements, excluding current maturities	\$ -	\$ -	\$ 42	\$ 50	\$ 94
Energy sales (millions of kwh)(b)	91,041	84,642	80,889	79,756	77,096
<b>SELECTED DATA OF FPL (Millions of Dollars):</b>					
Operating revenues	\$ 6,366	\$ 6,132	\$ 5,986	\$ 5,530	\$ 5,343
Net income available to FPL Group	\$ 616	\$ 608	\$ 591	\$ 568	\$ 529
Total assets	\$10,748	\$11,172	\$11,531	\$11,751	\$11,821
Long-term debt, excluding current maturities	\$ 2,191	\$ 2,420	\$ 2,981	\$ 3,094	\$ 3,581
Energy sales (millions of kwh)	89,362	82,734	80,889	79,756	77,096
Energy sales:					
Residential	50.9%	50.6%	51.1%	50.8%	50.2%
Commercial	38.8	39.8	38.6	38.5	38.8
Industrial	4.4	4.7	4.7	4.9	5.0
Interchange power sales	3.2	2.1	2.6	1.6	2.5
Other(c)	2.7	2.8	3.0	4.2	3.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Approximate 60-minute net peak served (mw)(d):					
Summer season	17,897	16,613	16,064	15,813	15,179
Winter season	16,802	13,047	16,490	18,096	16,563
Average number of customer accounts (thousands):					
Residential	3,266	3,209	3,153	3,097	3,038
Commercial	397	389	381	374	366
Industrial	15	15	15	15	16
Other	2	3	2	3	2
Total	3,680	3,616	3,551	3,489	3,422
Average price per kwh sold (cents)(e)	7.01	7.29	7.29	6.83	6.82

(a) Basic and assuming dilution.

(b) Includes consolidated entities only from the date of consolidation.

(c) Includes the net change in unbilled sales.

(d) The winter season includes November and December of the current year and January through March of the following year.

(e) Includes the net change in unbilled and cost recovery clause revenues.

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

### Results of Operations

During 1998, FPL Group, Inc. (FPL Group) achieved net income and earnings per share growth of 7.4% and 7.8%, respectively, compared to 1997 growth rates of 6.7% and 7.2%. The growth reflects better operating results from FPL Energy, Inc.'s (FPL Energy) independent power projects, primarily from its natural gas-fired projects.

Florida Power & Light Company's (FPL) operating revenues and net income represent approximately 96% and 93% of the corresponding amounts of FPL Group. Approximately 20% of the 1998 growth in earnings per share was provided by FPL. FPL's growth was primarily associated with an increase in total kilowatt-hour (kwh) sales and lower interest charges and preferred stock dividends. Offsetting these items were higher depreciation and other operations and maintenance (O&M) expenses.

FPL's operating revenues consist primarily of revenues from base rates, cost recovery clauses and franchise fees. Revenues from FPL's base rates were \$3.7 billion, \$3.5 billion and \$3.4 billion in 1998, 1997 and 1996, respectively. There were no changes in base rates during those years. Revenues from cost recovery clauses and franchise fees represent a pass-through of costs and do not significantly affect net income. Fluctuations in these revenues are primarily driven by changes in energy sales, fuel prices and capacity charges.

FPL's retail customer accounts increased 1.8% for the third consecutive year. In 1998 and 1997, warmer weather contributed to an increase in retail customer usage of 4.8% and 1.2%, respectively. Together these factors and changes in sales to other utilities contributed to an increase in FPL's total energy sales of 8.0%, 2.3% and 1.4% in 1998, 1997 and 1996, respectively.

The Florida Public Service Commission (FPSC) regulates FPL's retail sales, which represent approximately 95% of FPL Group's total operating revenues. FPL reported a retail regulatory return on common equity (ROE) of 12.6%, 12.3% and

12.1% in 1998, 1997 and 1996, respectively. FPL's allowed ROE range for 1996 through 1998 was 11% to 13% with a midpoint of 12%. In December 1998, after negotiations between FPL and the FPSC staff, the FPSC issued a proposed order approving a settlement regarding FPL's allowed ROE, equity ratio and the special amortization program. Under the proposed settlement, beginning in 1999 FPL's allowed ROE range would be 10.2% to 12.2% with a midpoint of 11.2%. FPL agreed to a maximum adjusted equity ratio of 55.83% through 2000. The adjusted equity ratio reflected a discounted amount for off-balance sheet obligations under certain long-term purchase power contracts. See Note 9 - Contracts. The proposed settlement also extended the special amortization program through 2000 and modified the program to include an additional fixed amount of \$140 million per year in addition to the variable amount. FPL continues to record a \$30 million fixed nuclear amount under a previous FPSC order. In January 1999, several parties challenged the FPSC's proposed order. In mid-February 1999, FPL withdrew from the settlement agreement; the FPSC subsequently approved this withdrawal and concluded the proceeding. FPL is authorized to continue to record special amortization through 1999 in accordance with the extension of the special amortization program approved by the FPSC in 1997.

In January 1999, the State of Florida Office of Public Counsel (Public Counsel) petitioned the FPSC to conduct a full rate proceeding for FPL and requested that certain revenues be held subject to refund. Other parties have requested participation with Public Counsel. The FPSC is scheduled to address Public Counsel's request in March 1999. FPL is unable to predict the outcome of this matter or any potential effect on its financial statements. See Note 1 - Regulation.

FPL Group's 1998 operating revenues reflect the receipt by an independent power project of a settlement relating to a contract dispute. Beginning in 1997, FPL Group's operating revenues, energy sales and fuel, purchased power and interchange expense include the effects of consolidating some independent power projects.

O&M expenses increased in 1998, primarily as a result of additional costs associated with improving the service reliability of FPL's distribution system. Partly offsetting the higher distribution expenses were lower nuclear maintenance costs and conservation clause expenses. Conservation clause expenses are essentially a pass-through and do not affect net income. In 1997, additional costs associated with the conservation clause and higher distribution system maintenance costs were partially offset by a slight decline in nuclear refueling and lower payroll-related costs.

The increases in depreciation and amortization expense are primarily the result of the FPSC-approved special amortization program. Pursuant to the FPSC-approved special amortization program, FPL records as depreciation and amortization expense a fixed amount of \$30 million per year for nuclear assets. FPL also records under this program variable amortization based on the actual level of retail base revenues compared to a fixed amount. The variable amounts recorded in 1998, 1997 and 1996 were \$348 million, \$169 million and \$130 million, respectively. These variable amounts include, as depreciation and amortization expense, \$161 million, \$169 million and \$20 million, respectively, for amortization of regulatory assets. The remaining variable amounts were applied against nuclear and fossil production assets. Amortization of debt reacquisition costs, a regulatory asset, was completed in 1998. In addition to amounts recorded under the special amortization program in 1998, 1997 and 1996, FPL amortized \$24 million, \$22 million and \$28 million, respectively, of plant-related regulatory assets deferred since FPL's last rate case in 1984. Amortization of plant-related regulatory assets was completed in 1998. In 1998 and 1997, the FPSC approved higher depreciation rates for certain assets which resulted in additional depreciation of \$26 million and \$31 million, respectively.

The 1998 increase in FPL Group's interest charges reflects the cost of terminating agreements designed to fix interest rates. This was partially offset by lower interest charges and preferred stock dividends at FPL, which reflect the impact of reducing debt and preferred stock balances. FPL Group has reduced these balances, net of commercial paper increases, over the past three years by \$1.0 billion (\$1.1 billion for FPL). In 1997, additional debt was assumed as a result of FPL Energy's portfolio restructuring and expansion resulting in higher interest charges at FPL Group.

Improved results in 1998 from independent power partnerships contributed to an increase in the non-operating line other-net of FPL Group. Also reflected in other-net for FPL Group is the December 1998 loss from the sale of Turner Foods Corporation's (Turner) assets. Turner was an agricultural subsidiary of FPL Group Capital Inc (FPL Group Capital) which owned and operated citrus groves in Florida. The loss of Turner's revenues as a result of the sale will not have a significant effect on FPL Group's future operating revenues or net income.

FPL Group's 1998 lower effective income tax rate reflects adjustments relating to prior years' tax matters, including the resolution of an audit issue with the Internal Revenue Service. The effective income tax rates in 1997 and 1996 reflect increased amortization of FPL's deferred investment tax credits due to the special amortization program and adjustments relating to prior years' tax matters.

The electric utility industry is facing increasing competitive pressure. FPL currently faces competition from other suppliers of electrical energy to wholesale customers and from alternative energy sources and self-generation for other customer groups, primarily industrial customers. In 1998, operating revenues from wholesale and industrial customers combined represented approximately 4% of FPL's total operating revenues. Since there is no deregulation proposal currently under consideration in

Florida, FPL is unable to predict what impact would result from a change to a more competitive environment or when such a change might occur. Various states, other than Florida, have either enacted legislation or are pursuing initiatives designed to deregulate the production and sale of electricity. Deregulation related activities are also being pursued on the federal level. See Note 1 - Regulation. Deregulation of the electricity utility market presents both opportunities and risks for FPL Energy. Opportunities exist for the selective acquisition of generation assets that are being divested under deregulation plans and for the construction and operation of efficient plants that can sell low-cost power in competitive markets. However, market-based pricing, competitive sources of supply and the reduced availability of long-term power sales agreements may result in fluctuations in revenues and earnings. Substantially all of the energy produced by FPL Energy's independent power projects is sold through long-term power sales agreements with utilities.

FPL Group is continuing to work to resolve the potential impact of the year 2000 on the processing of information by its computer systems. A multi-phase plan has been developed consisting of inventorying potential problems, assessing what will be required to address each potential problem, taking the necessary action to fix each problem, testing to see that the action taken did result in year 2000 readiness and implementing the required solution. The inventory and assessment of the information technology infrastructure, computer applications and computerized processes embedded in operating equipment has been completed and approximately 80% of the necessary modifications have been tested and implemented. FPL Group's efforts to assess the year 2000 readiness of third parties include surveying important suppliers. Meetings are being conducted with sole source and certain suppliers. Results of our supplier readiness assessment are being considered in the development of our contingency plans to help ensure that critical supplies are not interrupted, that large customers are able to receive power and that transactions with or processed by financial institutions will occur as intended. FPL Group is on schedule with its multi-phase plan and all phases are expected to be completed by mid-1999, except for confirmatory testing at St. Lucie Unit No. 1, which will be completed during a scheduled refueling outage beginning October 1999. The estimated cost of addressing year 2000 issues is not expected to exceed \$50 million, of which approximately 40% had been spent through December 31, 1998. Approximately 80% of the total estimate is for the multi-phase plan. The remainder is an estimate for project and inventory contingencies. The majority of these costs represent the redeployment of existing resources and, therefore, are not expected to have a significant effect on O&M expenses.

At this time, FPL Group believes that the most reasonably likely worst case scenarios relating to the year 2000 could include a temporary disruption of service to customers, caused by a potential disruption in fuel supply, water supply and telecommunications, as well as transmission grid disruptions caused by other companies whose electrical systems are interconnected with FPL. FPL Group's year 2000 contingency planning is currently underway to address risk scenarios at the operating level (such as generation, transmission and distribution), as well as at the business level (such as customer service, procurement and accounting). These plans are intended to mitigate both internal risks and potential risks in FPL Group's supply chain. Contingency plans are expected to be completed by mid-1999, allowing the second half of 1999 for communication and training. In addition to preparing internal contingency plans, FPL also participated in the development of the state's electric grid contingency plans and expects to participate in national drills during 1999 that are designed to test various operating risk scenarios.

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. (FAS) 133, "Accounting for Derivative Instruments and Hedging Activities." The statement establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. FPL Group and FPL are currently assessing the effect, if any, on their financial statements of implementing FAS 133. FPL Group and FPL will be required to adopt the standard in 2000.

In January 1999, an FPL Group Capital subsidiary sold 3.5 million common shares of Adelphia Communications Corporation stock resulting in an after-tax gain of approximately \$99 million. An agreement was also reached to sell FPL Group Capital's one-third interest in a limited partnership. While the terms have not been finalized, the sale of the limited partnership interest is expected to have a positive effect on FPL Group's results of operations.

#### Liquidity and Capital Resources

FPL Group's primary capital requirements consist of expenditures to meet increased electricity usage and customer growth of FPL. Capital expenditures of FPL for the 1999-2001 period are expected to be approximately \$2.8 billion, including \$910 million in 1999. The increase in FPL Group's 1998 capital expenditures reflects the investment in two power plants in the Northeast, while the increase in FPL's 1998 capital expenditures is primarily the result of improving distribution system reliability. FPL Group Capital and its subsidiaries have guaranteed approximately \$305 million of purchase power agreement obligations, debt service payments and other payments subject to certain contingencies. FPL Energy is a party to a contract to purchase all of Central Maine Power Company's non-nuclear generation assets for \$840 million. The contract is subject to a civil action initiated by FPL Energy. See Note 9 - Commitments and Contingencies.

Debt maturities of FPL Group's subsidiaries will require cash outflows of approximately \$671 million (\$525 million for FPL) through 2003, including \$359 million (\$230 million for FPL) in 1999. It is anticipated that cash requirements for FPL's capital expenditures, energy-related investments and debt maturities in 1999 will be satisfied with internally generated funds and debt issuances. Any internally generated funds not required for capital expenditures and current maturities may be used to reduce outstanding debt or common stock, or for investment. Any temporary cash needs will be met by short-term bank borrowings. In January 1999, FPL Group Capital redeemed \$125 million of its 7 5/8% debentures. Bank lines of credit currently available to FPL Group and its subsidiaries aggregate \$1.9 billion (\$900 million for FPL).

During 1998, FPL Group repurchased 1.0 million shares of common stock under the 10 million share repurchase program. As of December 31, 1998, FPL Group may repurchase an additional 8.3 million shares under this program.

FPL self-insures for damage to certain transmission and distribution properties and maintains a funded storm reserve to reduce the financial impact of storm losses. The balance of the storm fund reserve at December 31, 1998 was \$259 million. Bank lines of credit of \$300 million, included in the \$1.9 billion above, are also available if needed to provide cash for storm restoration costs. The FPSC has indicated that it would consider future storm losses in excess of the funded reserve for possible recovery from customers.

In 1996, the FASB issued an exposure draft on accounting for obligations associated with the retirement of long-lived assets. The method proposed by the FASB in the exposure draft would require the present value of estimated future cash flows to decommission FPL's nuclear power plants and dismantle its fossil plants to be recorded as an increase to asset balances and as a liability. Under that proposal, it is anticipated that there will be no effect on cash flows and, because of the regulatory treatment, there will be no significant effect on net income. The matter has been restudied by the FASB and another exposure draft is scheduled to be issued in 1999.

FPL's charter and mortgage contain provisions which, under certain conditions, restrict the payment of dividends and the issuance of additional unsecured debt, first mortgage bonds and preferred stock. Given FPL's current financial condition and level of earnings, expected financing activities and dividends are not affected by these limitations.

#### Market Risk Sensitivity

Substantially all financial instruments and positions held by FPL Group and FPL described below are held for purposes other than trading.

**Interest rate risk** - The special use funds of FPL include restricted funds set aside to cover the cost of storm damage and for the decommissioning of FPL's nuclear power plants. A portion of these funds is invested in fixed income debt securities carried at their market value of approximately \$650 million and \$640 million at December 31, 1998 and 1997, respectively. Adjustments to market value result in a corresponding adjustment to the related liability accounts based on current regulatory treatment. Because the funds set aside for storm damage could be needed at any time, the related investments are generally more liquid and, therefore, are less sensitive to changes in interest rates. The nuclear decommissioning funds, in contrast, are generally invested in longer-term securities, as decommissioning activities are not expected to begin until at least 2012. Market risk associated with all of these securities is estimated as the potential loss in fair value resulting from a hypothetical 10% increase in interest rates and amounts to \$17 million and \$19 million at December 31, 1998 and 1997, respectively.

The fair value of FPL Group's and FPL's long-term debt is also affected by changes in interest rates. The following presents the sensitivity of the fair value of debt and interest rate swap agreements to a hypothetical 10% decrease in interest rates:

	1998			1997		
	Carrying Value	Fair Value	Hypothetical Increase in Fair Value(a) (Millions of Dollars)	Carrying Value	Fair Value	Hypothetical Increase in Fair Value(a)
Long-term debt of FPL	\$2,421	\$2,505(b)	\$ 54	\$2,600	\$2,679(b)	\$ 92
Long-term debt of FPL Group	\$2,706	\$2,797(b)	\$ 63	\$3,147	\$3,236(b)	\$103
Interest rate swap agreements of FPL Group	\$ -	\$ -(c)	\$ -	\$ -	\$ 31(c)	\$ 6

(a) Calculated based on the change in discounted cash flow.

(b) Based on quoted market prices for these or similar issues.

(c) Based on the estimated cost to terminate the agreements. The agreements were terminated in 1996.

While a decrease in interest rates would increase the fair value of debt, it is unlikely that events that would result in a realized loss will occur.

**Equity price risk** - Included in the special use funds of FPL are marketable equity securities carried at their market value of approximately \$556 million and \$367 million at December 31, 1998 and 1997, respectively. A hypothetical 10% decrease in the prices quoted by stock exchanges would result in a \$56 million and \$37 million reduction in fair value and corresponding adjustment to the related liability accounts based on current regulatory treatment at December 31, 1998 and 1997, respectively.



*Other risks* - Under current cost-based regulation, FPL's cost of fuel is recovered through the fuel and purchased power cost recovery clause (fuel clause), with no effect on earnings. FPL's Energy Marketing & Trading Division buys and sells wholesale energy commodities, such as natural gas and electric power. The division primarily procures natural gas for FPL's own use in power generation and sells excess electric power. Substantially all of the results of these activities are passed through to customers in the fuel or capacity cost recovery clauses. The level of trading activity is expected to grow as FPL seeks to manage the risk associated with fluctuating fuel prices and increase value from its own power generation. At December 31, 1998, there were no material open positions in these activities.

**Item 7a. Quantitative and Qualitative Disclosures About Market Risk**

See Management's Discussion - Market Risk Sensitivity



**Item 8. Financial Statements and Supplementary Data**

**INDEPENDENT AUDITORS' REPORT**

**FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY:**

We have audited the consolidated financial statements of FPL Group, Inc. and of Florida Power & Light Company, listed in the accompanying index at Item 14(a)1 of this Annual Report (Form 10-K) to the Securities and Exchange Commission for the year ended December 31, 1998. These financial statements are the responsibility of the respective company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of FPL Group, Inc. and Florida Power & Light Company at December 31, 1998 and 1997 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP  
Certified Public Accountants

Miami, Florida  
February 12, 1999

**FPL GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(In millions, except per share amounts)

	Years Ended December 31,		
	1998	1997	1996
OPERATING REVENUES .....	\$6,661	\$6,369	\$6,037
OPERATING EXPENSES:			
Fuel, purchased power and interchange .....	2,244	2,255	2,131
Other operations and maintenance .....	1,284	1,231	1,189
Depreciation and amortization .....	1,284	1,061	960
Taxes other than income taxes .....	597	594	586
Total operating expenses .....	5,409	5,141	4,866
OPERATING INCOME .....	1,252	1,228	1,171
OTHER INCOME (DEDUCTIONS):			
Interest charges .....	(322)	(291)	(267)
Preferred stock dividends - FPL .....	(15)	(19)	(24)
Other - net .....	28	4	(7)
Total other deductions - net .....	(309)	(306)	(298)
INCOME BEFORE INCOME TAXES .....	943	922	873
INCOME TAXES .....	279	304	294
NET INCOME .....	\$ 664	\$ 618	\$ 579
Earnings per share of common stock (basic and assuming dilution) .....	\$3.85	\$3.57	\$3.33
Dividends per share of common stock .....	\$2.00	\$1.92	\$1.84
Average number of common shares outstanding .....	173	173	174

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

**FPL GROUP, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(Millions of Dollars)

	December 31	
	1998	1997
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
Electric utility plant in service and other property .....	\$17,592	\$17,430
Nuclear fuel under capital lease - net.....	146	186
Construction work in progress .....	714	204
Less accumulated depreciation and amortization .....	(9,397)	(8,466)
Total property, plant and equipment - net .....	<u>8,555</u>	<u>9,354</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents .....	187	54
Customer receivables, net of allowances of \$8 and \$9 .....	559	501
Materials, supplies and fossil fuel inventory - at average cost .....	282	302
Deferred clause expenses .....	82	122
Other .....	156	122
Total current assets .....	<u>1,266</u>	<u>1,101</u>
<b>OTHER ASSETS:</b>		
Special use funds of FPL .....	1,206	1,007
Other investments .....	391	282
Other .....	611	705
Total other assets .....	<u>2,208</u>	<u>1,994</u>
<b>TOTAL ASSETS .....</b>	<b>\$12,029</b>	<b>\$12,449</b>
<b>CAPITALIZATION:</b>		
Common shareholders' equity .....	\$ 5,126	\$ 4,845
Preferred stock of FPL without sinking fund requirements .....	226	226
Long-term debt .....	2,347	2,949
Total capitalization .....	<u>7,699</u>	<u>8,020</u>
<b>CURRENT LIABILITIES:</b>		
Short-term debt .....	110	134
Current maturities of long-term debt .....	359	198
Accounts payable .....	338	368
Customers' deposits .....	282	279
Accrued interest and taxes .....	191	180
Deferred clause revenues .....	89	61
Other .....	272	279
Total current liabilities .....	<u>1,641</u>	<u>1,499</u>
<b>OTHER LIABILITIES AND DEFERRED CREDITS:</b>		
Accumulated deferred income taxes .....	1,255	1,473
Deferred regulatory credit - income taxes .....	148	166
Unamortized investment tax credits .....	205	229
Storm and property insurance reserve .....	259	252
Other .....	822	810
Total other liabilities and deferred credits .....	<u>2,689</u>	<u>2,930</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>TOTAL CAPITALIZATION AND LIABILITIES .....</b>	<b>\$12,029</b>	<b>\$12,449</b>

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

**FPL GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Millions of Dollars)

	Years Ended December 31		
	1998	1997	1996
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income .....	\$ 664	\$ 618	\$ 579
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization .....	1,284	1,061	960
Decrease in deferred income taxes and related regulatory credit .....	(237)	(30)	(76)
Increase (decrease) in accrued interest and taxes .....	11	(79)	39
Other - net .....	21	27	80
Net cash provided by operating activities .....	<u>1,743</u>	<u>1,597</u>	<u>1,592</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Capital expenditures of FPL .....	(617)	(551)	(474)
Independent power investments .....	(521)	(291)	(52)
Distributions and loan repayments from partnerships and joint ventures .....	304	53	41
Proceeds from the sale of assets .....	135	43	69
Other - net .....	(96)	(51)	(110)
Net cash used in investing activities .....	<u>(795)</u>	<u>(797)</u>	<u>(526)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Issuance of long-term debt .....	343	42	-
Retirement of long-term debt and preferred stock .....	(727)	(717)	(338)
Increase (decrease) in short-term debt .....	(24)	113	(179)
Repurchase of common stock .....	(62)	(48)	(82)
Dividends on common stock .....	(345)	(332)	(320)
Other - net .....	-	-	3
Net cash used in financing activities .....	<u>(815)</u>	<u>(942)</u>	<u>(916)</u>
Net increase (decrease) in cash and cash equivalents .....	133	(142)	150
Cash and cash equivalents at beginning of year .....	54	196	46
Cash and cash equivalents at end of year .....	<u>\$ 187</u>	<u>\$ 54</u>	<u>\$ 196</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>			
Cash paid for interest .....	\$ 308	\$ 287	\$ 248
Cash paid for income taxes .....	\$ 463	\$ 434	\$ 381
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:</b>			
Additions to capital lease obligations .....	\$ 34	\$ 81	\$ 86
Debt assumed for property additions .....	\$ -	\$ 420	\$ 33

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

**FPL GROUP, INC.**  
**CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**  
(In Millions)

	Common Stock (a) Shares	Aggregate Par Value	Additional Paid-In Capital	Unearned Compensation	Accumulated Other Comprehensive Income	Retained Earnings	Common Shareholders' Equity
Balances, December 31, 1995 ....	185(b)	\$2	\$3,420	\$(287)	\$-	\$1,259	
Net income .....	-	-	-	-	-	579	
Repurchase of common stock ...	(2)	-	(82)	-	-	-	
Dividends on common stock ....	-	-	-	-	-	(320)	
Earned compensation under ESOP	-	-	8	15	-	-	
Other .....	-	-	(1)	-	-	-	
Balances, December 31, 1996 ....	183(b)	2	3,345	(272)	-	1,518	
Net income .....	-	-	-	-	-	618	
Repurchase of common stock ...	(1)	-	(48)	-	-	-	
Dividends on common stock ....	-	-	-	-	-	(332)	
Earned compensation under ESOP	-	-	6	8	-	-	
Other comprehensive income ...	-	-	-	-	1	-	
Other .....	-	-	(1)	-	-	-	
Balances, December 31, 1997.....	182(b)	2	3,302	(264)	1	1,804	\$4,845
Net income .....	-	-	-	-	-	664	
Repurchase of common stock ...	(1)	-	(62)	-	-	-	
Dividends on common stock ....	-	-	-	-	-	(345)	
Earned compensation under ESOP	-	-	13	12	-	-	
Other comprehensive income ...	-	-	-	-	-	-	
Other .....	-	-	(1)	-	-	-	
Balances, December 31, 1998 ....	181(b)	\$2	\$3,252	\$(252)	\$1	\$2,123	\$5,126

(a) \$.01 par value, authorized - 300,000,000 shares; outstanding 180,712,435 and 181,782,385 at December 31, 1998 and 1997, respectively.

(b) Outstanding and unallocated shares held by the Employee Stock Ownership Plan Trust totaled 8.5 million, 8.9 million and 9.3 million at December 31, 1998, 1997 and 1996, respectively.

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



**FLORIDA POWER & LIGHT COMPANY**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(Millions of Dollars)

	<u>Years Ended December 31,</u>		
	<u>1998</u>	<u>1997</u>	<u>1996</u>
OPERATING REVENUES .....	\$6,366	\$6,132	\$5,986
OPERATING EXPENSES:			
Fuel, purchased power and interchange .....	2,175	2,196	2,131
Other operations and maintenance .....	1,163	1,132	1,127
Depreciation and amortization .....	1,249	1,034	955
Income taxes .....	356	329	329
Taxes other than income taxes .....	596	592	585
Total operating expenses .....	<u>5,539</u>	<u>5,283</u>	<u>5,127</u>
OPERATING INCOME .....	<u>827</u>	<u>849</u>	<u>859</u>
OTHER INCOME (DEDUCTIONS):			
Interest charges .....	(196)	(227)	(246)
Other - net .....	<u>5</u>	<u>5</u>	<u>2</u>
Total other deductions - net .....	<u>(196)</u>	<u>(222)</u>	<u>(244)</u>
NET INCOME .....	631	627	615
PREFERRED STOCK DIVIDENDS .....	<u>15</u>	<u>19</u>	<u>24</u>
NET INCOME AVAILABLE TO FPL GROUP, INC. ....	<u>\$ 616</u>	<u>\$ 608</u>	<u>\$ 591</u>

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

**FLORIDA POWER & LIGHT COMPANY**  
**CONSOLIDATED BALANCE SHEETS**  
(Millions of Dollars)

	December 31,	
	1998	1997
<b>ELECTRIC UTILITY PLANT:</b>		
Plant in service .....	\$17,159	\$16,819
Less accumulated depreciation .....	(9,317)	(8,355)
Net .....	7,842	8,464
Nuclear fuel under capital lease - net .....	146	186
Construction work in progress .....	159	131
Electric utility plant - net .....	<u>\$8,147</u>	<u>\$8,781</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents .....	152	3
Customer receivables, net of allowances of \$8 and \$9 .....	521	471
Materials, supplies and fossil fuel inventory - at average cost .....	239	242
Deferred clause expenses .....	82	122
Other .....	122	104
Total current assets .....	<u>\$1,116</u>	<u>\$942</u>
<b>OTHER ASSETS:</b>		
Special use funds .....	1,206	1,007
Other .....	279	442
Total other assets .....	<u>\$1,485</u>	<u>\$1,449</u>
<b>TOTAL ASSETS .....</b>	<b><u>\$10,748</u></b>	<b><u>\$11,172</u></b>
<b>CAPITALIZATION:</b>		
Common shareholder's equity .....	\$ 4,803	\$ 4,814
Preferred stock without sinking fund requirements .....	226	226
Long-term debt .....	2,191	2,420
Total capitalization .....	<u>\$ 7,220</u>	<u>\$ 7,460</u>
<b>CURRENT LIABILITIES:</b>		
Commercial paper .....	-	40
Current maturities of long-term debt .....	230	180
Accounts payable .....	321	344
Customers' deposits .....	282	279
Accrued interest and taxes .....	198	180
Deferred clause revenues .....	89	61
Other .....	231	228
Total current liabilities .....	<u>\$1,351</u>	<u>\$1,312</u>
<b>OTHER LIABILITIES AND DEFERRED CREDITS:</b>		
Accumulated deferred income taxes .....	887	1,070
Deferred regulatory credit - income taxes .....	148	166
Unamortized investment tax credits .....	205	229
Storm and property insurance reserve .....	259	252
Other .....	678	683
Total other liabilities and deferred credits .....	<u>\$2,177</u>	<u>\$2,400</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>TOTAL CAPITALIZATION AND LIABILITIES .....</b>	<b><u>\$10,748</u></b>	<b><u>\$11,172</u></b>

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

**FLORIDA POWER & LIGHT COMPANY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Millions of Dollars)

	Years Ended December 31,		
	1998	1997	1996
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income .....	\$ 631	\$ 627	\$ 615
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization .....	1,249	1,034	955
Decrease in deferred income taxes and related regulatory credit .....	(202)	(98)	(25)
Increase (decrease) in accrued interest and taxes .....	18	(121)	22
Other - net .....	22	61	41
Net cash provided by operating activities .....	<u>1,718</u>	<u>1,501</u>	<u>1,608</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Capital expenditures .....	(617)	(551)	(474)
Other - net .....	(80)	(83)	(124)
Net cash used in investing activities .....	<u>(697)</u>	<u>(634)</u>	<u>(598)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Issuance of long-term debt .....	197	-	-
Retirement of long-term debt and preferred stock .....	(389)	(505)	(333)
Increase (decrease) in commercial paper .....	(40)	40	(179)
Capital contributions from FPL Group, Inc. ....	-	140	195
Dividends .....	(640)	(619)	(617)
Other - net .....	-	-	2
Net cash used in financing activities .....	<u>(872)</u>	<u>(944)</u>	<u>(932)</u>
Net increase (decrease) in cash and cash equivalents .....	149	(75)	78
Cash and cash equivalents at beginning of year .....	<u>153</u>	<u>78</u>	<u>1</u>
Cash and cash equivalents at end of year .....	<u>\$ 153</u>	<u>\$ 78</u>	<u>\$ 78</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>			
Cash paid for interest .....	\$ 181	\$ 216	\$ 228
Cash paid for income taxes .....	\$ 510	\$ 575	\$ 379
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:</b>			
Additions to capital lease obligations .....	\$ 34	\$ 81	\$ 86

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

**FLORIDA POWER & LIGHT COMPANY**  
**CONSOLIDATED STATEMENT OF SHAREHOLDER'S EQUITY**  
(Millions of Dollars)

	Common Stock (a)	Additional Paid-In Capital	Retained Earnings	Common Share- holder's Equity
Balances, December 31, 1995 .....	\$1,373	\$2,229	\$ 872	
Contributions from FPL Group .....	-	195	-	
Net income available to FPL Group .....	-	-	591	
Dividends to FPL Group .....	-	-	(593)	
Other .....	-	-	1	
Balances, December 31, 1996 .....	<u>1,373</u>	<u>2,424</u>	<u>871</u>	
Contributions from FPL Group .....	-	140	-	
Net income available to FPL Group .....	-	-	608	
Dividends to FPL Group .....	-	-	(601)	
Other .....	-	2	(3)	
Balances, December 31, 1997 .....	<u>1,373</u>	<u>2,566</u>	<u>875</u>	<u>\$4,814</u>
Net income available to FPL Group .....	-	-	616	
Dividends to FPL Group .....	-	-	(626)	
Other .....	-	-	(1)	
Balances, December 31, 1998 .....	<u>\$1,373</u>	<u>\$2,566</u>	<u>\$ 864</u>	<u>\$4,803</u>

(a) Common stock, no par value, 1,000 shares authorized, issued and outstanding.

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

**FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Years Ended December 31, 1998, 1997 and 1996**

**1. Summary of Significant Accounting and Reporting Policies**

*Basis of Presentation* - FPL Group, Inc.'s (FPL Group) operations are conducted primarily through Florida Power & Light Company (FPL), a rate-regulated public utility, and FPL Energy, Inc. (FPL Energy). FPL supplies electric service to approximately 3.7 million customers throughout most of the east and lower west coasts of Florida. FPL Energy invests in independent power projects which consist of controlled and consolidated entities and non-controlling ownership interests in joint ventures.

The consolidated financial statements of FPL Group and FPL include the accounts of their respective majority-owned and controlled subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. Certain amounts included in prior years' consolidated financial statements have been reclassified to conform to the current year's presentation. The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

*Regulation* - FPL is subject to regulation by the Florida Public Service Commission (FPSC) and the Federal Energy Regulatory Commission (FERC). Its rates are designed to recover the cost of providing electric service to its customers including a reasonable rate of return on invested capital. As a result of this cost-based regulation, FPL follows the accounting practices set forth in Statement of Financial Accounting Standards No. (FAS) 71, "Accounting for the Effects of Certain Types of Regulation." FAS 71 indicates that regulators can create assets and impose liabilities that would not be recorded by non-regulated entities. Regulatory assets and liabilities represent probable future revenues that will be recovered from or refunded to customers through the ratemaking process. The continued applicability of FAS 71 is assessed at each reporting period.

Various states, other than Florida, have either enacted legislation or are pursuing initiatives designed to deregulate the production and sale of electricity. By allowing customers to choose their electricity supplier, deregulation is expected to result in a shift from cost-based rates to market-based rates for energy production and other services provided to retail customers. Similar initiatives are also being pursued on the federal level. Although the legislation and initiatives vary substantially, common areas of focus include when market-based pricing will be available for wholesale and retail customers, what existing prudently incurred costs in excess of the market-based price will be recoverable and whether generation assets should be separated from transmission, distribution and other assets. It is generally believed transmission and distribution activities would remain regulated.

In the event that FPL's generating operations are no longer subject to the provisions of FAS 71, portions of the existing regulatory assets and liabilities that relate to generation would be written off unless regulators specify an alternative means of recovery or refund. The principal regulatory assets and liabilities are as follows:

	December 31, 1998      1997 (Millions of Dollars)	
<b>Assets (included in other assets):</b>		
Unamortized debt reacquisition costs .....	\$ -	\$171
Plant-related deferred costs .....	\$ -	\$ 24
Nuclear maintenance reserve cumulative effect adjustment .....	\$ -	\$ 14
Deferred Department of Energy assessment .....	\$ 44	\$ 48
<b>Liabilities:</b>		
Deferred regulatory credit - income taxes .....	\$148	\$166
Unamortized investment tax credits .....	\$205	\$229
Storm and property insurance reserve .....	\$259	\$252

The storm and property insurance reserve is primarily related to transmission and distribution properties. The amounts presented above exclude clause-related regulatory assets and liabilities that are recovered or refunded over twelve-month periods. These amounts are included in current assets and liabilities in the consolidated balance sheets. Further, other aspects of the business, such as generation assets and long-term power purchase commitments, would need to be reviewed to assess their recoverability in a changed regulatory environment. Since there is no deregulation proposal currently under consideration in Florida, FPL is unable to predict what impact would result from a change to a more competitive environment or when such a change might occur.

FPL's allowed return on equity (ROE) range for 1996 through 1998 was 11% to 13% with a midpoint of 12%. In December 1998, after negotiations between FPL and the FPSC staff, the FPSC issued a proposed order approving a settlement regarding FPL's allowed ROE, equity ratio and the special amortization program. Under the proposed settlement, beginning in 1999 FPL's allowed ROE range would be 10.2% to 12.2% with a midpoint of 11.2%. FPL agreed to a maximum adjusted equity ratio of 55.83% through 2000. The adjusted equity ratio reflected a discounted amount for off-balance sheet obligations under certain long-term purchase power contracts. See Note 9 - Contracts. The proposed settlement also extended the special



**FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

amortization program through 2000 and modified the program to include an additional fixed amount of \$140 million per year in addition to the variable amount. FPL continues to record a \$30 million fixed nuclear amount under a previous FPSC order. In January 1999, several parties challenged the FPSC's proposed order. In mid-February 1999, FPL withdrew from the settlement agreement; the FPSC subsequently approved this withdrawal and concluded the proceeding. FPL is authorized to continue to record special amortization through 1999 in accordance with the extension of the special amortization program approved by the FPSC in 1997.

In January 1999, the State of Florida Office of Public Counsel (Public Counsel) petitioned the FPSC to conduct a full rate proceeding for FPL and requested that certain revenues be held subject to refund. Other parties have requested participation with Public Counsel. The FPSC is scheduled to address Public Counsel's request in March 1999. FPL is unable to predict the outcome of this matter or any potential effect on its financial statements.

FPL amortized the plant-related deferred costs as approved by the FPSC and recorded \$24 million, \$22 million and \$28 million, in 1998, 1997 and 1996, respectively. Pursuant to the FPSC-approved special amortization program, FPL recorded as depreciation and amortization expense a fixed amount of \$30 million per year for nuclear assets. FPL also records under this program variable amortization based on the actual level of retail base revenues compared to a fixed amount. The variable amounts recorded in 1998, 1997 and 1996 were \$348 million, \$169 million and \$130 million, respectively. These variable amounts include, as depreciation and amortization expense, \$161 million, \$169 million and \$20 million, respectively, for amortization of regulatory assets. The remaining variable amounts were applied against nuclear and fossil production assets.

*Revenues and Rates* - FPL's retail and wholesale utility rate schedules are approved by the FPSC and the FERC, respectively. FPL records unbilled base revenues for the estimated amount of energy delivered to customers but not yet billed. Unbilled base revenues are included in customer receivables and amounted to \$152 million and \$154 million at December 31, 1998 and 1997, respectively. Substantially all of the energy produced by FPL Energy's independent power projects is sold through long-term power sales agreements with utilities and revenue is recorded on an as-billed basis.

FPL's revenues include amounts resulting from cost recovery clauses, certain revenue taxes and franchise fees. Cost recovery clauses, which are designed to permit full recovery of certain costs and provide a return on certain assets utilized by these programs, include substantially all fuel, purchased power and interchange expenses, conservation- and environmental-related expenses and certain revenue taxes. Revenues from cost recovery clauses are recorded when billed; FPL achieves matching of costs and related revenues by deferring the net under or over recovery. Any under recovered costs or over recovered revenues are collected from or returned to customers in subsequent periods.

*Electric Plant, Depreciation and Amortization* - The cost of additions to units of utility property of FPL is added to electric utility plant. The cost of units of utility 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 utility property are charged to other operations and maintenance (O&M) expenses. At December 31, 1998, the generating, transmission, distribution and general facilities of FPL represented approximately 46%, 13%, 34% and 7%, respectively, of FPL's gross investment in electric utility plant in service. Substantially all electric utility plant of FPL is subject to the lien of a mortgage securing FPL's first mortgage bonds.

Depreciation of electric property is primarily provided on a straight-line average remaining life basis. FPL includes in depreciation expense a provision for fossil plant dismantlement and nuclear plant decommissioning. For substantially all of FPL's property, depreciation and fossil fuel plant dismantlement studies are performed and filed with the FPSC at least every four years. The most recent depreciation studies were approved by the FPSC effective for 1998. That approval has since been challenged and hearings have been requested. Fossil fuel plant dismantlement studies were filed in September 1998 and will be effective January 1, 1999. The weighted annual composite depreciation rate for FPL's electric plant in service was approximately 4.4% for 1998, 4.3% for 1997 and 4.1% for 1996, excluding the effects of decommissioning and dismantlement. Further, these rates exclude the special and plant-related deferred cost amortization. See Regulation.

*Nuclear Fuel* - FPL leases nuclear fuel for all four of its nuclear units. Nuclear fuel lease expense was \$83 million, \$85 million and \$94 million in 1998, 1997 and 1996, respectively. Included in this expense was an interest component of \$9 million, \$9 million and \$10 million in 1998, 1997 and 1996, respectively. Nuclear fuel lease payments and a charge for spent nuclear fuel disposal are charged to fuel expense on a unit of production method. These costs are recovered through the fuel and purchased power cost recovery clause (fuel clause). Under certain circumstances of lease termination, FPL is required to purchase all nuclear fuel in whatever form at a purchase price designed to allow the lessor to recover its net investment cost in the fuel, which totaled \$146 million at December 31, 1998. For ratemaking, these leases are classified as operating leases. For financial reporting, the capital lease obligation is recorded at the amount due in the event of lease termination.

**FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Decommissioning and Dismantlement of Generating Plant* - FPL accrues nuclear decommissioning costs over the expected service life of each unit. Nuclear decommissioning studies are performed at least every five years and are submitted to the FPSC for approval. Decommissioning expense accruals included in depreciation and amortization expense, were \$85 million in each of the years 1998, 1997 and 1996. At December 31, 1998 and 1997, the accumulated provision for nuclear decommissioning totaled \$1.205 billion and \$998 million, respectively, and is included in accumulated depreciation. In October 1998, FPL filed updated nuclear decommissioning studies with the FPSC. These studies assume prompt dismantlement for the Turkey Point Units Nos. 3 and 4 with decommissioning activities commencing in 2012 and 2013, respectively. St Lucie Unit No. 1 will be mothballed beginning in 2016 with decommissioning activities integrated with the prompt dismantlement of St. Lucie Unit No. 2 beginning in 2023. These studies also assume that FPL will be storing spent fuel on site pending removal to a U.S. Government facility. The studies indicate FPL's portion of the ultimate costs of decommissioning its four nuclear units, including costs associated with spent fuel storage, to be \$7.3 billion. The updated studies, which are pending FPSC approval, indicate there is an estimated reserve deficiency at December 31, 1998, of approximately \$535 million. FPL is proposing to maintain the current approved annual decommissioning accrual at \$85 million per year and to recover the reserve deficiency through the special amortization program. See Regulation. The annual accrual will be adjusted once the amount of deficiency is approved and recovery through the amortization program has been completed.

Similarly, FPL accrues the cost of dismantling its fossil fuel plants over the expected service life of each unit. Fossil dismantlement expense was \$17 million in each of the years 1998, 1997 and 1996, and is included in depreciation and amortization expense. FPL's portion of the ultimate cost to dismantle its fossil units is \$521 million. At December 31, 1998 and 1997, the accumulated provision for fossil dismantlement totaled \$185 million and \$162 million, respectively, and is included in accumulated depreciation. The dismantlement studies filed in 1998 indicated an estimated reserve deficiency of \$38 million which FPL is proposing to recover through the special amortization program. See Regulation.

Restricted trust funds for the payment of future expenditures to decommission FPL's nuclear units are included in special use funds of FPL. At December 31, 1998 and 1997, decommissioning fund assets were \$1.046 billion and \$850 million, respectively. Securities held in the decommissioning fund are carried at market value with market adjustments resulting in a corresponding adjustment to the accumulated provision for nuclear decommissioning. See Note 3 - Special Use Funds. Contributions to the funds are based on current period decommissioning expense. Additionally, fund earnings, net of taxes are reinvested in the funds. The tax effects of amounts not yet recognized for tax purposes are included in accumulated deferred income taxes.

In 1996, the Financial Accounting Standards Board (FASB) issued an exposure draft on accounting for obligations associated with the retirement of long-lived assets. The method proposed by the FASB in the exposure draft would require the present value of estimated future cash flows to decommission FPL's nuclear power plants and dismantle its fossil power plants to be recorded as an increase to asset balances and as a liability. Under that proposal, it is anticipated that there will be no effect on cash flows and, because of the regulatory treatment, there will be no significant effect on net income. The matter has been restudied by the FASB and another exposure draft is scheduled to be issued in 1999.

*Accrual for Nuclear Maintenance Costs* - Estimated nuclear maintenance costs for each nuclear unit's next planned outage are accrued over the period from the end of the last outage to the end of the next planned outage. Any difference between the estimated and actual costs are included in O&M expenses when known.

*Construction Activity* - In accordance with an FPSC rule, FPL is not permitted to capitalize interest or a return on common equity during construction, except for projects that cost in excess of 1/2% of the plant in service balance and will require more than one year to complete. The FPSC allows construction projects below that threshold as an element of rate base. FPL Group's non-regulated operations capitalize interest on construction projects.

*Storm and Property Insurance Reserve Fund (storm fund)* - The storm 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. The storm fund, which totaled \$160 million and \$157 million at December 31, 1998 and 1997, respectively, is included in special use funds of FPL. Securities held in the fund are carried at market value with market adjustments resulting in a corresponding adjustment to the storm and property insurance reserve. See Note 3 - Special Use Funds and Note 9 - Insurance. Fund earnings, net of taxes, are reinvested in the fund. The tax effects of amounts not yet recognized for tax purposes are included in accumulated deferred income taxes.

*Other Investments* - Included in other investments in FPL Group's consolidated balance sheets is FPL Group's participation in leveraged leases of \$154 million at both December 31, 1998 and 1997. Additionally, other investments include non-controlling non-majority owned interests in partnerships and joint ventures, essentially all of which are accounted for under the equity method.

**FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Cash Equivalents* - Cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less.

*Short-Term Debt* - The year end weighted-average interest rate on short-term debt at December 31, 1998 was 5.2% for FPL Group.

*Retirement of Long-Term Debt* - The excess of FPL's reacquisition cost over the book value of long-term debt is deferred and amortized to expense ratably over the remaining life of the original issue, which is consistent with its treatment in the ratemaking process. Through this amortization and amounts recorded under the special amortization program, the remaining balance of this regulatory asset was fully amortized in 1998. See Regulation. FPL Group Capital, Inc. (FPL Group Capital) expenses this cost in the period incurred.

*Income Taxes* - Deferred income taxes are provided on all significant temporary differences between the financial statement and tax bases of assets and liabilities. FPL is included in the consolidated federal income tax return filed by FPL Group. FPL determines its income tax provision on the "separate return method." The deferred regulatory credit - income taxes of FPL represents the revenue equivalent of the difference in accumulated deferred income taxes computed under FAS 109, "Accounting for Income Taxes," as compared to regulatory accounting rules. This amount is being amortized in accordance with the regulatory treatment over the estimated lives of the assets or liabilities which resulted in the initial recognition of the deferred tax amount. Investment tax credits (ITC) for FPL are deferred and amortized to income over the approximate lives of the related property in accordance with the regulatory treatment. The special amortization program included amortization of regulatory assets related to income taxes of \$59 million and \$20 million in 1997 and 1998, respectively.

*Accounting for Derivative Instruments and Hedging Activities* - In June 1998, the FASB issued FAS 133, "Accounting for Derivative Instruments and Hedging Activities." The statement establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. FPL Group and FPL are currently assessing the effect, if any, on their financial statements of implementing FAS 133. FPL Group and FPL will be required to adopt the standard in 2000.

**FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**2. Employee Retirement Benefits**

FPL Group and its subsidiaries sponsor a noncontributory defined benefit pension plan and defined benefit postretirement plans for health care and life insurance benefits (other benefits) for substantially all employees. The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets over the two-year period ending September 30, 1998 and a statement of the funded status of both years:

	<u>Pension Benefits</u>		<u>Other Benefits</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	(Millions of Dollars)			
<b>Change in benefit obligation:</b>				
Obligation at October 1 of prior year .....	\$1,146	\$1,262	\$ 324	\$ 297
Service cost .....	45	38	5	5
Interest cost .....	75	76	21	21
Plan amendments .....	8	(290)	-	-
Actuarial losses - net .....	34	87	10	11
Curtailments .....	-	19	-	-
Benefit payments .....	(135)	(46)	(15)	(10)
Obligation at September 30 .....	<u>1,171</u>	<u>1,146</u>	<u>345</u>	<u>324</u>
<b>Change in plan assets:</b>				
Fair value of plan assets at October 1 of prior year .....	2,287	1,996	125	107
Actual return on plan assets .....	184	343	7	28
Participant contributions .....	-	-	1	2
Benefit payments and expenses .....	(142)	(52)	(18)	(12)
Fair value of plan assets at September 30 .....	<u>2,329</u>	<u>2,287</u>	<u>115</u>	<u>125</u>
<b>Funded Status:</b>				
Funded status at September 30 .....	1,156	1,141	(230)	(199)
Unrecognized prior service cost .....	(100)	(117)	-	-
Unrecognized transition (asset) obligation .....	(140)	(163)	49	53
Unrecognized (gain) loss .....	(236)	(262)	34	23
Prepaid (accrued) benefit cost at FPL Group .....	<u>\$ 180</u>	<u>\$ 94</u>	<u>\$(147)</u>	<u>\$(123)</u>
Prepaid (accrued) benefit cost at FPL .....	<u>\$ 173</u>	<u>\$ 94</u>	<u>\$(145)</u>	<u>\$(122)</u>

The following table provides the components of net periodic benefit cost for the plans for fiscal years 1998, 1997 and 1996:

	<u>Pension Benefits</u>			<u>Other Benefits</u>		
	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
	(Millions of Dollars)					
Service cost .....	\$ 45	\$ 38	\$ 38	\$ 6	\$ 5	\$ 5
Interest cost .....	75	76	90	21	21	18
Expected return on plan assets .....	(149)	(135)	(126)	(8)	(7)	(6)
Amortization of transition (asset) obligation .....	(23)	(23)	(23)	3	3	3
Amortization of prior service cost .....	(8)	1	12	-	-	-
Amortization of losses (gains) .....	(21)	(26)	(10)	-	-	-
Net periodic (benefit) cost .....	<u>(81)</u>	<u>(69)</u>	<u>(19)</u>	<u>23</u>	<u>23</u>	<u>20</u>
Effect of special retirement programs .....	-	18	-	-	-	-
Net periodic (benefit) cost at FPL Group .....	<u>\$(81)</u>	<u>\$(51)</u>	<u>\$(19)</u>	<u>\$ 23</u>	<u>\$ 23</u>	<u>\$ 20</u>
Net periodic (benefit) cost at FPL .....	<u>\$ (80)</u>	<u>\$ (50)</u>	<u>\$ (18)</u>	<u>\$ 23</u>	<u>\$ 23</u>	<u>\$ 19</u>

The weighted-average discount rate used in determining the benefit obligations was 6.0% and 6.5% for 1998 and 1997, respectively. The assumed level of increase in future compensation levels was 5.5% for all years. The expected long-term rate of return on plan assets was 7.75% for all years.

Based on the current discount rates and current health care costs, the projected 1999 trend assumptions used to measure the expected cost of benefits covered by the plans are 6.6% and 5.8%, for persons prior to age 65 and over age 65, respectively. The rate is assumed to decrease over the next 4 years to the ultimate trend rate of 5% for all age groups and remain at that level thereafter.

Assumed health care cost trend rates can have a significant effect on the amounts reported for the health care plans. A 1% increase (decrease) in assumed health care cost trend rates would increase (decrease) the service and interest cost components and the accumulated obligation of other benefits by \$1 million and \$13 million, respectively.



**FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**3. Financial Instruments**

The carrying amounts of cash equivalents and short-term debt approximate their fair values. Certain investments of FPL Group, included in other investments, are carried at estimated fair value which was \$72 million and \$51 million at December 31, 1998 and 1997, respectively. The following estimates of the fair value of financial instruments have been made using available market information and other valuation methodologies. However, the use of different market assumptions or methods of valuation could result in different estimated fair values.

	December 31,			
	1998	1998	1997	1997
	Carrying Amount	Estimated Fair Value (millions of Dollars)	Carrying Amount	Estimated Fair Value
Long-term debt of FPL (a) .....	\$2,421	\$2,505(b)	\$2,600	\$2,679(b)
Long-term debt of FPL Group (a) .....	\$2,706	\$2,797(b)	\$3,147	\$3,236(b)
Interest rate swap agreements of FPL Group .....	\$ -	\$ -	\$ -	\$ 31(c)

(a) Includes current maturities.

(b) Based on quoted market prices for these or similar issues.

(c) Based on estimated cost to terminate the agreements. The agreements were terminated in 1998.

**Special Use Funds** - Securities held in the special use funds are carried at estimated fair value. The nuclear decommissioning fund consists of approximately one-half equity securities and one-half municipal, government, corporate and mortgage-backed debt securities with a weighted-average maturity of approximately 10 years. The storm fund primarily consists of municipal debt securities with a weighted-average maturity of approximately 3 years. The cost of securities sold is determined on the specific identification method. The funds had approximate realized gains of \$24 million and approximate realized losses of \$4 million in 1998, \$3 million and \$2 million in 1997 and \$8 million and \$9 million in 1996, respectively. The funds had unrealized gains of approximately \$210 million and \$128 million at December 31, 1998 and 1997, respectively; the unrealized losses at those dates were approximately \$2 million and \$1 million. The proceeds from the sale of securities in 1998, 1997 and 1996 were approximately \$1.2 billion, \$800 million, and \$1.1 billion, respectively.

**4. Common Stock**

**Common Stock Dividend Restrictions** - FPL Group's charter does not limit the dividends that may be paid on its common stock. As a practical matter, the ability of FPL Group to pay dividends on its common stock is dependent upon dividends paid to it by its subsidiaries, primarily FPL. FPL's charter and a mortgage securing FPL's first mortgage bonds contain provisions that, under certain conditions, restrict the payment of dividends and other distributions to FPL Group. These restrictions do not currently limit FPL's ability to pay dividends to FPL Group. In 1998, 1997 and 1996, FPL paid, as dividends to FPL Group, its net income available to FPL Group on a one-month lag basis.

**Employee Stock Ownership Plan (ESOP)** - The employee thrift plans of FPL Group include a leveraged ESOP feature. Shares of common stock held by the Trust for the thrift plans (Trust) are used to provide all or a portion of the employers' matching contributions. Dividends received on all shares, along with cash contributions from the employers, are used to pay principal and interest on an ESOP loan held by FPL Group Capital. Dividends on shares allocated to employee accounts and used by the Trust for debt service are replaced with an equivalent amount of shares of common stock at prevailing market prices.

ESOP-related compensation expense of approximately \$19 million in 1998, \$19 million in 1997 and \$23 million in 1996 was recognized based on the fair value of shares allocated to employee accounts during the period. Interest income on the ESOP loan is eliminated in consolidation. ESOP-related unearned compensation included as a reduction of shareholders' equity at December 31, 1998 was approximately \$248 million, representing 8.5 million unallocated shares at the original issue price of \$29 per share. The fair value of the ESOP-related unearned compensation account using the closing price of FPL Group stock as of December 31, 1998 was approximately \$526 million.



**FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Long-Term Incentive Plan** - Under FPL Group's long-term incentive plan, 9 million shares of common stock are reserved and available for awards to officers and employees of FPL Group and its subsidiaries as of December 31, 1998. Total compensation charged against earnings under the incentive plan was not material in any year. The changes in share awards under the incentive plan are as follows:

	Performance Shares(a)	Restricted Stock	Non-qualified Option Shares(a)
Balances, December 31, 1995	320,336	194,200	11,185
Granted (b)	90,772	23,000	-
Exercised at \$30 7/8	-	-	(10,935)
Paid/released	(60,359)	(34,250)	-
Forfeited	(39,222)	(16,650)	(250)
Balances, December 31, 1996	311,527	166,300	-
Granted (b)	212,011	71,000	-
Paid/released	(70,008)	-	-
Forfeited	(10,942)	(17,750)	-
Balances, December 31, 1997	442,588	219,550	-
Granted (b)	178,518	19,500	-
Paid/released	(80,920)	-	-
Forfeited	(29,566)	(22,250)	-
Balances, December 31, 1998	510,620	216,800(c)	-

(a) Performance shares resulted in 128,000, 132,000 and 124,000 assumed incremental shares of common stock outstanding for purposes of computing diluted earnings per share in 1998, 1997 and 1996, respectively. These incremental shares did not change basic earnings per share.

(b) The average grant date fair value of equity instruments issued under the incentive plan was \$12 million, \$13 million and \$5 million in 1998, 1997 and 1996, respectively.

(c) Shares of restricted stock were issued at market value at the date of the grant.

FAS 123, "Accounting for Stock-Based Compensation," encourages a fair value-based method of accounting for stock-based compensation. FPL Group, however, uses the intrinsic value-based method of accounting as permitted by the statement. The results of utilizing the accounting method recommended in FAS 123 would not have a material effect on FPL Group's results of operations or change earnings per share.

**Other** - Each share of common stock has been granted a Preferred Share Purchase Right (Right), at a price of \$120, subject to adjustment, in the event of certain attempted business combinations. The Rights will cause substantial dilution to a person or group attempting to acquire FPL Group on terms not approved by FPL Group's board of directors.

## 5. Preferred Stock

FPL Group's charter authorizes the issuance of 100 million shares of serial preferred stock, \$.01 par value. None of these shares is outstanding. FPL Group has reserved 3 million shares for issuance upon exercise of preferred share purchase rights which expire in June 2006. Preferred stock of FPL consists of the following: (a)

	December 31, 1998		December 31, 1997	
	Shares Outstanding	Redemption Price	1998	1997
			(millions of dollars)	
Cumulative, \$100 Par Value, authorized 15,822,500 shares at December 31, 1998 and 1997:				
without sinking fund requirements:				
4 1/2% Series	100,000	\$101.00	\$ 10	\$ 10
4 1/2% Series A	50,000	\$101.00	5	5
4 1/2% Series B	50,000	\$101.00	5	5
4 1/2% Series C	62,500	\$103.00	6	6
4 3/4% Series D	50,000	\$103.50	5	5
4 3/4% Series E	50,000	\$102.00	5	5
6.98% Series S	750,000	\$103.49(b)	75	75
7.05% Series T	500,000	\$103.52(b)	50	50
6.75% Series U	650,000	\$103.37(b)	65	65
Total preferred stock of FPL without sinking fund requirements	2,262,500		\$226	\$226

(a) FPL's charter authorizes the issuance of 5 million shares of subordinated preferred stock, no par value. None of these shares is outstanding. There were no issuances of preferred stock in 1998, 1997 and 1996. In 1996, FPL redeemed 600,000 shares of its 7.28% Preferred Stock, Series F, \$100 Par Value and 400,000 shares of its 7.40% Preferred Stock, Series G, \$100 Par Value.

(b) Not redeemable prior to 2003.

**FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**6. Long-Term Debt**

Long-term debt consists of the following:

	December 31, 1998 1997 (Millions of Dollars)	
<b>FPL</b>		
First mortgage bonds:		
Maturing through 2000 - 5 3/8% to 5 1/2%	\$ 355	\$ 355
Maturing 2001 through 2015 - 6% to 7 7/8%	641	642
Maturing 2016 through 2026 - 7% to 7 3/4%	741	741
Medium-term notes:		
Maturing 1998 - 5.50% to 6.20%	-	180
Maturing 2003 - 5.79%	70	70
Pollution control and industrial development series -		
Maturing 2020 through 2027 - 6.7% to 7.5%	150	150
Pollution control, solid waste disposal and industrial development revenue bonds -		
Maturing 2021 through 2029 - variable, 3.6% and 3.9% average		
annual interest rate, respectively	483	484
Unamortized discount - net	(19)	(22)
Total long-term debt of FPL	2,421	2,600
Less current maturities	210	180
Long-term debt of FPL, excluding current maturities	2,191	2,420
<b>FPL Group Capital</b>		
Debentures:		
Maturing 2013 - 7 5/8% (a)	125	125
Senior term loan - Maturing 2007 - variable (b)	-	333
Other long-term debt - 3.4% to 7.645% due various dates to 2018	162	91
Unamortized discount	(2)	(2)
Total long-term debt of FPL Group Capital	285	549
Less current maturities	129	18
Long-term debt of FPL Group Capital, excluding current maturities	156	531
Total long-term debt	\$2,347	\$2,951

(a) Redeemed in January 1999.

(b) A notional principal amount of \$267 million at December 31, 1997 was hedged with interest rate swap agreements to reduce the impact of changes in interest rates on variable rate long-term debt. The swap agreements effectively changed the variable interest rates to an average fixed rate of 9.7%. The agreements were redesignated as a hedge and terminated in 1998, resulting in a loss recorded as interest expense.

Minimum annual maturities of long-term debt for FPL Group for 1999-2003 are approximately \$359 million, \$129 million, \$4 million, \$4 million and \$175 million, respectively. The amounts for FPL are \$230 million, \$125 million and \$170 million for 1999, 2000 and 2003, respectively. FPL has no amounts due in 2001 and 2002.

Available lines of credit aggregated approximately \$1.9 billion (\$900 million for FPL) at December 31, 1998, all of which were based on firm commitments.

**7. Income Taxes**

The components of income taxes are as follows:

	FPL GROUP Years Ended December 31, 1998 1997 1996 (Millions of Dollars)			FPL Years Ended December 31, 1998 1997 1996 (Millions of Dollars)		
<b>Federal:</b>						
Current	\$467	\$308	\$355	\$492	\$377	\$388
Deferred	(215)	(34)	(77)	(169)	(83)	(81)
ITC and other - net	(27)	(22)	(31)	(24)	(24)	(31)
Total federal	225	252	247	299	272	276
<b>State:</b>						
Current	72	52	63	78	60	53
Deferred	(18)	-	(16)	(21)	(3)	-
Total state	54	52	47	57	57	53
Income taxes charged to operations - FPL				356	329	329
Credited to other income (deductions) - FPL				(7)	(8)	(7)
Total income taxes	\$279	\$304	\$294	\$349	\$321	\$322

**FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

A reconciliation between the effective income tax rates and the applicable statutory rates is as follows:

	FPL Group Years Ended December 31			FPL Years Ended December 31		
	1998	1997	1996	1998	1997	1996
Statutory federal income tax rate .....	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Increases (reductions) resulting from:						
State income taxes - net of federal income tax benefit..	3.7	3.7	3.5	3.7	3.9	3.7
Amortization of ITC .....	(2.5)	(2.4)	(3.6)	(2.4)	(2.3)	(3.3)
Amortization of deferred regulatory credit -						
Income taxes .....	(1.8)	(1.8)	(2.0)	(1.7)	(1.8)	(1.9)
Adjustments of prior years' tax matters .....	(6.3) (a)	(2.7)	(1.3)	0.1	(1.7)	(0.1)
Preferred stock dividends - FPL .....	0.5	0.7	1.0	-	-	-
Other - net .....	1.0	0.5	1.0	0.9	0.8	0.9
Effective income tax rate .....	29.6%	33.0%	31.6%	35.6%	33.9%	34.3%

(a) Includes the resolution of an audit issue with the Internal Revenue Service (IRS).

The income tax effects of temporary differences giving rise to consolidated deferred income tax liabilities and assets are as follows:

	FPL Group December 31		FPL December 31	
	1998	1997	1998	1997
	(Millions of Dollars)			
Deferred tax liabilities:				
Property-related .....	\$1,493	\$1,663	\$1,493	\$1,631
Investment-related .....	460	436	-	-
Other .....	255	362	140	185
Total deferred tax liabilities .....	2,208	2,461	1,633	1,816
Deferred tax assets and valuation allowance:				
Asset writedowns and capital loss carryforward .....	113	121	-	-
Unamortized ITC and deferred regulatory credit - income taxes .....	136	153	136	153
Storm and decommissioning reserves .....	258	246	258	246
Other .....	473	496	352	347
Valuation allowance .....	(27)	(28)	-	-
Net deferred tax assets .....	953	988	746	746
Accumulated deferred income taxes .....	\$1,255	\$1,473	\$ 887	\$1,070

The carryforward period for a capital loss from the disposition in a prior year of an FPL Group Capital subsidiary expired at the end of 1996. The amount of the deductible loss from this disposition was limited by IRS rules. FPL Group is challenging the IRS loss limitation and the IRS is disputing certain other positions taken by FPL Group. Tax benefits, if any, associated with these matters will be reported in future periods when resolved.

#### 8. Jointly-Owned Electric Utility Plant

FPL owns approximately 85% of St. Lucie Unit No. 2, 20% of the St. Johns River Power Park units and coal terminal and approximately 76% of Scherer Unit No. 4. At December 31, 1998, FPL's gross investment in these units was \$1.174 billion, \$328 million and \$571 million, respectively; accumulated depreciation was \$663 million, \$142 million and \$239 million, respectively.

FPL is responsible for its share of the operating costs, as well as providing its own financing. At December 31, 1998, there was no significant balance of construction work in progress on these facilities.

#### 9. Commitments and Contingencies

**Commitments** - FPL has made commitments in connection with a portion of its projected capital expenditures. Capital expenditures for the construction or acquisition of additional facilities and equipment to meet customer demand are estimated to be approximately \$2.8 billion for 1999 through 2001. Included in this three-year forecast are capital expenditures for 1999 of approximately \$910 million. FPL Energy is a party to a contract to purchase all of Central Maine Power Company's (Central Maine) non-nuclear generation assets for \$846 million. The contract is subject to a civil action initiated by FPL Energy. See Litigation. FPL Group and its subsidiaries, other than FPL, have guaranteed approximately \$305 million of purchase power agreement obligations, debt service payments and other payments subject to certain contingencies.

**Insurance** - Liability for accidents at nuclear power plants is governed by the Price-Anderson Act, which limits the liability of nuclear reactor owners to the amount of the insurance available from private sources and under an industry retrospective payment plan. In accordance with this Act, FPL maintains \$200 million of private liability insurance, which is the maximum obtainable, and participates in a secondary financial protection system under which it is subject to retrospective assessments of up to \$363 million per incident at any nuclear utility reactor in the United States, payable at a rate not to exceed \$43 million per incident per year.

**FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

FPL participates in nuclear insurance mutual companies that provide \$2.75 billion of limited insurance coverage for property damage, decontamination and premature decommissioning risks at its nuclear plants. The proceeds from such insurance, however, must first be used for reactor stabilization and site decontamination before they can be used for plant repair. FPL also participates in an insurance program that provides limited coverage for replacement power costs if a nuclear plant is out of service because of an accident. In the event of an accident at one of FPL's or another participating insured's nuclear plants, FPL could be assessed up to \$51 million in retrospective premiums.

In the event of a catastrophic loss at one of FPL's nuclear plants, the amount of insurance available may not be adequate to cover property damage and other expenses incurred. Uninsured losses, to the extent not recovered through rates, would be borne by FPL and could have a material adverse effect on FPL Group's and FPL's financial condition.

FPL self-insures certain of its transmission and distribution (T&D) property due to the high cost and limited coverage available from third-party insurers. As approved by the FPSC, FPL maintains a funded storm and property insurance reserve, which totaled approximately \$259 million at December 31, 1998, for T&D property storm damage or assessments under the nuclear insurance program. Recovery from customers of any losses in excess of the storm and property insurance reserve will require the approval of the FPSC. FPL's available lines of credit include \$300 million to provide additional liquidity in the event of a T&D property loss.

**Contracts** - FPL has entered into long-term purchased power and fuel contracts. Take-or-pay purchased power contracts with the Jacksonville Electric Authority (JEA) and with subsidiaries of The Southern Company (Southern Companies) provide approximately 1,300 megawatts (mw) of power through mid-2010 and 383 mw thereafter through 2022. FPL also has various firm pay-for-performance contracts to purchase approximately 1,000 mw from certain cogenerators and small power producers (qualifying facilities) with expiration dates ranging from 2002 through 2028. The purchased power contracts provide for capacity and energy payments. Energy payments are based on the actual power taken under these contracts. Capacity payments for the pay-for-performance contracts are subject to the qualifying facilities meeting certain contract conditions. Fuel contracts provide for the transportation and supply of natural gas and coal. FPL Energy has long-term contracts for the transportation and storage of natural gas to its Doswell plant which expire in 2007, with a five-year renewal option, and in 2017, respectively.

The required capacity and minimum payments through 2003 under these contracts are estimated to be as follows:

	1999	2000	2001	2002	2003
	(Millions of Dollars)				
<b>FPL:</b>					
Capacity payments:					
JEA and Southern Companies .....	\$210	\$210	\$210	\$210	\$200
Qualifying facilities (a) .....	\$360	\$370	\$380	\$400	\$410
Minimum payments, at projected prices:					
Natural gas, including transportation .....	\$210	\$210	\$240	\$260	\$270
Coal .....	\$ 40	\$ 40	\$ 30	\$ 30	\$ 15
<b>FPL Energy:</b>					
Natural gas transportation and storage .....	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15

(a) Includes approximately \$40 million, \$40 million, \$40 million, \$45 million, and \$45 million, respectively, for capacity payments associated with two contracts that are currently in dispute. These capacity payments are subject to the outcome of the related litigation. See Litigation.

Charges under these contracts were as follows:

	1998 Charges		1997 Charges		1996 Charges	
	Capacity	Energy/ Fuel	Capacity	Energy/ Fuel	Capacity	Energy/ Fuel
	(Millions of Dollars)					
<b>FPL:</b>						
JEA and Southern Companies .....	\$192(b)	\$138(a)	\$201(b)	\$153(a)	\$192(b)	\$148(a)
Qualifying facilities .....	\$299(c)	\$108(a)	\$296(c)	\$128(a)	\$279(c)	\$125(a)
Natural gas, including transportation...	\$ -	\$280(a)	\$ -	\$413(a)	\$ -	\$422(a)
Coal .....	\$ -	\$ 50(a)	\$ -	\$ 52(a)	\$ -	\$ 49(a)
<b>FPL Energy:</b>						
Natural gas transportation and storage..	\$ -	\$ 18	\$ -	\$ 16	\$ -	\$ -

(a) Recovered through the fuel clause.

(b) Recovered through base rates and the capacity cost recovery clause (capacity clause).

(c) Recovered through the capacity clause.

**Litigation** - In 1997, FPL filed a complaint against the owners of two qualifying facilities (plant owners) seeking an order declaring that FPL's obligations under the power purchase agreements with the qualifying facilities were rendered of no force and effect because the power plants failed to accomplish commercial operation before January 1, 1997, as required by the agreements. In 1997, the plant owners filed for bankruptcy under Chapter XI of the U.S. Bankruptcy Code, ceased all



**FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

attempts to operate the power plants and entered into an agreement with the holders of more than 70% of the bonds that partially financed the construction of the plants. This agreement gives the holders of a majority of the principal amount of the bonds (the majority bondholders) the right to control, fund and manage any litigation against FPL and the right to settle with FPL on any terms such majority bondholders approve, provided that certain agreements are not affected and certain conditions are met. In January 1998, the plant owners (through the attorneys for the majority bondholders) filed an answer denying the allegations in FPL's complaint and asserting counterclaims for approximately \$2 billion, consisting of all capacity payments that could have been made over the 30-year term of the power purchase agreements and three times their actual damages for alleged violations of Florida antitrust laws, plus attorneys' fees. In October 1998, the court dismissed all of the plant owners' antitrust claims against FPL. The plant owners have since moved for summary judgment on FPL's claims against them.

The Florida Municipal Power Agency (FMPA), an organization comprised of municipal electric utilities, has sued FPL for allegedly breaching a "contract" to provide transmission service to the FMPA and its members and for breaching antitrust laws by monopolizing or attempting to monopolize the provision, coordination and transmission of electric power in refusing to provide transmission service, or to permit the FMPA to invest in and use FPL's transmission system, on the FMPA's proposed terms. The FMPA seeks \$140 million in damages, before trebling for the antitrust claim, and court orders requiring FPL to permit the FMPA to invest in and use FPL's transmission system on "reasonable terms and conditions" and on a basis equal to FPL. In 1995, a court of appeals vacated the district court's summary judgment in favor of FPL and remanded the matter to the district court for further proceedings. In 1996, the district court ordered the FMPA to seek a declaratory ruling from the FERC regarding certain issues in the case. In November 1998, the FERC declined to make the requested ruling. The district court has yet to act further.

FPL Group and FPL believe that they have meritorious defenses to the litigation to which they are parties and are vigorously defending the suits. Accordingly, the liabilities, if any, arising from the proceedings are not anticipated to have a material adverse effect on their financial statements.

In November 1998, a subsidiary of FPL Energy filed a civil action with the U.S. District Court for the Southern District of New York requesting a declaratory judgment that Central Maine cannot meet essential terms of the agreement with FPL Energy's subsidiary regarding the purchase of Central Maine's non-nuclear generating assets. FPL Group believes that recent FERC rulings regarding transmission prevent Central Maine from delivering on its contractual obligation that FPL Energy's subsidiary be able to operate the power plants in a manner that is substantially consistent with Central Maine's historical operation of the assets. FPL Group believes the FERC rulings constitute a material adverse effect under the purchase agreement and that FPL Energy's subsidiary should therefore not be bound to complete the transaction. The trial is scheduled for March 1999.

#### 10. Segment Information

Effective December 31, 1998, FPL Group adopted FAS 131, "Disclosures about Segments of an Enterprise and Related Information." FPL Group's only reportable segment is FPL, a regulated utility. Differences between FPL Group and FPL financial statement amounts represent other business activities and other segments that are not reportable. For the years ended December 31, 1998, 1997 and 1996, approximately 98%, 98% and 97%, respectively, of FPL Group's operating revenues were derived from the sale of electricity in the United States. As of December 31, 1998 and 1997, less than 1% of long-lived assets were located in foreign countries.

	1998			1997			1996		
	FPL	Other(a)	Total	FPL (Millions of Dollars)	Other(a)	Total	FPL	Other(a)	Total
Operating revenues .....	\$ 6,366	\$ 295	\$ 6,661	\$ 6,132	\$ 237	\$ 6,369	\$ 5,986	\$ 51	\$ 6,037
Interest expense .....	\$ 196	\$ 126	\$ 322	\$ 227	\$ 64	\$ 291	\$ 246	\$ 21	\$ 267
Depreciation and amortization .....	\$ 1,249	\$ 35	\$ 1,284	\$ 1,034	\$ 27	\$ 1,061	\$ 955	\$ 5	\$ 960
Equity in earnings of equity method investees ..	\$ -	\$ 39	\$ 39	\$ -	\$ 14	\$ 14	\$ -	\$ 2	\$ 2
Income tax expense .....	\$ 349	\$ (70)	\$ 279	\$ 321	\$ (17)	\$ 304	\$ 322	\$ (28)	\$ 294
Net income .....	\$ 616	\$ 48	\$ 664	\$ 608	\$ 10	\$ 618	\$ 591	\$ (12)	\$ 579
Significant noncash items ..	\$ -	\$ -	\$ -	\$ -	\$ 420	\$ 420	\$ -	\$ 33	\$ 33
Capital expenditures .....	\$ 617	\$ 329	\$ 946	\$ 551	\$ 291	\$ 842	\$ 474	\$ 52	\$ 526
Total assets .....	\$10,748	\$1,281	\$12,029	\$11,172	\$1,277	\$12,449			
Investment in equity method investees .....	\$ -	\$ 165	\$ 165	\$ -	\$ 76	\$ 76			

(a) Represents other business activities and other segments that are not separately reportable



**FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**11. Subsequent Event**

In January 1999, an FPL Group Capital subsidiary sold 3.5 million common shares of Adelphia Communications Corporation (Adelphia) stock, which had been accounted for on the equity method, resulting in an after-tax gain of approximately \$96 million. In addition, an agreement was reached with Adelphia to sell FPL Group Capital's one-third interest in a limited partnership. While the terms have not been finalized, the sale of the limited partnership interest is expected to have a positive effect on FPL Group's results of operations.

**12. Summarized Financial Information of FPL Group Capital (Unaudited)**

FPL Group Capital's debentures, when outstanding, are guaranteed by FPL Group and included in FPL Group's consolidated balance sheets. Operating revenues of FPL Group Capital for the three years ended December 31, 1998, 1997 and 1996 were \$295 million, \$237 million and \$50 million, respectively. For the same periods, operating expenses were \$225 million, \$186 million and \$65 million, respectively. Net income for 1998, 1997 and 1996 was \$68 million, \$27 million and \$11 million, respectively.

At December 31, 1998, FPL Group Capital had \$317 million of current assets, \$1.445 billion of noncurrent assets, \$310 million of current liabilities and \$703 million of noncurrent liabilities. At December 31, 1997, FPL Group Capital had current assets of \$156 million, noncurrent assets of \$1.447 billion, current liabilities of \$252 million and noncurrent liabilities of \$999 million.

**13. Quarterly Data (Unaudited)**

Condensed consolidated quarterly financial information for 1998 and 1997 is as follows:

	March 31 (a)	June 30 (a)	September 30 (a)	December 31 (a)
	(In millions, except per share amounts)			
<b>FPL Group:</b>				
<b>1998</b>				
Operating revenues .....	\$ 1,338	\$ 1,692	\$ 1,999	\$ 1,632
Operating income .....	\$ 218	\$ 317	\$ 528	\$ 189
Net income .....	\$ 108	\$ 176	\$ 287	\$ 93(b)
Earnings per share(c) .....	\$ 0.63	\$ 1.02	\$ 1.66	\$ 0.54(b)
Dividends per share .....	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50
High-low common stock sales prices..	\$65 3/16 - 56 1/16	\$65 5/8 - 58 11/16	\$ 70- 59 11/16	\$72 9/16- 60 1/2
<b>1997</b>				
Operating revenues .....	\$ 1,445	\$ 1,587	\$ 1,859	\$ 1,478
Operating income .....	\$ 225	\$ 321	\$ 464	\$ 218
Net income .....	\$ 101	\$ 164	\$ 262	\$ 91
Earnings per share(c) .....	\$ 0.58	\$ 0.95	\$ 1.52	\$ 0.52
Dividends per share .....	\$ 0.48	\$ 0.48	\$ 0.48	\$ 0.48
High-low common stock sales prices..	\$ 46 3/4 - 43 5/8	\$ 48 1/8 - 42 5/8	\$51 9/16 - 45 1/2	\$ 60 - 49 1/2
<b>FPL:</b>				
<b>1998</b>				
Operating revenues .....	\$ 1,295	\$ 1,634	\$ 1,878	\$ 1,559
Operating income .....	\$ 159	\$ 216	\$ 314	\$ 138
Net income .....	\$ 107	\$ 167	\$ 267	\$ 90
Net income available to FPL Group..	\$ 103	\$ 163	\$ 263	\$ 87
<b>1997</b>				
Operating revenues .....	\$ 1,399	\$ 1,541	\$ 1,819	\$ 1,373
Operating income .....	\$ 168	\$ 220	\$ 311	\$ 150
Net income .....	\$ 110	\$ 164	\$ 256	\$ 97
Net income available to FPL Group..	\$ 104	\$ 160	\$ 251	\$ 93

- (a) In the opinion of FPL Group and FPL, all adjustments, which consist of normal recurring accruals necessary to present a fair statement of the amounts shown for such periods, have been made. Results of operations for an interim period may not give a true indication of results for the year.
- (b) Includes a loss on the sale of Turner Foods Corporation and the cost of terminating an agreement designed to fix interest rates, partly offset by the favorable resolution of an audit issue with the IRS.
- (c) Basic and assuming dilution.

**Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure**

None

**PART III**

**Item 10. Directors and Executive Officers of the Registrants**

**FPL Group** - The information required by this Item will be included in FPL Group's Proxy Statement which will be filed with the Securities and Exchange Commission in connection with the 1999 Annual Meeting of Shareholders (FPL Group's Proxy Statement) and is incorporated herein by reference, or is included in Item I. Business - Executive Officers of the Registrants.

**FPL DIRECTORS<sup>(a)</sup>**

**James L. Broadhead.** Mr. Broadhead, 63, is chairman and chief executive officer of FPL and FPL Group. He is a director of Delta Air Lines, Inc., New York Life Insurance Company and The Pittston Company, and a trustee of Cornell University. Mr. Broadhead has been a director of FPL and FPL Group since 1989.

**Dennis P. Coyle.** Mr. Coyle, 60, is general counsel and secretary of FPL and FPL Group. He is a director of Adelphia Communications Corporation. Mr. Coyle has been a director of FPL since 1990.

**Paul J. Evanson.** Mr. Evanson, 57, is the president of FPL. He was formerly senior vice president, finance and chief financial officer of FPL and vice president, finance and chief financial officer of FPL Group. He is a director of Lynch Corporation and Southern Energy Homes, Inc. Mr. Evanson has been a director of FPL since 1992 and a director of FPL Group since 1995.

**Lawrence J. Kelleher.** Mr. Kelleher, 51, is senior vice president, human resources of FPL and vice president, human resources of FPL Group. Mr. Kelleher has been a director of FPL since 1990.

**Thomas F. Plunkett.** Mr. Plunkett, 59, is president of FPL's nuclear division. He was formerly site vice president at Turkey Point. Mr. Plunkett has been a director of FPL since 1996.

**C. O. Woody.** Mr. Woody, 60, is president of the power generation division. He was formerly senior vice president, power generation of FPL. Mr. Woody has been a director of FPL since 1989.

**Michael W. Yackira.** Mr. Yackira, 47, is the president of FPL Energy, Inc. He was formerly senior vice president, finance and chief financial officer of FPL and vice president, finance and chief financial officer of FPL Group from January 1995 to January 1998. Prior to that, Mr. Yackira was senior vice president, market and regulatory services of FPL. Mr. Yackira has been a director of FPL since 1990.

**Roger Young.** Mr. Young, 55, became the president and a director of FPL Group and a director of FPL in February 1999. From 1988 until its merger with Southern Electric plc in December 1998, he was chief executive of Scottish Hydro-Electric plc, a utility that generated and marketed electricity throughout Great Britain and operated an electric transmission and distribution system in northern Scotland.

(a) Directors are elected annually and serve until their resignation, removal or until their respective successors are elected. Each director's business experience during the past five years is noted either here or in the Executive Officers table in Item I. Business - Executive Officers of the Registrants.

**Item 11. Executive Compensation**

**FPL Group** - The information required by this Item will be included in FPL Group's Proxy Statement and is incorporated herein by reference, provided that the Compensation Committee Report and Performance Graph which are contained in FPL Group's Proxy Statement shall not be deemed to be incorporated herein by reference.

FPL - The following table sets forth FPL's portion of the compensation paid during the past three years to FPL's chief executive officer and the other four most highly-compensated persons who served as executive officers of FPL at December 31, 1998.

#### SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation		All Other Compensation(c)
		Salary	Bonus	Other Annual Compensation	Restricted Stock Awards(a)	Long-Term Incentive Plan Payouts(b)	
James L. Broadhead (a) Chairman of the Board and Chief Executive Officer of FPL and FPL Group	1998	\$847,875	\$937,125	\$ 9,809	-	\$ -	\$12,009
	1997	846,000	824,850	9,813	-	1,402,140	11,286
	1996	799,800	633,423	10,601	-	920,892	12,727
Paul J. Evanson President of FPL	1998	592,500	546,900	2,785	-	-	13,746
	1997	564,300	423,200	2,646	-	306,741	15,233
	1996	540,000	340,200	2,925	-	197,471	15,868
Dennis P. Coyle General Counsel and Secretary of FPL and FPL Group	1998	357,000	257,040	595	-	-	9,737
	1997	353,628	198,904	3,600	-	310,021	10,653
	1996	334,800	158,193	-	-	203,637	10,742
C.O. Woody President of the Power Generation Division	1998	342,300	205,400	2,785	-	-	12,029
	1997	308,000	135,800	5,663	572,500	279,837	12,959
	1996	295,000	142,500	3,882	-	184,711	13,448
Lawrence J. Kelleher Senior Vice President, Human Resources of FPL and Vice President, Human Resources of FPL Group	1998	267,750	194,119	3,108	-	-	9,724
	1997	258,500	147,768	3,273	538,150	222,173	11,655
	1996	241,800	116,808	3,238	-	145,942	11,659

- (a) At December 31, 1998, Mr. Broadhead held 98,800 shares of restricted common stock with a value of \$5,985,300. These shares were awarded in 1991 for the purpose of financing Mr. Broadhead's supplemental retirement plan and will offset lump sum benefits that would otherwise be payable to him in cash upon retirement. See Retirement Plans herein. At December 31, 1998, Mr. Woody held 10,000 shares of restricted stock with a value of \$816,250, which will vest in 1999; Mr. Kelleher held 10,000 shares of restricted stock with a value of \$816,250. Dividends at normal rates are paid on restricted common stock.
- (b) Payouts are in cash (for payment of income taxes) and shares of common stock, valued at the closing price on the last business day preceding payout. As of February 26, 1999, payouts for 1998 were not calculable.
- (c) Represents employer matching contributions to employee thrift plans and employer contributions for life insurance as follows:

	Thrift Match	Life Insurance
Mr. Broadhead .....	\$6,783	\$5,226
Mr. Evanson .....	7,600	5,146
Mr. Coyle .....	6,783	2,954
Mr. Woody .....	7,600	4,429
Mr. Kelleher .....	6,783	2,941

**Long-Term Incentive Plan Awards** - In 1998, performance awards under FPL Group's Long-Term Incentive Plan were made to the executive officers named in the Summary Compensation Table as set forth in the following tables.

#### LONG-TERM INCENTIVE PLAN AWARDS

Name	Number of Shares	Performance Period Until Payout	Estimated Future Payouts Under Non-Stock Price-Based Plans		
			Threshold	Target	Maximum
James L. Broadhead .....	17,166	1/1/98 - 12/31/01	-	17,166	27,466
Paul J. Evanson .....	6,813	1/1/98 - 12/31/01	-	6,813	10,901
Dennis P. Coyle .....	3,943	1/1/98 - 12/31/01	-	3,943	6,309
C. O. Woody .....	3,374	1/1/98 - 12/31/01	-	3,374	5,398
Lawrence J. Kelleher .....	2,957	1/1/98 - 12/31/01	-	2,957	4,731

Shown in the preceding table, the performance share awards are payable at the end of the four-year performance period. The amount of the payout is determined by multiplying the participant's target number of shares by his average level of attainment, expressed as a percentage, which may not exceed 160%, of his targeted awards under the Annual Incentive Plans for each of the years encompassed by the award period. Annual incentive compensation is based on the attainment of net income goals for FPL and FPL Group, which are established by the Compensation Committee of FPL Group's Board of Directors (the Committee) at the beginning of the year. The amounts earned on the basis of this performance measure are subject to reduction based on the degree of achievement of other corporate and business unit performance measures, and in the discretion of the Committee. Mr. Broadhead's annual incentive compensation for 1998 was based on the achievement of FPL Group's net income goals and the following performance measures for FPL (weighted 75%) and the non-utility and/or new businesses (weighted 25%) and upon

certain qualitative factors. For FPL, the incentive performance measures were financial indicators (weighted 50%) and operating indicators (weighted 50%). The financial indicators were operations and maintenance costs, capital expenditure levels, net income, regulatory return on equity and operating cash flow. The operating indicators were service reliability as measured by the frequency and duration of service interruptions and service unavailability, system performance as measured by availability factors for the fossil power plants, WANO index for nuclear power plants, employee safety, number of significant environmental violations, customer satisfaction survey results, load management installed capability and conservation programs' annual installed capacity. For the non-utility and/or new businesses, the performance measures were total combined net income and return on equity, the completion of the purchase of the generation assets of Central Maine, the development of out-of-territory residential product supply and customer service capabilities, the development and implementation of energy trading and marketing management policies and procedures and the evaluation of international and domestic acquisitions. The qualitative factors included measures to position FPL Group for greater competition and initiating other actions that significantly strengthen FPL and FPL Group and enhance shareholder value.

Name	Number of Shares	Performance Period until Payout	Estimated Future Payouts Under Non-Stock Price-Based Plans Number of Shares		
			Threshold	Target	Maximum
James L. Broadhead .....	11,704	1/1/98 - 12/31/00	-	11,704	18,727
Paul J. Evanson .....	5,840	1/1/98 - 12/31/00	-	5,840	9,344
Dennis P. Coyle .....	2,957	1/1/98 - 12/31/00	-	2,957	4,731
C. O. Woody .....	2,530	1/1/98 - 12/31/00	-	2,530	4,048
Lawrence J. Kelleher .....	2,218	1/1/98 - 12/31/00	-	2,218	3,549

Shown in the preceding table, the shareholder value share awards are payable at the end of the three-year performance period. The amount of the payout is determined by multiplying the participant's target number of shares by a factor derived by dividing the average annual total shareholder return of FPL Group (price appreciation of FPL Group common stock plus dividends) by the total shareholder return of the Dow Jones Electric Utilities Index companies over the three-year performance period. This payment may not exceed 160% of targeted awards.

**Retirement Plans** - FPL Group maintains a non-contributory defined benefit pension plan and a supplemental executive retirement plan which covers FPL employees. The following table shows the estimated annual benefits, calculated on a straight-line annuity basis, payable upon retirement in 1998 at age 65 after the indicated years of service.

**PENSION PLAN TABLE**

Eligible Average Annual Compensation	Years of Service				
	10	20	30	40	50
\$ 300,000 .....	\$ 58,905	\$117,797	\$146,702	\$155,244	\$157,632
400,000 .....	78,905	157,797	196,702	207,744	210,132
500,000 .....	98,905	197,797	246,702	260,244	262,632
600,000 .....	118,905	237,797	296,702	312,744	315,132
700,000 .....	138,905	277,797	346,702	365,244	367,632
800,000 .....	158,905	317,797	396,702	417,744	420,132
900,000 .....	178,905	357,797	446,702	470,244	472,632
1,000,000 .....	198,905	397,797	496,702	522,744	525,132
1,100,000 .....	218,905	437,797	546,702	575,244	577,632
1,200,000 .....	238,905	477,797	596,702	627,744	630,132
1,300,000 .....	258,905	517,797	646,702	680,244	682,632
1,400,000 .....	278,905	557,797	696,702	732,744	735,132
1,500,000 .....	298,905	597,797	746,702	785,244	787,632
1,600,000 .....	318,905	637,797	796,702	837,744	840,132
1,700,000 .....	338,905	677,797	846,702	890,244	892,632
1,800,000 .....	358,905	717,797	896,702	942,744	945,132
1,900,000 .....	378,905	757,797	946,702	995,244	997,632
2,000,000 .....	398,905	797,797	996,702	1,047,744	1,050,132

The compensation covered by the plans includes annual salaries and bonuses of certain officers of FPL Group and annual salaries of officers of FPL, as shown in the respective Summary Compensation Tables, but no other amounts shown in that table.

The estimated credited years of service for the executive officers named in the Summary Compensation Table are: Mr. Broadhead, 10 years; Mr. Evanson, 6 years; Mr. Coyle, 9 years; Mr. Woody, 42 years; and Mr. Kelleher, 31 years. Amounts shown in the table reflect deductions to partially cover employer contributions to Social Security.

A supplemental retirement plan for Mr. Broadhead provides for a lump-sum retirement benefit equal to the then present value of a joint and survivor annuity providing annual payments to him or his surviving beneficiary equal to 61% to 70% of his average annual compensation for the three years prior to his retirement between age 62 (1998) and age 65 (2001), reduced by the then present value of the annual amount of payments to which he is entitled under all other pension and retirement plans of FPL Group and former employers. This benefit is further reduced by the then value of 98,800 shares of restricted common stock



which vest as to 77,000 shares in 2000 and as to 19,800 shares in 2001. Upon a change of control of FPL Group (as defined below under Employment Agreements), the restrictions on the restricted stock lapse and the full retirement benefit becomes payable. Upon termination of Mr. Broadhead's employment agreement (also described below) without cause, the restrictions on the restricted stock lapse and he becomes fully vested under the supplemental retirement plan.

A supplemental retirement plan for Mr. Coyle provides for benefits, upon retirement at age 62 or more, based on two times his credited years of service. A supplemental retirement plan for Mr. Evanson provides for benefits based on two times his credited years of service up to age 65 and one times his credited years of service thereafter.

FPL Group sponsors a split-dollar life insurance plan for certain of FPL and FPL Group's senior officers. Benefits under the split-dollar plan are provided by universal life insurance policies purchased by FPL Group. If the officer dies prior to retirement, the officer's beneficiaries generally receive two and one-half times the officer's annual salary at the time of death. If the officer dies after retirement, the officer's beneficiaries receive between 50% to 100% of the officer's final annual salary. Each officer is taxable on the insurance carrier's one year term rate for his or her life insurance coverage.

**Employment Agreements** - FPL Group has an employment agreement with Mr. Broadhead that provides for automatic one-year extensions after 1998 unless either party elects not to extend. The agreement provides for a minimum base salary of \$765,900 per year, subject to increases based upon corporate and individual performance and increases in cost-of-living indices, plus annual and long-term incentive compensation opportunities at least equal to those currently in effect. If FPL Group terminates Mr. Broadhead's employment without cause, he is entitled to receive a lump sum payment of two years' compensation. Compensation is measured by the then current base salary plus the average of the preceding two years' annual incentive awards. He would also be entitled to receive all amounts accrued under all performance share grants in progress, prorated for the year of termination and assuming achievement of the targeted award, and to full vesting of his benefits under his supplemental retirement plan.

FPL Group and FPL have entered into employment agreements with certain officers, including the individuals named in the Summary Compensation Table, to become effective in the event of a change of control of FPL Group, which is defined as the acquisition of beneficial ownership of 20% of the voting power of FPL Group, certain changes in FPL Group's board of directors, or approval by the shareholders of the liquidation of FPL Group or of certain mergers or consolidations or of certain transfers of FPL Group's assets. These agreements are intended to assure FPL Group and FPL of the continued services of key officers. The agreements provide that each officer shall be employed by FPL Group or one of its subsidiaries in his or her then current position, with compensation and benefits at least equal to the 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 officer's employment is terminated (except for death, disability or cause) or if the officer terminates his or her employment for good reason, as defined in the agreement, the officer is entitled to severance benefits in the form of a lump sum payment equal to the compensation due for the remainder of the employment period or for two years, whichever is longer. Such benefits would be based on the officer's then base salary plus an annual bonus at least equal to the average bonus for the two years preceding the change of control. The officer is also entitled to the maximum amount payable under all long-term incentive compensation grants outstanding, continued coverage under all employee benefit plans, supplemental retirement benefits and reimbursement for any tax penalties incurred as a result of the severance payments.

**Director Compensation** - All of the directors of FPL are salaried employees of FPL Group and its subsidiaries and do not receive any additional compensation for serving as a director.

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

**FPL Group** - The information required by this Item will be included in FPL Group's Proxy Statement and is incorporated herein by reference.



FPL - FPL Group owns 100% of FPL's common stock. FPL's directors and executive officers beneficially own shares of FPL Group's common stock as follows:

<u>Name</u>	<u>Number of Shares (a)</u>
James L. Broadhead .....	153,141(b)(c)
Dennis P. Coyle .....	10,378(b)
Paul J. Evanson .....	19,722(b)
Lawrence J. Kelleher .....	21,621(b)(c)
Thomas F. Plunkett .....	23,001(b)(c)
C. O. Woody .....	26,821(b)(c)
Michael W. Yackira .....	25,150(b)(c)
Roger Young .....	-
All directors and executive officers as a group .....	296,167(d)

- (a) Information is as of January 31, 1999, except for executive officers' holdings under the thrift plans and the Supplemental Executive Retirement Plan, which are as of December 31, 1998. Unless otherwise indicated, each person has sole voting and sole investment power.
- (b) Includes 13,159, 3,188, 3,199, 1,997, 359, 1,224 and 1,908 phantom shares for Messrs. Broadhead, Coyle, Evanson, Kelleher, Plunkett, Woody and Yackira, respectively, credited to a Supplemental Matching Contribution Account under the Supplemental Executive Retirement Plan.
- (c) Includes 96,800, 10,000, 15,000, 10,000 and 10,000 shares of restricted stock as to which Messrs. Broadhead, Kelleher, Plunkett, Woody and Yackira, respectively, have voting but not investment power.
- (d) Less than 1% of FPL Group's common stock outstanding.

**Section 16(a) Beneficial Ownership Reporting Compliance** - FPL's directors and executive officers are required to file initial reports of ownership and reports of changes of ownership of FPL Group common stock with the Securities and Exchange Commission. Based upon a review of these filings and written representations from FPL directors and executive officers, all required filings were timely made in 1998.

# Item 13. Certain Relationships and Related Transactions

FPL Group - The information required by this Item will be included in FPL Group's Proxy Statement and is incorporated herein by reference.

FPL - None

## PART IV

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

(a) 1. Financial Statements	Page(s)
Independent Auditors' Report	16
FPL Group:	
Consolidated Statements of Income	17
Consolidated Balance Sheets	18
Consolidated Statements of Cash Flows	19
Consolidated Statement of Shareholders' Equity	20
FPL:	
Consolidated Statements of Income	21
Consolidated Balance Sheets	22
Consolidated Statements of Cash Flows	23
Consolidated Statement of Shareholder's Equity	24
Notes to Consolidated Financial Statements	25-36

2. Financial Statement Schedules - Schedules are omitted as not applicable or not required.

3. Exhibits including those Incorporated by Reference

Exhibit Number	Description	FPL GROUP	FPL
*3(i)a	Restated Articles of Incorporation of FPL Group dated December 31, 1984, as amended through December 17, 1990 (filed as Exhibit 4(a) to Post-Effective Amendment No. 5 to Form S-8, File No. 33-18669)	x	
*3(i)b	Amendment to FPL Group's Restated Articles of Incorporation dated June 27, 1996 (filed as Exhibit 3 to Form 10-Q for the quarter ended June 30, 1996, File No. 1-8841)	x	
*3(i)c	Restated Articles of Incorporation of FPL dated March 23, 1992 (filed as Exhibit 3(i)a to Form 10-K for the year ended December 31, 1993, File No. 1-3545)		x
*3(i)d	Amendment to FPL's Restated Articles of Incorporation dated March 23, 1992 (filed as Exhibit 3(i)b to Form 10-K for the year ended December 31, 1993, File No. 1-3545)		x
*3(i)e	Amendment to FPL's Restated Articles of Incorporation dated May 11, 1992 (filed as Exhibit 3(i)c to Form 10-K for the year ended December 31, 1993, File No. 1-3545)		x
*3(i)f	Amendment to FPL's Restated Articles of Incorporation dated March 12, 1993 (filed as Exhibit 3(i)d to Form 10-K for the year ended December 31, 1993, File No. 1-3545)		x
*3(i)g	Amendment to FPL's Restated Articles of Incorporation dated June 16, 1993 (filed as Exhibit 3(i)e to Form 10-K for the year ended December 31, 1993, File No. 1-3545)		x
*3(i)h	Amendment to FPL's Restated Articles of Incorporation dated August 31, 1993 (filed as Exhibit 3(i)f to Form 10-K for the year ended December 31, 1993, File No. 1-3545)		x
*3(i)i	Amendment to FPL's Restated Articles of Incorporation dated November 30, 1993 (filed as Exhibit 3(i)g to Form 10-K for the year ended December 31, 1993, File No. 1-3545)		x
*3(ii)a	Bylaws of FPL Group dated November 15, 1993 (filed as Exhibit 3(ii) to Form 10-K for the year ended December 31, 1993, File No. 1-8841)	x	

		FPL GROUP	FPL
*3(ii)b	Bylaws of FPL dated May 11, 1992 (filed as Exhibit 3 to Form 8-K dated May 1, 1992, File No. 1-3545)		x
*4(a)	Form of Rights Agreement, dated as of July 1, 1996, between FPL Group and the First National Bank of Boston (filed as Exhibit 4 to Form 8-K dated June 17, 1996, File No. 1-8841)	x	
*4(b)	Mortgage and Deed of Trust dated as of January 1, 1944, and ninety-eight Supplements thereto between FPL and Bankers Trust Company and The Florida National Bank of Jacksonville (now First Union National Bank of Florida), Trustees (as of September 2, 1992, the sole trustee is Bankers Trust Company) (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 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 99(a) to Post-Effective Amendment No. 5 to Form S-8, File No. 33-18669; Exhibit 99(a) to Post-Effective Amendment No. 1 to Form S-3, File No. 33-46076; Exhibit 4(b) to Form 10-K for the year ended December 31, 1993, File No. 1-3545; Exhibit 4(i) to Form 10-Q for the quarter ended June 30, 1994, File No. 1-3545; Exhibit 4(b) to Form 10-Q for the quarter ended June 30, 1995, File No. 1-3545; Exhibit 4(a) to Form 10-Q for the quarter ended March 31, 1996, File No. 1-3545; and Exhibit 4 to Form 10-Q for the quarter ended June 30, 1998, File No. 1-3545)	x	x
*10(a)	Supplemental Executive Retirement Plan, amended and restated effective January 1, 1994 (filed as Exhibit 10(a) to Form 10-K for the year ended December 31, 1995, File No. 1-8841)	x	
*10(b)	FPL Group Amended and Restated Supplemental Executive Retirement Plan for James L. Broadhead effective January 1, 1990	x	
*10(c)	Supplement to the FPL Group Supplemental Executive Retirement Plan as it applies to Paul J. Evanson effective January 1, 1996 (filed as Exhibit 10(b) to Form 10-K for the year ended December 31, 1996, File No. 1-8841)	x	
*10(d)	Supplement to the FPL Group Supplemental Executive Retirement Plan as it applies to Thomas F. Plunkett	x	
*10(e)	FPL Group Long-Term Incentive Plan of 1985, as amended (filed as Exhibit 99(h) to Post-Effective Amendment No. 5 to Form S-8, File No. 33-18669)	x	
*10(f)	Long-Term Incentive Plan 1994 (filed as Exhibit 4(d) to Form S-8, File No. 33-57673)	x	
*10(g)	Annual Incentive Plan dated as of March 31, 1994 (filed as Exhibit 10(h) to Form 10-Q for the quarter ended March 31, 1994, File No. 1-8841)	x	
*10(h)	FPL Group Deferred Compensation Plan, amended and restated effective January 1, 1995 (filed as Exhibit 10(f) to Form 10-K for the year ended December 31, 1995, File No. 1-8841)	x	
*10(i)	FPL Group Executive Long Term Disability Plan effective January 1, 1995 (filed as Exhibit 10(g) to Form 10-K for the year ended December 31, 1995, File No. 1-8841)	x	
*10(j)	Employment Agreement between FPL Group and James L. Broadhead dated as of December 13, 1993 (filed as Exhibit 10(j) to Form 10-K for the year ended December 31, 1993, File No. 1-8841)	x	
*10(k)	Employment Agreement between FPL Group and James L. Broadhead dated as of December 11, 1995 (filed as Exhibit 10(i) to Form 10-K for the year ended December 31, 1995, File No. 1-8841)	x	
*10(l)	Employment Agreement between FPL Group and Dennis P. Coyle dated as of December 11, 1995 (filed as Exhibit 10(j) to Form 10-K for the year ended December 31, 1995, File No. 1-8841)	x	

		FPL GROUP	FPL
*10(m)	Employment Agreement between FPL Group and Paul J. Evanson dated as of December 11, 1995 (filed as Exhibit 10(k) to Form 10-K for the year ended December 31, 1995, File No. 1-8841)	x	
*10(n)	Employment Agreement between FPL Group and Lawrence J. Kelleher dated as of December 11, 1995 (filed as Exhibit 10(l) to Form 10-K for the year ended December 31, 1995, File No. 1-8841)	x	
*10(o)	Employment Agreement between FPL Group and Thomas F. Plunkett dated as of September 16, 1996 (filed as Exhibit 10 to Form 10-Q for the quarter ended September 30, 1996)	x	
*10(p)	Employment Agreement between FPL Group and C.O. Woody dated as of December 11, 1995 (filed as Exhibit 10(m) to Form 10-K for the year ended December 31, 1995, File No. 1-8841)	x	
*10(q)	Employment Agreement between FPL Group and Michael W. Yackira as of December 11, 1995 (filed as Exhibit 10(n) to Form 10-K for the year ended December 31, 1995, File No. 1-8841)	x	
*10(r)	FPL Group, Inc. Non-Employee Directors Stock Plan dated as of March 17, 1997 (filed as Appendix A to FPL Group's 1997 Proxy Statement, File No. 1-8841)	x	
12	Computation of Ratios		x
21	Subsidiaries of the Registrant	x	
23	Independent Auditors' Consent	x	x
27	Financial Data Schedule	x	x

\* Incorporated herein by reference

(b) Reports on Form 8-K

On November 19, 1998 a Current Report on Form 8-K was filed by FPL Group relating to one event under Item 5. Other Events.

On December 2, 1998 a Current Report on Form 8-K was filed by FPL Group and FPL reporting one event under Item 5. Other Events.

**FPL GROUP, INC. 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.

FPL Group, Inc.

JAMES L. BROADHEAD  
**James L. Broadhead**  
*Chairman of the Board and*  
*Chief Executive Officer*  
(Principal Executive Officer and Director)

Date: February 25, 1999

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 and Title as of February 25, 1999:

K. MICHAEL DAVIS  
**K. Michael Davis**  
Controller and Chief Accounting Officer  
(Principal Financial and Accounting Officer)

Directors:

H. JESSE ARNELLE  
**H. Jesse Arnelle**

WILLARD D. DOVER  
**Willard D. Dover**

SHERRY S. BARRAT  
**Sherry S. Barrat**

ALEXANDER W. DREYFOOS JR.  
**Alexander W. Dreyfoos Jr.**

ROBERT M. BEALL, II  
**Robert M. Beall, II**

PAUL J. EVANSON  
**Paul J. Evanston**

J. HYATT BROWN  
**J. Hyatt Brown**

DREW LEWIS  
**Drew Lewis**

ARMANDO M. CODINA  
**Armando M. Codina**

FREDERIC V. MALEK  
**Frederic V. Malek**

MARSHALL M. CRISER  
**Marshall M. Criser**

PAUL R. TREGURTHA  
**Paul R. Tregurtha**

B. F. DOLAN  
**B. F. Dolan**

ROGER YOUNG  
**Roger Young**



## FLORIDA POWER & LIGHT COMPANY 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

PAUL J. EVANSON

Paul J. Evanson  
President and Director

Date: February 25, 1999

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 and Title as of February 25, 1999:

JAMES L. BROADHEAD

James L. Broadhead  
Chairman of the Board  
(Principal Executive Officer and Director)

K. MICHAEL DAVIS

K. Michael Davis  
Vice President, Accounting,  
Controller and Chief Accounting Officer  
(Principal Financial and Accounting Officer)

Directors:

DENNIS P. COYLE

Dennis P. Coyle

C. O. WOODY

C. O. Woody

LAWRENCE J. KELLEHER

Lawrence J. Kelleher

MICHAEL W. YACKIRA

Michael W. Yackira

THOMAS F. PLUNKETT

Thomas F. Plunkett

ROGER YOUNG

Roger Young

**FLORIDA POWER & LIGHT COMPANY  
COMPUTATION OF RATIOS**

Years Ended December 31  
1998    1997    1996    1995    1994  
 (Millions of Dollars)

**RATIO OF EARNINGS TO FIXED CHARGES**

Earnings, as defined:					
Net income .....	\$ 631	\$ 627	\$ 615	\$ 611	\$ 568
Income taxes .....	349	321	322	342	319
Fixed charges, as below .....	209	240	262	286	310
Total earnings, as defined .....	<u>\$1,180</u>	<u>\$1,188</u>	<u>\$1,199</u>	<u>\$1,239</u>	<u>\$1,197</u>
Fixed charges, as defined:					
Interest charges .....	\$ 196	\$ 227	\$ 246	\$ 270	\$ 292
Rental interest factor .....	4	4	5	5	7
Fixed charges included in nuclear fuel cost .....	9	9	11	11	11
Total fixed charges, as defined .....	<u>\$ 209</u>	<u>\$ 240</u>	<u>\$ 262</u>	<u>\$ 286</u>	<u>\$ 310</u>
Ratio of earnings to fixed charges .....	<u>5.69</u>	<u>4.95</u>	<u>4.58</u>	<u>4.33</u>	<u>3.86</u>

**RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS**

Earnings, as defined:					
Net income .....	\$ 631	\$ 627	\$ 615	\$ 611	\$ 568
Income taxes .....	349	321	322	342	319
Fixed charges, as below .....	209	240	262	286	310
Total earnings, as defined .....	<u>\$1,180</u>	<u>\$1,188</u>	<u>\$1,199</u>	<u>\$1,239</u>	<u>\$1,197</u>
Fixed charges, as defined:					
Interest charges .....	\$ 196	\$ 227	\$ 246	\$ 270	\$ 292
Rental interest factor .....	4	4	5	5	7
Fixed charges included in nuclear fuel cost .....	9	9	11	11	11
Total fixed charges, as defined .....	<u>209</u>	<u>240</u>	<u>262</u>	<u>286</u>	<u>310</u>
Non-tax deductible preferred stock dividends .....	15	19	24	43	40
Ratio of income before income taxes to net income .....	<u>1.55</u>	<u>1.51</u>	<u>1.52</u>	<u>1.56</u>	<u>1.56</u>
Preferred stock dividends before income taxes .....	23	29	36	68	62
Combined fixed charges and preferred stock dividends .....	<u>\$ 232</u>	<u>\$ 269</u>	<u>\$ 298</u>	<u>\$ 354</u>	<u>\$ 372</u>
Ratio of earnings to combined fixed charges and preferred stock dividends .....	<u>5.13</u>	<u>4.42</u>	<u>4.02</u>	<u>3.50</u>	<u>3.22</u>

## SUBSIDIARIES OF FPL GROUP, INC.

<u>Subsidiary</u>	<u>State or Jurisdiction of Incorporation</u>
1. Florida Power & Light Company (100%-Owned) .....	Florida
2. Bay Loan and Investment Bank (a) .....	Rhode Island
3. Palms Insurance Company, Limited (a) .....	Cayman Islands
(a) 100%-owned subsidiary of FPL Group Capital Inc	

## INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 33-56869 on Form S-3; Registration Statement No. 33-57673 on Form S-8; Post-Effective Amendment No. 2 to Registration Statement No. 33-31487 on Form S-8; Post-Effective Amendment No. 2 to Registration Statement No. 33-33215 on Form S-8; Registration Statement No. 33-11631 on Form S-8; Post-Effective Amendment No. 1 to Registration Statement No. 33-39306 on Form S-3; Registration Statement No. 33-57470 on Form S-3; Post-Effective Amendment No. 6 to Registration Statement No. 33-18669 on Form S-8; Registration Statement No. 333-27079 on Form S-8; Registration Statement No. 333-30695 on Form S-8; Registration Statement 333-30697 on Form S-8; and Registration Statement No. 333-64885 on Form S-3 of FPL Group, Inc., of our report dated February 12, 1999 appearing in this Annual Report on Form 10-K of FPL Group, Inc. for the year ended December 31, 1998.

We also consent to the incorporation by reference in Registration Statement No. 33-40123 on Form S-3; Post-Effective Amendment No. 1 to Registration Statement No. 33-46076 on Form S-3; Registration Statement No. 33-81390 on Form S-3; and Registration Statement No. 333-53053 on Form S-3 of Florida Power & Light Company, of our report dated February 12, 1999 appearing in this Annual Report on Form 10-K of Florida Power & Light Company for the year ended December 31, 1998.

We also consent to the incorporation by reference in Registration Statement No. 33-47813 on Form S-3; Registration Statement No. 33-69786 on Form S-3; and Registration Statement No. 333-64885-01 on Form S-3 of FPL Group Capital Inc. of our report dated February 12, 1999 appearing in this annual report on Form 10-K of FPL Group, Inc., for the year ended December 31, 1998.

DELOITTE & TOUCHE LLP

Miami, Florida  
March 2, 1999







UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

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

For the quarterly period ended **March 31, 1998**

OR

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

Commission  
File Number

1-8841

1-3545

Exact name of Registrants as specified  
in their charters, address of principal  
executive offices and  
Registrants' telephone number

**FPL GROUP, INC.**  
**FLORIDA POWER & LIGHT COMPANY**

700 Universe Boulevard  
Juno Beach, Florida 33408  
(561) 694-4000

IRS Employer  
Identification  
Number

59-2449419

59-0247775

State or other jurisdiction of incorporation or organization: Florida

Indicate by check mark whether the registrants (1) have 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) have been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares outstanding of each class of FPL Group, Inc. common stock, as of the latest practicable date: Common Stock, \$0.01 Par Value, outstanding at March 31, 1998: 181,482,385 shares

As of March 31, 1998, there were issued and outstanding 1,000 shares of Florida Power & Light Company's common stock, without par value, all of which were held, beneficially and of record, by FPL Group, Inc.

This combined Form 10-Q represents separate filings by FPL Group, Inc. and Florida Power & Light Company. Information contained herein relating to an individual registrant is filed by that registrant on its own behalf. Florida Power & Light Company makes no representations as to the information relating to FPL Group, Inc.'s other operations.

## SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 (Reform Act), FPL Group, Inc. (FPL Group) and Florida Power & Light Company (FPL) (collectively, the Company) are hereby filing cautionary statements identifying important factors that could cause the Company's actual results to differ materially from those projected in forward-looking statements (as such term is defined in the Reform Act) of the Company made by or on behalf of the Company which are made in this combined Form 10-Q, in presentations, in response to questions or otherwise. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as will likely result, are expected to, will continue, is anticipated, estimated, projection, outlook) are not statements of historical facts and may be forward-looking. Forward-looking statements involve estimates, assumptions and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Accordingly, any such statements are qualified in their entirety by reference to, and are accompanied by, the following important factors that could cause the Company's actual results to differ materially from those contained in forward-looking statements of the Company made by or on behalf of the Company.

Any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Some important factors that could cause actual results or outcomes to differ materially from those discussed in the forward-looking statements include prevailing governmental policies and regulatory actions, including those of the Federal Energy Regulatory Commission (FERC), the Florida Public Service Commission (FPSC) and the Nuclear Regulatory Commission, with respect to allowed rates of return, industry and rate structure, operation of nuclear power facilities, acquisition and disposal of assets and facilities, operation and construction of plant facilities, recovery of fuel and purchased power costs, decommissioning costs, and present or prospective wholesale and retail competition (including but not limited to retail wheeling and transmission costs).

The business and profitability of the Company are also influenced by economic and geographic factors including political and economic risks, changes in and compliance with environmental and safety laws and policies, weather conditions (including natural disasters such as hurricanes), population growth rates and demographic patterns, competition for retail and wholesale customers, pricing and transportation of commodities, market demand for energy from plants or facilities, changes in tax rates or policies or in rates of inflation, unanticipated development project delays or changes in project costs, unanticipated changes in operating expenses and capital expenditures, capital market conditions, competition for new energy development opportunities, and legal and administrative proceedings (whether civil, such as environmental, or criminal) and settlements.

All such factors are difficult to predict, contain uncertainties which may materially affect actual results, and are beyond the control of the Company.

# **PART I - FINANCIAL INFORMATION**

## **Item 1. Financial Statements**

### **FPL GROUP, INC.** **CONDENSED CONSOLIDATED STATEMENTS OF INCOME** (In millions, except per share amounts) (Unaudited)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>1998</b>	<b>1997</b>
OPERATING REVENUES .....	<b>\$1,338</b>	<b>\$1,445</b>
OPERATING EXPENSES:		
Fuel, purchased power and interchange .....	436	544
Other operations and maintenance .....	299	269
Depreciation and amortization .....	249	268
Taxes other than income taxes .....	136	139
Total operating expenses .....	<u>1,120</u>	<u>1,220</u>
OPERATING INCOME .....	<u>218</u>	<u>225</u>
OTHER INCOME (DEDUCTIONS):		
Interest charges .....	(63)	(71)
Preferred stock dividends - FPL .....	(4)	(6)
Other - net .....	7	8
Total other deductions - net .....	<u>(60)</u>	<u>(69)</u>
INCOME BEFORE INCOME TAXES .....	158	156
INCOME TAXES .....	<u>50</u>	<u>25</u>
NET INCOME .....	<u>\$ 108</u>	<u>\$ 101</u>
Earnings per share of common stock (basic and assuming dilution) .....	\$ 0.63	\$ 0.58
Dividends per share of common stock .....	\$ 0.50	\$ 0.48
Average number of common shares outstanding .....	173	173

This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements on Pages 9 through 11 herein and the Notes to Consolidated Financial Statements appearing in the combined Annual Report on Form 10-K for the fiscal year ended December 31, 1997 (1997 Form 10-K) for FPL Group and FPL.

**FPL GROUP, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Millions of Dollars)

	March 31, 1998 (Unaudited)	December 31, 1997
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
Electric utility plant in service and other property, including nuclear fuel and construction work in progress .....	\$17,908	\$17,820
Less accumulated depreciation and amortization .....	<u>(8,704)</u>	<u>(8,666)</u>
Total property, plant and equipment - net .....	<u>9,204</u>	<u>9,154</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents .....	72	54
Customer receivables, net of allowances of \$7 and \$9, respectively .....	438	501
Materials, supplies and fossil fuel inventory - at average cost .....	289	302
Other .....	<u>243</u>	<u>244</u>
Total current assets .....	<u>1,042</u>	<u>1,101</u>
<b>OTHER ASSETS:</b>		
Special use funds of FPL .....	1,102	1,007
Other investments .....	395	282
Other .....	<u>728</u>	<u>705</u>
Total other assets .....	<u>2,225</u>	<u>1,994</u>
<b>TOTAL ASSETS</b> .....	<b><u>\$12,471</u></b>	<b><u>\$12,449</u></b>
<b>CAPITALIZATION:</b>		
Common stock .....	\$ 2	\$ 2
Additional paid-in capital .....	3,028	3,038
Retained earnings .....	1,825	1,804
Accumulated other comprehensive income .....	<u>1</u>	<u>1</u>
Total common shareholders' equity .....	4,856	4,845
Preferred stock of FPL without sinking fund requirements .....	226	226
Long-term debt .....	<u>2,950</u>	<u>2,949</u>
Total capitalization .....	<u>8,032</u>	<u>8,020</u>
<b>CURRENT LIABILITIES:</b>		
Debt and preferred stock due within one year .....	310	332
Accounts payable .....	297	348
Accrued interest, taxes and other .....	<u>837</u>	<u>799</u>
Total current liabilities .....	<u>1,444</u>	<u>1,479</u>
<b>OTHER LIABILITIES AND DEFERRED CREDITS:</b>		
Accumulated deferred income taxes .....	1,528	1,473
Unamortized regulatory and investment tax credits .....	383	395
Other .....	<u>1,084</u>	<u>1,062</u>
Total other liabilities and deferred credits .....	<u>2,995</u>	<u>2,930</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>TOTAL CAPITALIZATION AND LIABILITIES</b> .....	<b><u>\$12,471</u></b>	<b><u>\$12,449</u></b>

This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements on Pages 9 through 11 herein and the Notes to Consolidated Financial Statements appearing in the 1997 Form 10-K for FPL Group and FPL.



**FPL GROUP, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Millions of Dollars)  
(Unaudited)

	Three Months Ended March 31,	
	1998	1997
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income .....	\$ 108	\$ 101
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization .....	249	268
Other - net .....	97	142
Net cash provided by operating activities .....	454	511
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures of FPL .....	(159)	(110)
Independent power investments .....	(350)	(9)
Distributions and loan repayments from partnerships and joint ventures .....	221	13
Other - net .....	(23)	15
Net cash used in investing activities .....	(311)	(91)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Issuance of long-term debt .....	-	5
Retirement of long-term debt and preferred stock .....	(180)	(126)
Increase in commercial paper .....	158	-
Repurchase of common stock .....	(17)	(17)
Dividends on common stock .....	(86)	(83)
Net cash used in financing activities .....	(125)	(221)
Net increase in cash and cash equivalents .....	18	199
Cash and cash equivalents at beginning of period .....	54	196
Cash and cash equivalents at end of period .....	\$ 72	\$ 395
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid for interest .....	\$ 51	\$ 68
Cash paid for income taxes .....	-	\$ 28
<b>Supplemental schedule of noncash investing and financing activities:</b>		
Additions to capital lease obligations .....	\$ 1	\$ 18
Debt assumed for property additions .....	-	\$ 410

This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements on Pages 9 through 11 herein and the Notes to Consolidated Financial Statements appearing in the 1997 Form 10-K for FPL Group and FPL.

**FLORIDA POWER & LIGHT COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(Millions of Dollars)  
(Unaudited)

	Three Months Ended March 31	
	1998	1997
OPERATING REVENUES .....	\$1,295	\$1,399
OPERATING EXPENSES:		
Fuel, purchased power and interchange .....	430	525
Other operations and maintenance .....	268	246
Depreciation and amortization .....	244	263
Income taxes .....	57	58
Taxes other than income taxes .....	137	139
Total operating expenses .....	<u>1,136</u>	<u>1,231</u>
OPERATING INCOME .....	<u>159</u>	<u>168</u>
OTHER INCOME (DEDUCTIONS):		
Interest charges .....	(50)	(59)
Other - net .....	<u>(2)</u>	<u>1</u>
Total other deductions - net .....	<u>(52)</u>	<u>(58)</u>
NET INCOME .....	107	110
PREFERRED STOCK DIVIDENDS .....	<u>6</u>	<u>6</u>
NET INCOME AVAILABLE TO FPL GROUP .....	<u>\$ 103</u>	<u>\$ 104</u>

This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements on Pages 9 through 11 herein and the Notes to Consolidated Financial Statements appearing in the 1997 Form 10-K for FPL Group and FPL.

**FLORIDA POWER & LIGHT COMPANY**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Millions of Dollars)

	March 31, 1998 (Unaudited)	December 31, 1997
<b>ELECTRIC UTILITY PLANT:</b>		
Plant in service, including nuclear fuel and construction work in progress .....	\$17,219	\$17,136
Less accumulated depreciation and amortization .....	<u>(8,590)</u>	<u>(8,355)</u>
Electric utility plant - net .....	<u>8,629</u>	<u>8,781</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents .....	12	3
Customer receivables, net of allowances of \$7 and \$9, respectively .....	414	471
Materials, supplies and fossil fuel inventory - at average cost .....	234	242
Other .....	<u>211</u>	<u>226</u>
Total current assets .....	<u>871</u>	<u>942</u>
<b>OTHER ASSETS:</b>		
Special use funds .....	1,102	1,007
Other .....	<u>442</u>	<u>442</u>
Total other assets .....	<u>1,544</u>	<u>1,449</u>
<b>TOTAL ASSETS .....</b>	<b><u>\$11,044</u></b>	<b><u>\$11,172</u></b>
<b>CAPITALIZATION:</b>		
Common shareholder's equity .....	\$ 4,823	\$ 4,814
Preferred stock without sinking fund requirements .....	226	226
Long-term debt .....	<u>2,420</u>	<u>2,420</u>
Total capitalization .....	<u>7,469</u>	<u>7,460</u>
<b>CURRENT LIABILITIES:</b>		
Debt and preferred stock due within one year .....	54	220
Accounts payable .....	281	344
Accrued interest, taxes and other .....	<u>777</u>	<u>748</u>
Total current liabilities .....	<u>1,112</u>	<u>1,312</u>
<b>OTHER LIABILITIES AND DEFERRED CREDITS:</b>		
Accumulated deferred income taxes .....	1,127	1,070
Unamortized regulatory and investment tax credits .....	383	395
Other .....	<u>953</u>	<u>935</u>
Total other liabilities and deferred credits .....	<u>2,463</u>	<u>2,400</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>TOTAL CAPITALIZATION AND LIABILITIES .....</b>	<b><u>\$11,044</u></b>	<b><u>\$11,172</u></b>

This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements on Pages 9 through 11 herein and the Notes to Consolidated Financial Statements appearing in the 1997 Form 10-K for FPL Group and FPL.

**FLORIDA POWER & LIGHT COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Millions of Dollars)  
(Unaudited)

	Three Months Ended March 31,	
	1998	1997
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income .....	\$ 107	\$ 110
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization .....	244	263
Other - net .....	102	107
Net cash provided by operating activities .....	453	480
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures .....	(159)	(110)
Other - net .....	(21)	(23)
Net cash used in investing activities .....	(180)	(133)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Retirement of long-term debt and preferred stock .....	(180)	(125)
Increase in commercial paper .....	14	-
Dividends .....	(98)	(104)
Net cash used in financing activities .....	(264)	(229)
Net increase in cash and cash equivalents .....	9	118
Cash and cash equivalents at beginning of period .....	3	78
Cash and cash equivalents at end of period .....	\$ 12	\$ 196
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid for interest .....	\$ 48	\$ 62
Cash paid for income taxes .....	\$ -	\$ 72
<b>Supplemental schedule of noncash investing and financing activities:</b>		
Additions to capital lease obligations .....	\$ 1	\$ 18

This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements on Pages 9 through 11 herein and the Notes to Consolidated Financial Statements appearing in the 1997 Form 10-K for FPL Group and FPL.

**FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

The accompanying condensed consolidated financial statements should be read in conjunction with the combined 1997 Form 10-K for FPL Group and FPL. In the opinion of FPL Group and FPL, all adjustments (consisting only of normal recurring accruals) necessary to present fairly the financial position as of March 31, 1998 and the results of operations and cash flows for the three months ended March 31, 1998 and 1997 have been made. Certain amounts included in the prior year's consolidated financial statements have been reclassified to conform to the current year's presentation. The results of operations for an interim period may not give a true indication of results for the year.

**1. Summary of Significant Accounting and Reporting Policies**

*Revenues and Rates* - In March 1998, a large customer of FPL withdrew its petition requesting a limited scope proceeding to reduce FPL's base rates. The docket was subsequently closed by the FPSC.

**2. Capitalization**

*FPL Group Common Stock* - During the three months ended March 31, 1998, FPL Group repurchased 280,000 shares of common stock under its share repurchase program. A total of approximately 1 million shares have been repurchased under the share repurchase program that began in April 1997.

*Long-Term Incentive Plan* - Performance shares granted to date under FPL Group's long-term incentive plan resulted in assumed incremental shares of common stock outstanding for purposes of computing both basic earnings per share and diluted earnings per share for the three months ended March 31, 1998 and 1997. These incremental shares were not material and did not cause diluted earnings per share to differ from basic earnings per share.

*Other* - In the first quarter of 1998, FPL Group adopted Statement of Financial Accounting Standards No. (FAS) 130, "Reporting Comprehensive Income." The statement establishes standards for reporting comprehensive income and its components. Comprehensive income of FPL Group totaling \$109 million and \$102 million for the three months ended March 31, 1998 and 1997, respectively, includes net income, unrealized gains (losses) on securities and foreign currency translation adjustments. Accumulated other comprehensive income is separately displayed in the condensed consolidated balance sheets of FPL Group.

**3. Commitments and Contingencies**

*Commitments* - FPL has made commitments in connection with a portion of its projected capital expenditures. Capital expenditures for the construction or acquisition of additional facilities and equipment to meet customer demand are estimated to be approximately \$2.0 billion for 1998 through 2000. Included in this three-year forecast are capital expenditures for 1998 of approximately \$620 million, of which \$159 million had been spent through March 31, 1998. Also, in January 1998 FPL Group announced plans to purchase all of Central Maine Power Company's (Central Maine) non-nuclear generation assets. The Central Maine transaction is expected to close in the fourth quarter of 1998 and is subject to approval by federal and state regulators. Commitments for independent power investments, including the acquisition mentioned above, are approximately \$850 million for 1998. FPL Group Capital Inc (FPL Group Capital) and its subsidiaries have guaranteed approximately \$235 million of lease obligations, debt service payments and other payments subject to certain contingencies.

*Insurance* - Liability for accidents at nuclear power plants is governed by the Price-Anderson Act, which limits the liability of nuclear reactor owners to the amount of the insurance available from private sources and under an industry retrospective payment plan. In accordance with this Act, FPL maintains \$200 million of private liability insurance, which is the maximum obtainable, and participates in a secondary financial protection system under which it is subject to retrospective assessments of up to \$327 million per incident at any nuclear utility reactor in the United States, payable at a rate not to exceed \$40 million per incident per year.

FPL participates in nuclear insurance mutual companies that provide \$2.75 billion of limited insurance coverage for property damage, decontamination and premature decommissioning risks at its nuclear plants. The proceeds from such insurance, however, must first be used for reactor stabilization and site decontamination before they can be used for plant repair. FPL also participates in an insurance program that provides limited coverage for replacement power costs if a nuclear plant is out of service because of an accident. In the event of an accident at one of FPL's or another participating insured's nuclear plants, FPL could be assessed up to \$68 million in retrospective premiums.



**FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In the event of a catastrophic loss at one of FPL's nuclear plants, the amount of insurance available may not be adequate to cover property damage and other expenses incurred. Uninsured losses, to the extent not recovered through rates, would be borne by FPL and could have a material adverse effect on FPL Group's and FPL's financial condition.

FPL self-insures certain of its transmission and distribution (T&D) property due to the high cost and limited coverage available from third-party insurers. FPL maintains a funded storm and property insurance reserve, which totaled approximately \$261 million at March 31, 1998, for T&D property storm damage or assessments under the nuclear insurance program. Recovery from customers of any losses in excess of the storm and property insurance reserve will require the approval of the FPSC. FPL's available lines of credit include \$300 million to provide additional liquidity in the event of a T&D property loss.

**Contracts** - FPL has entered into certain long-term purchased power and fuel contracts. Take-or-pay purchased power contracts with the Jacksonville Electric Authority (JEA) and with subsidiaries of the Southern Company (Southern Companies) provide approximately 1,300 megawatts (mw) of power through mid-2010, and thereafter 374 mw through 2022. FPL also has various firm pay-for-performance contracts to purchase approximately 1,000 mw from certain cogenerators and small power producers (qualifying facilities) with expiration dates ranging from 2002 through 2026. The purchased power contracts provide for capacity and energy payments. Energy payments are based on the actual power taken under these contracts. Capacity payments for the pay-for-performance contracts are subject to the qualifying facilities meeting certain contract conditions. The fuel contracts provide for the transportation and supply of natural gas and coal and the supply and use of Orimulsion. Orimulsion is a controversial new fuel, the use of which is subject to approval by Florida's Governor and Cabinet acting as the Power Plant Siting Board.

The required capacity and minimum payments through 2002 under these contracts are estimated to be as follows:

	1998	1999	2000	2001	2002
	(Millions of Dollars)				
<b>Capacity payments:</b>					
JEA and Southern Companies .....	\$200	\$210	\$210	\$210	\$210
Qualifying facilities (a) .....	\$350	\$360	\$370	\$380	\$400
<b>Minimum payments, at projected prices:</b>					
Natural gas, including transportation .....	\$230	\$220	\$220	\$220	\$220
Orimulsion (b) .....	-	-	\$140	\$140	\$140
Coal .....	\$ 50	\$ 40	\$ 40	\$ 40	\$ 40

- (a) Includes approximately \$35 million, \$40 million, \$40 million, \$40 million and \$45 million, respectively, for capacity payments associated with two projects that are currently in dispute. These capacity payments are subject to the outcome of the related litigation. See Litigation.
- (b) All of FPL's Orimulsion-related contract obligations are subject to obtaining the required regulatory approvals.

Capacity, energy and fuel charges under these contracts were as follows:

	Three Months Ended March 31,			
	1998 Charges		1997 Charges	
	Capacity	Energy/ Fuel (a)	Capacity	Energy/ Fuel (a)
	(Millions of Dollars)			
JEA and Southern Companies .....	\$49(b)	\$31	\$52(b)	\$35
Qualifying facilities .....	\$74(c)	\$25	\$73(c)	\$29
Natural gas .....	-	\$54	-	\$89
Coal .....	-	\$13	-	\$11

- (a) Recovered through the fuel clause.
- (b) Recovered through base rates and the capacity cost recovery clause (capacity clause).
- (c) Recovered through the capacity clause.

**FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Concluded)**

*Litigation* - In 1997, FPL filed a complaint against the owners of two qualifying facilities (plant owners) seeking an order declaring that FPL's obligations under the power purchase agreements with the qualifying facilities were rendered of no force and effect because the power plants failed to accomplish commercial operation before January 1, 1997, as required by the agreements. In 1997, the plant owners filed for bankruptcy under Chapter XI of the United States Bankruptcy Code, ceased all attempts to operate the power plants and entered into an agreement with the holders of more than 70% of the bonds that partially financed the construction of the plants. This agreement gives the holders of a majority of the principal amount of the bonds (the majority bondholders) the right to control, fund and manage any litigation against FPL and the right to settle with FPL on any terms such holders approve, provided that certain agreements are not affected and certain conditions are met. In January 1998, the plant owners (through the attorneys for the majority bondholders) filed an answer denying the allegations in FPL's complaint and asserted a counterclaim for approximately \$2 billion, consisting of all capacity payments that could have been made over the 30-year term of the power purchase agreements, plus some security deposits. The plant owners also seek three times their actual damages for alleged violations of Florida antitrust laws, plus attorneys' fees.

The Florida Municipal Power Agency (FMPA), an organization comprised of municipal electric utilities, has sued FPL for allegedly breaching a "contract" to provide transmission service to the FMPA and its members and for breaching antitrust laws by monopolizing or attempting to monopolize the provision, coordination and transmission of electric power in refusing to provide transmission service, or to permit the FMPA to invest in and use FPL's transmission system, on the FMPA's proposed terms. The FMPA seeks \$140 million in damages, before trebling for the antitrust claim, and court orders requiring FPL to permit the FMPA to invest in and use FPL's transmission system on "reasonable terms and conditions" and on a basis equal to FPL. In 1995, the Court of Appeals vacated the District Court's summary judgment in favor of FPL and remanded the matter to the District Court for further proceedings. In 1998, the District Court ordered the FMPA to seek a declaratory ruling from the FERC regarding certain issues in the case. All other action in the case has been stayed pending the FERC's ruling.

A former cable installation contractor for Telesat Cablevision, Inc. (Telesat), a wholly-owned subsidiary of FPL Group Capital, sued FPL Group, FPL Group Capital and Telesat for breach of contract, fraud, violation of racketeering statutes and several other claims. The trial court entered a judgment in favor of FPL Group and Telesat on nine of twelve counts, including all of the racketeering and fraud claims, and in favor of FPL Group Capital on all counts. It also denied all parties' claims for attorneys' fees. However, the jury in the case awarded the contractor damages totaling approximately \$6 million against FPL Group and Telesat for breach of contract and tortious interference. All parties have appealed.

FPL Group and FPL believe that they have meritorious defenses to the litigation to which they are parties and are vigorously defending the suits. Accordingly, the liabilities, if any, arising from the proceedings are not anticipated to have a material adverse effect on their financial statements.

#### **4. Summarized Financial Information of FPL Group Capital**

FPL Group Capital's debenture is guaranteed by FPL Group and included in FPL Group's consolidated balance sheets. Operating revenues of FPL Group Capital for the three months ended March 31, 1998 and 1997 were \$44 million and \$46 million, respectively. For the same periods, operating expenses were \$41 million and \$47 million, respectively, and net income was \$11 million and \$1 million, respectively.

At March 31, 1998, FPL Group Capital had \$291 million of current assets, \$1.6 billion of noncurrent assets, \$386 million of current liabilities and \$1.1 billion of noncurrent liabilities. At December 31, 1997, FPL Group Capital had current assets of \$156 million, noncurrent assets of \$1.4 billion, current liabilities of \$252 million and noncurrent liabilities of \$999 million.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

This discussion should be read in conjunction with the Notes to Condensed Consolidated Financial Statements contained herein and Management's Discussion and Analysis of Financial Condition and Results of Operations appearing in the 1997 Form 10-K for FPL Group and FPL. The results of operations for an interim period may not give a true indication of results for the year. In the following discussion, all comparisons are with the corresponding items in the prior year.

### **RESULTS OF OPERATIONS**

FPL continues to represent the predominant portion of FPL Group's operations. However, for the three months ended March 31, 1998, FPL Group's net income increased primarily due to better operating results in FPL Energy, Inc.'s (FPL Energy) independent power investments. FPL's net income was essentially flat compared with the prior year.

FPL's revenues from base rates for the three months ended March 31, 1998 decreased to \$750 million from \$769 million for the same period in 1997. The decline in base revenues resulted from milder weather, as well as the impact of several severe storms and tornadoes during the first quarter of 1998. Partly offsetting this decline was a 1.7% increase in customer accounts. Cost recovery clause revenues and franchise fees comprise substantially all of the remaining portion of operating revenues. Such revenues represent a pass-through of costs and do not significantly affect net income. Fluctuations in these revenues are primarily driven by changes in energy sales, fuel prices and capacity charges.

In March 1998, a large customer of FPL withdrew its petition requesting a limited scope proceeding to reduce FPL's base rates. The docket was subsequently closed by the FPSC.

O&M expenses increased for the three months ended March 31, 1998, primarily due to additional spending associated with improving service reliability and storm restoration costs. Depreciation and amortization expense in all periods presented includes amortization recorded under the special amortization program, which is a function of retail base revenues. Depreciation and amortization expense decreased for the first quarter of 1998 mainly due to the decline in revenues discussed above. In March 1998, FPL filed depreciation studies with the FPSC. If approved, the new studies would result in a \$26 million annual increase in depreciation expense. The FPSC is scheduled to consider this matter in the fourth quarter of 1998. Interest and preferred stock dividend requirements also declined during the first quarter of 1998, resulting from reductions in average debt and preferred stock balances.

FPL Energy's operating results improved for the three months ended March 31, 1998. The improvements were mainly in natural gas and wind projects, including two gas-fired plants located in Massachusetts and New Jersey in which an interest was acquired during the first quarter of 1998.

FPL Group is continuing to work to resolve the potential impact of the year 2000 on the processing of information by its computer systems. An assessment of identified software, including vendor-supplied software, has been substantially completed and work is underway to make the necessary modifications. The estimated cost of addressing year 2000 issues in software applications is not expected to have a material adverse effect on FPL Group's financial statements. FPL Group continues to assess the potential financial and operational impacts of computerized processes embedded in operating equipment and has begun to evaluate the year 2000 readiness of major suppliers, customers, financial institutions and others with whom transactions and information flow electronically.

### **LIQUIDITY AND CAPITAL RESOURCES**

Using available cash flows from operations, FPL repaid certain series of secured medium-term notes that matured during the first quarter of 1998. Additionally, during the three months ended March 31, 1998, FPL Group repurchased 280,000 shares of common stock. These actions are consistent with management's intent to reduce debt and preferred stock balances and the number of outstanding shares of common stock. See Note 2.

In March 1998, FPL filed with the FPSC a ten-year power plant site plan that includes adding approximately 2,500 mw of generating capacity to meet the electricity needs of a growing customer base. The plan includes repowering two existing plants by 2002 and 2004, respectively, and adding two new gas-fired units in 2006 and 2007 at the Martin power plant. These proposed projects are not expected to have a significant effect on capital expenditures for 1998 and 1999, but will increase capital expenditures in 2000 by approximately \$200 million. For information concerning capital commitments, see Note 3.

## PART II - OTHER INFORMATION

### Item 5. Other Information

- (a) Reference is made to Item 1. Business - FPL Operations - Regulation in the 1997 Form 10-K for FPL Group and FPL.

In March 1998, a large customer of FPL withdrew its petition requesting a limited scope proceeding to reduce FPL's base rates. The docket was subsequently closed by the FPSC.

- (b) Reference is made to Item 1. Business - FPL Operations - System Capability and Load in the 1997 Form 10-K for FPL Group and FPL.

In March 1998, FPL filed with the FPSC a ten-year power plant site plan that includes adding approximately 2,500 mw of generating capacity to meet the electricity needs of a growing customer base. The plan includes repowering two existing plants by 2002 and 2004, respectively, and adding two new gas-fired units in 2006 and 2007 at the Martin power plant. These proposed projects are not expected to have a significant effect on capital expenditures for 1998 and 1999, but will increase capital expenditures in 2000 by approximately \$200 million.

### Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits

Exhibit Number	Description	FPL Group	FPL
12	Computation of Ratios		x
27	Financial Data Schedule	x	x

- (b) Reports on Form 8-K - None

## 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.

FPL GROUP, INC.  
FLORIDA POWER & LIGHT COMPANY  
(Registrants)

Date: May 1, 1998

K. MICHAEL DAVIS  
K. Michael Davis  
Controller and Chief Accounting Officer of FPL Group, Inc.  
Vice President, Accounting, Controller and  
Chief Accounting Officer of Florida Power & Light Company  
(Principal Financial Officer of the Registrants)



## EXHIBIT 12

FLORIDA POWER & LIGHT COMPANY  
COMPUTATION OF RATIOSThree Months Ended  
March 31, 1998  
(Millions of Dollars)

## RATIO OF EARNINGS TO FIXED CHARGES

## Earnings, as defined:

Net income .....	\$ 107
Income taxes .....	54
Fixed charges, as below .....	<u>54</u>

Total earnings, as defined .....	<u>\$ 215</u>
----------------------------------	---------------

## Fixed charges, as defined:

Interest expense .....	\$ 50
Rental interest factor .....	1
Fixed charges included in nuclear fuel cost .....	<u>3</u>

Total fixed charges, as defined .....	<u>\$ 54</u>
---------------------------------------	--------------

Ratio of earnings to fixed charges .....	<u>3.98</u>
--	-------------

## RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

## Earnings, as defined:

Net income .....	\$ 107
Income taxes .....	54
Fixed charges, as below .....	<u>54</u>

Total earnings, as defined .....	<u>\$ 215</u>
----------------------------------	---------------

## Fixed charges, as defined:

Interest expense .....	\$ 50
Rental interest factor .....	1
Fixed charges included in nuclear fuel cost .....	<u>3</u>

Total fixed charges, as defined .....	<u>54</u>
---------------------------------------	-----------

Non-tax deductible preferred stock dividends .....	4
Ratio of income before income taxes to net income .....	<u>1.90</u>

Preferred stock dividends before income taxes .....	<u>6</u>
---	----------

Combined fixed charges and preferred stock dividends .....	<u>\$ 60</u>
--	--------------

Ratio of earnings to combined fixed charges and preferred stock dividends .....	<u>3.58</u>
---	-------------





UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

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

For the quarterly period ended **June 30, 1998**

OR

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

Commission  
File Number:

1-8841  
1-3545

Exact name of Registrants as specified  
in their charters, addresses of principal  
executive offices and  
Registrants' telephone number:

**FPL GROUP, INC.**  
**FLORIDA POWER & LIGHT COMPANY**  
700 Universe Boulevard  
Juno Beach, Florida 33408  
(561) 694-4000

IRS Employer  
Identification  
Number:

59-2449419  
59-0247775

State or other jurisdiction of incorporation or organization: Florida

Indicate by check mark whether the registrants (1) have 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) have been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares outstanding of each class of FPL Group, Inc. common stock, as of the latest practicable date: Common Stock, \$.01 Par Value, outstanding at  
June 30, 1998: 181,217,026 shares

As of June 30, 1998, there were issued and outstanding 1,000 shares of Florida Power & Light Company's common stock, without par value, all of which were held  
beneficially and of record, by FPL Group, Inc.

This combined Form 10-Q represents separate filings by FPL Group, Inc. and Florida Power & Light Company. Information  
contained herein relating to an individual registrant is filed by that registrant on its own behalf. Florida Power & Light Company  
makes no representations as to the information relating to FPL Group, Inc.'s other operations.

## SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 (Reform Act), FPL Group, Inc. (FPL Group) and Florida Power & Light Company (FPL) (collectively, the Company) are hereby filing cautionary statements identifying important factors that could cause the Company's actual results to differ materially from those projected in forward-looking statements (as such term is defined in the Reform Act) of the Company made by or on behalf of the Company which are made in this combined Form 10-Q, in presentations, in response to questions or otherwise. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as will likely result, are expected to, will continue, is anticipated, estimated, projection, outlook) are not statements of historical facts and may be forward-looking. Forward-looking statements involve estimates, assumptions and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Accordingly, any such statements are qualified in their entirety by reference to, and are accompanied by, the following important factors that could cause the Company's actual results to differ materially from those contained in forward-looking statements of the Company made by or on behalf of the Company.

Any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Some important factors that could cause actual results or outcomes to differ materially from those discussed in the forward-looking statements include prevailing governmental policies and regulatory actions, including those of the Federal Energy Regulatory Commission (FERC), the Florida Public Service Commission (FPSC) and the Nuclear Regulatory Commission, with respect to allowed rates of return, industry and rate structure, operation of nuclear power facilities, acquisition and disposal of assets and facilities, operation and construction of plant facilities, recovery of fuel and purchased power costs, decommissioning costs, and present or prospective wholesale and retail competition (including, but not limited to retail wheeling and transmission costs).

The business and profitability of the Company are also influenced by economic and geographic factors including political and economic risks, changes in and compliance with environmental and safety laws and policies, weather conditions (including natural disasters such as hurricanes), population growth rates and demographic patterns, competition for retail and wholesale customers, pricing and transportation of commodities, market demand for energy from plants or facilities, changes in tax rates or policies or in rates of inflation, unanticipated development project delays or changes in project costs, unanticipated changes in operating expenses and capital expenditures, capital market conditions, competition for new energy development opportunities, legal and administrative proceedings (whether civil, such as environmental, or criminal) and settlements, and any unanticipated impact of the year 2000, including delays or changes in costs of year 2000 compliance, or the failure of major suppliers, customers and others with whom FPL does business to resolve their own year 2000 issues on a timely basis.

All such factors are difficult to predict, contain uncertainties which may materially affect actual results, and are beyond the control of the Company.

# **PART I - FINANCIAL INFORMATION**

## **Item 1. Financial Statements**

### **FPL GROUP, INC.** **CONDENSED CONSOLIDATED STATEMENTS OF INCOME** (In millions, except per share amounts) (Unaudited)

	<u>Three Months Ended</u> <u>June 30,</u>		<u>Six Months Ended</u> <u>June 30,</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
OPERATING REVENUES .....	\$1,692	\$ 1,587	\$3,031	\$3,032
OPERATING EXPENSES:				
Fuel, purchased power and interchange .....	558	560	994	1,104
Other operations and maintenance .....	319	298	618	567
Depreciation and amortization .....	348	262	597	530
Taxes other than income taxes .....	150	166	286	285
Total operating expenses .....	<u>1,375</u>	<u>1,286</u>	<u>2,495</u>	<u>2,486</u>
OPERATING INCOME .....	<u>317</u>	<u>321</u>	<u>536</u>	<u>546</u>
OTHER INCOME (DEDUCTIONS):				
Interest charges .....	(64)	(74)	(127)	(145)
Preferred stock dividends - FPL .....	(4)	(4)	(7)	(10)
Other - net .....	16	6	22	12
Total other deductions - net .....	<u>(52)</u>	<u>(72)</u>	<u>(112)</u>	<u>(143)</u>
INCOME BEFORE INCOME TAXES .....	265	247	424	403
INCOME TAXES .....	<u>89</u>	<u>83</u>	<u>160</u>	<u>138</u>
NET INCOME .....	<u>\$ 176</u>	<u>\$ 164</u>	<u>\$ 264</u>	<u>\$ 265</u>
Earnings per share of common stock (basic and assuming dilution).	\$ 1.02	\$ 0.95	\$ 1.65	\$ 1.53
Dividends per share of common stock .....	\$ 0.50	\$ 0.48	\$ 1.00	\$ 0.96
Average number of common shares outstanding .....	173	173	173	173

This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements on Pages 9 through 11 herein and the Notes to Consolidated Financial Statements appearing in the combined Annual Report on Form 10-K for the fiscal year ended December 31, 1997 (1997 Form 10-K) for FPL Group and FPL.

**FPL GROUP, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Millions of Dollars)

	June 30, 1998 (Unaudited)	December 31, 1997
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
Electric utility plant in service and other property, including nuclear fuel and construction work in progress .....	\$17,955	\$17,820
Less accumulated depreciation and amortization .....	<u>(9,069)</u>	<u>(8,666)</u>
Total property, plant and equipment - net .....	8,906	9,354
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents .....	428	54
Customer receivables, net of allowances of \$8 and \$9, respectively .....	613	501
Materials, supplies and fossil fuel inventory - at average cost .....	282	302
Other .....	<u>306</u>	<u>244</u>
Total current assets .....	1,629	1,101
<b>OTHER ASSETS:</b>		
Special use funds of FPL .....	1,146	1,007
Other investments .....	399	282
Other .....	<u>764</u>	<u>705</u>
Total other assets .....	2,309	1,994
<b>TOTAL ASSETS ..</b>	<b><u>\$12,844</u></b>	<b><u>\$12,449</u></b>
<b>CAPITALIZATION:</b>		
Common stock .....	\$ 2	\$ 2
Additional paid-in capital .....	3,018	3,038
Retained earnings .....	1,915	1,804
Accumulated other comprehensive income .....	<u>1</u>	<u>1</u>
Total common shareholders' equity .....	4,936	4,845
Preferred stock of FPL without sinking fund requirements .....	226	226
Long-term debt .....	<u>2,862</u>	<u>2,969</u>
Total capitalization .....	8,024	8,020
<b>CURRENT LIABILITIES:</b>		
Debt and preferred stock due within one year .....	456	332
Accounts payable .....	353	368
Accrued interest, taxes and other .....	<u>1,075</u>	<u>799</u>
Total current liabilities .....	1,884	1,499
<b>OTHER LIABILITIES AND DEFERRED CREDITS:</b>		
Accumulated deferred income taxes .....	1,428	1,473
Unamortized regulatory and investment tax credits .....	374	395
Other .....	<u>1,134</u>	<u>1,062</u>
Total other liabilities and deferred credits .....	2,936	2,930
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>TOTAL CAPITALIZATION AND LIABILITIES .....</b>	<b><u>\$12,844</u></b>	<b><u>\$12,449</u></b>

This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements on Pages 9 through 11 herein and the Notes to Consolidated Financial Statements appearing in the 1997 Form 10-K for FPL Group and FPL.



**FPL GROUP, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Millions of Dollars)  
(Unaudited)

	Six Months Ended June 30	
	1998	1997
NET CASH PROVIDED BY OPERATING ACTIVITIES .....	\$ 997	\$ 953
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures of FPL .....	(327)	(230)
Independent power investments .....	(395)	(237)
Distributions and loan repayments from partnerships and joint ventures .....	236	21
Other - net .....	(63)	28
Net cash used in investing activities .....	(529)	(418)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of long-term debt .....	197	21
Retirement of long-term debt and preferred stock .....	(189)	(205)
Increase (decrease) in short-term debt .....	103	(11)
Repurchase of common stock .....	(33)	(32)
Dividends on common stock .....	(172)	(166)
Net cash used in financing activities .....	(94)	(393)
Net increase in cash and cash equivalents .....	374	142
Cash and cash equivalents at beginning of period .....	56	196
Cash and cash equivalents at end of period .....	\$ 428	\$ 338
Supplemental disclosures of cash flow information:		
Cash paid for interest .....	\$ 129	\$ 139
Cash paid for income taxes .....	\$ 13	\$ 85
Supplemental schedule of noncash investing and financing activities:		
Additions to capital lease obligations .....	\$ 2	\$ 40
Debt assumed for property additions .....	-	\$ 420

This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements on Pages 9 through 11 herein and the Notes to Consolidated Financial Statements appearing in the 1997 Form 10-K for FPL Group and FPL.

**FLORIDA POWER & LIGHT COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(Millions of Dollars)  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1998	1997	1998	1997
OPERATING REVENUES .....	\$1,636	\$1,561	\$2,929	\$2,940
OPERATING EXPENSES:				
Fuel, purchased power and interchange .....	546	551	977	1,076
Other operations and maintenance .....	285	278	553	525
Depreciation and amortization .....	342	256	585	518
Income taxes .....	96	92	154	150
Taxes other than income taxes .....	169	166	286	283
Total operating expenses .....	<u>1,418</u>	<u>1,321</u>	<u>2,553</u>	<u>2,552</u>
OPERATING INCOME .....	<u>216</u>	<u>220</u>	<u>376</u>	<u>388</u>
OTHER INCOME (DEDUCTIONS):				
Interest charges .....	(49)	(57)	(100)	(117)
Other - net .....	<u>-</u>	<u>1</u>	<u>(3)</u>	<u>3</u>
Total other deductions - net .....	<u>(49)</u>	<u>(56)</u>	<u>(103)</u>	<u>(116)</u>
NET INCOME .....	167	164	273	274
PREFERRED STOCK DIVIDENDS .....	<u>6</u>	<u>6</u>	<u>7</u>	<u>10</u>
NET INCOME AVAILABLE TO FPL GROUP .....	<u>\$ 163</u>	<u>\$ 160</u>	<u>\$ 266</u>	<u>\$ 264</u>

This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements on Pages 9 through 11 herein and the Notes to Consolidated Financial Statements appearing in the 1997 Form 10-K for FPL Group and FPL.

**FLORIDA POWER & LIGHT COMPANY**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Millions of Dollars)

	June 30, 1998 (Unaudited)	December 31, 1997
<b>ELECTRIC UTILITY PLANT:</b>		
Plant in service, including nuclear fuel and construction work in progress .....	\$17,340	\$17,136
Less accumulated depreciation and amortization .....	<u>(8,930)</u>	<u>(8,355)</u>
Electric utility plant - net .....	<u>8,410</u>	<u>8,781</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents .....	357	3
Customer receivables, net of allowances of \$8 and \$9, respectively .....	582	471
Materials, supplies and fossil fuel inventory - at average cost .....	225	242
Other .....	<u>291</u>	<u>226</u>
Total current assets .....	<u>1,455</u>	<u>942</u>
<b>OTHER ASSETS:</b>		
Special use funds .....	1,146	1,007
Other .....	<u>451</u>	<u>662</u>
Total other assets .....	<u>1,597</u>	<u>1,669</u>
<b>TOTAL ASSETS .....</b>	<b><u>\$11,462</u></b>	<b><u>\$11,172</u></b>
<b>CAPITALIZATION:</b>		
Common shareholder's equity .....	\$ 4,863	\$ 4,114
Preferred stock without sinking fund requirements .....	226	226
Long-term debt .....	<u>2,418</u>	<u>2,420</u>
Total capitalization .....	<u>7,507</u>	<u>7,660</u>
<b>CURRENT LIABILITIES:</b>		
Debt and preferred stock due within one year .....	201	220
Accounts payable .....	324	344
Accrued interest, taxes and other .....	<u>1,033</u>	<u>768</u>
Total current liabilities .....	<u>1,558</u>	<u>1,312</u>
<b>OTHER LIABILITIES AND DEFERRED CREDITS:</b>		
Accumulated deferred income taxes .....	1,029	1,070
Unamortized regulatory and investment tax credits .....	374	395
Other .....	<u>996</u>	<u>935</u>
Total other liabilities and deferred credits .....	<u>2,399</u>	<u>2,400</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>TOTAL CAPITALIZATION AND LIABILITIES .....</b>	<b><u>\$11,462</u></b>	<b><u>\$11,172</u></b>

This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements on Pages 9 through 11 herein and the Notes to Consolidated Financial Statements appearing in the 1997 Form 10-K for FPL Group and FPL.

**FLORIDA POWER & LIGHT COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Millions of Dollars)  
(Unaudited)

	Six Months Ended June 30,	
	1998	1997
NET CASH PROVIDED BY OPERATING ACTIVITIES .....	\$ 971	\$ 851
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures .....	(327)	(230)
Other - net .....	(43)	(47)
Net cash used in investing activities .....	(370)	(277)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of long-term debt .....	197	-
Retirement of long-term debt and preferred stock .....	(180)	(194)
Decrease in commercial paper .....	(39)	-
Dividends .....	(225)	(224)
Net cash used in financing activities .....	(247)	(418)
Net increase in cash and cash equivalents .....	354	156
Cash and cash equivalents at beginning of period .....	3	78
Cash and cash equivalents at end of period .....	\$ 357	\$ 234
Supplemental disclosures of cash flow information:		
Cash paid for interest .....	\$ 99	\$ 113
Cash paid for income taxes .....	\$ 22	\$ 197
Supplemental schedule of noncash investing and financing activities:		
Additions to capital lease obligations .....	\$ 2	\$ 40

This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements on Pages 9 through 11 herein and the Notes to Consolidated Financial Statements appearing in the 1997 Form 10-K for FPL Group and FPL.

**FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

The accompanying condensed consolidated financial statements should be read in conjunction with the combined 1997 Form 10-K for FPL Group and FPL. In the opinion of FPL Group and FPL, all adjustments (consisting of normal recurring accruals) considered necessary for fair financial statement presentation have been made. Certain amounts included in the prior year's consolidated financial statements have been reclassified to conform to the current year's presentation. The results of operations for an interim period may not give a true indication of results for the year.

**1. Summary of Significant Accounting and Reporting Policies**

*Revenues and Rates* - In March 1998, a large customer of FPL withdrew its petition requesting a limited scope proceeding to reduce FPL's base rates. The docket was subsequently closed by the FPSC.

**2. Capitalization**

*FPL Group Common Stock* - During the three and six months ended June 30, 1998, FPL Group repurchased 264,600 shares and 544,600 shares of common stock, respectively, under its share repurchase program. A total of approximately 1.2 million shares have been repurchased under the share repurchase program that began in April 1997.

*Long-Term Debt* - In June 1998, FPL sold \$200 million principal amount of first mortgage bonds maturing in June 2008, with an interest rate of 6%. The proceeds were used in July 1998 to redeem approximately \$200 million principal amount of first mortgage bonds, maturing in 2007 and 2012, bearing interest at 7.875%.

In July 1998, a subsidiary of FPL Group Capital Inc (FPL Group Capital) sold \$150 million of senior secured bonds maturing in 2018, bearing interest at 7.845%.

*Long-Term Incentive Plan* - Performance shares granted to date under FPL Group's long-term incentive plan resulted in assumed incremental shares of common stock outstanding for purposes of computing both basic and diluted earnings per share for the three and six months ended June 30, 1998 and 1997. These incremental shares were not material in the periods presented and did not cause diluted earnings per share to differ from basic earnings per share.

*Other* - In the first quarter of 1998, FPL Group adopted Statement of Financial Accounting Standards No. (FAS) 130, "Reporting Comprehensive Income." The statement establishes standards for reporting comprehensive income and its components. Comprehensive income of FPL Group totaling \$176 million and \$164 million for the three months ended June 30, 1998 and 1997, respectively, and, \$284 million and \$265 million for the six months ended June 30, 1998 and 1997, respectively, includes net income, and changes in unrealized gains (losses) on securities and foreign currency translation adjustments. Accumulated other comprehensive income is separately displayed in the condensed consolidated balance sheets of FPL Group.

**3. Commitments and Contingencies**

*Commitments* - FPL has made commitments in connection with a portion of its projected capital expenditures. Capital expenditures for the construction or acquisition of additional facilities and equipment to meet customer demand are estimated to be approximately \$2.0 billion for 1998 through 2000. Included in this three-year forecast are capital expenditures for 1998 of approximately \$620 million, of which \$327 million had been spent through June 30, 1998. Also, in January 1998 FPL Group announced plans to purchase all of Central Maine Power Company's (Central Maine) non-nuclear generation assets. The Central Maine transaction is expected to close in the fourth quarter of 1998, subject to approval by federal and state regulators. Commitments for independent power investments, including the acquisition mentioned above, are approximately \$850 million for 1998. FPL Group Capital and its subsidiaries have guaranteed approximately \$221 million of purchase power agreement obligations, debt service payments and other payments subject to certain contingencies.

*Insurance* - Liability for accidents at nuclear power plants is governed by the Price-Anderson Act, which limits the liability of nuclear reactor owners to the amount of the insurance available from private sources and under an industry retrospective payment plan. In accordance with this Act, FPL maintains \$200 million of private liability insurance, which is the maximum obtainable, and participates in a secondary financial protection system under which it is subject to retrospective assessments of up to \$327 million per incident at any nuclear utility reactor in the United States, payable at a rate not to exceed \$40 million per incident per year.



**FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

FPL participates in nuclear insurance mutual companies that provide \$2.75 billion of limited insurance coverage for property damage, decontamination and premature decommissioning risks at its nuclear plants. The proceeds from such insurance, however, must first be used for reactor stabilization and site decontamination before they can be used for plant repair. FPL also participates in an insurance program that provides limited coverage for replacement power costs if a nuclear plant is out of service because of an accident. In the event of an accident at one of FPL's or another participating insured's nuclear plants, FPL could be assessed up to \$54 million in retrospective premiums.

In the event of a catastrophic loss at one of FPL's nuclear plants, the amount of insurance available may not be adequate to cover property damage and other expenses incurred. Uninsured losses, to the extent not recovered through rates, would be borne by FPL and could have a material adverse effect on FPL Group's and FPL's financial condition.

FPL self-insures certain of its transmission and distribution (T&D) property due to the high cost and limited coverage available from third-party insurers. FPL maintains a funded storm and property insurance reserve, which totaled approximately \$289 million at June 30, 1998, for T&D property storm damage or assessments under the nuclear insurance program. Recovery from customers of any losses in excess of the storm and property insurance reserve will require the approval of the FPSC. FPL's available lines of credit include \$300 million to provide additional liquidity in the event of a T&D property loss.

**Contracts** - FPL has entered into certain long-term purchased power and fuel contracts. Take-or-pay purchased power contracts with the Jacksonville Electric Authority (JEA) and with subsidiaries of the Southern Company (Southern Companies) provide approximately 1,300 megawatts (mw) of power through mid-2010, and thereafter 383 mw through 2022. FPL also has various firm pay-for-performance contracts to purchase approximately 1,000 mw from certain cogenerators and small power producers (qualifying facilities) with expiration dates ranging from 2002 through 2026. The purchased power contracts provide for capacity and energy payments. Energy payments are based on the actual power taken under these contracts. Capacity payments for the pay-for-performance contracts are subject to the qualifying facilities meeting certain conditions. Fuel contracts provide for the transportation and supply of natural gas and coal. Commitments to purchase Orimulsion, a controversial fuel from Venezuela, have been eliminated as a result of the rejection in June 1998, by Florida's Power Plant Siting Board, of FPL's application to burn Orimulsion at its Manatee Power Plant.

The required capacity and minimum payments through 2002 under these contracts are estimated to be as follows:

	1998	1999	2000	2001	2002
	(Millions of Dollars)				
<b>Capacity payments:</b>					
JEA and Southern Companies .....	\$200	\$210	\$210	\$210	\$210
Qualifying facilities (a) .....	\$350	\$360	\$370	\$380	\$400
<b>Minimum payments, at projected prices:</b>					
Natural gas, including transportation .....	\$250	\$210	\$210	\$210	\$240
Coal .....	\$ 50	\$ 40	\$ 40	\$ 40	\$ 40

(a) Includes approximately \$35 million, \$40 million, \$40 million, \$40 million and \$45 million, respectively, for capacity payments associated with two contracts that are currently in dispute. These capacity payments are subject to the outcome of the related litigation. See Litigation.

Capacity, energy and fuel charges under these contracts were as follows:

	Three Months Ended June 30,				Six Months Ended June 30,			
	1998 Charges		1997 Charges		1998 Charges		1997 Charges	
	Capacity	Energy/ Fuel (a)	Capacity	Energy/ Fuel (a)	Capacity	Energy/ Fuel (a)	Capacity	Energy/ Fuel (a)
	(Millions of Dollars)							
JEA and Southern Companies ..	\$54(b)	\$35	\$50(b)	\$ 38	\$105(b)	\$ 66	\$102(b)	\$ 73
Qualifying facilities.....	\$75(c)	\$28	\$74(c)	\$ 31	\$149(c)	\$ 54	\$148(c)	\$ 60
Natural gas .....	-	\$84	-	\$112	-	\$138	-	\$201
Coal .....	-	\$11	-	\$ 14	-	\$ 23	-	\$ 26

(a) Recovered through the fuel and purchased power cost recovery clause (fuel clause).

(b) Recovered through base rates and the capacity cost recovery clause (capacity clause).

(c) Recovered through the capacity clause.

**FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Concluded)**

*Litigation* - In 1997, FPL filed a complaint against the owners of two qualifying facilities (plant owners) seeking an order declaring that FPL's obligations under the power purchase agreements with the qualifying facilities were rendered of no force and effect because the power plants failed to accomplish commercial operation before January 1, 1997, as required by the agreements. In 1997, the plant owners filed for bankruptcy under Chapter XI of the United States Bankruptcy Code, ceased all attempts to operate the power plants and entered into an agreement with the holders of more than 70% of the bonds that partially financed the construction of the plants. This agreement gives the holders of a majority of the principal amount of the bonds (the majority bondholders) the right to control, fund and manage any litigation against FPL and the right to settle with FPL on any terms such holders approve, provided that certain agreements are not affected and certain conditions are met. In January 1998, the plant owners (through the attorneys for the majority bondholders) filed an answer denying the allegations in FPL's complaint and asserted a counterclaim for approximately \$2 billion, consisting of all capacity payments that could have been made over the 30-year term of the power purchase agreements, plus some security deposits. The plant owners also seek three times their actual damages for alleged violations of Florida antitrust laws, plus attorneys' fees.

The Florida Municipal Power Agency (FMPA), an organization comprised of municipal electric utilities, has sued FPL for allegedly breaching a "contract" to provide transmission service to the FMPA and its members and for breaching antitrust laws by monopolizing or attempting to monopolize the provision, coordination and transmission of electric power in refusing to provide transmission service, or to permit the FMPA to invest in and use FPL's transmission system, on the FMPA's proposed terms. The FMPA seeks \$140 million in damages, before trebling for the antitrust claim, and court orders requiring FPL to permit the FMPA to invest in and use FPL's transmission system on "reasonable terms and conditions" and on a basis equal to FPL. In 1995, the Court of Appeals vacated the District Court's summary judgment in favor of FPL and remanded the matter to the District Court for further proceedings. In 1996, the District Court ordered the FMPA to seek a declaratory ruling from the FERC regarding certain issues in the case. All other action in the case has been stayed pending the FERC's ruling.

A former cable installation contractor for Telesat Cablevision, Inc. (Telesat), a wholly-owned subsidiary of FPL Group Capital, sued FPL Group, FPL Group Capital and Telesat for breach of contract, fraud, violation of racketeering statutes and several other claims. The trial court entered a judgment in favor of FPL Group and Telesat on nine of twelve counts, including all of the racketeering and fraud claims, and in favor of FPL Group Capital on all counts. It also denied all parties' claims for attorneys' fees. However, the jury in the case awarded the contractor damages totaling approximately \$6 million against FPL Group and Telesat for breach of contract and tortious interference. All parties have appealed.

FPL Group and FPL believe that they have meritorious defenses to the litigation to which they are parties and are vigorously defending the suits. Accordingly, the liabilities, if any, arising from the proceedings are not anticipated to have a material adverse effect on their financial statements.

#### **4. Summarized Financial Information of FPL Group Capital**

FPL Group Capital's debenture is guaranteed by FPL Group and included in FPL Group's condensed consolidated balance sheets. For the three months ended June 30, 1998 and 1997, operating revenues of FPL Group Capital were approximately \$58 million and \$46 million, respectively. Operating expenses were approximately \$54 million and \$36 million, respectively, and net income was approximately \$18 million and \$9 million, respectively, for the same periods. Operating revenues of FPL Group Capital for the six months ended June 30, 1998 and 1997 were approximately \$102 million and \$92 million, respectively. For the same periods, operating expenses were approximately \$95 million and \$83 million, respectively, and net income was approximately \$29 million and \$10 million, respectively.

At June 30, 1998, FPL Group Capital had approximately \$280 million of current assets, \$1.5 billion of noncurrent assets, \$383 million of current liabilities and \$1.0 billion of noncurrent liabilities. At December 31, 1997, FPL Group Capital had current assets of approximately \$156 million, noncurrent assets of \$1.4 billion, current liabilities of \$252 million and noncurrent liabilities of \$909 million.

Management has not presented separate financial statements and other disclosures concerning FPL Group Capital because management has determined that such information is not material to holders of the FPL Group Capital debenture.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion should be read in conjunction with the Notes to Condensed Consolidated Financial Statements contained herein and Management's Discussion and Analysis of Financial Condition and Results of Operations appearing in the 1997 Form 10-K for FPL Group and FPL. The results of operations for an interim period may not give a true indication of results for the year. In the following discussion, all comparisons are with the corresponding items in the prior year.

### RESULTS OF OPERATIONS

The generation, transmission, distribution and sale of electric energy by FPL continues to represent the principal operations of FPL Group. However, growth in FPL Group's net income for the three and six months ended June 30, 1998 was primarily due to better operating results at FPL Energy, Inc.'s (FPL Energy) independent power investments. FPL's net income available to FPL Group also increased, mainly due to higher customer usage and customer growth, partly offset by higher depreciation and O&M expenses.

FPL's revenues from base rates for the three and six months ended June 30, 1998 increased to \$970 million and \$1.72 billion, respectively, from \$875 million and \$1.64 billion for the same period in 1997. The improvements resulted from increases in energy usage per retail customer of 8.3% and 2.4%, respectively, primarily due to weather conditions, and customer growth of 1.9% and 1.8%, respectively. Cost recovery clause revenues and franchise fees comprise substantially all of the remaining operating revenues. Such revenues represent a pass-through of costs and do not significantly affect net income. Fluctuations in these revenues are primarily driven by changes in energy sales, fuel prices and capacity charges.

O&M expenses increased for the three and six months ended June 30, 1998, primarily due to additional spending associated with improving service reliability. Depreciation and amortization expense in all periods presented includes amortization recorded under the special amortization program, which is a function of retail base revenues. Depreciation and amortization expense increased for the three and six months ended June 30, 1998 mainly due to the increase in revenues discussed above. Also, in June 1998 the FPSC approved, on an interim basis, higher depreciation rates for FPL. The higher depreciation rates will result in an annual increase in depreciation expense of \$25 million, half of which was recorded in the second quarter of 1998. The FPSC is expected to give final consideration to this matter in the fourth quarter of 1998. Interest and preferred stock dividend requirements declined for the three and six months ended June 30, 1998, resulting from continued reductions in average debt and preferred stock balances.

FPL Energy's operating results improved for the three and six months ended June 30, 1998. The improvements primarily reflect better over-all results from FPL Energy's earnings in independent power investments.

FPL Group is continuing to work to resolve the potential impact of the year 2000 on the processing of information by its computer systems. An assessment of the information technology infrastructure, computer applications and computerized processes embedded in operating equipment has been substantially completed and work is underway to make the necessary modifications. Additionally, FPL Group is actively communicating with major suppliers, customers, financial institutions and others to ensure that electronic interfaces with these parties will continue to function properly into 2000. The cost of addressing year 2000 issues is estimated to be approximately \$50 million, a small portion of which has been spent to date. The majority of these costs represent the redeployment of existing resources and therefore, are not expected to have a significant effect on O&M expenses. Work related to the year 2000 effort is expected to be completed in 1999.

In June 1998, the Financial Accounting Standards Board issued FAS 133, "Accounting for Derivative Instruments and Hedging Activities." The statement establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. FPL Group is currently assessing the effect, if any, on its financial statements of implementing FAS 133. FPL's energy marketing and trading division uses forward contracts and options to manage fuel costs and to market any excess generation. Substantially all of the results of these activities are reflected in the fuel or the capacity clauses and, accordingly, do not affect net income. FPL Group will be required to adopt the standard in 2000.

## LIQUIDITY AND CAPITAL RESOURCES

Using available cash flows from operations, FPL repaid certain series of secured medium-term notes that matured during the first quarter of 1998. Additionally, during the three and six months ended June 30, 1998, FPL Group repurchased 264,600 and 544,600 shares of common stock, respectively. These actions are consistent with management's intent to reduce debt and preferred stock balances and the number of outstanding shares of common stock. See Note 2.

In June 1998, the FPSC denied FPL's request to increase the \$20 million annual storm fund contribution. FPL does not intend to contest the denial.

In March 1998, FPL filed with the FPSC a ten-year power plant site plan that includes adding approximately 2,500 mw of generating capacity to meet the electricity needs of a growing customer base. The plan includes repowering two existing plants by 2002 and 2004, respectively, and adding two new gas-fired units in 2006 and 2007 at the Martin power plant. For information concerning capital commitments, see Note 3.



## PART II - OTHER INFORMATION

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

#### FPL Group:

- (a) The Annual Meeting of FPL Group's shareholders was held on May 18, 1998. Of the 181,512,385 shares of common stock outstanding on the record date of March 9, 1998, a total of 148,229,362 shares were represented in person or by proxy.
- (b) The following directors were elected effective May 18, 1998:

	Votes Cast	
	For	Against or Withheld
H. Jesse Arnelle .....	145,960,657	2,268,705
Sherry S. Barrat .....	145,943,226	2,286,136
Robert M. Beall, II .....	145,391,428	2,837,934
James L. Broadhead .....	145,775,626	2,453,736
J. Hyatt Brown .....	145,943,100	2,286,262
Armando M. Codina .....	145,944,064	2,285,298
Marshall M. Criser .....	146,001,872	2,227,490
B. F. Dolan .....	146,014,962	2,214,420
Willard D. Dover .....	145,475,478	2,753,884
Alexander W. Dreyfoos, Jr. ....	146,053,943	2,175,419
Paul J. Evanson .....	145,979,518	2,249,844
Drew Lewis .....	145,860,701	2,368,661
Frederic V. Malek .....	145,833,806	2,395,556
Paul R. Tregurtha .....	145,907,034	2,322,328

- (c)(i) The vote to ratify the appointment of Deloitte & Touche LLP as independent auditors for 1998 was 146,584,973 for, 908,692 against and 735,697 abstaining.
- (ii) The vote on a shareholder proposal requesting that FPL Group adopt cumulative voting for the election of directors was 44,978,047 for, 83,375,404 against, 3,549,605 abstaining and 16,328,306 broker non-votes.

#### FPL:

- (a) The following FPL directors were elected effective May 18, 1998 by the written consent of FPL Group, as the sole common shareholder of FPL, in lieu of an annual meeting of shareholders:

James L. Broadhead  
Dennis P. Coyle  
Paul J. Evanson  
Lawrence J. Kelleher  
Thomas F. Plunkett  
C. O. Woody  
Michael W. Yackira

### Item 5. Other Information

- (a) Reference is made to Item 1. Business - FPL Operations - General in the 1997 Form 10-K for FPL Group and FPL.

In June 1998, FPL and the JEA filed a petition with the FPSC seeking approval of a territorial exchange affecting portions of Duval and St. John's Counties. FPL will serve an additional portion of St. John's County and will turn over its service area in Duval County to the JEA. The FPSC is expected to consider this matter during the third quarter of 1998. The territorial exchange will involve approximately 1,800 customers in each area and is not expected to have a material effect on earnings. The transition is anticipated to take from one to three years.



- (b) Reference is made to Item 1. Business - FPL Operations - System Capability and Load in the 1997 Form 10-K for FPL Group and FPL.

From June 2, 1998 through June 5, 1998, FPL set four consecutive records for summertime peak demand, ranging from 17,156 mw to 17,931 mw. Adequate resources were available at the time of each peak to meet customer demand.

- (c) Reference is made to Item. 1 Business - FPL Operations - Nuclear Operations for FPL.

In June 1998, FPL informed the Nuclear Regulatory Commission (NRC) of its intent to apply for a 20-year license renewal for Turkey Point Units Nos. 3 and 4. FPL expects to file the application with the NRC in approximately 2002. Operating licenses for Turkey Point Units Nos. 3 and 4 expire in 2012 and 2013, respectively.

- (d) After February 13, 1999, notice to FPL Group of a shareholder proposal submitted for consideration at the 1999 Annual Meeting of Shareholders, which is not submitted for inclusion in FPL Group's proxy statement and form of proxy, will be considered untimely and the persons named in the proxies solicited by FPL Group's Board of Directors for the 1999 Annual Meeting of Shareholders may exercise discretionary voting power with respect to any such proposal.

#### Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits

Exhibit Number	Description	FPL Group	FPL
4	Ninety-eighth Supplemental Indenture dated as of June 1, 1998 between FPL and Bankers Trust Company, Trustee	x	x
12(a)	Computation of Ratio of Earnings to Fixed Charges	x	
12(b)	Computation of Ratios		x
27	Financial Data Schedule	x	x

- (b) Reports on Form 8-K - None

#### 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.

FPL GROUP, INC.  
FLORIDA POWER & LIGHT COMPANY  
(Registrants)

Date: August 3, 1998

K. MICHAEL DAVIS  
K. Michael Davis  
Controller and Chief Accounting Officer of FPL Group, Inc.  
Vice President, Accounting, Controller and  
Chief Accounting Officer of Florida Power & Light Company  
(Principal Financial Officer of the Registrants)

**FPL GROUP, INC. AND SUBSIDIARIES**  
**COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES**

	Six Months Ended June 30, 1998	Years Ended December 31, 1997 1996 1995 1994 1993 (Millions of Dollars)				
Earnings, as defined:						
Net income .....	\$ 284	\$ 618	\$ 579	\$ 553	\$ 519	\$ 429
Income taxes .....	140	304	294	329	307	250
Fixed charges, included in the determination of net income, as below .....	<u>134</u>	<u>304</u>	<u>283</u>	<u>308</u>	<u>337</u>	<u>388</u>
Total earnings, as defined .....	<u>\$ 558</u>	<u>\$1,226</u>	<u>\$1,156</u>	<u>\$1,190</u>	<u>\$1,163</u>	<u>\$1,067</u>
Fixed charges, as defined:						
Interest charges .....	\$ 127	\$ 291	\$ 267	\$ 291	\$ 319	\$ 367
Rental interest factor .....	2	4	5	6	7	10
Fixed charges included in nuclear fuel cost .....	<u>5</u>	<u>9</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>
Fixed charges, included in the determination of net income .....	134	304	283	308	337	388
Capitalized interest .....	<u>2</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
Total fixed charges, as defined .....	<u>\$ 136</u>	<u>\$ 309</u>	<u>\$ 283</u>	<u>\$ 308</u>	<u>\$ 337</u>	<u>\$ 389</u>
Ratio of earnings to fixed charges .....	<u>4.10</u>	<u>3.97</u>	<u>4.08</u>	<u>3.86</u>	<u>3.45</u>	<u>2.74</u>

**FLORIDA POWER & LIGHT COMPANY  
COMPUTATION OF RATIOS**

Six Months Ended  
June 30, 1998  
(Millions of Dollars)

**RATIO OF EARNINGS TO FIXED CHARGES**

Earnings, as defined:	
Net income .....	\$ 273
Income taxes .....	149
Fixed charges, as below .....	<u>107</u>
Total earnings, as defined .....	<u>\$ 529</u>
Fixed charges, as defined:	
Interest charges .....	\$ 100
Rental interest factor .....	2
Fixed charges included in nuclear fuel cost .....	<u>5</u>
Total fixed charges, as defined .....	<u>\$ 107</u>
Ratio of earnings to fixed charges .....	<u>4.94</u>

**RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS**

Earnings, as defined:	
Net income .....	\$ 273
Income taxes .....	149
Fixed charges, as below .....	<u>107</u>
Total earnings, as defined .....	<u>\$ 529</u>
Fixed charges, as defined:	
Interest charges .....	\$ 100
Rental interest factor .....	2
Fixed charges included in nuclear fuel cost .....	<u>5</u>
Total fixed charges, as defined .....	<u>107</u>
Non-tax deductible preferred stock dividends .....	7
Ratio of income before income taxes to net income .....	<u>1.55</u>
Preferred stock dividends before income taxes .....	<u>11</u>
Combined fixed charges and preferred stock dividends .....	<u>\$ 118</u>
Ratio of earnings to combined fixed charges and preferred stock dividends .....	<u>4.48</u>

**Exhibit (a)-7**

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

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

For the quarterly period ended **September 30, 1998**

OR

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

Commission File Number	Exact name of Registrants as specified in their charters, address of principal executive offices and Registrants' telephone number	IRS Employer Identification Number
1-8841	<b>FPL GROUP, INC.</b>	59-2449419
1-3545	<b>FLORIDA POWER &amp; LIGHT COMPANY</b> 700 Universe Boulevard Juno Beach, Florida 33408 (561) 694-4000	59-0247775

State or other jurisdiction of incorporation or organization: Florida

Indicate by check mark whether the registrants (1) have 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) have been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares outstanding of each class of FPL Group, Inc. common stock, as of the latest practicable date: Common Stock, \$ 0.1 Par Value, outstanding at September 30, 1998: 180,883,936 shares.

As of September 30, 1998, there were issued and outstanding 1,000 shares of Florida Power & Light Company's common stock, without par value, all of which were held beneficially and of record, by FPL Group, Inc.

This combined Form 10-Q represents separate filings by FPL Group, Inc. and Florida Power & Light Company. Information contained herein relating to an individual registrant is filed by that registrant on its own behalf. Florida Power & Light Company makes no representations as to the information relating to FPL Group, Inc.'s other operations.



## SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 (Reform Act), FPL Group, Inc. (FPL Group) and Florida Power & Light Company (FPL) (collectively, the Company) are hereby filing cautionary statements identifying important factors that could cause the Company's actual results to differ materially from those projected in forward-looking statements (as such term is defined in the Reform Act) of the Company made by or on behalf of the Company which are made in this combined Form 10-Q, in presentations, in response to questions or otherwise. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as will likely result, are expected to, will continue, is anticipated, estimated, projection, outlook) are not statements of historical facts and may be forward-looking. Forward-looking statements involve estimates, assumptions and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Accordingly, any such statements are qualified in their entirety by reference to, and are accompanied by, the following important factors that could cause the Company's actual results to differ materially from those contained in forward-looking statements of the Company made by or on behalf of the Company.

Any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Some important factors that could cause actual results or outcomes to differ materially from those discussed in the forward-looking statements include prevailing governmental policies and regulatory actions, including those of the Federal Energy Regulatory Commission (FERC), the Florida Public Service Commission (FPSC) and the Nuclear Regulatory Commission, with respect to allowed rates of return, industry and rate structure, operation of nuclear power facilities, acquisition and disposal of assets and facilities, operation and construction of plant facilities, recovery of fuel and purchased power costs, decommissioning costs, and present or prospective wholesale and retail competition (including but not limited to retail wheeling and transmission costs).

The business and profitability of the Company are also influenced by economic and geographic factors including political and economic risks, changes in and compliance with environmental and safety laws and policies, weather conditions (including natural disasters such as hurricanes), population growth rates and demographic patterns, competition for retail and wholesale customers, pricing and transportation of commodities, market demand for energy from plants or facilities, changes in tax rates or policies or in rates of inflation, unanticipated development project delays or changes in project costs, unanticipated changes in operating expenses and capital expenditures, capital market conditions, competition for new energy development opportunities, legal and administrative proceedings (whether civil, such as environmental, or criminal) and settlements, and any unanticipated impact of the year 2000, including delays or changes in costs of year 2000 compliance, or the failure of major suppliers, customers and others with whom the Company does business to resolve their own year 2000 issues on a timely basis.

All such factors are difficult to predict, contain uncertainties which may materially effect actual results, and are beyond the control of the Company.

# PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

### FPL GROUP, INC. CONDENSED CONSOLIDATED STATEMENTS OF INCOME (In millions, except per share amounts) (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1997	1998	1997
OPERATING REVENUES .....	\$1,999	\$1,859	\$5,030	\$4,891
OPERATING EXPENSES:				
Fuel, purchased power and interchange .....	659	674	1,652	1,777
Other operations and maintenance .....	327	290	945	858
Depreciation and amortization .....	314	266	911	797
Taxes other than income taxes .....	171	165	457	448
Total operating expenses .....	1,471	1,395	3,965	3,880
OPERATING INCOME .....	528	464	1,065	1,011
OTHER INCOME (DEDUCTIONS):				
Interest charges .....	(101)	(70)	(228)	(215)
Preferred stock dividends - FPL .....	(4)	(5)	(11)	(15)
Other - net .....	21	17	42	29
Total other deductions - net .....	(84)	(58)	(197)	(201)
INCOME BEFORE INCOME TAXES .....	444	406	868	810
INCOME TAXES .....	157	144	297	282
NET INCOME .....	\$ 287	\$ 262	\$ 571	\$ 528
Earnings per share of common stock (basic and assuming dilution) ..	\$ 1.66	\$ 1.52	\$ 3.31	\$ 3.05
Dividends per share of common stock .....	\$ 0.50	\$ 0.48	\$ 1.50	\$ 1.44
Average number of common shares outstanding .....	172	173	173	173

This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements on Pages 9 through 12 herein and the Notes to Consolidated Financial Statements appearing in the combined Annual Report on Form 10-K for the fiscal year ended December 31, 1997 (1997 Form 10-K) for FPL Group and FPL.

**FPL GROUP, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Millions of Dollars)

	September 30, 1998 (Unaudited)	December 31, 1997
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
Electric utility plant in service and other property, including nuclear fuel and construction work in progress .....	\$17,991	\$17,820
Less accumulated depreciation and amortization .....	<u>(9,151)</u>	<u>(8,466)</u>
Total property, plant and equipment - net .....	<u>8,838</u>	<u>9,354</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents .....	447	54
Customer receivables, net of allowances of \$10 and \$9, respectively .....	705	501
Materials, supplies and fossil fuel inventory - at average cost .....	278	302
Other .....	<u>341</u>	<u>244</u>
Total current assets .....	<u>1,771</u>	<u>1,101</u>
<b>OTHER ASSETS:</b>		
Special use funds of FPL .....	1,093	1,007
Other investments .....	369	282
Other .....	<u>773</u>	<u>705</u>
Total other assets .....	<u>2,235</u>	<u>1,994</u>
<b>TOTAL ASSETS</b> ..	<b><u>\$12,844</u></b>	<b><u>\$12,449</u></b>
<b>CAPITALIZATION:</b>		
Common stock .....	\$ 2	\$ 2
Additional paid-in capital .....	3,004	3,038
Retained earnings .....	2,116	1,804
Accumulated other comprehensive income .....	<u>1</u>	<u>1</u>
Total common shareholders' equity .....	5,123	4,845
Preferred stock of FPL without sinking fund requirements .....	226	226
Long-term debt .....	<u>2,785</u>	<u>2,949</u>
Total capitalization .....	<u>8,134</u>	<u>8,020</u>
<b>CURRENT LIABILITIES:</b>		
Debt and preferred stock due within one year .....	287	332
Accounts payable .....	401	368
Accrued interest, taxes and other .....	<u>1,131</u>	<u>799</u>
Total current liabilities .....	<u>1,819</u>	<u>1,499</u>
<b>OTHER LIABILITIES AND DEFERRED CREDITS:</b>		
Accumulated deferred income taxes .....	1,364	1,473
Unamortized regulatory and investment tax credits .....	365	395
Other .....	<u>1,162</u>	<u>1,062</u>
Total other liabilities and deferred credits .....	<u>2,891</u>	<u>2,930</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>TOTAL CAPITALIZATION AND LIABILITIES</b> .....	<b><u>\$12,844</u></b>	<b><u>\$12,449</u></b>

This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements on Pages 9 through 12 herein and the Notes to Consolidated Financial Statements appearing in the 1997 Form 10-K for FPL Group and FPL.

**FPL GROUP, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Millions of Dollars)  
(Unaudited)

	Nine Months Ended September 30,	
	1998	1997
NET CASH PROVIDED BY OPERATING ACTIVITIES .....	\$1,532	\$1,497
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures of FPL .....	(474)	(355)
Independent power investments .....	(425)	(247)
Distributions and loan repayments from partnerships and joint ventures .....	280	42
Other - net .....	(58)	15
Net cash used in investing activities .....	(677)	(545)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of long-term debt .....	343	30
Retirement of long-term debt and preferred stock .....	(398)	(428)
Decrease in short-term debt .....	(96)	-
Repurchase of common stock .....	(52)	(41)
Dividends on common stock .....	(259)	(249)
Net cash used in financing activities .....	(462)	(688)
Net increase in cash and cash equivalents .....	393	264
Cash and cash equivalents at beginning of period .....	54	196
Cash and cash equivalents at end of period .....	\$ 447	\$ 460
Supplemental disclosures of cash flow information:		
Cash paid for interest .....	\$ 217	\$ 212
Cash paid for income taxes .....	\$ 238	\$ 198
Supplemental schedule of noncash investing and financing activities:		
Additions to capital lease obligations .....	\$ 29	\$ 49
Debt assumed for property additions .....	-	\$ 420

This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements on Pages 9 through 12 herein and the Notes to Consolidated Financial Statements appearing in the 1997 Form 10-K for FPL Group and FPL.

**FLORIDA POWER & LIGHT COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(Millions of Dollars)  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1997	1998	1997
OPERATING REVENUES .....	\$7,878	\$1,819	\$4,807	\$4,759
OPERATING EXPENSES:				
Fuel, purchased power and interchange .....	637	661	1,614	1,737
Other operations and maintenance .....	293	272	846	796
Depreciation and amortization .....	306	262	891	781
Income taxes .....	157	149	311	299
Taxes other than income taxes .....	171	164	456	447
Total operating expenses .....	1,564	1,508	4,118	4,060
OPERATING INCOME .....	314	311	689	699
OTHER INCOME (DEDUCTIONS):				
Interest charges .....	(50)	(57)	(149)	(173)
Other - net .....	3	2	-	4
Total other deductions - net .....	(47)	(55)	(149)	(169)
NET INCOME .....	267	256	540	530
PREFERRED STOCK DIVIDENDS .....	4	5	11	15
NET INCOME AVAILABLE TO FPL GROUP .....	\$ 263	\$ 251	\$ 529	\$ 515

This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements on Pages 9 through 12 herein and the Notes to Consolidated Financial Statements appearing in the 1997 Form 10-K for FPL Group and FPL.



**FLORIDA POWER & LIGHT COMPANY**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Millions of Dollars)

	September 30, 1998 (Unaudited)	December 31, 1997
<b>ELECTRIC UTILITY PLANT:</b>		
Plant in service, including nuclear fuel and construction work in progress .....	\$17,358	\$17,136
Less accumulated depreciation and amortization .....	<u>(9,029)</u>	<u>(8,355)</u>
Electric utility plant - net .....	<u>8,329</u>	<u>8,781</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents .....	237	3
Customer receivables, net of allowances of \$10 and \$9, respectively .....	654	471
Materials, supplies and fossil fuel inventory - at average cost .....	216	242
Other .....	<u>317</u>	<u>226</u>
Total current assets .....	<u>1,424</u>	<u>942</u>
<b>OTHER ASSETS:</b>		
Special use funds .....	1,093	1,007
Other .....	<u>437</u>	<u>442</u>
Total other assets .....	<u>1,530</u>	<u>1,449</u>
<b>TOTAL ASSETS .....</b>	<b><u>\$11,283</u></b>	<b><u>\$11,172</u></b>
<b>CAPITALIZATION:</b>		
Common shareholder's equity .....	\$ 4,879	\$ 4,814
Preferred stock without sinking fund requirements .....	226	226
Long-term debt .....	<u>2,190</u>	<u>2,420</u>
Total capitalization .....	<u>7,295</u>	<u>7,460</u>
<b>CURRENT LIABILITIES:</b>		
Debt and preferred stock due within one year .....	230	220
Accounts payable .....	351	344
Accrued interest, taxes and other .....	<u>1,052</u>	<u>748</u>
Total current liabilities .....	<u>1,633</u>	<u>1,312</u>
<b>OTHER LIABILITIES AND DEFERRED CREDITS:</b>		
Accumulated deferred income taxes .....	970	1,070
Unamortized regulatory and investment tax credits .....	365	395
Other .....	<u>1,020</u>	<u>935</u>
Total other liabilities and deferred credits .....	<u>2,355</u>	<u>2,400</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>TOTAL CAPITALIZATION AND LIABILITIES .....</b>	<b><u>\$11,283</u></b>	<b><u>\$11,172</u></b>

This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements on Pages 9 through 12 herein and the Notes to Consolidated Financial Statements appearing in the 1997 Form 10-K for FPL Group and FPL.

**FLORIDA POWER & LIGHT COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Millions of Dollars)  
(Unaudited)

	Nine Months Ended September 30,	
	1998	1997
NET CASH PROVIDED BY OPERATING ACTIVITIES .....	\$1,479	\$1,368
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures .....	(474)	(355)
Other - net .....	(64)	(64)
Net cash used in investing activities .....	<u>(538)</u>	<u>(419)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of long-term debt .....	197	-
Retirement of long-term debt and preferred stock .....	(389)	(269)
Decrease in commercial paper .....	(40)	-
Dividends .....	<u>(475)</u>	<u>(460)</u>
Net cash used in financing activities .....	<u>(707)</u>	<u>(729)</u>
Net increase in cash and cash equivalents .....	234	220
Cash and cash equivalents at beginning of period .....	<u>3</u>	<u>78</u>
Cash and cash equivalents at end of period .....	<u>\$ 237</u>	<u>\$ 298</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest .....	\$ 142	\$ 171
Cash paid for income taxes .....	\$ 277	\$ 361
Supplemental schedule of noncash investing and financing activities:		
Additions to capital lease obligations .....	\$ 29	\$ 49

This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements on Pages 9 through 12 herein and the Notes to Consolidated Financial Statements appearing in the 1997 Form 10-K for FPL Group and FPL.

**FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

The accompanying condensed consolidated financial statements should be read in conjunction with the combined 1997 Form 10-K for FPL Group and FPL. In the opinion of FPL Group and FPL management, all adjustments (consisting of normal recurring accruals) considered necessary for fair financial statement presentation have been made. Certain amounts included in the prior year's consolidated financial statements have been reclassified to conform to the current year's presentation. The results of operations for an interim period may not give a true indication of results for the year.

**1. Summary of Significant Accounting and Reporting Policies**

*Revenues and Rates* - In March 1998, a large customer of FPL withdrew its petition requesting a limited scope proceeding to reduce FPL's base rates. The docket was subsequently closed by the FPSC.

On November 3, 1998, the FPSC deferred consideration of an FPSC Staff recommendation requesting a limited proceeding on the appropriateness of FPL's regulatory return on equity and equity ratio, and encouraged FPL and the FPSC Staff to continue negotiations to reach a settlement. The FPSC Staff has questioned whether FPL's regulatory return on equity and equity ratio should be reduced. The parties have been directed to report back to the FPSC on December 1, 1998. If a settlement is not reached by December 1, 1998, the FPSC is expected to vote on whether a limited proceeding on these issues should take place.

*Decommissioning of Generating Plant* - In October 1998, FPL filed updated nuclear decommissioning studies with the FPSC. The updated studies indicate an increase in FPL's portion of the ultimate cost of decommissioning its four nuclear units, expressed in 1998 dollars, to approximately \$1.7 billion. This results in a nuclear decommissioning reserve deficiency of approximately \$536 million. FPL is proposing to maintain the decommissioning expense accrual at \$85 million per year and recover the reserve deficiency through the special amortization program.

**2. Capitalization**

*FPL Group Common Stock* - During the three and nine months ended September 30, 1998, FPL Group repurchased 311,600 shares and 856,200 shares of common stock, respectively, under its share repurchase program. A total of approximately 1.5 million shares have been repurchased under the share repurchase program that began in April 1997.

*Long-Term Debt* - In June 1998, FPL sold \$200 million principal amount of first mortgage bonds maturing in June 2008, with an interest rate of 6%. The proceeds were used in July 1998 to redeem approximately \$200 million principal amount of first mortgage bonds, maturing in 2007 and 2012, bearing interest at 7.875%. In July 1998, a subsidiary of FPL Group Capital Inc (FPL Group Capital) sold \$150 million of senior secured bonds maturing in 2018, bearing interest at 7.645%. In September 1998, FPL redeemed \$600,000 principal amount of variable rate tax-exempt pollution control, solid waste disposal revenue bonds, maturing in 2027.

*Long-Term Incentive Plan* - Performance shares granted to date under FPL Group's long-term incentive plan resulted in assumed incremental shares of common stock outstanding for purposes of computing both basic and diluted earnings per share for the nine months ended September 30, 1998 and 1997. These incremental shares were not material in the periods presented and did not cause diluted earnings per share to differ from basic earnings per share.

*Other* - In the first quarter of 1998, FPL Group adopted Statement of Financial Accounting Standards No. (FAS) 130, "Reporting Comprehensive Income." The statement establishes standards for reporting comprehensive income and its components. Comprehensive income of FPL Group totaling \$288 million and \$263 million for the three months ended September 30, 1998 and 1997, respectively, and, \$572 million and \$528 million for the nine months ended September 30, 1998 and 1997, respectively, includes net income, and changes in unrealized gains (losses) on securities and foreign currency translation adjustments. Accumulated other comprehensive income is separately displayed in the condensed consolidated balance sheets of FPL Group.

**FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Unaudited)

**3. Commitments and Contingencies**

**Commitments** - FPL has made commitments in connection with a portion of its projected capital expenditures. Capital expenditures for the construction or acquisition of additional facilities and equipment to meet customer demand are estimated to be approximately \$2.2 billion for 1998 through 2000. Included in this three-year forecast are capital expenditures for 1998 of approximately \$600 million, of which \$474 million had been spent through September 30, 1998. Also, in January 1998 FPL Group announced plans to purchase all of Central Maine Power Company's (Central Maine) non-nuclear generation assets. The Central Maine transaction is expected to close in the first quarter of 1999, subject to approval by federal and state regulators. Commitments for independent power investments, including the acquisition mentioned above, are approximately \$850 million for 1999. FPL Group Capital and its subsidiaries have guaranteed approximately \$219 million of purchase power agreement obligations, debt service payments and other payments subject to certain contingencies.

**Insurance** - Liability for accidents at nuclear power plants is governed by the Price-Anderson Act, which limits the liability of nuclear reactor owners to the amount of the insurance available from private sources and under an industry retrospective payment plan. In accordance with this Act, FPL maintains \$200 million of private liability insurance, which is the maximum obtainable, and participates in a secondary financial protection system under which it is subject to retrospective assessments of up to \$362 million per incident at any nuclear utility reactor in the United States, payable at a rate not to exceed \$43 million per incident per year.

FPL participates in nuclear insurance mutual companies that provide \$2.75 billion of limited insurance coverage for property damage, decontamination and premature decommissioning risks at its nuclear plants. The proceeds from such insurance, however, must first be used for reactor stabilization and site decontamination before they can be used for plant repair. FPL also participates in an insurance program that provides limited coverage for replacement power costs if a nuclear plant is out of service because of an accident. In the event of an accident at one of FPL's or another participating insured's nuclear plants, FPL could be assessed up to \$53 million in retrospective premiums.

In the event of a catastrophic loss at one of FPL's nuclear plants, the amount of insurance available may not be adequate to cover property damage and other expenses incurred. Uninsured losses, to the extent not recovered through rates, would be borne by FPL and could have a material adverse effect on FPL Group's and FPL's financial condition.

FPL self-insures certain of its transmission and distribution (T&D) property due to the high cost and limited coverage available from third-party insurers. FPL maintains a funded storm and property insurance reserve, which totaled approximately \$262 million at September 30, 1998, for T&D property storm damage or assessments under the nuclear insurance program. Recovery from customers of any losses in excess of the storm and property insurance reserve will require the approval of the FPSC. FPL's available lines of credit include \$300 million to provide additional liquidity in the event of a T&D property loss.

**Contracts** - FPL has entered into certain long-term purchased power and fuel contracts. Take-or-pay purchased power contracts with the Jacksonville Electric Authority (JEA) and with subsidiaries of the Southern Company (Southern Companies) provide approximately 1,300 megawatts (mw) of power through mid-2010, and thereafter 383 mw through 2022. FPL also has various firm pay-for-performance contracts to purchase approximately 1,000 mw from certain cogenerators and small power producers (qualifying facilities) with expiration dates ranging from 2002 through 2026. The purchased power contracts provide for capacity and energy payments. Energy payments are based on the actual power taken under these contracts. Capacity payments for the pay-for-performance contracts are subject to the qualifying facilities meeting certain contract conditions. Fuel contracts provide for the transportation and supply of natural gas and coal.

The required capacity and minimum payments through 2002 under these contracts are estimated to be as follows:

	1998	1999	2000	2001	2002
	(Millions of Dollars)				
<b>Capacity payments:</b>					
JEA and Southern Companies .....	\$210	\$210	\$210	\$210	\$210
Qualifying facilities (a) .....	\$350	\$360	\$370	\$380	\$400
<b>Minimum payments, at projected prices:</b>					
Natural gas, including transportation .....	\$270	\$210	\$210	\$240	\$260
Coal .....	\$ 50	\$ 40	\$ 40	\$ 40	\$ 40

(a) Includes approximately \$35 million, \$40 million, \$40 million, \$40 million and \$45 million, respectively, for capacity payments associated with two contracts that are currently in dispute. These capacity payments are subject to the outcome of the related litigation. See Litigation.



**FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

Capacity, energy and fuel charges under these contracts were as follows:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	1998 Charges		1997 Charges		1998 Charges		1997 Charges	
	Capacity	Energy/ Fuel (a)	Capacity	Energy/ Fuel (a)	Capacity	Energy/ Fuel (a)	Capacity	Energy/ Fuel (a)
	(Millions of Dollars)							
JEA and Southern Companies ..	\$42(b)	\$38	\$51(b)	\$ 36	\$147(b)	\$104	\$153(b)	\$109
Qualifying facilities .....	\$75(c)	\$31	\$77(c)	\$ 40	\$224(c)	\$ 85	\$225(c)	\$100
Natural gas .....	-	\$77	-	\$129	-	\$215	-	\$333
Coal .....	-	\$12	-	\$ 13	-	\$ 37	-	\$ 40

(a) Recovered through the fuel and purchased power cost recovery clause (fuel clause).

(b) Recovered through base rates and the capacity cost recovery clause (capacity clause).

(c) Recovered through the capacity clause.

**Litigation** - In 1997, FPL filed a complaint against the owners of two qualifying facilities (plant owners) seeking an order declaring that FPL's obligations under the power purchase agreements with the qualifying facilities were rendered of no force and effect because the power plants failed to accomplish commercial operation before January 1, 1997, as required by the agreements. In 1997, the plant owners filed for bankruptcy under Chapter XI of the United States Bankruptcy Code, ceased all attempts to operate the power plants and entered into an agreement with the holders of more than 70% of the bonds that partially financed the construction of the plants. This agreement gives the holders of a majority of the principal amount of the bonds (the majority bondholders) the right to control, fund and manage any litigation against FPL and the right to settle with FPL on any terms such holders approve, provided that certain agreements are not affected and certain conditions are met. In January 1998, the plant owners (through the attorneys for the majority bondholders) filed an answer denying the allegations in FPL's complaint and asserting counterclaims for approximately \$2 billion, consisting of all capacity payments that could have been made over the 30-year term of the power purchase agreements and three times their actual damages for alleged violations of Florida antitrust laws, plus attorneys' fees. In October 1998, the court dismissed all of the plant owners' antitrust claims against FPL. The plant owners have since moved for summary judgment on FPL's claims against them.

The Florida Municipal Power Agency (FMPA), an organization comprised of municipal electric utilities, has sued FPL for allegedly breaching a "contract" to provide transmission service to the FMPA and its members and for breaching antitrust laws by monopolizing or attempting to monopolize the provision, coordination and transmission of electric power in refusing to provide transmission service, or to permit the FMPA to invest in and use FPL's transmission system, on the FMPA's proposed terms. The FMPA seeks \$140 million in damages, before trebling for the antitrust claim, and court orders requiring FPL to permit the FMPA to invest in and use FPL's transmission system on "reasonable terms and conditions" and on a basis equal to FPL. In 1995, the Court of Appeals vacated the District Court's summary judgment in favor of FPL and remanded the matter to the District Court for further proceedings. In 1996, the District Court ordered the FMPA to seek a declaratory ruling from the FERC regarding certain issues in the case. In November 1998, the FERC declined to make the requested ruling. The District Court has yet to act further.

A former cable installation contractor for Telesat Cablevision, Inc. (Telesat), a wholly-owned subsidiary of FPL Group Capital, sued FPL Group, FPL Group Capital and Telesat for breach of contract, fraud, violation of racketeering statutes and several other claims. The trial court entered a judgment in favor of FPL Group and Telesat on nine of twelve counts, including all of the racketeering and fraud claims, and in favor of FPL Group Capital on all counts. It also denied all parties' claims for attorneys' fees. However, the jury in the case awarded the contractor damages totaling approximately \$6 million against FPL Group and Telesat for breach of contract and tortious interference. All parties have appealed.

FPL Group and FPL believe that they have meritorious defenses to the litigation to which they are parties and are vigorously defending the suits. Accordingly, the liabilities, if any, arising from the proceedings are not anticipated to have a material adverse effect on their financial statements.

**FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Concluded)**  
**(Unaudited)**

**4. Summarized Financial Information of FPL Group Capital**

FPL Group Capital's debenture is guaranteed by FPL Group and included in FPL Group's condensed consolidated balance sheets. For the three months ended September 30, 1998 and 1997, operating revenues of FPL Group Capital were approximately \$122 million and \$40 million, respectively. For the same periods, operating expenses were approximately \$85 million and \$36 million, respectively, and net income was approximately \$29 million and \$16 million, respectively. For the nine months ended September 30, 1998 and 1997, operating revenues of FPL Group Capital were approximately \$223 million and \$132 million, respectively. For the same periods, operating expenses were approximately \$160 million and \$119 million, respectively, and net income was approximately \$58 million and \$26 million, respectively.

At September 30, 1998, FPL Group Capital had approximately \$361 million of current assets, \$1.5 billion of noncurrent assets, \$218 million of current liabilities and \$1.2 billion of noncurrent liabilities. At December 31, 1997, FPL Group Capital had current assets of approximately \$156 million, noncurrent assets of \$1.4 billion, current liabilities of \$252 million and noncurrent liabilities of \$999 million.

Management has not presented separate financial statements and other disclosures concerning FPL Group Capital because management has determined that such information is not material to holders of the FPL Group Capital debenture.



## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion should be read in conjunction with the Notes to Condensed Consolidated Financial Statements contained herein and Management's Discussion and Analysis of Financial Condition and Results of Operations appearing in the 1997 Form 10-K for FPL Group and FPL. The results of operations for an interim period may not give a true indication of results for the year. In the following discussion, all comparisons are with the corresponding items in the prior year.

### RESULTS OF OPERATIONS

The generation, transmission, distribution and sale of electric energy by FPL continues to represent the principal operations of FPL Group. However, growth in FPL Group's net income for the three and nine months ended September 30, 1998 was primarily due to additional investments and better operating results at FPL Energy, Inc.'s (FPL Energy) independent power investments. FPL's net income available to FPL Group also increased, mainly due to higher customer usage and customer growth, partly offset by higher depreciation and O&M expenses.

FPL's revenues from base rates for the three and nine months ended September 30, 1998 increased to \$1.1 billion and \$2.8 billion, respectively, from \$1.0 billion and \$2.7 billion for the same period in 1997. The improvements resulted from increases in energy usage per retail customer of 5.3% and 3.5%, respectively, primarily due to weather conditions, and customer growth of 1.9% and 1.8%, respectively. Cost recovery clause revenues and franchise fees comprise substantially all of the remaining operating revenues. Such revenues represent a pass-through of costs and do not significantly affect net income. Fluctuations in these revenues are primarily driven by changes in energy sales, fuel prices and capacity charges.

FPL's O&M expenses increased for the three and nine months ended September 30, 1998, primarily due to additional spending associated with improving the reliability of the distribution system. Depreciation and amortization expense in all periods presented includes amortization recorded under the special amortization program, which is a function of retail base revenues. Depreciation and amortization expense increased for the three and nine months ended September 30, 1998 mainly due to the increase in revenues discussed above. FPL's interest expense and preferred stock dividend requirements declined for the three and nine months ended September 30, 1998, resulting from continued reductions in average debt and preferred stock balances.

On November 3, 1998, the FPSC deferred consideration of an FPSC Staff recommendation requesting a limited proceeding on the appropriateness of FPL's regulatory return on equity and equity ratio, and encouraged FPL and the FPSC Staff to continue negotiations to reach a settlement. The FPSC Staff has questioned whether FPL's regulatory return on equity and equity ratio should be reduced. The parties have been directed to report back to the FPSC on December 1, 1998. If a settlement is not reached by December 1, 1998, the FPSC is expected to vote on whether a limited proceeding on these issues should take place.

FPL Energy's operating results improved for the three and nine months ended September 30, 1998. The improvements primarily reflect additional investments and better over-all results from independent power investments. In addition, during the third quarter of 1998, one of FPL Energy's independent power investments received a settlement relating to a contract dispute, which was partially offset by costs associated with an interest rate swap which is no longer designated as a hedge.

FPL Group is continuing to work to resolve the potential impact of the year 2000 on the processing of information by its computer systems. A multi-phase plan has been developed consisting of inventorying potential problems, assessing what will be required to address each potential problem, taking the necessary action to fix each problem, testing to see that the action taken did result in year 2000 readiness and implementing the required solution. The inventory and assessment of the information technology infrastructure, computer applications and computerized processes embedded in operating equipment has been substantially completed and approximately 60% of the necessary modifications have been tested and implemented. FPL Group's efforts to assess the year 2000 readiness of third parties are ongoing. These communications will help ensure that critical supplies are not interrupted, that large customers are able to receive power and that transactions with or processed by financial institutions will occur as intended. FPL Group is on schedule with its multi-phase plan and all phases are expected to be completed by mid-1999, except for work at St. Lucie Unit No. 1, which will be completed during a scheduled refueling outage beginning in October 1999. The cost of addressing year 2000 issues is estimated to be approximately \$50 million, approximately 20% of which had been spent through September 30, 1998. The majority of these costs represent the redeployment of existing resources and therefore, are not expected to have a significant effect on O&M expenses.

At this time, FPL Group believes that the most reasonably likely worst case scenarios relating to the year 2000 could include a temporary disruption of service to customers, caused by a potential disruption in fuel supply, water supply and telecommunications, as well as transmission grid disruptions caused by other companies whose electrical systems are interconnected with FPL. A contingency planning team has been established to identify the risks associated with the year 2000, as well as to coordinate with other utilities in the region. A preliminary contingency plan is expected to be developed by the end of the first quarter of 1999, and will be continually updated as additional information becomes available.

In June 1998, the Financial Accounting Standards Board issued FAS 133, "Accounting for Derivative Instruments and Hedging Activities." The statement establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. FPL Group is currently assessing the effect, if any, on its financial statements of implementing FAS 133. FPL's energy marketing and trading division uses forward contracts and options to manage fuel costs and to market any excess generation. Substantially all of the results of these activities are reflected in the fuel or the capacity clauses and, accordingly, do not affect net income. FPL Group will be required to adopt the standard in 2000.

#### **LIQUIDITY AND CAPITAL RESOURCES**

Using available cash flows from operations, FPL repaid certain series of secured medium-term notes that matured during the first quarter of 1998. Additionally, during the three and nine months ended September 30, 1998, FPL Group repurchased 311,600 and 858,200 shares of common stock, respectively. These actions are consistent with management's intent to reduce debt and preferred stock balances and the number of outstanding shares of common stock. See Note 2.

In September 1998, FPL announced plans to accelerate expansion of its power generating system. FPL intends to repower two existing plants by the end of 2001 and 2003, respectively, and build two new gas-fired units within ten years at the Martin power plant. In October 1998, FPL selected Florida Gas Transmission Company to construct a natural gas pipeline approximately 100 miles long to bring natural gas to the Ft. Myers plant, the first plant to be repowered. For information concerning capital commitments, see Note 3.

#### **MARKET RISK SENSITIVITY**

An interest rate swap agreement entered into by an FPL Group subsidiary was undesignated as a hedge during the third quarter of 1998, and was recorded at its market value as of September 30, 1998. An interest rate lock agreement entered into by an FPL Group subsidiary during the third quarter of 1998 had a fair value of \$29 million at September 30, 1998 (based on the cost to terminate the agreement). A hypothetical 10% decrease in interest rates would result in a \$13 million increase in the fair value of that agreement.

Other than the above changes, the risk associated with FPL Group's and FPL's market risk sensitive instruments has not materially changed from that discussed in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Market Risk Sensitivity in the 1997 Form 10-K for FPL Group and FPL.

#### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

See Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings

- (a) Reference is made to Item 3. Legal Proceedings in the 1997 Form 10-K for FPL Group and FPL.

In October 1998, the court dismissed all of the qualifying facilities plant owners' antitrust claims against FPL. The plant owners have since moved for summary judgment on FPL's claims against them.

In November 1998, the FERC declined to make the required ruling in the FMPA case. The District Court has yet to act further.

### Item 5. Other Information

- (a) Reference is made to Item 1. Business - FPL Operations - Retail Rate-making in the 1997 Form 10-K for FPL Group and FPL.

On November 3, 1998, the FPSC deferred consideration of an FPSC Staff recommendation requesting a limited proceeding on the appropriateness of FPL's regulatory return on equity and equity ratio, and encouraged FPL and the FPSC Staff to continue negotiations to reach a settlement. The FPSC Staff has questioned whether FPL's regulatory return on equity and equity ratio should be reduced. The parties have been directed to report back to the FPSC on December 1, 1998. If a settlement is not reached by December 1, 1998, the FPSC is expected to vote on whether a limited proceeding on these issues should take place.

- (b) Reference is made to Item 1. Business - FPL Operations - System Capability and Load in the 1997 Form 10-K for FPL Group and FPL and Item 5. (b) Other Information in the FPL Group and FPL Form 10-Q for the quarterly period ended March 31, 1998.

In September 1998, FPL announced plans to accelerate expansion of its power generating system. FPL intends to repower two existing plants by the end of 2001 and 2003, respectively, and build two new gas-fired units within ten years at the Martin power plant. In October 1998, FPL selected Florida Gas Transmission Company to construct a natural gas pipeline approximately 100 miles long to bring natural gas to the Ft. Myers plant, the first plant to be repowered.

### Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits

Exhibit Number	Description	FPL GROUP	FPL
12(a)	Computation of Ratio of Earnings to Fixed Charges	x	
12(b)	Computation of Ratios		x
27	Financial Data Schedule	x	x

- (b) Reports on Form 8-K - None

### SIGNATURES

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

FPL GROUP, INC.  
FLORIDA POWER & LIGHT COMPANY  
(Registrants)

Date: November 4, 1998

K. MICHAEL DAVIS  
K. Michael Davis  
Controller and Chief Accounting Officer of FPL Group, Inc.  
Vice President, Accounting, Controller and  
Chief Accounting Officer of Florida Power & Light Company  
(Principal Financial Officer of the Registrants)

**FPL GROUP, INC. AND SUBSIDIARIES**  
**COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES**

	Nine Months Ended September 30.	Years Ended December 31.				
		1998	1997	1996	1995	1994
		(Millions of dollars)				
Earnings, as defined:						
Net income .....	\$ 571	\$ 618	\$ 579	\$ 553	\$ 519	\$ 429
Income taxes .....	297	304	294	329	307	250
Fixed charges, included in the determination of net income, as below .....	<u>238</u>	<u>304</u>	<u>283</u>	<u>308</u>	<u>337</u>	<u>388</u>
Total earnings, as defined .....	<u>\$1,106</u>	<u>\$1,226</u>	<u>\$1,156</u>	<u>\$1,190</u>	<u>\$1,163</u>	<u>\$1,067</u>
Fixed charges, as defined:						
Interest charges .....	\$ 228	\$ 291	\$ 267	\$ 291	\$ 319	\$ 367
Rental interest factor .....	3	4	5	6	7	10
Fixed charges included in nuclear fuel cost .....	<u>7</u>	<u>9</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>
Fixed charges, included in the determination of net income .....	238	304	283	308	337	388
Capitalized interest .....	<u>2</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
Total fixed charges, as defined .....	<u>\$ 240</u>	<u>\$ 309</u>	<u>\$ 283</u>	<u>\$ 308</u>	<u>\$ 337</u>	<u>\$ 389</u>
Ratio of earnings to fixed charges .....	<u>4.61</u>	<u>3.97</u>	<u>4.08</u>	<u>3.86</u>	<u>3.45</u>	<u>2.74</u>

## EXHIBIT 12(b)

FLORIDA POWER & LIGHT COMPANY  
COMPUTATION OF RATIOS

Nine Months Ended  
September 30, 1998  
(Millions of Dollars)

## RATIO OF EARNINGS TO FIXED CHARGES

## Earnings, as defined:

Net income .....	\$ 540
Income taxes .....	305
Fixed charges, as below .....	<u>159</u>

Total earnings, as defined .....	<u>\$1,004</u>
----------------------------------	----------------

## Fixed charges, as defined:

Interest charges .....	\$ 149
Rental interest factor .....	3
Fixed charges included in nuclear fuel cost .....	<u>7</u>

Total fixed charges, as defined .....	<u>\$ 159</u>
---------------------------------------	---------------

Ratio of earnings to fixed charges .....	<u>6.31</u>
--	-------------

## RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

## Earnings, as defined:

Net income .....	\$ 540
Income taxes .....	305
Fixed charges, as below .....	<u>159</u>

Total earnings, as defined .....	<u>\$1,004</u>
----------------------------------	----------------

## Fixed charges, as defined:

Interest charges .....	\$ 149
Rental interest factor .....	3
Fixed charges included in nuclear fuel cost .....	<u>7</u>

Total fixed charges, as defined .....	<u>159</u>
---------------------------------------	------------

Non-tax deductible preferred stock dividends .....	11
--	----

Ratio of income before income taxes to net income .....	<u>1.58</u>
---	-------------

Preferred stock dividends before income taxes .....	<u>17</u>
---	-----------

Combined fixed charges and preferred stock dividends .....	<u>\$ 176</u>
--	---------------

Ratio of earnings to combined fixed charges and preferred stock dividends .....	<u>5.70</u>
---	-------------





**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D. C. 20549**

**FORM 8-K**

**CURRENT REPORT**

**PURSUANT TO SECTION 13 OR 15(d)**

**OF THE SECURITIES EXCHANGE ACT OF 1934**

**Date of earliest event reported: November 16, 1988**

**FPL GROUP, INC.**

**FLORIDA**  
(State or other jurisdiction  
of incorporation)

**1-8841**  
(Commission File Number)

**59-2449419**  
(I.R.S. Employer  
Identification No.)

**700 Universe Boulevard**  
**Juno Beach, Florida 33408**  
(Address of principal executive office)  
(Zip Code)

**(561) 684-4000**  
Registrant's telephone number, including area code

#### Item 5. Other Events

On November 16, 1998, FPL Energy Maine, Inc., (FPL Energy Maine) an indirect wholly-owned subsidiary of FPL Group, Inc. (FPL Group) filed a civil action in the United States District Court for the Southern District of New York seeking a declaratory judgment that Central Maine Power Company (CMP) cannot meet essential terms of the agreement with FPL Energy Maine regarding the purchase of CMP's non-nuclear generating assets, which was expected to close in the first quarter of 1999. CMP has indicated that it will oppose FPL Energy Maine's request for relief from its obligation. Based on recent Federal Energy Regulatory Commission (FERC) rulings on transmission access, as well as other issues, FPL Group believes that CMP cannot comply with the conditions in the purchase contract and FPL Energy Maine should not be bound to complete the transaction.

FPL Energy Maine asserts that the recent FERC rulings: (1) constitute a material adverse effect under the purchase agreement and substantially lessen the value of the CMP generating assets; and (2) preclude CMP from obtaining all federal, state, and local consents and approvals required for the ownership, operation, and maintenance of the generating assets in a manner substantially consistent with CMP's historical ownership, operation, and maintenance thereof, as required by the purchase agreement. FPL Energy Maine also asserts that the recent FERC rulings limit the ability of the prospective buyer to get power from the CMP generating assets to market unconstrained by transmission limitations caused by new generators being added to the New England Power Pool system, and therefore, based on the doctrine of frustration of purpose, FPL Energy Maine is excused from further obligation or liability under the purchase agreement to consummate the purchase of CMP's generating assets.

The recent FERC rulings are subject to appeal.

#### 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.

FPL GROUP, INC.  
(Registrant)

Date: November 19, 1998

K. MICHAEL DAVIS  
K. Michael Davis  
Controller and Chief Accounting Officer of FPL Group, Inc.

**Exhibit (a)-9**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D. C. 20549**

**FORM 8-K**

**CURRENT REPORT**

**PURSUANT TO SECTION 13 OR 15(d)**

**OF THE SECURITIES EXCHANGE ACT OF 1934**

**Date of earliest event reported: December 1, 1998**

**Commission  
File Number**

**1-8841**

**1-3545**

**Exact name of Registrants as specified in their  
charters, addresses of principal executive  
offices and Registrants' phone number**

**FPL GROUP, INC.  
FLORIDA POWER & LIGHT COMPANY**

**700 Universe Boulevard  
Juno Beach, Florida 33408  
(561) 694-4000**

**IRS Employer  
Identification Number**

**59-2449419**

**59-0247775**

**State or other jurisdiction of incorporation: Florida**



## Item 5. Other Events

Reference is made to Item 1. Business – FPL Operations – Retail Ratemaking and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations in the 1997 Form 10-K for FPL Group, Inc. and Florida Power & Light Company (FPL) and Item 5. (a) – Other Information in the FPL Group, Inc. and FPL Form 10-Q for the quarterly period ended September 30, 1998.

On December 1, 1998, the Florida Public Service Commission (FPSC) approved an agreement regarding FPL's allowed regulatory return on equity (ROE), equity ratio and special amortization program. The FPSC is expected to issue an order by December 21, 1998. Affected parties have 21 days following issuance of an order to protest the FPSC's decision and request a hearing.

Under the agreement, FPL's authorized ROE would be reduced from a range of 11.0% to 13.0% to a range of 10.2% to 12.2% effective January 1, 1999. For purposes of calculating ROE, FPL would agree to a maximum equity ratio of 55.83% (which has been adjusted to reflect certain discounted long-term power purchase contracts) through 2000. Also under the agreement, FPL's special amortization program would be extended through 2000 and, effective November 1, 1998, the program would be modified to include an additional fixed amount of \$140 million per year over and above the amount of amortization based on the level of retail base revenues recorded under the current program. In addition, the program would be expanded to allow the amortization of certain additional costs as may be determined appropriate by the FPSC in the future.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

FPL Group, Inc.  
Florida Power & Light Company  
(Registrants)

Date: December 2, 1998

K. MICHAEL DAVIS  
K. Michael Davis  
Controller and Chief Accounting Officer of FPL Group, Inc.  
Vice President, Accounting, Controller and  
Chief Accounting Officer of Florida Power & Light Company



**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D. C. 20540**

**FORM 8-K**

**CURRENT REPORT**

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

**Date of earliest event reported: March 16, 1999**

**Commission  
File Number**

**1-8841**

**1-3545**

**Exact name of Registrants as specified in their  
charters, addresses of principal executive  
offices and Registrants' phone number**

**FPL GROUP, INC.  
FLORIDA POWER & LIGHT COMPANY**

**700 Universe Boulevard  
Juno Beach, Florida 33408  
(561) 694-4000**

**IRS Employer  
Identification  
Number**

**59-2448419**

**59-0247775**

**State or other jurisdiction of incorporation: Florida**

## Item 5. Other Events

Reference is made to Item 1. Business - FPL Operations - Retail Rate-making and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Results of Operation in the 1998 Form 10-K for FPL Group, Inc. and Florida Power & Light Company (FPL).

On March 16, 1999, the Florida Public Service Commission (FPSC) approved an agreement between FPL, the State of Florida's Office of Public Counsel (Public Counsel), The Florida Industrial Power Users Group (FIPUG) and The Coalition for Equitable Rates (Coalition) regarding FPL's retail base rates, authorized regulatory return on equity (ROE), capital structure and other matters. As a result of the approval of this agreement, all matters raised in Public Counsel's petition to the FPSC to conduct a full rate proceeding are resolved. The agreement has a three-year term, beginning thirty days following the date of FPSC approval.

The agreement provides for a \$350 million reduction in annual retail base rate revenues allocated to all customers on a cents-per-kilowatt-hour basis. Additionally, the agreement sets forth a revenue sharing mechanism for each of the three years covered by the agreement, whereby retail base rate revenues in excess of a stated threshold will be shared with customers on the basis of two-thirds refunded to customers and one-third retained by FPL. Retail base rate revenues in excess of a second threshold will be refunded 100% to customers.

The thresholds for the three years are as follows:

	<u>First Twelve Months</u>	<u>Second Twelve Months</u>	<u>Third Twelve Months</u>
	(Millions of Dollars)		
Threshold to refund 66 2/3% to customers	\$3,400	\$3,450	\$3,500
Threshold to refund 100% to customers	\$3,556	\$3,606	\$3,656

In addition to the revenue reductions, the agreement lowers FPL's authorized ROE range to 10% to 12% (down from the current 11% to 13%). During the term of the agreement, the achieved ROE may, from time to time, be outside the authorized range and the sharing mechanism described above is intended to be the appropriate and exclusive mechanism to address that circumstance. The agreement establishes a cap on FPL's adjusted equity ratio of 55.83%. The adjusted equity ratio reflects a discounted amount for off-balance sheet obligations under certain long-term purchase power contracts. The agreement also includes an allowance for special depreciation of up to \$100 million at FPL's discretion, in each year of the three-year agreement period to be applied to nuclear and fossil generating assets. The current special amortization program will be terminated when the new agreement becomes effective. Finally, included in the agreement are provisions which limit depreciation rates and accruals for nuclear decommissioning and fossil dismantlement costs to currently approved levels and limit amounts recoverable under the environmental cost recovery clause during the three-year term of the agreement.

The agreement states that Public Counsel, FIPUG and Coalition will neither seek nor support any additional base rate reductions during the three-year term of the agreement unless such reduction is initiated by FPL. Further, FPL agreed to not petition for any base rate increases that would take effect during the three-year term of the agreement.

### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

FPL Group, Inc.  
Florida Power & Light Company  
(Registrants)

Date: March 17, 1999

K. MICHAEL DAVIS  
K. Michael Davis  
Controller and Chief Accounting Officer of FPL Group, Inc.  
Vice President, Accounting, Controller and  
Chief Accounting Officer of Florida Power & Light Company

**Exhibit (b)**

STEEL ■  
HECTOR  
■ DAVIS

Steel Hector & Davis LLP  
1900 Phillips Point West  
777 South Flagler Drive  
West Palm Beach, Florida 33401-6198  
561.650.7200  
561.655.1509 Fax

March 26, 1999

Florida Power & Light Company  
700 Universe Boulevard  
Juno Beach, Florida 33408

Re: **Issuance and sale by Florida Power & Light Company (the "Company") on June 16, 1998 of \$200,000,000 Principal Amount of First Mortgage Bonds 6% Series Due June 1, 2008 (Florida Public Service Commission Docket No. 971304-EI)**

Ladies and Gentlemen:

This opinion relates to (a) the application which was filed by you with the Florida Public Service Commission (the "Commission") on October 8, 1997; (b) Order No. PSC-97-1533-FOF-EI issued by the Commission on December 8, 1997 (the "Order"); and (c) the issuance and sale of \$200,000,000 principal amount of First Mortgage Bonds, 6% Series due June 1, 2008 (the "Bonds"), authorized to be issued by the Order.

The Bonds have been duly and validly authorized by all necessary corporate action on the part of the Board of Directors of the Company, have been duly issued for value and are valid and binding obligations of the Company in accordance with their terms, except as limited by bankruptcy, insolvency or other laws affecting mortgagees' and other creditors' rights generally and equitable limitations on the enforceability of specific remedies.

We hereby consent to the delivery of this opinion to the Florida Public Service Commission.

Very truly yours,

*Steel Hector & Davis LLP*

STEEL HECTOR & DAVIS LLP

DAG/JIM

WPB\_1998/316698-1



**Exhibit (c)-1A**

## SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

## Form S-3

## Registration Statement Under The Securities Act of 1933

## FLORIDA POWER &amp; LIGHT COMPANY

(Exact name of registrant as specified in charter)

Florida

(State or other jurisdiction of  
incorporation or organization)59-3247775  
(U.S. Employer  
Identification No.)700 Universe Boulevard  
Juno Beach, Florida 33408

(561) 694-4000

(Address, including zip code, and telephone number,  
including area code, of registrant's principal executive office)DENNIS P. COYLE, ESQ.  
General Counsel and Secretary  
Florida Power & Light Company  
700 Universe Boulevard  
Juno Beach, Florida 33408  
(561) 694-4644JEFFREY I. MULLENS, P.A.  
Steel Hector & Davis LLP  
1900 Phillips Point West  
777 South Flagler Drive  
West Palm Beach, Florida 33401  
(561) 650-7257ROBERT J. REGER, JR., ESQ.  
Reid & Priest LLP  
40 West 57th Street  
New York, New York 10019  
(212) 603-2000(Names, addresses, including zip codes, and telephone numbers  
including area codes, of agents for service)It is respectfully requested that the Commission send  
copies of all notices, orders and communications to:S.K. Waite, Esq.  
Winthrop, Stimson, Putnam & Roberts  
One Battery Park Plaza  
New York, New York 10004  
(212) 858-1000Approximate date of commencement of proposed sale to the public: As soon as practicable after the registration statement  
becomes effective.If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check  
the following box. ☐If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the  
Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following  
box. ☒If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the  
following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐If this Form is a post-effective amendment filed pursuant to Rule 463(c) under the Securities Act, check the following box and list the  
Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐If delivery of the prospectus is expected to be made pursuant to Rule 424, please check the following box. ☐

## CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit*	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
First Mortgage Bonds	\$210,000,000	100.00%	\$210,000,000	\$61,950

\* Estimated solely for the purpose of calculating the registration fee.

Pursuant to Rule 429 under the Securities Act of 1933, the prospectus filed as part of this Registration Statement will be used as a combined  
prospectus in connection with this Registration Statement and Registration Statement File No. 33-61390.The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the  
registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in  
accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the  
Commission, acting pursuant to said Section 8(a), may determine.

## Prospectus

# Florida Power & Light Company

## First Mortgage Bonds

Florida Power & Light Company (FPL) intends from time to time to issue up to \$500,000,000 aggregate principal amount of its First Mortgage Bonds (New Bonds) in one or more series at prices and on terms to be determined when the agreement to sell is made or at the time of sale.

For each issue of New Bonds for which this Prospectus is being delivered (Offered Bonds) there is an accompanying Prospectus Supplement or Prospectus Supplements (Prospectus Supplement) that set forth, without limitation and to the extent applicable, the series designation, aggregate principal amount of the issue, purchase price, maturity, interest rate or rates (which may be either fixed or variable) or the method of determination of such rate or rates, times of payment of interest, the place where the principal of and interest on the Offered Bonds will be payable, the denominations in which the Offered Bonds are authorized to be issued, whether the Offered Bonds will be issued in registered form, in bearer form or both, whether all or a portion of the Offered Bonds will be issued in global form, redemption terms, if any, and other special terms of the Offered Bonds.

**THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR BY ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

The New Bonds may be sold directly by FPL or through agents designated from time to time or through underwriters or dealers or a group of underwriters. If any agents of FPL or any underwriters are involved in the sale of the Offered Bonds in respect of which this Prospectus is being delivered, the names of such agents or underwriters, the initial price to the public, any applicable commissions or discounts and the proceeds to FPL with respect to such Offered Bonds are set forth in the Prospectus Supplement. See "Plan of Distribution" for possible indemnification arrangements for underwriters or agents.

The date of this Prospectus is \_\_\_\_\_, 1998.

#### AVAILABLE INFORMATION

FPL is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (Exchange Act), and in accordance therewith files reports and other information with the Securities and Exchange Commission (SEC). Such reports and other information can be inspected and copied at the public reference facilities maintained by the SEC at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the following Regional Offices of the SEC: Chicago Regional Office, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661; and New York Regional Office, Seven World Trade Center, Suite 1300 New York, New York 10048. Copies of such material can also be obtained from the Public Reference Section of the SEC at its principal office at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the SEC maintains a World Wide Web site (<http://www.sec.gov>) that contains reports and other information filed by FPL.

Security holders of FPL may obtain, upon request, copies of an Annual Report on Form 10-K of FPL containing financial statements as of the end of the most recent fiscal year audited and reported upon (with an opinion expressed) by independent auditors.

#### INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following FPL documents filed with the SEC are incorporated by reference in this Prospectus:

1. Annual Report on Form 10-K for the year ended December 31, 1997 (Form 10-K).
2. Quarterly Report on Form 10-Q for the quarter ended March 31, 1998.

All documents filed by FPL with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the offering of the securities covered by this Prospectus shall be deemed to be incorporated by reference in this Prospectus and to be a part hereof from the date of filing such documents.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which is deemed to be incorporated by reference herein or in the Prospectus Supplement modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

FPL will provide without charge to each person, including any beneficial owner, to whom a copy of this Prospectus is delivered, upon written or oral request of any such person, a copy of any and all of the documents referred to above that have been incorporated by reference in this Prospectus excluding the exhibits thereto (unless such exhibits are specifically incorporated by reference into such documents). Requests for such copies should be directed to: Robert J. Reger, Jr., Esq., Reid & Priest LLP, 40 West 57th Street, New York, New York, 10019, (212) 603-2000.

#### FPL

FPL was incorporated under the laws of Florida in 1925 and is engaged in the generation, transmission, distribution and sale of electric energy. The principal executive office of FPL is located at 700 Universe Boulevard, Juno Beach, Florida 33408, telephone (561) 694-4000, and the mailing address is P.O. Box 14000, Juno Beach, Florida 33408-0420. FPL supplies electric service throughout most of the east and lower west coasts of the State of Florida, serving an area of about 27,650 square miles with a population of approximately 7 million. During 1997, FPL served approximately 3.6 million customer accounts. All of the shares of common stock of FPL is owned by FPL Group, Inc. (FPL Group).



## USE OF PROCEEDS

FPL is offering hereby a maximum of \$500,000,000 aggregate principal amount of New Bonds. The net proceeds to be received from the sale of the New Bonds will be added to FPL's general funds and will be used for corporate purposes which may include, but are not limited to, the redemption or purchase of certain of its outstanding debt and preferred stock, the repayment of all or a portion of short-term borrowings outstanding, the repayment of all or a portion of any maturing long-term debt obligations and the financing of the acquisition or construction of additional electric facilities. Proceeds not immediately required for the foregoing purposes will be temporarily invested in short-term instruments.

FPL maintains a continuous construction program, principally for electric generation, transmission and distribution facilities. FPL anticipates financing this program partially through internally generated funds, partially through the sale of additional securities, partially through short-term borrowings and partially through equity investments by FPL Group. See "Item 1. Business - Capital Expenditures" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" in the Form 10-K incorporated by reference herein.

## RATIO OF EARNINGS TO FIXED CHARGES

The ratios of earnings to fixed charges for the years ended December 31, 1993 through 1997 are 3.03, 3.86, 4.33, 4.58 and 4.95, respectively. The ratio of earnings to fixed charges for the quarter ended March 31, 1998 is 3.98.

## DESCRIPTION OF NEW BONDS

General. The New Bonds are to be issued under a Mortgage and Deed of Trust dated as of January 1, 1994, with Bankers Trust Company, as Trustee (Mortgage Trustee), and The Florida National Bank of Jacksonville (now resigned) as supplemented and amended, and as to be supplemented by one or more supplemental indentures relating to the New Bonds, all of which are collectively referred to as the "Mortgage".

The following statements are brief summaries of certain provisions of the Mortgage, which is on file with the SEC and incorporated by reference herein, and do not purport to be complete. They make use of terms defined in the Mortgage. Reference is made to the Mortgage for a definition of these terms and for the complete provisions of the Mortgage. The following statements are qualified in their entirety by such reference.

Reference is made to the Prospectus Supplement for the following terms of the Offered Bonds (among others): (i) the designation, series and aggregate principal amount of the Offered Bonds; (ii) the percentage or percentages of their principal amount at which such Offered Bonds will be issued; (iii) the date or dates on which the Offered Bonds will mature; (iv) the rate or rates (which may be either fixed or variable), and/or the method of determination of such rate or rates, per annum at which the Offered Bonds will bear interest; (v) the times at which such interest will be payable; (vi) the place where the principal of and interest on the Offered Bonds will be payable; (vii) the denominations in which the Offered Bonds are authorized to be issued; (viii) the redemption terms, if any; (ix) whether the Offered Bonds will be in registered form, in bearer form or both; (x) whether all or a portion of the Offered Bonds will be in global form; and (xi) any other terms or provisions relating to such Offered Bonds which are not inconsistent with the provisions of the Mortgage.

Form and Exchanges. The New Bonds may be issued in fully registered form without coupons, in bearer form with or without coupons or any combination thereof. New Bonds in bearer form will not be offered, sold, resold or delivered in the United States or to United States persons in connection with their original issuance. Unless otherwise specified in the Prospectus Supplement, the New Bonds will be issuable in the form of registered bonds without coupons. New Bonds will be exchangeable without charge for other New Bonds of the same series and of the same or different authorized denominations, in each case for a like aggregate principal amount of New Bonds having the same issue date with identical terms and provisions, unless otherwise specified in the Prospectus Supplement. New Bonds may be transferred without charge, other than for applicable stamp

taxes or other governmental charges, unless otherwise specified in the Prospectus Supplement. Reference is made to the Prospectus Supplement for additional requirements as to the form and method of exchange of the New Bonds. Additionally, New Bonds may be represented in whole or in part by global notes, and if so represented, beneficial interests in such global notes will be shown on and transfers thereof will be effected only through, records maintained by a designated depository and its participants.

**Interest and Payment.** Reference is made to the Prospectus Supplement for the interest rate or rates (which may be either fixed or variable) and/or the method of determination of such rate or rates of the Offered Bonds and the date or dates on which such interest is payable. Unless otherwise specified in the Prospectus Supplement, principal and interest are payable in U.S. dollars at Bankers Trust Company in New York City.

**Redemption and Purchase of Offered Bonds.** See the Prospectus Supplement.

**Special Provisions for Retirement of Bonds.** If, during any 12 month period, mortgaged property is disposed of by order of or to any Federal, State, county, municipal or other governmental bodies or agencies, resulting in the receipt of \$10 million or more as proceeds, FPL (subject to certain conditions) must apply such proceeds, less certain deductions, to the retirement of Bonds. Any series of Bonds may be redeemable at the redemption prices applicable for this purpose. See the Prospectus Supplement.

**Security.** The New Bonds together with all other Bonds now or hereafter issued under the Mortgage will be secured by the Mortgage, which constitutes, in the option of counsel to FPL, a first mortgage lien on all of the present properties and franchises of FPL (except as stated below), subject to (a) lease of minor portions of FPL's property to others for uses which, in the opinion of such counsel, do not interfere with FPL's business, (b) leases of certain property of FPL not used in its electric business, and (c) excepted encumbrances. There are excepted from the lien all cash and securities; certain equipment, materials or supplies and fuel (including Nuclear Fuel); automobiles and other vehicles; receivables, contracts, leases and operating agreements; and timber, minerals, mineral rights and royalties.

The Mortgage contains provisions subjecting after-acquired property (subject to pre-existing liens) to the lien thereof, subject to limitations in the case of consolidation, merger or sale of substantially all of FPL's assets. Property acquired since the most recent recording of a supplemental indenture may also be subject to possible rights of others which may attach prior to recording of a supplemental indenture subsequent to the acquisition of such property.

The Mortgage provides that the Mortgage Trustee shall have a lien upon the mortgaged property, prior to the Bonds, for the payment of its reasonable compensation and expenses and for indemnity against certain liabilities.

**Issuance of Additional Bonds.** The maximum principal amount of Bonds which may be issued under the Mortgage is unlimited. Bonds of any series may be issued from time to time on the basis of (1) 60 % of Property Additions after adjustments to offset retirements, (2) retirement of Bonds or qualified lien bonds, and (3) deposit of cash. With certain exceptions in the case of (2) above, the issuance of Bonds is subject to adjusted net earnings for 12 consecutive months out of the preceding 15 months before income taxes being either at least twice the annual interest requirements on, or 10 % of the principal amount of, all Bonds at the time outstanding, including the additional issue, and all indebtedness of prior or equal rank. Such adjusted net earnings are computed after provision for retirement and depreciation of property equal to the replacement requirements of the Mortgage for such period.

Property Additions generally include plants, lines, pipes, mains, cables, machinery, boilers, transmission lines, pipe lines, distribution systems, service systems and supply systems, Nuclear Fuel that has been expressly subjected to the lien and operation of the Mortgage, railroad cars, barges and other transportation equipment (other than trucks) for the transportation of fuel, and other property, real or personal, and improvements, extensions, additions, renewals or replacements located within the United States of America or its coastal waters. Any such property, whether or not in operation, can be used as Property Additions prior to the



obtaining of permits or licenses. Property Additions may not include securities, fuel (including Nuclear Fuel unless expressly subjected to the lien and operation of the Mortgage), automobiles or other vehicles, or property used principally for the production or gathering of natural gas. Under the Mortgage, FPL could issue approximately \$4.5 billion of additional first mortgage bonds based on unfunded Property Additions and \$3.3 billion of additional first mortgage bonds based on the retirement of Bonds at December 31, 1997.

The Mortgage contains certain restrictions upon the issuance of Bonds against property subject to liens and upon the increase of the amount of such liens.

**Release and Substitution of Property.** Property may be released against (1) deposit of cash or, to a limited extent, purchase money mortgage, (2) Property Additions, and (3) waiver of the right to issue Bonds without applying any earnings test. Cash so deposited and cash deposited against the issuance of additional Bonds may be withdrawn upon the bases stated in (2) and (3) above. When property released is not funded property, Property Additions used to effect the release may again, in certain cases, become available as credits under the Mortgage, and the waiver of the right to issue Bonds to effect the release may, in certain cases, cease to be effective as such a waiver. Similar provisions are in effect as to cash proceeds of such property. The Mortgage contains special provisions with respect to qualified lien bonds pledged, and disposition of monies received on pledged prior lien bonds. FPL may, without any release, consume in its operations Nuclear Fuel even if such Nuclear Fuel has been expressly subjected to the lien and operation of the Mortgage.

**Dividend Restrictions.** The Mortgage contains provisions restricting an amount of retained earnings which can be used to pay cash dividends on common stock. The amount restricted is subject to being increased or decreased on the basis of various factors and any restricted retained earnings can be used for various purposes. No retained earnings were restricted, as a result of these provisions of the Mortgage, as of December 31, 1997.

**Modification of the Mortgage.** Generally the rights of the Bondholders may be modified with the consent of 66-2/3 % of the Bonds and, if less than all series of Bonds are affected, the consent also of 66-2/3 % of Bonds of each series affected. FPL has reserved the right to amend the Mortgage without any consent or other action by the holders of any series of Bonds created after April 30, 1992 (including the New Bonds) so as to substitute for the foregoing provisions the following: Generally the rights of the Bondholders may be modified with the consent of a majority of the Bonds, but if less than all series of the Bonds are affected, only the consent of a majority of the affected Bonds is required. In general, no modification of the terms of payment of principal and interest, no modification of the obligations of FPL under Section 64 of the Mortgage (until the foregoing substitution is made), and no modification affecting the lien or reducing the percentage required for modification, are effective against any Bondholder without such Bondholder's consent.

**Default and Notice Thereof.** Defaults are: default in payment of principal; default for 60 days in payment of interest or of installments of funds for retirement of Bonds; certain defaults with respect to qualified lien bonds; certain events in bankruptcy, insolvency or reorganization; and default for 90 days after notice on other covenants. The Mortgage Trustee may withhold notice of default (except in payment of principal, interest or any fund for retirement of Bonds), if it thinks it is in the interests of the Bondholders.

Holders of 25 % of the Bonds may declare the principal and the interest due on default, but a majority may annul such declaration if such default has been cured. No holder of Bonds may enforce the lien of the Mortgage unless (1) such holder has given the Mortgage Trustee written notice of a default; (2) 25 % of the Bonds have requested the Mortgage Trustee to act and offered it reasonable opportunity to act and indemnify satisfactory to the Mortgage Trustee against the costs, expenses and liabilities to be incurred thereby; and (3) the Mortgage Trustee has failed to act. The Mortgage Trustee is not required to risk its funds or incur personal liability if there is reasonable ground for believing that the repayment is not reasonably assured. A majority of the Bonds may direct the time, method, and place of conducting any proceedings for any remedy available to the Mortgage Trustee, or exercising any trust or power conferred upon the Mortgage Trustee.

**Satisfaction and Discharge of Mortgage.** Upon FPL's making due provision for the payment of all of the Bonds and paying all other sums due under the Mortgage, the Mortgage may be satisfied and discharged of record.

**Evidence to be Furnished to the Mortgage Trustee.** Compliance with Mortgage provisions is evidenced by written statements of FPL's officers or persons selected or paid by FPL. In certain major matters the accountant, appraiser, engineer or counsel must be independent. Various certificates and other papers are required to be filed annually and in certain events, including an annual certificate with reference to compliance with the terms of the Mortgage and absence of default.

**Concerning the Mortgage Trustee.** In the regular course of business, FPL may obtain short-term funds from several banks, including Bankers Trust Company.

### **PLAN OF DISTRIBUTION**

FPL may sell the New Bonds in any of three ways: (i) through underwriters or dealers; (ii) directly to a limited number of purchasers or to a single purchaser; or (iii) through agents. The Prospectus Supplement with respect to the Offered Bonds sets forth the terms of the offering of the Offered Bonds, including the name or names of any underwriters, dealers or agents, the purchase price of such Offered Bonds and the proceeds to FPL from such sale, any underwriting discounts and other items constituting underwriters' compensation, any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers. Any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers may be changed from time to time.

If underwriters are used in the sale, the New Bonds will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of the sale. The New Bonds may be offered to the public either through underwriting syndicates represented by one or more managing underwriters as may be designated by FPL, or directly by one or more of such firms. The underwriter or underwriters with respect to a particular underwritten offering of Offered Bonds are named in the Prospectus Supplement relating to such offering and, if an underwriting syndicate is used, the managing underwriter or underwriters are set forth on the cover page of such Prospectus Supplement. Unless otherwise set forth in the Prospectus Supplement, the obligations of the underwriters to purchase the Offered Bonds will be subject to certain conditions precedent, and the underwriters will be obligated to purchase all such Offered Bonds if any are purchased.

New Bonds may be sold directly by FPL or through agents designated by FPL from time to time. The Prospectus Supplement sets forth the name of any agent involved in the offer or sale of the Offered Bonds in respect of which the Prospectus Supplement is delivered as well as any commissions payable by FPL to such agent. Unless otherwise indicated in the Prospectus Supplement, any such agent is acting on a best efforts basis for the period of its appointment.

If so indicated in the Prospectus Supplement, FPL will authorize agents, underwriters or dealers to solicit offers by certain specified institutions to purchase Offered Bonds from FPL at the public offering price set forth in the Prospectus Supplement pursuant to delayed delivery contracts providing for payment and delivery on a specified date in the future. Such contracts will be subject to those conditions set forth in the Prospectus Supplement, and the Prospectus Supplement will set forth the commission payable for solicitation of such contracts.

Agents and underwriters may be entitled under agreements entered into with FPL to indemnification by FPL against certain civil liabilities, including liabilities under the Securities Act of 1933, as amended (Securities Act).

## EXPERTS

The consolidated financial statements of FPL and its subsidiaries appearing in FPL's Annual Report on Form 10-K incorporated by reference herein have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report included in said Annual Report on Form 10-K, which report is incorporated herein by reference, and have been so incorporated by reference herein in reliance upon such report given upon the authority of that firm as experts in accounting and auditing.

Legal conclusions and opinions specifically attributed to counsel in the documents incorporated herein by reference have been reviewed by Steel Hector & Davis LLP, West Palm Beach, Florida, counsel to FPL, and are set forth on the authority of said firm as experts.

## LEGAL OPINIONS

The legality of the New Bonds will be passed upon for FPL by Steel Hector & Davis LLP, West Palm Beach, Florida, and Reid & Priest LLP, New York, New York, co-counsel to FPL, and for any underwriter or agent by Winthrop, Stimson, Putnam & Roberts, New York, New York. Reid & Priest LLP and Winthrop, Stimson, Putnam & Roberts may rely as to all matters of Florida law upon the opinion of Steel Hector & Davis LLP. Steel Hector & Davis LLP may rely as to all matters of New York law on the opinion of Reid & Priest LLP.

---

No dealer, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Prospectus or any Prospectus Supplement in connection with an offer made by this Prospectus or any Prospectus Supplement, and if given or made, such information or representations must not be relied upon as having been authorized by FPL or any other person, underwriter, dealer or agent. Neither the delivery of this Prospectus or any Prospectus Supplement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of FPL since the date hereof or thereof. This Prospectus and any Prospectus Supplement do not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation.

## PART II. INFORMATION NOT REQUIRED IN PROSPECTUS

### Item 14. Other Expenses of Issuance and Distribution.

The expenses in connection with the issuance and distribution of the securities being registered, other than underwriting and/or agents compensation, are:

Filing Fee for Registration Statement .....	\$61,950
Legal and Accounting Fees .....	\$125,000
Printing (S-3, Prospectus, Prospectus Supplement, etc.) .....	\$15,000
Fee of Trustee .....	\$5,250
Florida Taxes .....	\$1,155,000
Rating Agencies' Fees .....	\$75,000
Miscellaneous .....	\$12,800
Total .....	<u>\$1,450,000</u>

\* Estimated

### Item 15. Indemnification of Directors and Officers.

Section 607.0850 of the Florida Statutes generally permits FPL to indemnify its directors, officers, employees or other agents who are subject to any third-party actions because of their service to FPL, if such persons acted in good faith and in a manner they reasonably believed to be in, or not opposed to, the best interests of FPL. If the proceeding is a criminal one, such person must also have had no reasonable cause to believe his conduct was unlawful. In addition, FPL may indemnify its directors, officers, employees or other agents who are subject to derivative actions against expenses and amounts paid in settlement which do not exceed, in the judgment of the board of directors, the estimated expense of litigating the proceeding to conclusion, actually and reasonably incurred in connection with the defense or settlement of such proceeding, if such person acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of FPL. To the extent that a director, officer, employee or other agent is successful on the merits or otherwise in defense of a third-party or derivative action, such person will be indemnified against expenses actually and reasonably incurred in connection therewith. This Section also permits a corporation further to indemnify such persons by other means unless a judgment or other final adjudication establishes that such person's actions or omissions which were material to the cause of action constitute (1) a crime (unless such person had reasonable cause to believe his conduct was lawful or had no reasonable cause to believe it unlawful), (2) a transaction from which he derived an improper personal benefit, (3) an action in violation of Florida Statutes Section 607.0834 (unlawful distributions to shareholders), or (4) willful misconduct or a conscious disregard for the best interests of the corporation in a proceeding by or in the right of the corporation to procure a judgment in its favor or in a proceeding by or in the right of a shareholder.

Furthermore, Florida Statutes section 607.0831 provides, in general, that no director shall be personally liable for monetary damages to FPL or any other person for any statement, vote, decision, or failure to act, regarding corporate management or policy, unless: (a) the director breached or failed to perform his duties as a director; and (b) the director's breach of, or failure to perform, those duties constitute (i) a violation of criminal law, unless the director had reasonable cause to believe his conduct was lawful or had no reasonable cause to believe his conduct was unlawful, (ii) a transaction from which the director derived an improper personal benefit, either directly or indirectly, (iii) a circumstance under which the liability provisions of Florida Statutes Section 607.0834 are applicable, (iv) in a proceeding by or in the right of FPL to procure a judgment in its favor or by or in the right of a shareholder, conscious disregard for the best interest of FPL, or willful misconduct, or (v) in proceeding by or in the right of someone other than FPL or a shareholder, recklessness or



an act or omission which was committed in bad faith or with malicious purpose or in a manner exhibiting wanton and willful disregard of human rights, safety, or property. The term recklessness, as used above, means the action, or omission to act, in conscious disregard of a risk: (a) known, or so obvious that it should have been known, to the directors; and (b) known to the director, or so obvious that it should have been known, to be so great as to make it highly probable that harm would follow from such action or omission.

FPL's Bylaws provide generally that FPL shall, to the fullest extent permitted by law, indemnify all directors and officers of FPL, directors, officers, or other employees serving as a fiduciary of an employee benefit plan of FPL, as well as any employees or agents of FPL or other persons serving at the request of FPL in any capacity with any entity or enterprise other than FPL to whom FPL has agreed to grant indemnification (each, an "Indemnified Person") to the extent that any such person is made a party or threatened to be made a party or called as a witness or is otherwise involved in any action, suit, or proceeding in connection with his status as an Indemnified Person. Such indemnification covers all expenses incurred by any Indemnified Person (including attorneys' fees) and all liabilities and losses (including judgments, fines, and amounts to be paid in settlement) incurred thereby in connection with any such action, suit or proceeding.

In addition, FPL carries insurance permitted by the laws of Florida on behalf of directors, officers, employees or agents which may cover, among other things, liabilities under the Securities Act.

#### Item 16. Exhibits.

- 1(a) - Form of Underwriting Agreement.
- 1(b) - Form of Distribution Agreement.
- \*4(a) - Restated Articles of Incorporation of FPL dated March 23, 1992 (filed as Exhibit 3(i)a to Form 10-K for the year ended December 31, 1993, File No. 1-3545).
- \*4(b) - Amendment to FPL's Restated Articles of Incorporation dated March 23, 1992 (filed as Exhibit 3(i)b to Form 10-K for the year ended December 31, 1993, File No. 1-3545).
- \*4(c) - Amendment to FPL's Restated Articles of Incorporation dated May 11, 1992 (filed as Exhibit 3(i)c to Form 10-K for the year ended December 31, 1993, File No. 1-3545).
- \*4(d) - Amendment to FPL's Restated Articles of Incorporation dated March 12, 1993 (filed as Exhibit 3(i)d to Form 10-K for the year ended December 31, 1993, File No. 1-3545).
- \*4(e) - Amendment to FPL's Restated Articles of Incorporation dated June 16, 1993 (filed as Exhibit 3(i)e to Form 10-K for the year ended December 31, 1993, File No. 1-3545).
- \*4(f) - Amendment to FPL's Restated Articles of Incorporation dated August 31, 1993 (filed as Exhibit 3(i)f to Form 10-K for the year ended December 31, 1993, File No. 1-3545).
- \*4(g) - Amendment to FPL's Restated Articles of Incorporation dated November 30, 1993 (filed as Exhibit 3(i)g to Form 10-K for the year ended December 31, 1993, File No. 1-3545).
- \*4(h) - Mortgage and Deed of Trust dated as of January 1, 1944, and Ninety-seven Supplements thereto, between FPL and Bankers Trust Company, Trustee (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 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 99(e) to Post-Effective Amendment No. 5 to Form S-8, File No. 33-18669; Exhibit 99(e) to Post-Effective Amendment No. 1 to Form S-3, File No. 33-46076; Exhibit 4(b) to Form 10-K for the year ended December 31, 1993, File No. 1-3545; Exhibit 4(f) to Form 10-Q for the quarter ended June 30, 1994, File No. 1-3545; Exhibit 4(b) to Form 10-Q for the quarter ended June 30, 1995, File No. 1-3545; and Exhibit 4(a) to Form 10-Q for the quarter ended March 31, 1996, File No. 1-3545).
- 4(f) - Form of Supplemental Indenture relating to New Bonds.
  - 5(a) - Opinion of Steel Hector & Davis LLP, counsel to FPL.
  - 5(b) - Opinion of Reid & Priest LLP, co-counsel to FPL.
  - \*12 - Computation of Ratio of Earnings to Fixed Charges (filed as Exhibit 12 to Form 10-K for the fiscal year ended December 31, 1997, File No. 1-3545 and as Exhibit 12 to Form 10-Q for the quarter ended March 31, 1998, File No. 1-3545).
  - 23(a) - Consent of Deloitte & Touche LLP.
  - 23(b) - Consent of Steel Hector & Davis LLP (contained in opinion filed as Exhibit 5(a) hereto).
  - 23(c) - Consent of Reid & Priest LLP (contained in opinion filed as Exhibit 5(f) hereto).
  - 24 - Power of Attorney (included on the signature page of this registration statement).
  - 25 - Statement on Form T-1 of Bankers Trust Company with respect to the Mortgage.

\* Incorporated herein by reference as indicated.

#### Item 17. Undertakings.

The undersigned registrant hereby undertakes:

- (1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:
  - (i) to include any prospectus required by Section 10(e)(3) of the Securities Act;
  - (ii) to reflect in the Prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement; and
  - (iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;
- provided, however, that paragraphs (i) and (ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the SEC by the registrant pursuant to Section 13 or Section 15(d) of the Exchange Act that are incorporated by reference in the registration statement.
- (2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.
- (3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.
- (4) That, for purposes of determining any liability under the Securities Act, each filing of the registrant's Annual Report pursuant to Section 13(a) or 15(d) of the Exchange Act that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.



Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described under Item 15 above, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

## POWER OF ATTORNEY

Each director and/or officer of the registrant whose signature appears below hereby appoints the agents for service named in this registration statement, and each of them severally, as his attorney-in-fact to sign in his name and behalf, in any and all capacities stated below and to file with the Securities and Exchange Commission, any and all amendments, including post-effective amendments, to this registration statement, and the registrant hereby also appoints each such agent for service as its attorney-in-fact with like authority to sign and file any such amendments in its name and behalf.

### SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Juno Beach, and State of Florida, on the 18th of May, 1998.

FLORIDA POWER & LIGHT COMPANY

By

Paul J. Evanston  
Paul J. Evanston (President and Director)

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed below by the following persons in the capacities and on the date indicated.

Signature

Title

Date

James L. Broadhead  
(Chairman of the Board)

Principal Executive  
Officer and Director

K. Michael Davis  
(Vice President, Accounting, Controller  
and Chief Accounting Officer)

Principal Financial and  
Accounting Officer

Dennis P. Coyle

Lawrence J. Kelleher

Directors

Thomas F. Plunkett

C. O. Woody

Michael W. Yackira

May 18, 1998

Exhibit 1(a)

FLORIDA POWER & LIGHT COMPANY

First Mortgage Bonds

Underwriting Agreement

[Date]

AGREEMENT between FLORIDA POWER & LIGHT COMPANY, a Florida corporation ("FPL"), and the several Underwriters, or the Underwriter, as the case may be, named in Schedule A to the Form of Proposal (the "Proposal") to which this underwriting agreement is attached (the underwriting agreement, together with the Proposal, are referred to jointly herein as "this agreement" or the "Underwriting Agreement") relating to the issuance and sale by FPL of its First Mortgage Bonds of the series designation, with the terms and in the principal amount as set forth in this agreement (the "Bonds").

The term "Underwriters" as used herein shall be deemed to mean the firm or corporation or the several firms or corporations named in Schedule A to the Proposal and any underwriter substituted as provided in Section 4 hereof and the term "Underwriter" shall be deemed to mean one of such Underwriters. The term "Representatives," as used herein, shall be deemed to mean the representative or representatives, if any, named in the questionnaire heretofore submitted to FPL by each of the Underwriters, who by signing the Proposal represent that it or they have been authorized by each Underwriter to sign such Proposal and enter into this agreement on behalf of such Underwriter and to act for it in the manner herein provided. All obligations of the Underwriters hereunder are several and not joint. If more than one firm is named in Schedule A to the Proposal, any action under or in respect of this agreement may be taken by such firms jointly as the Representatives or by one of the firms acting on behalf of the Representatives and such action will be binding upon all the Underwriters.

The Bonds will be a series of First Mortgage Bonds ("First Mortgage Bonds") issued by FPL under its Mortgage and Deed of Trust, dated as of January 1, 1944, to Bankers Trust Company, as Trustee (the "Mortgage Trustee"), and The Florida National Bank of Jacksonville (now resigned), as heretofore supplemented and as it will be further supplemented by a supplemental indenture relating to the Bonds ("Supplemental Indenture") in substantially the form heretofore delivered to the Representatives. Such Mortgage and Deed of Trust as it has been and will be so supplemented is hereinafter called the "Mortgage".

FPL has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-3, including a prospectus ("registration statement No. 33-61390"), for the registration of \$1,220,300,000 aggregate principal amount of its First Mortgage Bonds under the Securities Act of 1933, as amended (the "Securities Act"), which registration statement has been declared effective by the Commission. FPL also filed with the Commission a registration statement on Form S-3, including a prospectus ("registration statement No. \_\_\_\_\_") for the registration of \$210,000,000 of its First Mortgage Bonds, which registration statement has been declared effective by the Commission. All but \$290,000,000 principal amount of First Mortgage Bonds registered with the Commission under the Securities Act pursuant to registration statement No. 33-61390, as amended, have been previously issued. References herein to the term "Registration Statement" as of any given date shall mean registration statement No. \_\_\_\_\_ and registration statement No. 33-61390, each as amended or supplemented to such date, including all documents incorporated by reference therein as of such date pursuant to Item 12 of Form S-3 ("Incorporated Documents"). References herein to the term "Prospectus" as of any given date shall mean the prospectus forming a part of registration statement No. \_\_\_\_\_, as supplemented by a prospectus supplement relating to the Bonds proposed to be filed pursuant to Rule 424 of the general rules and regulations under the Securities Act ("Rule 424"), and as further amended or supplemented as of such date (other than amendments or supplements relating to First Mortgage Bonds other than the Bonds or, when referring to the Prospectus relating to a particular offering of the Bonds, Bonds other than the Bonds being offered on such date), including all Incorporated Documents. References herein to the term "Effective Date" shall be deemed to refer to the later of the time and date that registration statement No. \_\_\_\_\_ was declared effective and of the filing of FPL's most recent Annual Report on Form 10-K if such filing is made prior to the Closing Date (as hereafter defined). Prior to the termination of the offering of the Bonds, FPL will not file any amendment to the Registration Statement or any amendment or supplement to the Prospectus without prior notice to the Representatives and to Winthrop, Stimson, Putnam & Roberts, who are acting as counsel on behalf of the several Underwriters ("Counsel for the Underwriters"), or any

such amendment or supplement to which the Representatives shall reasonably object in writing, or which shall be unsatisfactory to Counsel for the Underwriters.

SECTION 1. Representations and Warranties of FPL. FPL represents and warrants to the several Underwriters that:

(a) The Registration Statement at the Effective Date fully complied, and the Prospectus both on the date it is filed with, or transmitted for filing to, the Commission, pursuant to Rule 424 (such date, the "424 Date") and at the Closing Date (as hereinafter defined), and the Registration Statement and the Mortgage at the Closing Date, will fully comply, in all material respects with the applicable provisions of the Securities Act and the Trust Indenture Act of 1939, as amended (the "1939 Act"), as applicable and, in each case, the applicable instructions, rules and regulations of the Commission with respect thereto; at the Effective Date, the Registration Statement did not, and at the Closing Date, the Registration Statement will not, contain an untrue statement of a material fact, or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; the Prospectus, at the 424 Date and at the Closing Date, will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading; and the Incorporated Documents, when filed with the Commission, fully complied or will fully comply in all material respects with the applicable provisions of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the applicable instructions, rules and regulations of the Commission thereunder, provided, that the foregoing representations and warranties in this subsection (a) shall not apply to statements or omissions made in reliance upon and in conformity with information furnished in writing to FPL by or on behalf of any Underwriter for use in connection with the preparation of the Registration Statement or the Prospectus, or to any statements in or omissions from any Statement of Eligibility and Qualification on Form T-1, or amendments thereto, of the Mortgage Trustee.

(b) The financial statements included as part of or incorporated by reference in the Prospectus present fairly the financial condition and operations of FPL at the respective dates or for the respective periods to which they apply; such financial statements have been prepared in each case in accordance with generally accepted accounting principles consistently applied throughout the periods involved except as otherwise indicated in the Registration Statement; and Deloitte & Touche LLP, who have audited the audited financial statements, are independent public accountants as required by the Securities Act and the Exchange Act and the rules and regulations of the Commission thereunder.

(c) Except as reflected in or contemplated by the Registration Statement and the Prospectus, since the respective most recent dates as of which information is given in the Registration Statement and Prospectus, there has not been any material adverse change in the business, properties or financial condition of FPL nor has any material transaction been entered into by FPL other than changes and transactions contemplated by the Registration Statement and Prospectus, and transactions in the ordinary course of business. FPL has no material contingent obligation which is not disclosed in the Registration Statement and Prospectus.

(d) The consummation of the transactions herein contemplated and the fulfillment of the terms hereof on the part of FPL to be fulfilled have been duly authorized by all necessary corporate action of FPL in accordance with the provisions of its Restated Articles of Incorporation, as amended, (the "Charter"), by-laws and applicable law, and the Bonds when issued and delivered as provided herein will constitute legal, valid and binding obligations of FPL in accordance with their terms, except as limited by bankruptcy, insolvency or other laws affecting mortgagees' and other creditors' rights generally and equitable limitations on the enforceability of specific remedies.

(e) The consummation of the transactions herein contemplated and the fulfillment of the terms hereof and the compliance by FPL with all the terms and provisions of the Mortgage will not result in a breach of any of the terms or provisions of, or constitute a default under, FPL's Charter, by-laws or any indenture, mortgage, deed of trust or other agreement or instrument to which FPL is now a party, or violate any law or any order, rule, decree or regulation applicable to FPL of any Federal or state court, regulatory board or body or administrative agency having jurisdiction over FPL or any of its property, except where



such breach, default or violation would not have a material adverse effect on the business, properties or financial condition of FPL.

(f) All the property to be subjected to the lien of the Mortgage will be adequately described therein.

**SECTION 2. Purchase and Sale.** On the basis of the representations and warranties herein contained, and subject to the terms and conditions in this agreement set forth, FPL agrees to sell to the respective Underwriters named in Schedule A to the Proposal, severally and not jointly, and the respective Underwriters agree, severally and not jointly, to purchase from FPL, the respective principal amounts of Bonds set forth opposite their respective names in Schedule A to the Proposal at the purchase price set forth in the Proposal.

**SECTION 3. Public Offering.** The Underwriters propose to make a *bona fide* public offering of the Bonds as set forth in the Prospectus, such public offering to be made as soon after the execution of this agreement as practicable, subject, however, to the terms and conditions of this agreement.

**SECTION 4. Time and Place of Closing, Default of Underwriter.** Delivery of the Bonds and payment therefor by certified or official bank check or checks, payable to the order of FPL in New York Clearing House or similar next day funds or by wire transfer in federal funds (or in such other manner as may be set forth in the Proposal), shall be made at the time, date and place set forth in the Proposal, or at such other time, date or place as shall be agreed upon in writing by FPL and the Representatives. The hour and date of such delivery and payment are herein called the "Closing Date".

The Bonds shall be delivered to the Representatives for the respective accounts of the Underwriters in fully registered form in such authorized denominations and registered in such names as the Representatives may reasonably request in writing not later than 12:30 p.m., New York City time, on the third business day prior to the Closing Date, or to the extent not so requested, registered in the names of the respective Underwriters in such authorized denominations as FPL shall determine. For the purpose of expediting the checking of the Bonds by the Representatives on behalf of the Underwriters, FPL agrees to make such Bonds available to the Representatives for such purpose at the office of Reid & Priest LLP, 40 West 57th Street, New York, New York 10019 not later than 2:00 p.m., New York City time, on the business day preceding the Closing Date, or at such other time and place as may be agreed upon by FPL and the Representatives.

If any Underwriter shall fail to purchase and pay for the principal amount of the Bonds which such Underwriter has agreed to purchase and pay for hereunder (otherwise than by reason of any failure on the part of FPL to comply with any of the provisions contained herein), the non-defaulting Underwriters shall be obligated to take up and pay for (in addition to the respective principal amount of the Bonds set forth opposite their respective names in Schedule A to the Proposal) the principal amount of the Bonds which such defaulting Underwriter or Underwriters failed to take up and pay for, up to a principal amount thereof equal to, in the case of each such remaining Underwriter, ten percent (10%) of the principal amount of the Bonds set forth opposite the name of such remaining Underwriter in said Schedule A to the Proposal, and such remaining Underwriters shall have the right, within 24 hours of receipt of such notice, either to take up and pay for (in such proportion as may be agreed upon among them), or to substitute another Underwriter or Underwriters, satisfactory to FPL, to take up and pay for, the remaining principal amount of the Bonds which the defaulting Underwriter or Underwriters agreed but failed to purchase. If any unpurchased Bonds still remain, then FPL shall be entitled to a further period of 24 hours within which to procure another party or other parties, members of the National Association of Securities Dealers, Inc. (or, if not members of such Association, who are not eligible for membership in said Association and who agree (i) to make no sales within the United States, its territories or its possessions or to persons who are citizens thereof or residents therein and (ii) in making sales to comply with said Association's Conduct Rules) and satisfactory to the Representatives to purchase such Bonds on the terms set forth in this agreement. In the event that, within the respective prescribed periods, the non-defaulting Underwriters notify FPL that they have arranged for the purchase of such Bonds, or FPL notifies the non-defaulting Underwriters that it has arranged for the purchase of such Bonds, the non-defaulting Underwriters or FPL shall have the right to postpone the Closing Date for a period of not more than three full business days beyond the expiration of the respective prescribed periods in order to effect whatever changes may thus be made necessary in the Registration Statement or the Prospectus or in any other documents or arrangements. In the event that neither the non-defaulting Underwriters nor FPL has arranged for the purchase of



such Bonds by another party or parties as above provided, then this agreement shall terminate without any liability on the part of FPL or any Underwriter (other than an Underwriter which shall have failed or refused, otherwise than for some reason sufficient to justify, in accordance with the terms hereof, the cancellation or termination of its obligations hereunder, to purchase and pay for the Bonds which such Underwriter has agreed to purchase as provided in Section 2 hereof), except as otherwise provided in subsections (c) and (e) of Section 5 hereof.

**SECTION 5. Covenants of FPL.** FPL agrees that:

(a) It will promptly transmit copies of the Prospectus to the Commission for filing pursuant to Rule 424.

(b) It will deliver to the Representatives and to Counsel for the Underwriters one signed copy of the Registration Statement or, if a signed copy is not available, one conformed copy of the Registration Statement certified by an officer of FPL to be in the form as originally filed, including all Incorporated Documents and all exhibits except those incorporated by reference, which relate to the Bonds, including a signed or conformed copy of each consent and certificate included therein or filed as an exhibit thereto. FPL will deliver to the Underwriters through the Representatives as soon as practicable after the date of this agreement as many copies of the Prospectus as the Representatives may reasonably request for the purposes contemplated by the Securities Act. FPL will promptly advise the Representatives of the issuance of any stop order under the Securities Act with respect to the Registration Statement or the institution of any proceedings therefor of which FPL shall have received notice prior to the termination of the offering of the Bonds hereunder. FPL will use its best efforts to prevent the issuance of any such stop order and to secure the prompt removal thereof, if issued.

(c) It will pay all expenses in connection with (i) the preparation and filing by it of the Registration Statement and Prospectus, (ii) the issuance and delivery of the Bonds as provided in Section 4 hereof, (iii) the preparation, execution, filing and recording of the Supplemental Indenture, and (iv) the printing and delivery to the Representatives for the account of the Underwriters, in reasonable quantities, of copies of the Registration Statement and the Prospectus and the Supplemental Indenture and will pay all taxes, if any (but not including any transfer taxes), on the issuance of the Bonds and the recordation of the Supplemental Indenture. FPL shall not, however, be required to pay any amount for any expenses of the Representatives or any of the Underwriters, except as provided in Sections 6 and 7 hereof and except that if this agreement shall be terminated in accordance with the provisions of Section 6, 7 or 9 hereof, FPL will pay the fees and disbursements of Counsel for the Underwriters, whose fees and disbursements the Underwriters agree to pay in any other event. FPL shall not in any event be liable to any of the several Underwriters for damages on account of loss of anticipated profits.

(d) During a period of nine months after the date of this agreement, if any event relating to or affecting FPL or of which FPL shall be advised in writing by the Representatives shall occur which, in FPL's opinion, should be set forth in a supplement to or an amendment of the Prospectus in order to make the Prospectus not misleading in light of the circumstances when it is delivered to a purchaser, FPL will forthwith at its expense prepare and furnish to the Representatives a reasonable number of copies of a supplement or supplements or an amendment or amendments to the Prospectus which will supplement or amend the Prospectus so that as supplemented or amended it will not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading; provided that should such event relate solely to activities of any of the Underwriters, then the Underwriters shall assume the expense of preparing and furnishing copies of any such amendment or supplement. In case any Underwriter is required to deliver a Prospectus after the expiration of nine months after the date of this agreement, FPL upon the request of the Representatives will furnish to the Representatives, at the expense of such Underwriter, a reasonable quantity of a supplemented or amended Prospectus or supplements or amendments to the Prospectus complying with Section 10 of the Securities Act.

(e) It will furnish such proper information as may be lawfully required and otherwise cooperate in qualifying the Bonds for offer and sale under the blue sky laws of such jurisdictions as the Representatives may designate and will pay filing fees in the aggregate not exceeding \$\_\_\_\_\_, provided that

FPL shall not be required to qualify as a foreign corporation or dealer in securities, or to file any consents to service of process under the laws of any jurisdiction, or to meet other requirements deemed by FPL to be unduly burdensome.

(f) It will make generally available to its security holders, as soon as practicable, an earnings statement (which need not be audited, unless required so to be under Section 11(a) of the Securities Act) in reasonable detail covering the 12 months beginning not later than the first day of the quarter next succeeding the month in which occurred the effective date of the Registration Statement as defined in Rule 158 under the Securities Act.

(g) On or before the Closing Date, it will, if applicable, cause (i) at least one counterpart of the Supplemental Indenture to be duly recorded in the States of Florida or Georgia and (ii) all intangible and documentary stamp taxes due in connection with the issuance of the Bonds and the recording of the Supplemental Indenture to be paid. Within 30 days following the Closing Date, FPL will, if applicable, cause the Supplemental Indenture to be duly recorded in all other counties in which property of FPL is located.

**SECTION 6. Conditions of Underwriters' Obligations.** The several obligations of the Underwriters to purchase and pay for the Bonds shall be subject to the accuracy of, and compliance with, the representations and warranties of FPL contained herein on the Closing Date, to the performance by FPL of its obligations to be performed hereunder on or prior to the Closing Date and to the following conditions:

(a) No stop order suspending the effectiveness of the Registration Statement shall be in effect on the Closing Date; no order of the Commission directed to the adequacy of any document incorporated by reference shall have been issued; no proceedings for either such purpose shall be pending before, or threatened by, the Commission on such date; and the Representatives shall have received, prior to payment for the Bonds, a certificate of FPL dated the Closing Date to the effect that, to the best of its knowledge, no such order is in effect and no proceedings for such purpose are pending before, or to the knowledge of FPL, threatened by, the Commission.

(b) On the Closing Date, there shall be in full force and effect an authorization of the Florida Public Service Commission with respect to the issuance and sale of the Bonds on the terms herein stated or contemplated, and containing no provision unacceptable to the Representatives by reason of the fact that it is materially adverse to FPL, it being understood that no authorization provided to Counsel for the Underwriters and in effect at the date of this agreement contains any such unacceptable provision.

(c) At the Closing Date, the Representatives shall have received from Steel Hector & Davis LLP, counsel to FPL, a favorable opinion (with a copy thereof for each of the Underwriters), which opinion will not pass upon compliance with provisions of the blue sky laws of any jurisdiction, in form and substance satisfactory to Counsel for the Underwriters, to the effect that:

(i) FPL is a validly organized and existing corporation and is in good standing under the laws of the State of Florida, and is doing business in that State, and has valid franchises, licenses and permits adequate for the conduct of its business;

(ii) FPL is a corporation duly authorized by its Charter to conduct the business which it is now conducting as set forth in the Prospectus; FPL is subject, as to retail rates and services, issuance of securities, accounting and certain other matters, to the jurisdiction of the Florida Public Service Commission; and FPL is subject, as to wholesale rates, accounting and certain other matters to the jurisdiction of the Federal Energy Regulatory Commission;

(iii) the Mortgage has been duly and validly authorized by all necessary corporate action, has been duly and validly executed and delivered, and is a valid and binding instrument enforceable in accordance with its terms, except as limited by bankruptcy, insolvency or other laws affecting mortgagees' and other creditors' rights generally and equitable limitations on the enforceability of specific remedies;

(iv) the Bonds are valid and binding obligations of FPL in accordance with their terms, except as limited by bankruptcy, insolvency or other laws affecting mortgagees' and other creditors' rights generally and equitable limitations on the enforceability of specific remedies, and are entitled to the benefit of the security afforded by the Mortgage;

(v) the Registration Statement, at the Effective Date, and the Prospectus, at the 424 Date (except as to the financial statements and other financial or statistical data contained or incorporated by reference therein, upon which such opinion need not pass and except for those parts of the Registration Statement that constitute the Statement of Eligibility and Qualification on Form T-1, upon which such opinion need not pass), compiled as to form in all material respects with the applicable requirements of the Securities Act and the applicable instructions, rules and regulations of the Commission thereunder and the Incorporated Documents (except as to the financial statements and other financial or statistical data contained or incorporated by reference therein, upon which such opinion need not pass), at the time they were filed with the Commission, compiled as to form in all material respects with the applicable requirements of the Exchange Act and the applicable instructions, rules and regulations of the Commission thereunder. The Registration Statement has become, and is at the Closing Date, effective under the Securities Act, and to the best of the knowledge of said counsel, no proceedings for a stop order with respect thereto are pending or threatened under Section 8 of the Securities Act;

(vi) the consummation of the transactions herein contemplated and the fulfillment of the terms hereof and the compliance by FPL with all the terms and provisions of the Mortgage will not result in a breach of any of the terms or provisions of, or constitute a default under, the Charter or by-laws of FPL or any indenture, mortgage, deed of trust or other agreement or instrument the terms of which are known to such counsel to which FPL is now a party, except where such breach or default would not have a material adverse effect on the business, properties or financial condition of FPL;

(vii) nothing has come to the attention of said counsel that would lead them to believe that the Registration Statement (except as to financial statements and other financial or statistical data contained or incorporated by reference therein, upon which such opinion need not pass and except for those parts of the Registration Statement that constitute the Statement of Eligibility and Qualification on Form T-1, upon which such opinion need not pass), at the Effective Date, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus, at the 424 Date, and at the Closing Date (except as aforesaid) included or included, any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, provided that such counsel may state that their belief is based upon their participation in the preparation of the Registration Statement and the Prospectus and any supplements and amendments thereto and review and discussion of the contents thereof, but is without independent check or verification except as specified;

(viii) the Bonds are being issued and sold pursuant to the authority contained in an order of the Florida Public Service Commission, which authority is adequate to permit the issuance and sale of the Bonds. To the best of the knowledge of said counsel, said authorization is still in full force and effect, and no further approval, authorization, consent or order of any public board or body (other than in connection or in compliance with the provisions of the blue sky laws of any jurisdiction) is legally required for the authorization of the issuance and sale of the Bonds;

(ix) the Bonds conform, as to legal matters, with the statements concerning them made under the headings "New Bonds" and "Certain Terms of the Offered Bonds" in the Prospectus;

(x) the Mortgage is duly qualified under the 1939 Act;



(xi) this agreement has been duly and validly authorized, executed and delivered by FPL;

(xii) if Bonds are to be sold pursuant to this agreement on the Closing Date, as to the Mortgaged and Pledged Property, as defined in the Mortgage, FPL has satisfactory title to any easements and personal properties, and good and marketable or insurable title in fee simple to any other real properties (except as FPL's interest is stated to be otherwise), subject only to Excepted Encumbrances, as defined in the Mortgage, to any lien, if any, existing or placed thereon at the time of acquisition thereof by FPL, to minor defects and encumbrances customarily found in the case of properties of like size and character and which, in the opinion of said counsel, would not impair the use thereof by FPL (all of which title exceptions, encumbrances, liens and defects are hereinafter referred to as "Exceptions"), and to the lien of the Mortgage; the Mortgage constitutes a valid, direct, and first mortgage lien upon the Mortgaged and Pledged Property now owned by FPL, subject, however, to the Exceptions and as set forth in the last sentence of this paragraph; and the description of properties in the Mortgage is adequate to constitute the Mortgage a lien on Mortgaged and Pledged Property hereafter acquired by FPL, subject, however, to the Exceptions and except as limited by bankruptcy, insolvency or other laws affecting mortgages' and other creditors' rights generally and equitable limitations on the enforceability of specific remedies. The Supplemental Indenture is in proper form for recording in all places required; and upon such recording, the Supplemental Indenture will constitute adequate record notice to perfect the lien of the Mortgage as to all Mortgaged and Pledged Property acquired by FPL subsequent to the recording of the \_\_\_\_\_ Supplemental Indenture and prior to the recording of the Supplemental Indenture;

(xiii) except as stated or referred to in the Prospectus, there are no material pending legal proceedings to which FPL is a party or of which property of FPL is the subject which if determined adversely would have a material adverse effect on FPL, and, to the best of the knowledge of said counsel, no such proceeding is known to be contemplated by governmental authorities; and

(xiv) the information contained in the Prospectus, which is stated therein to have been made in reliance upon the authority of said counsel or is specifically attributed to them, has been reviewed by them and is correct.

In said opinion such counsel may rely as to all matters of New York law on an opinion of Reid & Priest LLP and as to matters relating to Mortgaged and Pledged Property located in the State of Georgia on (i) prior opinions provided to FPL on matters of Georgia law and (ii) a current opinion from Georgia counsel.

(d) At the Closing Date, the Representatives shall have received from Reid & Priest LLP, counsel to FPL, a favorable opinion (with a copy thereof for each of the Underwriters), which opinion will not pass upon compliance with provisions of the blue sky laws of any jurisdiction, in form and substance satisfactory to Counsel for the Underwriters, to the same effect with respect to matters enumerated in paragraphs (iii) through (xi) in subsection (c) of this Section 6. In said opinion such Counsel may rely as to all matters of Florida law on the opinion of Steel Hector & Davis LLP.

(e) At the Closing Date, the Representatives shall have received from Counsel for the Underwriters a favorable opinion (with a copy thereof for each of the Underwriters) to the same effect with respect to the matters enumerated in (iii) - (v) and (vii) - (xi) of subsection (c) of this Section 6 as the opinion required by said subsection (c). In said opinion such counsel may rely as to all matters of Florida law on the opinion of Steel Hector & Davis LLP, and will not pass upon the incorporation of FPL, titles to property, franchises or the lien of the Mortgage.

(f) At the Closing Date, the Representatives shall have received from Deloitte & Touche LLP a letter (with copies thereof for each of the Underwriters) to the effect that (i) they are independent public accountants with respect to FPL within the meaning of the Securities Act and the Exchange Act and the applicable published rules and regulations thereunder; (ii) in their opinion, the consolidated financial statements audited by them and incorporated by reference in the Prospectus comply as to form in all material

respects with the applicable accounting requirements of the Securities Act and the Exchange Act and the published rules and regulations thereunder; (iii) on the basis of a reading of the unaudited condensed consolidated financial statements of FPL incorporated by reference in the Prospectus, the latest available interim unaudited consolidated financial statements of FPL since the close of FPL's most recent audited fiscal year, the minutes and consents of the Board of Directors, the Finance Committee of the Board of Directors, the Stock Issuance Committee of the Board of Directors, and the Shareholder of FPL since the end of the most recent audited fiscal year, and inquiries of officials of FPL who have responsibility for financial and accounting matters (it being understood that the foregoing procedures do not constitute an audit made in accordance with generally accepted auditing standards and they would not necessarily reveal matters of significance with respect to the comments made in such letter, and accordingly that Deloitte & Touche LLP make no representation as to the sufficiency of such procedures for the several Underwriters' purposes), nothing has come to their attention which caused them to believe that (a) the unaudited condensed consolidated financial statements of FPL incorporated by reference in the Prospectus (1) do not comply as to form in all material respects with the applicable accounting requirements of the Securities Act and the Exchange Act and the published rules and regulations thereunder and (2) except as disclosed in the Prospectus are not in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the audited consolidated financial statements of FPL incorporated by reference in the Prospectus, (b) at the date of the latest available interim balance sheet read by them and at a specified date not more than five days prior to the Closing Date there was any change in the common stock, additional paid-in capital, preferred stock or long-term debt of FPL and its subsidiaries, or decrease in their net assets, in each case as compared with amounts shown in the most recent consolidated balance sheet incorporated by reference in the Prospectus, except in all instances for changes or decreases which the Prospectus discloses have occurred or may occur, or as occasioned by the declaration, provision for, or payment of dividends, or which are described in such letter, or (c) for the period from the date of the most recent consolidated balance sheet incorporated by reference in the Prospectus to the latest available interim balance sheet read by them and for the period from the date of the latest available interim balance sheet read by them to a specified date not more than five days prior to the Closing Date, there were any decreases, as compared with the corresponding period in the preceding year, in total consolidated operating revenues; or in net income or net income available to FPL Group, Inc., except in all instances for decreases which the Prospectus discloses have occurred or may occur, or which are described in such letter, and (iv) they have carried out certain procedures and made certain findings, as specified in such letter, with respect to certain amounts included in the Prospectus and Exhibit 12 to the Registration Statement and such other items as the Representatives may reasonably request.

(g) Since the respective most recent dates as of which information is given in the Registration Statement and Prospectus and up to the Closing Date, there shall have been no material adverse change in the business, properties or financial condition of FPL, except as reflected in or contemplated by the Registration Statement and Prospectus, and since such dates and up to the Closing Date, there shall have been no material transaction entered into by FPL other than transactions disclosed by the Registration Statement and the Prospectus and transactions in the ordinary course of business; and at the Closing Date, the Representatives shall have received a certificate to such effect, signed by FPL.

(h) All legal proceedings to be taken in connection with the issuance and sale of the Bonds shall have been satisfactory in form and substance to Counsel for the Underwriters.

In case any of the conditions specified above in this Section 6 shall not have been fulfilled, this agreement may be terminated by the Representatives, upon mailing or delivering written notice thereof to FPL. Any such termination shall be without liability of any party to any other party except as otherwise provided in subsections (c) and (e) of Section 5 hereof and except that in the event of such termination by the Representatives, FPL shall reimburse the Underwriters for out-of-pocket expenses reasonably incurred by them in connection with the transactions contemplated by this agreement, not in excess, however, of an aggregate of \$ \_\_\_\_.

SECTION 7. Conditions of FPL's Obligations. The obligation of FPL to deliver the Bonds shall be subject to the following conditions:



(a) No stop order suspending the effectiveness of the Registration Statement, and no order directed to the adequacy of any document incorporated by reference, shall be in effect at the Closing Date, and no proceedings for either such purpose shall be pending before, or threatened by, the Commission on such date.

(b) On the Closing Date there shall be in full force and effect an authorization of the Florida Public Service Commission with respect to the issuance and sale of the Bonds on the terms herein stated or contemplated, and containing no provision unacceptable to FPL by reason of the fact that it is materially adverse to FPL, it being understood that no authorization in effect at the date of this agreement contains any such unacceptable provision.

In case any of the conditions specified in this Section 7 shall not have been fulfilled, this agreement may be terminated by FPL upon mailing or delivering written notice thereof to the Representatives. Any such termination shall be without liability of any party to any other party, except as otherwise provided in subsections (c) and (e) of Section 5 hereof and except that in the event of such termination by FPL, FPL shall reimburse the Underwriters for out-of-pocket expenses reasonably incurred by them in connection with the transactions contemplated by this agreement, not in excess, however, of an aggregate of \$ \_\_\_\_.

#### SECTION 8. Indemnification.

(a) FPL agrees to indemnify and hold harmless each Underwriter and each person who controls any Underwriter within the meaning of Section 15 of the Securities Act against any and all losses, claims, damages or liabilities, joint or several, to which it or any of them may become subject under the Securities Act or any other statute or common law, and to reimburse each such Underwriter and controlling person for any legal or other expenses (including, to the extent hereinafter provided, reasonable counsel fees) incurred by them in connection with investigating any such losses, claims, damages or liabilities or in connection with defending any actions, insofar as such losses, claims, damages, liabilities, expenses or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus (if used prior to the Effective Date), including all Incorporated Documents, or in the Registration Statement or the Prospectus, or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that the indemnity agreement contained in this paragraph shall not apply to any such losses, claims, damages, liabilities, expenses or actions arising out of, or based upon, any such untrue statement or alleged untrue statement, or any such omission or alleged omission, if such statement or omission was made in reliance upon and in conformity with information furnished herein or to FPL in writing by or on behalf of any Underwriter, through the Representatives or otherwise, for use in connection with the preparation of the Registration Statement or the Prospectus or any amendment or supplement to either thereof, or arising out of, or based upon, statements in or omissions from the Statement of Eligibility and Qualification on Form T-1 of the Mortgage Trustee and provided, further, that the indemnity agreement contained in this paragraph in respect of any preliminary prospectus shall not inure to the benefit of any Underwriter (or of any person controlling such Underwriter) on account of any such losses, claims, damages, liabilities, expenses or actions arising from the sale of the Bonds to any person if such Underwriter shall have failed to send or give to such person (i) with or prior to the written confirmation of each sale, a copy of the Prospectus or the Prospectus as amended or supplemented, if any amendments or supplements thereto shall have been furnished at or prior to the time of written confirmation of the sale involved, but exclusive of any Incorporated Documents unless, with respect to the delivery of any amendment or supplement, the alleged omission or alleged untrue statement is not corrected in such amendment or supplement at the time of confirmation, or (ii) with or prior to the delivery of such Bonds to such person, a copy of any amendment or supplement to the Prospectus which shall have been furnished subsequent to such written confirmation and prior to the delivery of such Bonds to such person, exclusive of any Incorporated Documents unless, with respect to the delivery of any amendment or supplement, the alleged omission or alleged untrue statement was not corrected in such amendment or supplement at the time of such delivery. The indemnity agreement of FPL contained in this paragraph and the representations and warranties of FPL contained in Section 1 hereof shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of any Underwriter or any such controlling person, and shall survive the delivery of the Bonds. The Underwriters agree promptly to notify

FPL, and each other Underwriter, of the commencement of any litigation or proceedings against them or any of them or any such controlling person in connection with the issuance and sale of the Bonds.

(b) Each Underwriter agrees to indemnify and hold harmless FPL, its officers and directors, and each person who controls any thereof within the meaning of Section 15 of the Securities Act against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the Securities Act or other statute or common law, and to reimburse each of them for any legal or other expenses (including, to the extent hereinafter provided, reasonable counsel fees) incurred by them in connection with investigating any such losses, claims, damages or liabilities, or in connection with defending any actions, insofar as such losses, claims, damages, liabilities, expenses or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or Prospectus or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading if such statement or omission was made in reliance upon and in conformity with information furnished herein or to FPL in writing by or on behalf of such Underwriter, through the Representatives or otherwise, for use in connection with the preparation of the Registration Statement or the Prospectus or any amendment or supplement to either thereof. The indemnity agreement of the respective Underwriters contained in this paragraph shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of FPL or any of its officers or directors or any such other Underwriter or any such controlling person, and shall survive the delivery of the Bonds. FPL agrees promptly to notify the Representatives of the commencement of any litigation or proceedings against FPL (or any controlling person thereof) or any of its officers or directors in connection with the issuance and sale of the Bonds.

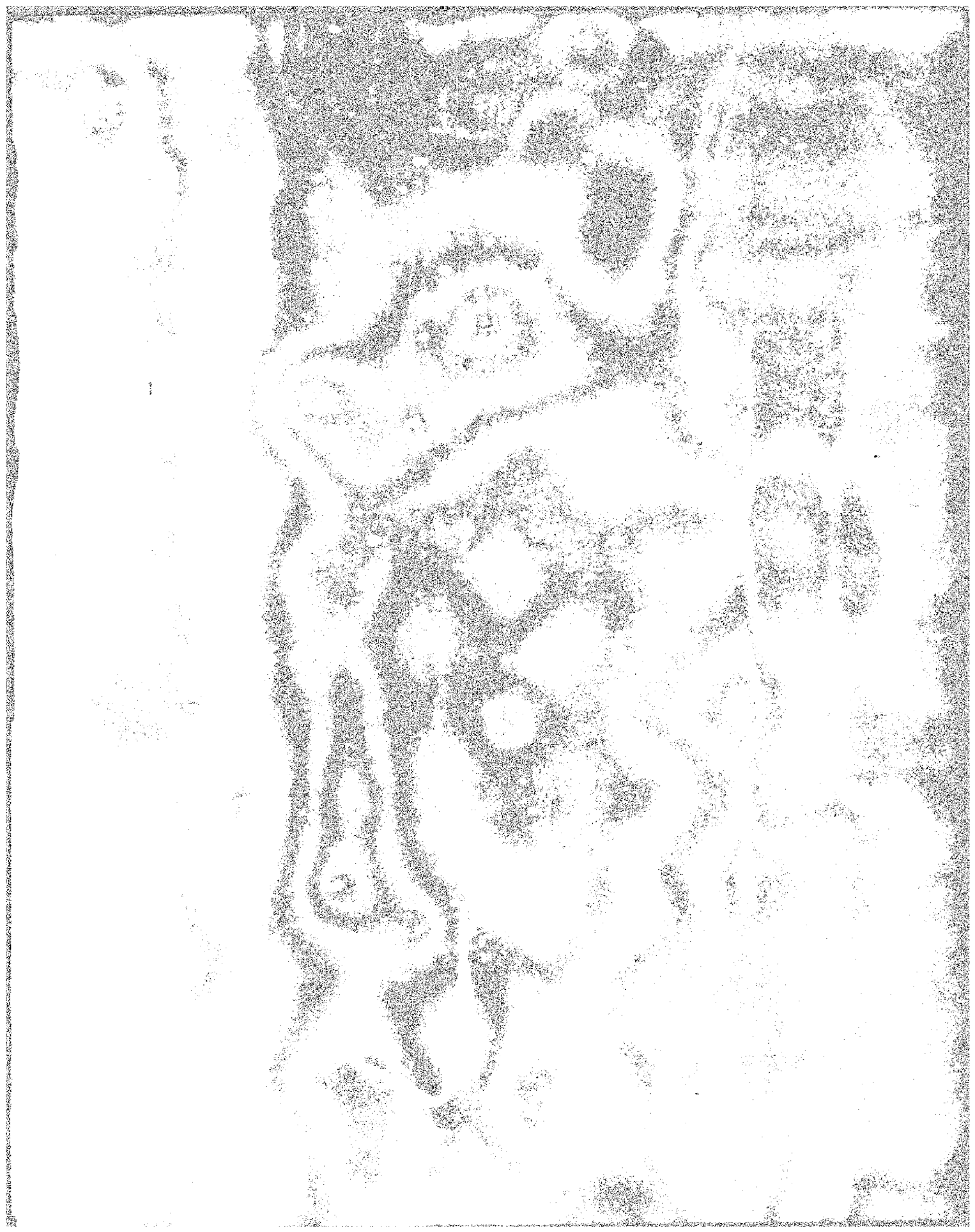
(c) FPL and the several Underwriters each agree that, upon the receipt of notice of the commencement of any action against it, its officers and directors, or any person controlling it as aforesaid, in respect of which indemnity may be sought on account of any indemnity agreement contained herein, it will promptly give written notice of the commencement thereof to the party or parties against whom indemnity shall be sought thereunder, but the omission so to notify such indemnifying party or parties of any such action shall not relieve such indemnifying party or parties from any liability which it or they may have to the indemnified party otherwise than on account of such indemnity agreement. In case such notice of any such action shall be so given, such indemnifying party shall be entitled to participate at its own expense in the defense or, if it so elects, to assume (in conjunction with any other indemnifying parties) the defense of such action, in which event such defense shall be conducted by counsel chosen by such indemnifying party or parties and satisfactory to the indemnified party or parties who shall be defendant or defendants in such action, and such defendant or defendants shall bear the fees and expenses of any additional counsel retained by them; but if the indemnifying party shall elect not to assume the defense of such action, such indemnifying party will reimburse such indemnified party or parties for the reasonable fees and expenses of any counsel retained by them; provided, however, if the defendants in any such action include both the indemnified party and the indemnifying party and counsel for the indemnifying party shall have reasonably concluded that there may be a conflict of interest involved in the representation by such counsel of both the indemnifying party and the indemnified party, the indemnified party or parties shall have the right to select separate counsel, satisfactory to the indemnifying party, to participate in the defense of such action on behalf of such indemnified party or parties (it being understood, however, that the indemnifying party shall not be liable for the expenses of more than one separate counsel representing the indemnified parties who are parties to such action).

**SECTION 9. Termination.** This agreement may be terminated by the Representatives by delivering written notice thereof to FPL, at any time prior to the Closing Date if (a) after the date hereof and at or prior to the Closing Date there shall have occurred any general suspension of trading in securities on the New York Stock Exchange, Inc. or there shall have been established by the New York Stock Exchange, Inc. or by the Commission or by any federal or state agency or by the decision of any court any limitation on prices for such trading or any restrictions on the distribution of securities, or a general banking moratorium declared by New York or federal authorities, or (b) there shall have occurred any new outbreak of hostilities including, but not limited to, an escalation of hostilities which existed prior to the date of this agreement or other national or international calamity or crisis, the effect of any such event specified in (a) or (b) above on the financial markets of the United States shall be such as to make it impracticable for the Underwriters to enforce contracts for the sale of the Bonds. This agreement may

also be terminated at any time prior to the Closing Date if in the judgment of the Representatives the subject matter of any amendment or supplement to the Registration Statement or Prospectus prepared and furnished by FPL reflects a material adverse change in the business, properties or financial condition of FPL which renders it either inadvisable to proceed with such offering, if any, or inadvisable to proceed with the delivery of the Bonds to be purchased hereunder. Any termination of this agreement pursuant to this Section 9 shall be without liability of any party to any other party except as otherwise provided in subsections (c) and (e) of Section 5 hereof.

SECTION 10. Miscellaneous. The validity and interpretation of this agreement shall be governed by the law of the State of New York. This agreement shall inure to the benefit of FPL, the several Underwriters and, with respect to the provisions of Section 8 hereof, each controlling person referred to in said Section 8, and their respective successors. Nothing in this agreement is intended or shall be construed to give to any other person, firm or corporation any legal or equitable right, remedy or claim under or in respect of this agreement or any provision herein contained. The term "successors" as used in this agreement shall not include any purchaser, as such purchaser, of any Bonds from any of the several Underwriters.

SECTION 11. Notices. All communications hereunder shall be in writing or by telegram and, if to the Underwriters, shall be mailed or delivered to the Representatives at the address set forth in the Proposal hereto, or if to FPL, shall be mailed or delivered to it at 700 Universe Boulevard, Juno Beach, Florida 33408, attention: Treasurer.





**FLORIDA POWER & LIGHT COMPANY**  
**Secured Medium-Term Notes, Series \_\_\_\_**

**Distribution Agreement**

[Date]

[Names and Addresses of Agents]

Ladies and Gentlemen:

The undersigned, Florida Power & Light Company, a Florida corporation ("FPL"), hereby confirms its agreement with each of you (individually, an "Agent" and collectively, the "Agents") as follows:

**1. Appointment of Agents.**

(a) FPL has authorized by appropriate corporate action and proposes to issue and sell in the manner contemplated by this agreement up to \$\_\_\_\_\_ aggregate principal amount of Securities (as defined in Section 3(a) hereof) registered pursuant to the Registration Statement (as defined in Section 3(a) hereof).

(b) Subject to the terms and conditions stated in this agreement, FPL hereby appoints each of you as Agent for the purpose of offering and selling the Securities. FPL reserves the right to sell the Securities on its own behalf directly to investors and, from time to time, to appoint additional agents to sell the Securities, provided that FPL shall furnish the Agents with reasonable advance notification of the addition of any agent to sell the Securities and further provided that each such additional agent shall be required to execute a distribution agreement in form and substance substantially similar to this agreement, except that FPL and each such additional agent may change the form and substance of the commission rate schedule contained in each respective distribution agreement in any manner acceptable to FPL and such additional agent. FPL further reserves the right to change the principal amount of Securities to be sold by the Agents pursuant to this agreement, provided that FPL shall furnish the Agents with reasonable advance notification of such change. The foregoing shall not be construed to prevent FPL from selling at any time any of its securities, including the Securities in a firm commitment underwriting pursuant to an underwriting agreement that does not provide for a continuous offering of such securities. In the event that FPL shall sell securities during the period between the time at which FPL has accepted an offer to purchase Securities solicited by an Agent from such purchaser under the terms and conditions of this agreement and the Settlement Date (as defined in Section 4 hereof) and such sale directly results in the failure of such purchaser to accept delivery or pay for the Securities, FPL shall be obligated to pay the Agent a commission in respect of such Securities to be calculated in accordance with Exhibit B attached hereto.

(c) On the basis of the representations and warranties contained herein, but subject to the terms and conditions herein set forth, each Agent agrees, as agent of FPL, to use its reasonable best efforts when requested by FPL to solicit offers to purchase the Securities upon the terms and conditions set forth in the Prospectus (as defined in Section 3(a) hereof) and the Administrative Procedures attached hereto as Exhibit A, as they may be amended from time to time (the "Procedures").

(d) Administrative procedures relating to the offer and sale of the Securities, the issue and delivery of certificates representing the Securities and payment for the Securities are set forth in the Procedures. Each Agent and FPL agree to perform the respective duties and obligations to be performed by each of them as provided in the Procedures. The Procedures may be amended only by a written agreement between FPL and the Agents. The Agents agree that the principal amount of Securities to be offered and sold from



time to time, the prices, the interest rates or the method, if any, of determining such interest rates, the maturities, redemption provisions, and other terms at which the Securities are to be offered, and sold will be in compliance with limitations established by FPL with the Agents in accordance with the Procedures.

(e) Promptly upon the Settlement Date, each Agent will be paid a commission for such Agent's services in acting as an agent for FPL in the sale of the Securities and not for a purchase by such Agent as principal, in accordance with the schedule set forth in Exhibit B hereto.

(f) Upon execution of this Distribution Agreement by FPL and each Agent, it is agreed that the Distribution Agreement, dated \_\_\_\_\_ ("Prior Distribution Agreement"), among FPL and each of the Agents is terminated in accordance with Section 11 of such Prior Distribution Agreement.

2. **Description of Securities.** FPL proposes to issue the Securities under its Mortgage and Deed of Trust, dated as of January 1, 1944, to Bankers Trust Company, as Trustee (the "Trustee"), and The Florida National Bank of Jacksonville (now resigned), as heretofore supplemented, pursuant to the \_\_\_\_\_ Supplemental Indenture relating to a principal amount not to exceed \$\_\_\_\_\_ of First Mortgage Bonds, designated Secured Medium-Term Notes, Series \_\_\_\_\_ (the "Series \_\_\_\_\_ Notes") dated as of \_\_\_\_\_ (the "Supplemental Indenture"), previously delivered to the Agents. On the date hereof, \$\_\_\_\_\_ aggregate principal amount of such Series \_\_\_\_\_ Notes remain unissued under the Supplemental Indenture. The Mortgage and Deed of Trust as it may be supplemented as of any Settlement Date is hereafter called the "Mortgage".

The Securities shall have the maturities, interest rates or the method, if any, of determining interest rates, redemption provisions, and other terms as set forth in the Prospectus. The Securities will be issued, and the terms thereof established, from time to time by FPL in accordance with the Mortgage and the Procedures.

3. **Representations and Warranties of FPL.** FPL represents and warrants to each Agent that:

(a) It has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-3, including a prospectus ("registration statement No. 33-61390"), for the registration of \$1,220,300,000 aggregate principal amount of its First Mortgage Bonds under the Securities Act of 1933, as amended (the "Securities Act"), which registration statement has been declared effective by the Commission. FPL also filed with the Commission a registration statement on Form S-3, including a prospectus ("registration statement No. \_\_\_\_\_") for the registration of \$210,000,000 of its First Mortgage Bonds, which registration statement has been declared effective by the Commission. All but \$290,000,000 principal amount of First Mortgage Bonds registered with the Commission under the Securities Act pursuant to registration statement No. 33-61390, as amended, have been previously issued. Subsequent to the date hereof, it will file with the Commission any additional registration statement or registration statements ("Subsequent Registration Statement") with respect to its First Mortgage Bonds necessary to assure that Securities (as defined below) offered and sold in accordance with the terms of this Distribution Agreement are registered under the Securities Act. References herein to the term "Registration Statement" as of any given date shall initially mean registration statement No. \_\_\_\_\_ and registration statement No. 33-61390, each as amended or supplemented to such date, including all documents incorporated by reference therein as of such date pursuant to Item 12 of Form S-3 ("Incorporated Documents"). If FPL files a Subsequent Registration Statement with respect to its First Mortgage Bonds which FPL has notified the Agents will be available for offer and sale in accordance with the terms of this Distribution Agreement ("Future Bonds"), at and after the time such Subsequent Registration Statement is declared effective by the Commission, references herein to the term "Registration Statement" as of any given date shall mean such Subsequent Registration Statement and, until such time as all First Mortgage Bonds registered pursuant to registration statement No. 33-61390 and/or registration statement No. \_\_\_\_\_ ("Current Bonds") have been issued and sold (assuming that all Current Bonds are issued and sold before any Future Bonds) or deregistered, as the case may be, said registration statement No. 33-61390 and/or registration statement No. \_\_\_\_\_, each as may be amended or supplemented at such time, including as of such time all Incorporated Documents. References herein to the term "Prospectus" at a particular time shall mean the combined prospectus forming a part of registration statement No. \_\_\_\_\_ or, after the Subsequent Registration Statement is declared effective by the Commission, the prospectus or combined prospectus forming a part of the Subsequent Registration Statement, each as may be supplemented by a prospectus supplement or prospectus supplements relating to, as the case may be, Current Bonds or Future Bonds, designated as Secured

Medium-Term Notes, Series \_\_\_\_ ("Securities"), proposed to be filed pursuant to Rule 424(b) of the general rules and regulations of the Securities Act ("Rule 424"), and as it may have been amended or supplemented at such time (other than, when referring to the Prospectus relating to a particular offering of Securities, amendments or supplements relating to Securities other than the Securities being offered at a particular time), including all Incorporated Documents. References herein to the term "Effective Date" shall be deemed initially to refer to the later of the time and date registration statement No. \_\_\_\_ was declared effective or the time and date of the filing thereafter of FPL's most recent Annual Report on Form 10-K and, after any Subsequent Registration Statement has been declared effective by the Commission, references to the term "Effective Date" shall be deemed to refer to the later of the time and date the Subsequent Registration Statement was declared effective or the time and date of the filing thereafter of FPL's most recent Annual Report on Form 10-K. For purposes of this agreement, any Incorporated Document filed with the Commission shall be deemed an amendment to the Registration Statement and a supplement to the Prospectus.

(b) At the Effective Date, the Registration Statement fully complied, and on each date the Prospectus is filed with, or transmitted for filing to, the Commission pursuant to Rule 424 (such date, the "Rule 424 Date") and on any Settlement Date, the Prospectus and the Mortgage will fully comply, in all material respects with the applicable provisions of the Securities Act and the Trust Indenture Act of 1939, as amended (the "1939 Act"), respectively, and, in each case, the applicable instructions, rules and regulations of the Commission thereunder; at the Effective Date, the Registration Statement did not contain, and on any Settlement Date, the Registration Statement will not contain, an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; on each Rule 424 Date and on any Settlement Date, the Prospectus will not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading; and the Incorporated Documents when filed with the Commission, fully complied or will fully comply in all material respects with the applicable provisions of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the applicable instructions, rules and regulations of the Commission thereunder; provided, that the foregoing representations and warranties in this subsection (b) shall not apply to statements or omissions made in reliance upon and in conformity with information furnished in writing to FPL by or on behalf of any Agents for use in connection with the preparation of the Registration Statement or the Prospectus, or to any statements in or omissions from the Statements of Eligibility and Qualification on Form T-1, or amendments thereto, of the Trustee under the Mortgage.

(c) The financial statements included as part of or incorporated by reference in the Prospectus present fairly the financial condition and operations of FPL at the respective dates or for the respective periods to which they apply; such financial statements have been prepared in each case in accordance with generally accepted accounting principles consistently applied throughout the periods involved except as otherwise indicated in the Registration Statement; and Deloitte & Touche LLP, who have audited the audited financial statements, are independent public accountants as required by the Securities Act and the Exchange Act and the rules and regulations of the Commission thereunder.

(d) Except as reflected in or contemplated by the Registration Statement and the Prospectus, since the respective most recent dates as of which information is given in the Registration Statement and Prospectus, there has not been any material adverse change in the business, properties or financial condition of FPL nor has any material transaction been entered into by FPL other than changes and transactions contemplated by the Registration Statement and Prospectus, and transactions in the ordinary course of business. FPL has no material contingent obligation which is not disclosed in the Registration Statement and Prospectus.

(e) The consummation of the transactions herein contemplated and the fulfillment of the terms hereof on the part of FPL to be fulfilled have been duly authorized by all necessary corporate action of FPL in accordance with the provisions of its Restated Articles of Incorporation, as amended (the "Charter"), by-laws and applicable law, and the Securities when issued and delivered as provided herein will constitute legal, valid and binding obligations of FPL in accordance with their terms, except as limited by

bankruptcy, insolvency or other laws affecting mortgagees' and other creditors' rights generally and equitable limitations on the enforceability of specific remedies.

(f) The consummation of the transactions herein contemplated and the fulfillment of the terms hereof and the compliance by FPL with all the terms and provisions of the Mortgage will not result in a breach of any of the terms or provisions of, or constitute a default under, FPL's Charter or by-laws or any indenture, mortgage, deed of trust or other agreement or instrument to which FPL is now a party, or violate any law or any order, rule, decree or regulation applicable to FPL of any Federal or state court, regulatory board or body or administrative agency having jurisdiction over FPL or any of its property, except where such breach, default or violation would not have a material adverse effect on the business, properties or financial condition of FPL.

(g) All the property to be subjected to the lien of the Mortgage will be adequately described therein.

4. Settlement. Delivery of Securities in fully registered form shall be made in accordance with the Procedures. The date of authentication and issuance of the Global Security (as defined in the Procedures attached hereto) sold against delivery to FPL of funds in payment therefor is herein called the "Settlement Date." Delivery of, and payment for, Securities sold to the Agents as principal shall be made in accordance with the Terms Agreement (as defined in Section 12 hereof) relating to such Securities.

#### 5. Obligations of Agents.

(a) In soliciting purchases of the Securities from FPL by others (including customers of the Agents), each Agent will be acting as sales agent for FPL and not as principal. Each Agent will use its reasonable best efforts to solicit and receive offers to purchase the Securities on behalf of FPL as contemplated hereby; provided, that each Agent in its sole discretion may suspend from time to time its efforts in offering for sale, and soliciting purchases of, the Securities. In any transaction where an Agent has acted as agent for FPL and has not purchased as principal, the Agent will make reasonable efforts to obtain performance by each purchaser of Securities from FPL, but the Agent will not have any liability to FPL in the event any such purchase is not consummated for any reason. FPL also understands that under no circumstances shall an Agent be obligated to purchase any Securities for its own account except to the extent that such Agent has acted as principal in purchasing Securities or has made a firm commitment with FPL in connection with an offering which has been expressly authorized by FPL and agreed to by such Agent. Unless FPL and the Agents shall otherwise agree, all purchases by an Agent as principal shall be made pursuant to a Terms Agreement.

(b) Each Agent agrees that in carrying out the transactions contemplated by this agreement, it will observe and comply with all securities or blue sky laws, regulations, rules and ordinances in any jurisdiction in which the Securities may be offered, sold or delivered applicable to it as Agent hereunder. Each Agent agrees not to cause any advertisement of the Securities to be published in any newspaper or periodical or posted in any public place and not to publicly issue any circular relating to the Securities other than the Prospectus, except in any case with the express consent of FPL.

#### 6. Covenants of FPL. FPL agrees:

(a) To advise the Agents (i) when any amendment to the Registration Statement, except any Incorporated Documents, has become effective or any supplement to the Prospectus has been filed, (ii) of any request by the Commission for any amendment of the Registration Statement or the Prospectus or for any additional information with respect to the Registration Statement or the Prospectus, (iii) of the issuance by the Commission of any "stop order" suspending the effectiveness of the Registration Statement or the institution, or advice from the Commission that it is considering the institution, of any proceeding for that purpose, and (iv) of the receipt by FPL of any notification with respect to the suspension of the qualification of the Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose. FPL will use its best efforts to prevent the issuance of any such "stop order" and, if issued, to obtain as soon as possible the withdrawal thereof. FPL will not file any amendment to the Registration Statement or supplement to the Prospectus unless FPL has furnished the Agents through



Winthrop, Stimson, Putnam & Roberts, who are acting as counsel for the Agents ("Counsel for the Agents") copies for its review prior to filing, except that FPL is not required to so furnish the Agents with copies of any amendment to the Registration Statement or supplement to the Prospectus if such amendment or supplement is a Form 8-K filed solely for the purpose of filing, pursuant to Item 601 of Regulation S-K, exhibits unrelated to the transactions contemplated by this Distribution Agreement;

(b) To furnish such proper information as may be lawfully required and otherwise cooperate in qualifying the Securities for offer and sale under the blue sky laws of such jurisdictions as the Agents may designate and will pay filing fees in connection with such qualification, in the aggregate not exceeding \$5,000, provided that FPL shall not be required to qualify as a foreign corporation or dealer in securities, or to file any consents to service of process under the laws of any jurisdictions, or to meet other requirements deemed by FPL to be unduly burdensome;

(c) To prepare and file, from time to time, such statements and reports as are or may be required of it as the issuer of the Securities to continue such qualifications under such securities laws in effect for so long as this agreement remains in effect;

(d) To furnish to the Agents and Counsel for the Agents one signed copy of the Registration Statement, or if a signed copy is not available, one conformed copy of the Registration Statement certified by an officer of FPL to be in the form as originally filed, including Incorporated Documents and all exhibits except those incorporated by reference, including a signed or conformed copy of each consent and certificate included therein or filed as an exhibit thereto. FPL will furnish the Agents as soon as practicable after the date of this agreement as many copies of the Prospectus as the Agents may reasonably request for the purposes contemplated by the Securities Act;

(e) To deliver to the Agents without charge as soon as practicable after the Registration Statement and each post-effective amendment thereto becomes effective, and as soon as practicable after each supplement to the Prospectus has been filed, as many copies of the Prospectus as then amended or supplemented as the Agents may reasonably request for the purposes contemplated by the Securities Act;

(f) To file timely all reports, and amendments thereto, required to be filed by FPL with the Commission pursuant to Section 13 or 15(d) of the Exchange Act subsequent to the original effective date of the Registration Statement and for so long as this agreement shall remain in effect and to deliver to the Agents without charge promptly after the filing thereof as many copies of each such report and amendment (excluding exhibits) as the Agents may reasonably request;

(g) To deliver to the Agents, so long as this agreement shall remain in effect, as promptly as possible copies of any published reports of FPL to its security holders, including any annual report and quarterly reports of FPL, and any other financial reports made generally available to its security holders;

(h) If an earnings statement is not included in a quarterly report of FPL to its security holders, to make generally available to its security holders once in each calendar quarter, commencing with the quarter beginning after the date of this agreement and ending with the first calendar quarter after the quarter which ends twelve consecutive months after the end of the calendar quarter in which the last sale of Securities effected pursuant hereto occurs, an earnings statement (which need not be audited) of FPL in reasonable detail, covering a period of twelve consecutive months ending at the close of the next preceding calendar quarter, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act;

(i) So long as this agreement remains in effect and at any time thereafter when delivery of a prospectus shall be required by the Securities Act in connection with the sale of any of the Securities or resale of any Securities purchased by the Agents as principal hereunder, if any event relating to or affecting FPL, or of which FPL shall be advised in writing by the Agents shall occur, which, in FPL's opinion, should be set forth in a supplement to or an amendment of the Prospectus in order to make the Prospectus not misleading in the light of the circumstances when it is delivered, FPL will forthwith (i) notify the Agents promptly to suspend offers for sale and solicitations of purchases of the Securities, and promptly after the receipt of such notice the Agents will suspend offers for sale and solicitations of purchases of the

Securities and cease using the Prospectus and (ii) at its expense prepare and furnish to the Agents a reasonable number of copies of a supplement or supplements or an amendment or amendments to the Prospectus which will supplement or amend the Prospectus so that as so supplemented or amended it will not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements contained therein, in the light of the circumstances when the Prospectus is delivered, not misleading (provided that should such event relate solely to the activities of any of the Agents, then the Agents shall assume the expense of preparing and furnishing copies of any such amendment or supplement) and will advise the Agents when they may resume solicitation of offers to purchase the Securities;

(i) To pay all expenses, fees and taxes (but not including any transfer taxes) in connection with (i) the preparation and filing and printing of copies of the Registration Statement and amendments thereto and the Prospectus and amendments and supplements thereto, including in each case all Incorporated Documents, and this agreement, (ii) the issue and delivery of the Securities, (iii) the qualification for offer and sale of the Securities under state securities laws as aforesaid (subject to the limit on such expenses and fees specified in Section 6(b) hereof) and (iv) the preparation, execution and delivery of the Supplemental Indenture. FPL also agrees to pay or reimburse the Agents for the reasonable fees and expenses of Counsel for the Agents for their continuing advice and services in connection with the transactions contemplated hereby including advice and services in connection with any Subsequent Registration Statement and (unless otherwise specified in a Terms Agreement) any purchase by the Agents or any Agent pursuant to Section 12 hereof. Semi-annually the Agents agree to notify FPL in writing in reasonable detail of such fees and expenses of Counsel for the Agents; and

(k) Promptly after the execution of this agreement FPL will reimburse the Agents for the reasonable fees and expenses of Counsel for the Agents and other out-of-pocket expenses of the Agents related to the Agents' services in connection with the implementation of the program for the offer and sale of the Securities as contemplated hereby not exceeding in the aggregate \$ \_\_\_\_\_ (exclusive of fees and expenses referred to in Sections 6(b) and 6(d) hereof).

7. Conditions of Agents' Obligations. The obligations of the Agents to act and continue to act as Agents hereunder, and the obligation of the Agents to purchase Securities as principal pursuant to any Terms Agreement, shall be subject to the accuracy of, and compliance with, the representations and warranties of FPL contained herein at the date of this agreement and any Settlement Date (except for immaterial details), to the performance by FPL of its obligations to be performed hereunder (except for immaterial details) and to the following conditions:

(a) No stop order suspending the effectiveness of the Registration Statement shall be in effect; no order of the Commission directed to the adequacy of any Incorporated Document shall have been issued; no proceedings for either such purpose shall be pending before, or threatened by, the Commission; at the date of this agreement the Agents shall have received a certificate signed by FPL to the effect that, to the best of its knowledge, no such order is in effect and no proceedings for such purpose are pending before, or, to the knowledge of FPL, threatened by, the Commission; and all requests for additional information with respect to the Registration Statement or the Prospectus on the part of the Commission shall have been complied with by FPL to the reasonable satisfaction of the Agent.

(b) At the date of this agreement, the Agents shall have received from Steel Hector & Davis LLP, counsel to FPL, a favorable opinion (with a copy thereof for each of the Agents), which opinion will not pass upon compliance with provisions of the blue sky laws of any jurisdiction, in form and substance satisfactory to Counsel for the Agents, to the effect that:

(i) FPL is validly organized and existing corporation and is in good standing under the laws of the State of Florida, and is doing business in that State, and has valid franchises, licenses and permits adequate for the conduct of its business;

(ii) FPL is a corporation duly authorized by its Charter to conduct the business which it is now conducting as set forth in the Prospectus; FPL is subject, as to retail rates and services, issuance of securities, accounting and certain other matters, to the jurisdiction of the Florida



Public Service Commission; and FPL is subject, as to wholesale rates, accounting and certain other matters to the jurisdiction of the Federal Energy Regulatory Commission;

(iii) the Mortgage has been duly and validly authorized by all necessary corporate action, has been duly and validly executed and delivered, and is a valid and binding instrument and is enforceable in accordance with its terms, except as limited by bankruptcy, insolvency or other laws affecting mortgagees' and other creditors' rights generally and equitable limitations on the enforceability of specific remedies;

(iv) the Securities will, when issued and paid for as contemplated herein, be valid and binding obligations of FPL and, assuming payment of intangible tax and document excise tax in accordance with the Procedures, such Securities will be enforceable in accordance with their terms, except as limited by bankruptcy, insolvency or other laws affecting mortgagees' and other creditors' rights generally and equitable limitations on the enforceability of specific remedies, and will be entitled to the benefit of the security afforded by the Mortgage;

(v) the Registration Statement, at the Effective Date, and the Prospectus at the Rule 424 Date (except as to the financial statements and other financial or statistical data contained or incorporated by reference therein and except for those parts of the Registration Statement that constitute a Statement of Eligibility and Qualification on Form T-1, or amendments thereto, upon which such opinion need not pass) complied as to form in all material respects with the applicable requirements of the Securities Act and the applicable instructions, rules and regulations of the Commission thereunder and the Incorporated Documents (except as to the financial statements and other financial or statistical data contained or incorporated by reference therein, upon which such opinion need not pass), at the time they were filed with the Commission, complied as to form in all material respects with the applicable requirements of the Exchange Act and the applicable instructions, rules and regulations of the Commission thereunder. The Registration Statement is, at the date of this agreement, effective under the Securities Act, and to the best of the knowledge of said counsel, no proceedings for a stop order with respect thereto are pending or threatened under Section 8 of the Securities Act;

(vi) the consummation of the transactions herein contemplated and the fulfillment of the terms hereof and the compliance by FPL with all the terms and provisions of the Mortgage will not result in a breach of any of the terms or provisions of, or constitute a default under, the Charter or by-laws of FPL, or any indenture, mortgage, deed of trust or other agreement or instrument the terms of which are known to such counsel to which FPL is now a party, except where such breach or default would not have a material adverse effect on the business, properties or financial condition of FPL;

(vii) nothing has come to the attention of said counsel that would lead them to believe that the Registration Statement (except as to the financial statements and other financial or statistical data contained or incorporated by reference therein and except for those parts of the Registration Statement that constitute a Statement of Eligibility and Qualification on Form T-1, or amendments thereto, upon which such opinion need not pass), at the Effective Date, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus, at the Rule 424 Date and at the date of such opinion (except as aforesaid), included or includes any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading, provided that such counsel may state that their belief is based upon their participation in the preparation of the Registration Statement and the Prospectus and any supplements and amendments thereto and review and discussion of the contents thereof, but is without independent check or verification except as specified;

(viii) the Securities are being issued and sold pursuant to the authority contained in an order of the Florida Public Service Commission, which authority is adequate to permit the issuance and sale of the Securities

during the calendar year. To the best of the knowledge of said counsel, said authorization is still in full force and effect, and no further approval, authorization, consent or order of any public board or body (other than in connection or in compliance with the provisions of the blue sky laws of any jurisdiction) is legally required for the authorization of the issuance and sale of the Securities;

(ix) the Securities conform, as to legal matters, with the statements concerning them made under the headings "New Bonds" and "Certain Terms of the Offered Notes" in the Prospectus;

(x) the Mortgage is duly qualified under the 1939 Act;

(xi) this agreement has been duly and validly authorized, executed and delivered by FPL;

(xii) as to the Mortgaged and Pledged Property, as defined in the Mortgage, FPL has satisfactory title to any easements and personal properties, and good and marketable or insurable title in fee simple to any other real properties (except as FPL's interest is stated to be otherwise), subject only to Excepted Encumbrances, as defined in the Mortgage, to any lien, if any, existing or placed thereon at the time of acquisition thereof by FPL, to minor defects and encumbrances customarily found in the case of properties of like size and character and which, in the opinion of said counsel, would not impair the use thereof by FPL (all of which title exceptions, encumbrances, liens and defects are hereinafter referred to as "Exceptions"), and to the lien of the Mortgage; the Mortgage constitutes a valid, direct, and first mortgage lien upon the Mortgaged and Pledged Property now owned by FPL, subject, however, to the Exceptions and as set forth in the last sentence of this paragraph; and the description of properties in the Mortgage is adequate to constitute the Mortgage a lien on Mortgaged and Pledged Property hereafter acquired by FPL, subject, however, to the Exceptions and except as limited by bankruptcy, insolvency or other laws affecting mortgagees' and other creditors' rights generally and equitable limitations on the enforceability of specific remedies. Mortgaged and Pledged Property acquired after the most recent recording of a supplemental indenture may also be subject to possible rights of others which may attach prior to recording of a supplemental indenture subsequent to the acquisition of such property.

(xiii) except as stated or referred to in the Prospectus, there are no material pending legal proceedings to which FPL is a party or of which property of FPL is the subject which if determined adversely would have a material effect on FPL, and, to the best of the knowledge of said counsel, no such proceeding is known to be contemplated by governmental authorities; and

(xiv) the information contained in the Prospectus which is stated therein to have been made in reliance upon the authority of said counsel or is specifically attributed to them, has been reviewed by them and is correct.

In said opinion such counsel may rely as to all matters of New York law on an opinion of Reid & Priest LLP and as to matters relating to Mortgaged and Pledged Property located in the State of Georgia on (i) prior opinions provided to FPL on matters of Georgia law and (ii) a current opinion from Georgia counsel.

(c) At the date of this agreement, the Agents shall have received from Reid & Priest LLP, counsel to FPL, a favorable opinion (with a copy thereof for each of the Agents), which opinion will not pass upon compliance with provisions of the blue sky laws of any jurisdiction, in form and substance satisfactory to Counsel for the Agents, to the same effect with respect to matters enumerated in paragraphs (iii) through (xi) of subsection (b) of this Section 7. In said opinion such counsel may rely as to all matters of Florida law on the opinion of Steel Hector & Davis LLP, and will not pass upon the incorporation of FPL, titles to property, franchises or the lien of the Mortgage.

(d) At the date of this agreement, the Agents shall have received from Counsel for the Agents a favorable opinion (with a copy thereof for each of the Agents) to the same effect with respect to the matters

enumerated in (iii) - (v) and (vi) - (xi) of Subsection (b) of this Section 7. In said opinion such counsel may rely as to all matters of Florida law on the opinion of Steel Hector & Davis LLP, and will not pass upon the incorporation of FPL, titles to property, franchises or the lien of the Mortgage.

(e) At the date of this agreement, each of the Agents shall have received from Deloitte & Touche LLP a letter to the effect that (i) they are independent public accountants with respect to FPL within the meaning of the Securities Act and the Exchange Act and the applicable published rules and regulations thereunder; (ii) in their opinion, the consolidated financial statements audited by them and incorporated by reference in the Prospectus comply as to form in all material respects with the applicable accounting requirements of the Securities Act and the Exchange Act and the published rules and regulations thereunder; (iii) on the basis of a reading of the unaudited condensed consolidated financial statements of FPL incorporated by reference in the Prospectus, the latest available interim unaudited consolidated financial statements of FPL since the close of FPL's most recent audited fiscal year, the minutes and consents of the Board of Directors, the Finance Committee of the Board of Directors, the Stock Issuance Committee of the Board of Directors, and the Shareholder of FPL since the end of the most recent audited fiscal year, and inquiries of officials of FPL who have responsibility for financial and accounting matters (it being understood that the foregoing procedures do not constitute an audit made in accordance with generally accepted auditing standards and they would not necessarily reveal matters of significance with respect to the comments made in such letter, and accordingly that Deloitte & Touche LLP make no representation as to the sufficiency of such procedures for the several Agents' purposes), nothing has come to their attention which caused them to believe that (a) the unaudited condensed consolidated financial statements of FPL incorporated by reference in the Prospectus (1) do not comply as to form in all material respects with the applicable accounting requirements of the Securities Act and the Exchange Act and the published rules and regulations thereunder and (2) except as disclosed in the Prospectus, are not in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the audited consolidated financial statements of FPL incorporated by reference in the Prospectus, (b) at the date of the latest available interim balance sheet read by them and at a specified date not more than five days prior to the date of this agreement there was any change in the common stock, additional paid-in capital, preferred stock or long-term debt of FPL and its subsidiaries, or decrease in their net assets, in each case as compared with amounts shown in the most recent consolidated balance sheet incorporated by reference in the Prospectus, except in all instances for changes or decreases which the Prospectus discloses have occurred or may occur, or as occasioned by the declaration, provision for, or payment of dividends, or which are described in such letter, or (c) for the period from the date of the most recent consolidated balance sheet incorporated by reference in the Prospectus to the latest available interim balance sheet read by them and for the period from the date of the latest available interim balance sheet read by them to a specified date not more than five days prior to the date of this agreement, there were any decreases, as compared with the corresponding period in the preceding year, in total consolidated operating revenues or in net income or net income available to FPL Group, Inc., except in all instances for decreases which the Prospectus discloses have occurred or may occur, or which are described in such letter, and (iv) they have carried out certain procedures and made certain findings, as specified in such letter, with respect to certain amounts included in the Prospectus and Exhibit 12 to the Registration Statement and such other items as the Agents may reasonably request.

(f) Since the respective most recent dates as of which information is given in the Registration Statement and Prospectus, there shall have been no material adverse change in the business, properties or financial condition of FPL, except as reflected in or contemplated by the Registration Statement and Prospectus, and since such dates there shall have been no material transaction entered into by FPL other than transactions disclosed by the Registration Statement and the Prospectus, and transactions in the ordinary course of business; and at the date of this agreement the Agents shall have received a certificate to such effect, signed by FPL.

(g) The Agents shall have received any certificate required by Section 8(b) hereof.

(h) On the first Settlement Date occurring in each calendar year, Steel Hector & Davis LLP and Reid & Priest LLP shall each provide to the Agents an opinion dated the Settlement Date to the effect provided in Section 7(b)(viii).



(i) There shall be in full force and effect an authorization of the Florida Public Service Commission with respect to the issuance and sale of the Securities on the terms herein stated or contemplated, and containing no provision unacceptable to the Agents by reason of the fact that it is materially adverse to FPL; and at the date of this agreement the Agents shall have received a certificate to such effect, signed by FPL.

(i) All legal proceedings to be taken in connection with the issuance and sale of the Securities shall have been satisfactory in form and substance to Counsel for the Agents.

In case any of the conditions specified above in this Section 7 shall not have been fulfilled, the Agents shall have no further obligation to proceed with any offering, sale, or any solicitation of purchase of the Securities or any purchase by the Agents as principal of the Securities pursuant to any Terms Agreement or otherwise.

8. Further Representations and Warranties by FPL. FPL represents and warrants, and agrees with the Agents, that:

(a) Each authorization by FPL to the Agents to offer for sale, or solicit purchases of, the Securities as provided in the Procedures and each purchase of Securities by the Agent as principal pursuant to any Terms Agreement shall be deemed to be an affirmation that the representations and warranties of FPL contained in this agreement are true and correct at the time of such authorization or at the date of such Terms Agreement, as the case may be, and an undertaking that such representations and warranties will be true and correct at the time of delivery of and payment for Securities sold pursuant to such authorization or Terms Agreement as provided in Section 4 hereof or in such Terms Agreement, in each case as though made at and as of each such time or date (except that such representations and warranties shall be deemed to relate to the Registration Statement and the Prospectus as amended and supplemented to each such time or date);

(b) Delivery for Securities at each Settlement Date shall be deemed to be a certification by FPL that (i) all intangible and document excise taxes payable in accordance with Settlement Procedure E of the Procedures have been duly paid and (ii) any resolutions of the Board of Directors of FPL or the Finance Committee of FPL's Board of Directors establishing the Securities and authorizing their execution, authentication and delivery pursuant to this agreement have not been amended or superseded and remain in full force and effect; provided that if such resolutions have been amended or superseded, at each such Settlement Date occurring on or after such resolutions shall be amended or superseded, FPL shall provide the Agents with a certificate signed by FPL to the effect that such resolutions have been so amended or superseded and attaching to such certificate a copy of the resolutions as amended or the superseding resolutions together with the opinions of Steel Hector & Davis LLP and Reid & Priest LLP, each dated the Settlement Date, to the effect provided in Section 7(b)(iv).

(c) Each time that the Registration Statement or the Prospectus shall be amended or supplemented, or a document shall be filed under the Exchange Act which is incorporated by reference in the Registration Statement or Prospectus (except (i) supplements or amendments relating solely to the sale of the Securities, (ii) supplements or amendments relating solely to a change in the interest rates or maturities of the Securities or a change in the principal amount of Securities remaining to be sold or similar changes and (iii) Forms S-K that are filed solely for the purpose of filing exhibits pursuant to Item 601 of Regulation S-K) or FPL shall sell Securities to the Agents pursuant to a Terms Agreement (if required by the Agents with respect to a particular Terms Agreement). FPL shall furnish or cause to be furnished forthwith to the Agents a certificate in form and substance satisfactory to the Agents in their reasonable judgment to the effect that the statements contained in the certificate referred to in Section 7(f) hereof which were last furnished to the Agents are true and correct at the time of such amendment or supplement or filing or sale, as the case may be, as though made at and as of such time (except that such statements shall be deemed to relate to the Registration Statement and the Prospectus as amended and supplemented to such time) or, in lieu of such a certificate, a certificate, in form and substance satisfactory to the Agents in their reasonable judgment, of the same general tenor as the certificate referred to in said Section 7(f) but modified to relate to the Registration Statement and the Prospectus as amended and supplemented to the time of delivery of such certificate;

(d) Each time that the Registration Statement or the Prospectus shall be amended or supplemented, or a document shall be filed under the Exchange Act which is incorporated by reference in the Registration Statement or Prospectus (except (i) supplements or amendments relating solely to the sale of the Securities, (ii) supplements or amendments relating solely to a change in the interest rates or maturities of the Securities or a change in the principal amount of Securities remaining to be sold or similar changes and (iii) Forms 8-K that are filed solely for the purpose of filing exhibits pursuant to Item 601 of Regulation S-K) or FPL shall sell Securities to the Agents pursuant to a Terms Agreement (if required by the Agents with respect to a particular Terms Agreement), FPL shall furnish or cause to be furnished forthwith to the Agents written opinions of Steel Hector & Davis LLP and Reid & Pritch LLP, counsel to FPL, dated the date of delivery thereof and in form and substance satisfactory to Counsel for the Agents, of the same tenor as the opinions required by clauses (v), (vii) and (ix) of Section 7(b) hereof but modified to relate to the Registration Statement and the Prospectus as amended and supplemented to the date of such opinions or, in lieu of such opinions, such counsel may furnish to the Agents a letter to the effect that the Agents may rely on such last opinions to the same extent as though they were dated the date of such letter authorizing reliance (except that statements in such last opinions shall be deemed to relate to the Registration Statement and the Prospectus as amended and supplemented to the time of delivery of such letters authorizing reliance);

(e) Each time that the Registration Statement or the Prospectus shall be amended or supplemented to set forth financial information included in or derived from FPL's financial statements, or any document containing financial information so included or derived shall be filed under the Exchange Act and incorporated by reference in the Prospectus or FPL shall sell Securities to the Agents pursuant to a Terms Agreement (if required by the Agents with respect to a particular Terms Agreement), FPL shall cause Deloitte & Touche LLP to furnish to the Agents a letter, dated five business days after the date of filing such amendment or supplement or document with the Commission, in form and substance satisfactory to the Agents in their reasonable judgment, of the same general tenor as the letter referred to in Section 7(e) hereof but with appropriate modifications to relate to the Registration Statement and the Prospectus as amended and supplemented to the date of such letter and as may be necessary to reflect changes in the financial information included or incorporated by reference in the Registration Statement and the Prospectus as then amended or supplemented since the date of the last previous such letter furnished to the Agents; provided, however, that no letter need be furnished (except that if the Agents reasonably request, a letter addressing solely the matters described in Section 7(e)(iv) hereof shall be furnished) with respect to year-end audited financial statements of FPL if copies of such audited financial statements are delivered to the Agents; and

(f) Notwithstanding the foregoing, it is agreed that if, at any time and from time to time during the term of this agreement, FPL should deliver to the Agents notification of its decision to suspend any sale of Securities hereunder, then during the period of any such suspension or suspensions FPL shall be relieved of its obligation to provide to the Agents the certificate, opinions and letter required pursuant to Sections 8(c), 8(d) and 8(e) hereof. However, whenever such a suspension is lifted, FPL shall be required to deliver to the Agents, prior to the resumption of any sale of Securities hereunder, the most recent certificate, opinions and letter which would have been required except for the suspension.



## 9. Indemnification.

(a) FPL agrees to indemnify and hold harmless each Agent and each person who controls such Agent within the meaning of Section 15 of the Securities Act against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the Securities Act or any other statute or common law, and to reimburse each such Agent and each such controlling person for any legal or other expenses (including, to the extent hereinafter provided, reasonable counsel fees) incurred by them in connection with investigating any such losses, claims, damages or liabilities or in connection with defending any actions, insofar as such losses, claims, damages, liabilities, expenses or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus (if used prior to the Effective Date of the Registration Statement), including all Incorporated Documents, or in the Registration Statement or the Prospectus, or in the Registration Statement or Prospectus, as amended or supplemented (if any amendments or supplements thereto shall have been furnished), or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that the indemnity agreement contained in this paragraph shall not apply to any such losses, claims, damages, liabilities, expenses or actions arising out of, or based upon, any such untrue statement or alleged untrue statement, or any such omission or alleged omission, if such statement or omission was made in reliance upon and in conformity with information furnished herein or to FPL in writing by or on behalf of any such Agent, for use in connection with the preparation of the Registration Statement or the Prospectus or any amendment or supplement to either thereof, or arising out of, or based upon, statements in or omissions from that part of the Registration Statement which shall constitute a Statement of Eligibility and Qualification on Form T-1 and provided, further, that the indemnity agreement contained in this paragraph in respect of any preliminary prospectus shall not inure to the benefit of such Agent (or of any person controlling such Agent) on account of any such losses, claims, damages, liabilities, expenses or actions arising from the sale of the Securities to any person if such Agent shall have failed to send or give to such person (i) with or prior to the written confirmation of such sale, a copy of the Prospectus or the Prospectus as amended or supplemented, if any amendments or supplements thereto shall have been furnished at or prior to the time of written confirmation of the sale involved, but exclusive of any Incorporated Documents unless, with respect to the delivery of any amendment or supplement, the alleged omission or alleged untrue statement is not corrected in such amendment or supplement at the time of confirmation, or (ii) with or prior to the delivery of such Securities to such person, a copy of any amendment or supplement to the Prospectus which shall have been furnished subsequent to such written confirmation and prior to the delivery of such Securities to such person, exclusive of any Incorporated Documents unless, with respect to the delivery of any amendment or supplement, the alleged omission or alleged untrue statement was not corrected in such amendment or supplement at the time of such delivery. Each Agent agrees promptly to notify FPL, and each other Agent, of the commencement of any litigation or proceedings against it or any such controlling person in connection with the issuance and sale of the Securities.

(b) Each Agent agrees to indemnify and hold harmless FPL, its officers and directors, and each person who controls any thereof within the meaning of Section 15 of the Securities Act against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the Securities Act or any other statute or common law, and to reimburse each of them for any legal or other expenses (including, to the extent hereinafter provided, reasonable counsel fees) incurred by them in connection with investigating any such losses, claims, damages or liabilities, or in connection with defending any actions, insofar as such losses, claims, damages, liabilities, expenses or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or Prospectus as amended or supplemented (if any amendments or supplements thereto shall have been furnished) or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading if such statement or omission was made in reliance upon and in conformity with information furnished herein or to FPL in writing by or on behalf of such Agent, for use in connection with the preparation of the Registration Statement or the Prospectus or any amendment or supplement to either thereof. The indemnity agreement of each Agent contained in this paragraph shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of FPL or any of its officers or its directors or any such

controlling person, and shall survive the delivery of the Securities. FPL agrees promptly to notify each Agent of the commencement of any litigation or proceedings against FPL (or any controlling person thereof) or any of its officers or directors in connection with the issuance and sale of the Securities.

(c) FPL and each of the Agents agree that, upon the receipt of notice of the commencement of any action against it, its officers and directors, or any person controlling it as aforesaid, in respect of which indemnity may be sought on account of any indemnity agreement contained herein, it will promptly give written notice of the commencement thereof to the party or parties against whom indemnity shall be sought thereunder, but the omission so to notify such indemnifying party or parties of any such action shall not relieve such indemnifying party or parties from any liability which it or they may have to the indemnified party otherwise than on account of such indemnity agreement. In case such notice of any such action shall be so given, such indemnifying party shall be entitled to participate at its own expense in the defense or, if it so elects, to assume (in conjunction with any other indemnifying parties) the defense of such action, in which event such defense shall be conducted by counsel chosen by such indemnifying party or parties and satisfactory to the indemnified party or parties who shall be defendant or defendants in such action, and such defendant or defendants shall bear the fees and expenses of any additional counsel retained by them; but if the indemnifying party shall elect not to assume the defense of such action, such indemnifying party will reimburse such indemnified party or parties for the reasonable fees and expenses of any counsel retained by them; provided, however, if the defendants in any such action include both the indemnified party and indemnifying party and counsel for the indemnifying party shall have reasonably concluded that there may be a conflict of interest involved in the representation by such counsel of both the indemnifying party and the indemnified party, the indemnified party or parties shall have the right to select separate counsel, satisfactory to the indemnifying party, to participate in the defense of such action on behalf of such indemnified party or parties (it being understood, however, that the indemnifying party shall not be liable for the expenses of more than one separate counsel representing the indemnified parties who are parties to such action).

10. Survival. The indemnity agreements contained in Section 9 hereof and the representations, warranties and other statements of FPL and the Agents set forth in this agreement or any Terms Agreement or made by FPL and the Agents pursuant to this agreement or any Terms Agreement shall remain in full force and effect, regardless of (i) any termination of this agreement, (ii) any investigation made by or on behalf of the Agents or any of their controlling persons or by or on behalf of FPL or any of its officers, directors or controlling persons and (iii) acceptance of delivery of and payment for Securities sold hereunder.

11. Termination.

(a) This agreement may be terminated at any time by any party hereto upon the giving of written notice of such termination to the other parties hereto effective at the close of business on the date such notice is received. In the event of any such termination, no party shall have any liability to any other party hereto, except as provided in Section 1(e), Section 5(b), Section 6(b), (i), (j) and (k) and Section 9 hereof and except that, if at the time of any such termination the Agents shall have previously confirmed sales of Securities for which delivery and payment has not yet been made, FPL shall remain obligated in respect of such sales as provided in Section 4 hereof and shall continue to have the obligations provided in Section 8 hereof until delivery of and payment for all Securities so sold have been completed.

(b) The Agents may terminate a Terms Agreement by delivering written notice thereof to FPL, at any time prior to the Settlement Date specified therein if (i) prior to such time there shall have occurred any general suspension of trading in securities on the New York Stock Exchange or there shall have been established by The New York Stock Exchange, Inc. or by the Commission or by any federal or state agency or by the decision of any court any limitation on prices for such trading or any restrictions on the distribution of securities, or a general banking moratorium declared by New York or federal authorities, or (ii) there shall have occurred any new outbreak of hostilities including, but not limited to, an escalation of hostilities which existed prior to the date of such Terms Agreement or other national or international calamity or crisis, the effect of any such event specified in (i) or (ii) above on the financial markets of the United States shall be such as to make it impracticable for the Agent to enforce contracts for the sale of Securities. A Terms Agreement may also be terminated at any time prior to the Settlement Date specified

therein if in the judgment of the Agents the subject matter of any amendment or supplement to the Registration Statement or the Prospectus prepared and furnished by FPL reflects a material adverse change in the business, properties or financial condition of FPL which renders it either inadvisable to proceed with such offering, if any, or inadvisable to proceed with the delivery of the Securities to be purchased under such Terms Agreement. Any termination of a Terms Agreement shall be without liability of any party to any other party except as otherwise provided in Section 6(i), the first sentence of Section 6(j), Section 9 and Section 10 hereof.

12. Purchases as Principal. Unless FPL and the Agents shall otherwise agree, each sale of Securities to the Agents as principal for resale to others shall be made in accordance with the terms of this agreement and any separate agreement specified by FPL which will provide for the sale of such Securities to, and the purchase and reoffering thereof by, the Agents. Each such separate agreement, herein referred to as a "Terms Agreement," whether oral (it being understood that such oral agreement shall be confirmed in writing prior to the Settlement Date) or in writing shall be with respect to such information (as applicable) as is specified in Exhibit C hereto. Any such writing may take the form of an exchange of any standard form of written telecommunication between the Agents and FPL. The Agents' commitment to purchase Securities pursuant to any Terms Agreement shall be deemed to have been made on the basis of the representations and warranties of FPL herein contained and shall be subject to the terms and conditions herein set forth. Such Terms Agreement may also specify any requirements for the opinions of counsel, accountants' letters and officers' certificates pursuant to Section 8 hereof.

13. Miscellaneous. The validity and interpretation of this agreement shall be governed by the laws of the State of New York. This agreement shall inure to the benefit of FPL, the Agents and, with respect to the provisions of Section 9 hereof, each controlling person referred to in said Section 9, and their respective successors. Nothing in this agreement is intended or shall be construed to give to any other person, firm or corporation any legal or equitable right, remedy or claim under or in respect of this agreement or any provision herein contained. The term "successors" as used in this agreement shall not include any purchaser, as such purchaser, of any Securities from the Agents.

14. Notices. Except as otherwise specifically provided herein or in the Procedures, all communications hereunder shall be in writing, or by telegram and, if to the Agents, shall be mailed or delivered to:

or, if to FPL, shall be mailed or delivered to it at 700 Universe Boulevard, Juno Beach, Florida 33408, Attention: Treasurer.

15. Counterparts. This agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement.

If the foregoing correctly sets forth our understanding, please indicate your acceptance thereof in the space provided below for that purpose, whereupon this letter and your acceptance shall constitute a binding agreement between us.

Very truly yours,

FLORIDA POWER & LIGHT COMPANY

By \_\_\_\_\_

Accepted and delivered as of  
the date first written above

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## EXHIBIT A

### FLORIDA POWER & LIGHT COMPANY Secured Medium-Term Notes, Series \_\_\_\_ Administrative Procedures for Fixed and Variable Rate Securities Issued in Book-Entry Form

Secured Medium-Term Notes, Series \_\_\_\_, due from nine months to thirty years from date of issue (the "Securities") are to be offered on a continuing basis by Florida Power & Light Company ("FPL").  
as agents (each an "Agent" and collectively, the "Agents"), have agreed to use their reasonable best efforts to solicit offers to purchase the Securities. The Securities are being sold pursuant to a Distribution Agreement between FPL and the Agents dated \_\_\_\_ (the "Distribution Agreement") to which these administrative procedures are attached as an exhibit. The Securities will be issued under FPL's Mortgage and Deed of Trust, dated as of January 1, 1944, to Bankers Trust Company, as Trustee (the "Trustee"), and The Florida National Bank of Jacksonville (now resigned), as supplemented, pursuant to the \_\_\_\_ Supplemental Indenture dated as of \_\_\_\_ (the "Mortgage"). The Securities will either bear interest at a fixed rate (the "Fixed Rate Securities") or at a variable rate (the "Variable Rate Securities"). Bankers Trust Company will act as the paying agent (the "Paying Agent") for the payment of principal of and premium, if any, and interest on the Securities and will perform, as the Paying Agent, unless otherwise specified, the other duties specified herein. Terms defined in the Distribution Agreement shall have the same meaning when used in this exhibit.

Each Security will be represented by a Global Security (as defined below) delivered to Bankers Trust Company, as agent for The Depository Trust Company ("DTC") and recorded in the book-entry system maintained by DTC. An owner of a Security represented by a Global Security will not be entitled to receive a certificate representing such a Security.

Administrative procedures and specific terms of the offering are explained below. Administrative responsibilities and record-keeping functions will be performed by FPL's Treasurer or its Assistant Treasurer.

In connection with the qualification of the Securities for eligibility in the book-entry system maintained by DTC, Bankers Trust Company will perform the custodial, document control and administrative functions described below, in accordance with its respective obligations under a Letter of Representations from FPL and Bankers Trust Company to DTC dated as of June 19, 1992, and a Medium-Term Note Certificate Agreement between Bankers Trust Company and DTC dated as of October 21, 1988, and its obligations as a participant in DTC, including DTC's Same-Day Funds Settlement System ("SDFS").

#### Price to Public

Each Security will be issued at 100% of principal amount, unless otherwise determined by FPL and specified in a supplement to the Prospectus ("Pricing Supplement").



### Issuance

On any date of Settlement (as defined under "Settlement" below) for all Fixed Rate Securities, FPL will issue one or more global securities in fully registered form without coupons (a "Global Security") representing up to \$\_\_\_\_\_ principal amount of all such Fixed Rate Securities that have the same Issue Price, Issue Date, Maturity Date, Interest Rate, Interest Payment Dates and terms for redemption, if any (in each case, and for all purposes of these administrative procedures, as defined in the Prospectus (as defined in Section 3(e) of the Distribution Agreement)) (collectively the "Fixed Rate Terms"). On any date of Settlement for all Variable Rate Securities, FPL will issue one or more Global Securities representing up to \$\_\_\_\_\_ principal amount of all such Variable Rate Securities that have the same Issue Price, Issue Date, Maturity Date, base rate upon which interest may be determined (a "Base Rate"), which may be the Commercial Paper Rate, the Treasury Rate, LIBOR, the Cost of Funds Rate, the CD Rate, the Federal Funds Rate, the Prime Rate or any other rate set forth by FPL, Initial Interest Rate, Index Maturity, Spread or Alternate Rate Event Spread, if any, minimum interest rate, if any, maximum interest rate, if any, Interest Payment Dates and terms for redemption, if any (collectively, the "Variable Rate Terms"). Each Global Security will be dated and issued as of the date of its authentication by the Trustee. No Global Security will represent any securities in certificated form.

### Maturities

Each Security will mature on a date mutually agreed upon by the purchaser and FPL, such date being at least nine months but not more than thirty years from the date of issuance.

### Denominations

The Securities will be initially issued in denominations of \$100,000 and any larger denomination which is an integral multiple of \$1,000. Global Securities will be denominated in principal amounts not in excess of \$150,000,000. If one or more Securities having an aggregate principal amount in excess of \$150,000,000 would, but for the preceding sentence, be represented by a single Global Security, then one Global Security will be issued to represent each \$150,000,000 principal amount of such Security or Securities and an additional Global Security will be issued to represent any remaining principal amount of such Security or Securities. In such a case, each of the Global Securities representing such Security or Securities shall be assigned the same CUSIP number.

### Identification Numbers

FPL has arranged with the CUSIP Service Bureau of Standard & Poor's Corporation (the "CUSIP Service Bureau") for the reservation of one series of CUSIP numbers (including tranche numbers), which series consists of approximately 900 CUSIP numbers and relates to Global Securities representing the Securities. FPL has obtained from the CUSIP Service Bureau a written list of such series of reserved CUSIP numbers and has delivered to Bankers Trust Company and to DTC's Underwriting Department a written list of such 900 CUSIP numbers. Bankers Trust Company will assign CUSIP numbers to Global Securities as described below under Settlement Procedure "B". DTC will notify the CUSIP Service Bureau periodically of the CUSIP numbers that Bankers Trust Company has assigned to Global Securities. At any time when fewer than 100 of the reserved CUSIP numbers of the series remain unassigned to Global Securities, and if it deems necessary, Bankers Trust Company or FPL will reserve additional CUSIP numbers for assignment to Global Securities representing the Securities. Upon obtaining such additional CUSIP numbers, Bankers Trust Company or FPL shall deliver a list of such additional CUSIP numbers to DTC's Underwriting Department.

### Registration

Each Global Security will be registered in the name of Code & Co., as nominee for DTC, on the bond register maintained under the Mortgage. The beneficial owner of a Security (or one or more indirect participants in DTC designated by such owner) will designate one or more participants in DTC (with respect to such Security, the "Participants") to act as agent or agents for such owner in connection with the book-entry system maintained by DTC, and DTC will record in book-entry form, in accordance with instructions provided by such Participants, a credit balance with respect to such beneficial owner in such Security in the account of such Participants. The ownership interest of such beneficial owner in such Security will be recorded through the records of such Participants or through the separate records of such Participants and one or more indirect participants in DTC.

### Transfers

Transfers of a Security will be accomplished by book entries made by DTC and, in turn, by Participants (and in certain cases, one or more indirect participants in DTC) acting on behalf of beneficial transferees and transferors of such Security.

### Consolidations

After the first Interest Payment Date on individual issues of the Securities, Bankers Trust Company will deliver to DTC's Reorganization Department, Interactive Data Corporation and the CUSIP Service Bureau (at least 30 days before the day on which the consolidation is to be effective, as determined by Bankers Trust Company (the "Exchange Date"), a written notice of consolidation specifying (i) the CUSIP numbers of two or more outstanding Global Securities that represent Securities having different original Issue Dates but otherwise the same Fixed Rate Terms or Variable Rate Terms, as the case may be, and for which interest has been paid to the same date, (ii) a date, occurring at least thirty days after such written notice is delivered and at least thirty days before the next Interest Payment Date for such Securities, on which such Global Securities shall be exchanged for a single replacement Global Security, (iii) a new CUSIP number to be assigned to such replacement Global Security and (iv) that the CUSIP numbers of the Global Securities to be exchanged will no longer be valid. Upon receipt of such a notice, DTC will send to its Participants (including Bankers Trust Company) a written reorganization notice to the effect that such exchange will occur on such date. On the specified Exchange Date, Bankers Trust Company will exchange such Global Securities for a single Global Security bearing the new CUSIP number, the original Issue Dates, together with the respective principal amounts to which they relate, for all exchanged Global Securities and the CUSIP numbers of the exchanged Global Securities will, in accordance with CUSIP Service Bureau procedures, be canceled and not immediately reassigned. Notwithstanding the foregoing, if the Global Securities to be exchanged exceed \$150,000,000 in aggregate principal amount, one Global Security will be authenticated and issued to represent each \$150,000,000 of principal amount of the exchanged Global Security and an additional Global Security will be authenticated and issued to represent any remaining principal amount of such Global Securities (see "Denominations" above).

### Interest

Interest on each Security will accrue from and including the original Issue Date of, or the last date to which interest has been paid on, the Global Security representing such Security. Each payment of interest on a Security will include interest accrued through the day preceding, as the case may be, the Interest Payment Date (provided, however, that in the case of Variable Rate Securities which reset daily or weekly, interest payments will include interest accrued to but excluding the Record Date (as defined below) immediately preceding the Interest Payment

Date), date of redemption or Maturity Date. Interest payable on the Maturity Date or date of redemption of a Security will be payable to the person to whom the principal of such Security is payable. DTC will arrange for each pending deposit message described under Settlement Procedure "C" below to be transmitted to Standard & Poor's Corporation, which will use the information in the message to include certain terms of the related Global Security in the appropriate bond report published by Standard & Poor's Corporation.

The Record Date with respect to any Interest Payment Date for a Fixed Rate Security shall be the fifteenth business day preceding such Interest Payment Date. The Record Date with respect to any Interest Payment Date for a Variable Rate Security shall be the date 15 calendar days (whether or not a business day) preceding such Interest Payment Date.

Interest payments will be made on each Interest Payment Date commencing with the first Interest Payment Date following the original Issue Date; provided, however, that the first payment of interest on any Global Security originally issued between a Record Date and an Interest Payment Date will occur on the Interest Payment Date following the next Record Date.

If an Interest Payment Date with respect to any Variable Rate Security would otherwise fall on a day that is not a business day with respect to such Security, such Interest Payment Date will be the following day that is a business day with respect to such Security (and no interest shall accrue on such payment for the period from and after such Interest Payment Date), except that in the case of a LIBOR Security, if such day falls in the next calendar month, such Interest Payment Date will be the preceding day that is a business day in London.

#### Calculation of Interest

In the case of Fixed Rate Securities, interest (including payment for partial periods) will be calculated on the basis of a 360-day year of twelve 30-day months. Interest does not accrue on the 31st day of any month. Interest rates on Variable Rate Securities will be determined as set forth in the related Global Security. Interest will be calculated in the case of (a) Commercial Paper Rate, Prime Rate, LIBOR, Federal Funds Rate, Cost of Funds Rate, and CD Rate Securities on the basis of the actual number of days in the interest period divided by 360; and (b) Treasury Rate Securities, on the basis of the actual number of days in the interest period divided by the actual number of days in the year.

#### Interest Payments

Interest on Fixed Rate Securities will be payable semiannually on January 1 and July 1 and at maturity. Interest will be payable, in the case of the Variable Rate Securities which reset (a) daily, weekly or monthly (other than Cost of Funds Rate Securities), on the third Wednesday of each month or on the third Wednesday of March, June, September and December of each year, as specified pursuant to Settlement Procedure "A" below, or, in the case of the Cost of Funds Rate Securities, all of which reset monthly, on the first business day of each month or the first business day of each March, June, September and December, as specified pursuant to Settlement Procedure "A" below; (b) quarterly, on the third Wednesday of March, June, September and December of each year; (c) semiannually, on the third Wednesday of each of the two months of each year specified pursuant to Settlement Procedure "A" below; and (d) annually, on the third Wednesday of the month specified pursuant to Settlement Procedure "A" below and, in each case, at maturity.

With regard to Variable Rate Securities on which the interest rate is reset daily or weekly, Bankers Trust Company shall deliver to DTC's Dividend Department, Standard & Poor's Corporation and Interactive Data Corporation on each day on which the amount of interest to be paid on the following Interest Payment Date (including the issue's first Interest Payment Date) is determined a listing of the CUSIP number assigned to each such issue along with corresponding specifications of the Record Date, Interest Payment Date, and dollar amount of interest per \$1,000 principal amount of the Securities to be paid on such Interest Payment Date. For Variable Rate Securities on which the interest rate is reset monthly, quarterly, semiannually, or annually, Bankers Trust Company shall deliver a similar listing to Standard & Poor's Corporation and Interactive Data Corporation on the day interest payment amounts are determined.

Promptly after each Record Date for each issue of Fixed Rate Securities, Bankers Trust Company will furnish FPL and DTC's Dividend Department a written notice specifying by CUSIP number the amount of interest to be paid on each Global Security on the following Interest Payment Date (other than an Interest Payment Date coinciding with the Maturity Date) and the total of such amounts. DTC will confirm the amount payable on each Global Security on such Interest Payment Date by reference to the appropriate bond reports published by Standard & Poor's Corporation. FPL will pay to Bankers Trust Company the total amount of interest due on such Interest Payment Date (other than on the Maturity Date), and Bankers Trust Company will pay such amount to DTC at the times and in the manner set forth under "Manner of Payment" below. The Participant, indirect participant in DTC or other person responsible for forwarding payments and materials directly to the beneficial owner of such Security, will assume responsibility for withholding taxes on interest paid as required by law.

Bankers Trust Company will take all action necessary so that the Interest Payment Dates and the Record Dates with respect thereto, for each Global Security, together with the amount of interest payable on each of such Interest Payment Dates, shall be listed in the appropriate daily bond report published by Standard & Poor's Corporation.

#### Maturity

On or about the first business day of each month, Bankers Trust Company will deliver to FPL and DTC a written list of principal, interest and premium, if any, to be paid on each Global Security maturing either on the Maturity Date or the date of redemption in the following month. FPL and DTC will confirm with Bankers Trust Company the amounts of such principal, interest and premium, if any, payments with respect to each such Global Security on or about the fifth business day preceding the Maturity Date or the date of redemption, as the case may be, of such Global Security. FPL will pay to Bankers Trust Company the principal amount of such Global Security, together with interest and premium, if any, due on such Maturity Date or date of redemption. Bankers Trust Company will pay such amounts to DTC at the times and in the manner set forth below under "Manner of Payment". Promptly after payment to DTC of the principal, interest and premium, if any, due at the Maturity Date or the date of redemption of such Global Security, Bankers Trust Company will cancel such Global Security in accordance with the terms of the Mortgage. On the first business day of each month, Bankers Trust Company will deliver to FPL a written statement indicating the total principal amount of outstanding Global Securities as of the immediately preceding business day.

#### Manner of Payment

The total amount of any principal, interest and premium, if any, due on Global Securities on any Interest Payment Date or on the Maturity Date or the date of redemption shall be paid by FPL to Bankers Trust Company in immediately available funds for use by Bankers Trust Company on such date. FPL will make such payment on such Global Securities by wire transfer to Bankers Trust Company or by Bankers Trust Company's debiting the account of FPL maintained with Bankers Trust Company. FPL will confirm such instructions in writing to Bankers



Trust Company. Prior to 10:00 a.m. (New York City time) on each Maturity Date or date of redemption or as soon as possible thereafter, Bankers Trust Company will pay by separate wire transfer (using Fedwire message entry instructions in a form previously agreed to with DTC) to an account at the Federal Reserve Bank of New York previously agreed to with DTC, in funds available for immediate use by DTC, each payment of principal (together with interest thereon) due on Global Securities on any Maturity Date or date of redemption. On each Interest Payment Date, interest payments shall be made to DTC in same day funds in accordance with existing arrangements between Bankers Trust Company and DTC. Thereafter, on each such date, DTC will pay, in accordance with its SDFS operating procedures then in effect, such amounts in funds available for immediate use to the respective Participants in whose names the Securities represented by such Global Securities are recorded in the book-entry system maintained by DTC. Neither FPL nor Bankers Trust Company shall have any direct responsibility or liability for the payment by DTC to such Participants of the principal of, interest on and premium, if any, on the Securities.

#### Procedure for Posting

FPL and the Agents will discuss from time to time the rates of interest per annum to be borne by, the maturity, and other terms of, Securities that may be sold as a result of the solicitation of offers to purchase by the Agents.

#### Acceptance and Rejection of Offers Authorized Persons

Oral instructions regarding sales of Securities will be given for FPL by [Dilek L. Samli, Scott Craig], or such other persons as may be designated from time to time. Oral instructions to \_\_\_\_\_ will be accepted by \_\_\_\_\_, or such other persons as may be designated from time to time. Oral instructions to \_\_\_\_\_ will be accepted by \_\_\_\_\_, or such other persons as may be designated from time to time. Oral instructions to \_\_\_\_\_ will be accepted by \_\_\_\_\_, or such other persons as may be designated from time to time.

FPL shall have the sole right to accept offers to purchase Securities from FPL and may reject any such offer in whole or in part. Each Agent shall promptly communicate to FPL, orally or in writing, each reasonable offer to purchase Securities from FPL received by it other than those rejected by such Agent. Each Agent shall have the right, in its discretion reasonably exercised without advising FPL, to reject any offers in whole or in part.

#### Settlement

The receipt of immediately available funds by FPL in payment for a Security (less the applicable commission) and the authentication and issuance of the Global Security representing such Security shall, with respect to such Security, constitute "Settlement". All offers accepted by FPL will be settled three business days from the date of acceptance by FPL pursuant to the timetable for Settlement set forth below unless FPL and the purchaser agree to Settlement on another day that shall be no earlier than the next business day.

#### Settlement Procedures

In the event of a purchase of Securities by an Agent, as principal, appropriate settlement details will be set forth in a Terms Agreement to be entered into between such Agent and FPL.



Settlement procedures with regard to each Security sold through each Agent shall be as follows:

A. Such Agent will advise FPL by telephone (confirmed in writing, which may include telex or facsimile) or by telex or facsimile, of the following sale information:

1. Exact name of the purchaser.
2. Principal amount of the Security.
3. Issue price of the Security.
4. Issue date of the Security.
5. Settlement date.
6. Maturity date.
7. Interest rate.

(a) Fixed Rate Securities:

- i) interest rate

(b) Variable Rate Securities:

- i) base rate
- ii) initial interest rate
- iii) spread or alternate rate event spread, if any
- iv) interest reset dates
- v) interest reset period
- vi) interest payment dates
- vii) interest payment period
- viii) interest determination dates
- ix) index maturity
- x) maximum and minimum interest rates, if any
- xi) calculation date

8. Redemption dates, if any, including any initial redemption date, par date and limitation date.

9. Redemption premium, if any, including any initial percentage and reduction percentage.

10. Agent's commission (to be paid in the form of a discount from the proceeds remitted to FPL upon Settlement) and its certification that the purchasers of the Security have been solicited solely by such Agent.

11. Net proceeds to FPL.

B. Bankers Trust Company will assign a CUSIP number to the Global Security representing such Security and FPL will advise Bankers Trust Company by telephone or by telex or facsimile of the information set forth in Settlement Procedure "A" above to be confirmed in a written request for the authentication and delivery of such Global Security, such CUSIP number and the name of such Agent. Bankers Trust Company will also notify the Agent of such CUSIP number by telephone as soon as practicable. Each such communication by FPL shall constitute a representation and warranty by FPL to Bankers Trust Company and each Agent that (i) such Security is then, and at the time of issuance and sale thereof will be, duly authorized for issuance and sale by FPL, (ii) the Global Security representing such Security will conform with the terms of the Mortgage pursuant to which such Security and Global Security are issued and (iii) upon authentication and delivery of such Global Security, the aggregate principal amount of all Securities initially offered and issued under the Mortgage will not exceed \$ \_\_\_\_\_ (except for Global Securities or Securities represented by and authenticated and delivered in exchange for or in lieu of Securities in accordance with the Mortgage).

C. Bankers Trust Company will enter a pending deposit message through DTC's Participant Terminal System, providing the following settlement information to DTC, and such information will be routed to Standard & Poor's Corporation through DTC:

1. The information set forth in Settlement Procedure "A".

2. Identification as a Fixed Rate Security or a Variable Rate Security.

3. Initial Interest Payment Date for such Security, number of days by which such date succeeds the related Record Date (or, in the case of Variable Rate Securities which reset daily or weekly, the date five calendar days preceding the Interest Payment Date) and amount of interest payable on such Interest Payment Date.

4. CUSIP number of the Global Security representing such Security.

5. Whether such Global Security will represent any other Security (to the extent known at such time).

6. Interest payment period.

D. Bankers Trust Company will complete and authenticate the Global Security representing such Security.

E. FPL will cause the appropriate amount of intangible tax and document excise tax to be paid in accordance with applicable Florida law and Georgia law.

F. Steel Hector & Davis LLP will (by telecopy followed by an original copy) provide Bankers Trust Company with an opinion regarding authentication.

G. DTC will credit such Security to Bankers Trust Company's participant account at DTC.

H. Bankers Trust Company will enter an SDFS deliver order through DTC's Participant Terminal System instructing DTC to (i) debit such Security to Bankers Trust Company's participant account and credit such Security to such Agent's participant account and (ii) debit such Agent's settlement account and credit Bankers Trust Company's settlement account for an amount equal to the price of such Security less such Agent's commission. The entry of such a deliver order shall constitute a representation and warranty by Bankers Trust Company to DTC that (a) the Global Security representing such Security has been issued and authenticated and (b) Bankers Trust Company is holding such Global Security pursuant to the Secured Medium-Term Note Certificate Agreement between Bankers Trust Company and DTC.

I. Such Agent will enter an SDFS deliver order through DTC's Participant Terminal System instructing DTC (i) to debit such Security to such Agent's participant account and credit such Security to the participant accounts of the Participants with respect to such Security and (ii) to debit the settlement accounts of such Participants and credit the settlement account of such Agent for an amount equal to the price of such Security.

J. Bankers Trust Company will transfer to the account of FPL maintained at Bankers Trust Company of New York, New York, in immediately available funds in the amount transferred to Bankers Trust Company in accordance with Settlement Procedure "H" upon receipt of such funds.

K. Such Agent will confirm the purchase of such Security to the purchaser either by transmitting to the Participants with respect to such Security a confirmation order or orders through DTC's institutional delivery system or by mailing a written confirmation to such purchaser. Such Agent will deliver to the purchaser a copy of the most recent Prospectus applicable to the Security with or prior to any written offer of Securities and the confirmation and payment by the purchaser for the Security.

L. Transfers of funds in accordance with SDFS deliver orders described in Settlement Procedures "H" and "I" will be settled in accordance with SDFS operating procedures in effect on the Settlement Date.

M. Bankers Trust Company will send a copy of the Global Security by first-class mail to FPL together with a statement setting forth the principal amount of Securities outstanding as of the related Settlement Date after giving effect to such transaction and all other offers to purchase Securities of which FPL has advised Bankers Trust Company but which have not yet been settled.

#### Settlement Procedures Timetable

For offers accepted by FPL, Settlement procedures "A" through "L" set forth above shall be completed to the extent possible at or before the respective times set forth below:

Settlement Procedure	Time (New York)
A (1-11)	11 a.m. on the sale date
B	12 Noon on the sale date
C	2 p.m. on the sale date
D-F	9 a.m. on the Settlement Date
G	10 a.m. on the Settlement Date
H-I	2 p.m. on the Settlement Date
J-K	4:45 p.m. on the Settlement Date
L	3:30 p.m. on the Settlement Date

If a sale is to be settled more than one business day after the sale date, Settlement Procedures "A", "B" and "C" shall be completed as soon as practicable but no later than 11 a.m., 12 Noon and 2:00 p.m., as the case may be, on the first business day after the sale date. In connection with a sale which is to be settled more than one business day after the sale date, if the initial interest rate for a Variable Rate Note is not known at the time that Settlement Procedure "A" is completed, Settlement Procedures "B" and "C" shall be completed as soon as such rates have been determined, but no later than 12 Noon and 2:00 p.m., as the case may be, on the second business day before the Settlement Date. Settlement Procedures "L" and "J" are subject to extension in accordance with any extension of Fedwire closing deadlines and in other events specified in the SDFS operating procedures in effect on the Settlement Date.

If Settlement of a Security is rescheduled or canceled, FPL will instruct Bankers Trust Company to deliver to DTC a cancellation message to such effect by no later than 12 Noon on the business day immediately preceding the scheduled Settlement Date and Bankers Trust Company will enter such order by 2:00 p.m. through DTC's Participation Terminal System.

#### Pricing Supplement

If FPL accepts an offer to purchase a Security, FPL will prepare a Pricing Supplement reflecting the terms of such Security and will arrange to have ten copies of the Pricing Supplement filed with the Commission not later than the close of business on the second Business Day following such acceptance of an offer to purchase such Security and will supply at least ten copies of the Pricing Supplement to the Agent. The Agent will use the Prospectus and Pricing Supplement to be delivered to the purchaser of the Security in accordance with the procedures set forth in "Delivery of Prospectus" below.

#### Failure to Settle

If Bankers Trust Company or the Agent fails to enter an SDFS deliver order with respect to a Security pursuant to Settlement Procedure "H" or "I", Bankers Trust Company may deliver to DTC, through DTC's Participant Terminal System, as soon as practicable, a withdrawal message instructing DTC to debit such Security to Bankers Trust Company's participant account, provided that Bankers Trust Company's participant account contains a principal amount of the Global Security representing such Security that is at least equal to the principal amount to be debited. If a withdrawal message is processed with respect to all the Securities represented by a Global Security, Bankers Trust Company will mark such Global Security "canceled", make appropriate entries in Bankers Trust Company's records and send such canceled Global Security to FPL. The CUSIP number assigned to such Global Security shall, in accordance with CUSIP Service Bureau procedures, be canceled and not immediately reassigned.



If a withdrawal message is processed with respect to one or more, but not all, of the Securities represented by a Global Security, Bankers Trust Company will exchange such Global Security for another Global Security, which shall represent the Securities previously represented by the surrendered Global Security with respect to which a withdrawal message has not been processed and shall bear the CUSIP number of the surrendered Global Security.

If the purchase price for any Security is not timely paid to the Participants with respect to such Security by the beneficial purchaser thereof (or a person, including an indirect participant in DTC, acting on behalf of such purchaser), such Participants and, in turn, the Agent for such Security may enter SDFS deliver orders through DTC's Participant Terminal System reversing the orders entered pursuant to Settlement Procedures "I" and "H", respectively. The Agent will notify Dilek L. Samil or Scott Craig of FPL by telephone, confirmed in writing, of such failure. Thereafter, Bankers Trust Company will deliver the withdrawal message and take the related actions described in the preceding paragraph.

Notwithstanding the foregoing, upon any failure to settle with respect to a Security, DTC may take any actions in accordance with its SDFS operating procedures then in effect. In the event of a failure to settle with respect to one or more, but not all, of the Securities to have been represented by a Global Security, the Trustee will provide, in accordance with Settlement Procedure "D", for the authentication and issuance of a Global Security representing the other Securities to have been represented by such Global Security and will make appropriate entries in its records.

#### **Procedure for Rate Changes**

When a decision has been reached to change interest rates on or other variable terms with respect to any Securities being sold by FPL, FPL will promptly advise the Agents and the Agents will forthwith suspend solicitation of offers to purchase such Securities. The Agents will telephone FPL with recommendations as to the changed interest rates or other variable terms. At such time as FPL has advised each of the Agents of the new interest rates on or other variable terms with respect to the Securities, the Agents may resume solicitation of offers to purchase such Securities. Until such time only "indications of interest" may be recorded.

#### **Suspension of Solicitation: Amendment or Supplement**

If, during any period in which, in the opinion of Counsel for the Agents, a prospectus relating to the Securities is required to be delivered under the Securities Act, any event occurs as a result of which the Prospectus would include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or if it is necessary at any time to amend the Prospectus to comply with the Securities Act, FPL will notify the Agents promptly to suspend solicitation of purchases of the Securities and each Agent shall suspend its solicitations of purchases of Securities; and if FPL shall decide to amend or supplement the Registration Statement or the Prospectus, it will promptly advise the Agents by telephone (with confirmation in writing) and will promptly prepare and file with the Commission an amendment or supplement which will correct such statement or omission or an amendment which will effect such compliance. Upon the Agents' receipt of such amendment or supplement and advice from FPL that solicitations may be resumed, the Agents will resume solicitations of purchases of the Securities.

In addition, FPL may instruct the Agents to suspend solicitation of offers to purchase at any time. Upon receipt of such instructions the Agents will forthwith suspend solicitation of offers to purchase from FPL until such time as FPL has advised them that solicitation of offers to purchase may be resumed. If FPL decides to amend or supplement the Registration Statement or the Prospectus relating to the Securities (other than to change interest rates, maturity dates and/or redemption terms), it will promptly advise the Agents and Bankers Trust Company and will furnish the Agents and Bankers Trust Company copies of the proposed amendment or supplement.

In the event that at the time the Agents, at the direction of FPL, suspend solicitation of offers to purchase from FPL there shall be any orders outstanding which have been accepted but which have not been settled, FPL will



promptly advise the Agents and Bankers Trust Company whether such orders may be settled and whether copies of the Prospectus as theretofore amended and/or supplemented as in effect at the time of the suspension may be delivered in connection with the settlement of such orders. FPL will have the sole responsibility for such decision and for any arrangement which may be made in the event that FPL determines that such orders may not be settled or that copies of such Prospectus may not be so delivered.

#### Delivery of Prospectus

Each Agent will provide a copy of the relevant Prospectus, appropriately amended or supplemented, which must accompany or precede each written offer of a Security by such Agent, each written confirmation of a sale sent to a purchaser or his agent by such Agent and payment for each Security by a purchaser.

#### Authenticity of Signatures

FPL will cause Bankers Trust Company to furnish the Agents from time to time with the specimen signatures of each of Bankers Trust Company's officers, employees and agents who have been authorized by Bankers Trust Company to authenticate Securities, but the Agents will have no obligation or liability to FPL or Bankers Trust Company in respect of the authenticity of the signature of any officer, employee or agent of FPL or Bankers Trust Company on any Security.

#### Advertising Costs

FPL will determine with the Agents the amount and nature of advertising that may be appropriate in offering the Securities. Advertising expenses in connection with solicitation of offers to purchase Securities from FPL will be paid by FPL.

## EXHIBIT B

FPL agrees to pay each Agent a commission in the range of the following percentages of the aggregate principal amount of Securities sold to purchasers solicited by such Agent or, in the event the Securities are being sold at a discount, the issue price thereof. The actual commission to be paid by FPL to each Agent will be set forth in separate agreements between FPL and each of the Agents.

Commission Rate Range  
(as a percentage of aggregate principal amount of  
Securities sold or the issue price, as the case may be)

### Term

9 months to less than 12 months

12 months to less than 18 months

18 months to less than 24 months

2 years to less than 3 years

3 years to less than 4 years

4 years to less than 5 years

5 years to less than 6 years

6 years to less than 7 years

7 years to less than 8 years

8 years to less than 9 years

9 years to less than 10 years

10 years to less than 15 years

15 years to less than 20 years

20 years to 30 years

TERMS AGREEMENT

\_\_\_\_\_, 19\_\_

Florida Power & Light Company  
700 Universe Boulevard  
Juno Beach, Florida 33408

Attention: Treasurer

The undersigned agrees to purchase \$\_\_\_\_\_ principal amount of the Securities of Florida Power & Light Company pursuant to the terms and conditions set forth in the Distribution Agreement dated \_\_\_\_\_, \_\_\_\_ (the "Distribution Agreement") and in the Schedule attached hereto.

[Indicate whether the legal opinions and/or the accountant's letter and/or the officer's certificate described in Sections 8(c), 8(d) and 8(e), respectively, will or will not be required.]

[Additional terms]

THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF NEW YORK.

By \_\_\_\_\_

Accepted: \_\_\_\_\_, 19\_\_

Florida Power & Light Company

By \_\_\_\_\_

**SCHEDULE I TO EXHIBIT C**

Registration Statement:

No. 333-\_\_\_\_\_

Mortgage:

Mortgage and Deed of Trust dated as of January 1, 1944, between FPL and Bankers Trust Company, as Trustee, and The Florida National Bank of Jacksonville (now resigned) as supplemented.

Aggregate Principal Amount:

Price to Public:

Purchase Price by \_\_\_\_\_:

\_\_\_\_\_% of the principal amount of the Purchased Securities, plus accrued interest from \_\_\_\_\_ to \_\_\_\_\_.

Purchase Date and Time:

Settlement Date:

Method of and Specified Funds for  
Payment of Purchase Price:

Closing Location:

Redemption Provisions:

Maturity:

If fixed rate securities

Interest Rate: (     %)

Interest Payment Date(s):

If variable rate securities

Base Rate:

Initial Interest Rate:

Interest Determination Dates:

Interest Reset Dates

Interest Reset Period:

Interest Payment Dates:

Index Maturity:

Interest Payment Period:

Maximum Interest Rate:

Minimum Interest Rate:

Calculation Date:

Spread or Alternate Rate Event Spread:

Spread Multiplier:

Syndicate Provisions:

(Set forth any provisions relating to underwriters' default and step-up of amounts to be purchased by underwriters acting with \_\_\_\_\_ or \_\_\_\_\_, as the case may be).

Additional terms:





This instrument was prepared by:

Exhibit 4(I)

Florida Power & Light Company  
700 Universe Boulevard  
Juno Beach, Florida 33408

## **FLORIDA POWER & LIGHT COMPANY**

to

### **BANKERS TRUST COMPANY**

*As Trustee under Florida Power & Light  
Company's Mortgage and Deed of Trust,  
Dated as of January 1, 1944.*

### **Supplemental Indenture**

*Relating to a Principal Amount  
Not To Exceed \$ \_\_\_\_\_  
of First Mortgage Bonds, designated  
Secured Medium-Term Notes, Series \_\_\_\_.*

*\*[Relating to \$ \_\_\_\_\_ Principal Amount  
of First Mortgage Bonds, \_\_\_\_% Series  
due \_\_\_\_\_, \_\_\_\_.]*

*Dated as of \_\_\_\_\_, \_\_\_\_*

\* These three lines will be inserted, in lieu of the four lines immediately preceding them, in any supplemental indenture relating to the issuance of First Mortgage Bonds other than those designated Secured Medium-Term Notes.

## FLORIDA POWER & LIGHT COMPANY

Reconciliation and Tie of Provisions of Trust Indenture Act of 1939 to provisions of Mortgage and Deed of Trust to Bankers Trust Company and The Florida National Bank of Jacksonville (now resigned), as Trustees, dated as of January 1, 1944, as amended.

<u>Sections of Act</u>	<u>Sections of Mortgage and Supplemental Indentures</u>
310(a) (1) (2) (3) . .	Mortgage, 35(a), 88 and 103
310(a) (4) . . . . .	Not Applicable
310(b) . . . . .	Mortgage, 99; First Supplemental, 14; Seventh Supplemental, 6
310(c) . . . . .	Not Applicable
311(a) . . . . .	Mortgage, 98
311(b) . . . . .	Mortgage, 98
311(c) . . . . .	Not Applicable
312(a) . . . . .	Mortgage, 43(a) and 43(b)
312(b) . . . . .	Mortgage, 43(c)
312(c) . . . . .	Mortgage, 43(d)
313(a) . . . . .	Mortgage, 100(a)
313(b) . . . . .	Mortgage, 100(b); First Supplemental, 15
313(c) . . . . .	Mortgage, 100(c)
313(d) . . . . .	Mortgage, 100(d)
314(a) . . . . .	Mortgage, 44
314(b) . . . . .	Mortgage, 42
314(c) . . . . .	Mortgage, 121, 3, 61 and 7
314(d) . . . . .	Mortgage, 59(3), 60, 3 and 28(4)
314(e) . . . . .	Mortgage, 121, 3 and 61
314(f) . . . . .	Omitted
315(a) . . . . .	Mortgage, 89 and 88; First Supplemental, 13
315(b) . . . . .	Mortgage, 66 and 3; First Supplemental, 11
315(c) . . . . .	Mortgage, 88
315(d) . . . . .	Mortgage, 89; First Supplemental, 13
315(e) . . . . .	Mortgage, 122
316(a) (1) . . . . .	Mortgage, 71; First Supplemental, 12
316(a) (2) . . . . .	Omitted
316(b) . . . . .	Mortgage, 80
317(a) . . . . .	Mortgage, 78
317(b) . . . . .	Mortgage, 35(c) and 95; First Supplemental, 7
318(a) . . . . .	Mortgage, 124

## SUPPLEMENTAL INDENTURE

INDENTURE, dated as of the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, made and entered into by and between FLORIDA POWER & LIGHT COMPANY, a corporation of the State of Florida, whose post office address is 700 Universe Boulevard, Juno Beach, Florida 33408 (hereinafter sometimes called FPL), and BANKERS TRUST COMPANY, a corporation of the State of New York, whose post office address is Four Albany Street, New York, New York 10006 (hereinafter called the Trustee), as the \_\_\_\_\_ supplemental indenture (hereinafter called the \_\_\_\_\_ Supplemental Indenture) to the Mortgage and Deed of Trust, dated as of January 1, 1944 (hereinafter called the Mortgage), made and entered into by FPL, the Trustee and the Florida National Bank of Jacksonville, as Co-Trustee (now resigned), the Trustee now acting as the sole trustee under the Mortgage, which Mortgage was executed and delivered by FPL to secure the payment of bonds issued or to be issued under and in accordance with the provisions thereof, reference to which Mortgage is hereby made, this \_\_\_\_\_ Supplemental Indenture being supplemental thereto;

WHEREAS, Section 8 of the Mortgage provides that the form of each series of bonds (other than the first series) issued thereunder shall be established by Resolution of the Board of Directors of FPL and that the form of such series, as established by said Board of Directors, shall specify the descriptive title of the bonds and various other terms thereof, and may also contain such provisions not inconsistent with the provisions of the Mortgage as the Board of Directors may, in its discretion, cause to be inserted therein expressing or referring to the terms and conditions upon which such bonds are to be issued and/or secured under the Mortgage; and

WHEREAS, Section 120 of the Mortgage provides, among other things, that any power, privilege or right expressly or impliedly reserved to or in any way conferred upon FPL by any provision of the Mortgage, whether such power, privilege or right is in any way restricted or is unrestricted, may be in whole or in part waived or surrendered or subjected to any restriction if at the time unrestricted or to additional restriction if already restricted, and FPL may enter into any further covenants, limitations or restrictions for the benefit of any one or more series of bonds issued thereunder, or FPL may cure any ambiguity contained therein, or in any supplemental indenture, or may establish the terms and provisions of any series of bonds other than said first series, by an instrument in writing executed and acknowledged by FPL in such manner as would be necessary to entitle a conveyance of real estate to record in all of the states in which any property at the time subject to the Lien of the Mortgage shall be situated; and

WHEREAS, FPL now desires to create the series of bonds described in Article I hereof and to add to its covenants and agreements contained in the Mortgage certain other covenants and agreements to be observed by it and to alter and amend in certain respects the covenants and provisions contained in the Mortgage; and

WHEREAS, the execution and delivery by FPL of this \_\_\_\_\_ Supplemental Indenture, and the terms of the bonds, hereinafter referred to in

Article I, have been duly authorized by the Board of Directors of FPL by appropriate resolutions of said Board of Directors;

NOW, THEREFORE, THIS INDENTURE WITNESSETH: That FPL, in consideration of the premises and of One Dollar to it duly paid by the Trustee at or before the ensembling and delivery of these presents, the receipt whereof is hereby acknowledged, and in further evidence of assurance of the estate, title and rights of the Trustee and in order further to secure the payment of both the principal of and interest and premium, if any, on the bonds from time to time issued under the Mortgage, according to their tenor and effect, and the performance of all the provisions of the Mortgage (including any instrument's supplemental thereto and any modification made as in the Mortgage provided) and of said bonds, hereby grants, bargains, sells, releases, conveys, assigns, transfers, mortgages, pledges, sets over and confirms (subject, however, to Excepted Encumbrances as defined in Section 6 of the Mortgage) unto Bankers Trust Company, as Trustee under the Mortgage, and to its successor or successors in said trust, and to said Trustee and its successors and assigns forever, all property, real, personal and mixed, acquired by FPL after the date of the execution and delivery of the Mortgage (except any herein or in the Mortgage, as heretofore supplemented, expressly excepted), now owned (except any properties heretofore released pursuant to any provisions of the Mortgage and in the process of being sold or disposed of by FPL) or, subject to the provisions of Section 87 of the Mortgage, hereafter acquired by FPL and wheresoever situated, including (without in anywise limiting or impairing by the enumeration of the same the scope and intent of the foregoing) all lands, power sites, flowage rights, water rights, water locations, water appropriations, ditches, flumes, reservoirs, reservoir sites, canals, raceways, dams, dam sites, aqueducts, and all rights or means for appropriating, conveying, storing and supplying water; all rights of way and roads; all plants for the generation of electricity by steam, water and/or other power; all power houses, gas plants, street lighting systems, standards and other equipment incidental thereto, telephone, radio and television systems, air-conditioning systems and equipment incidental thereto, water works, water systems, steam heat and hot water plants, substations, lines, service and supply systems, bridges, culverts, tracks, ice or refrigeration plants and equipment, offices, buildings and other structures and the equipment thereof; all machinery, engines, boilers, dynamos, electric, gas and other machines, regulators, meters, transformers, generators, motors, electrical, gas and mechanical appliances, conduits, cables, water, steam heat, gas or other pipes, gas mains and pipes, service pipes, fittings, valves and connections, pole and transmission lines, wires, cables, tools, implements, apparatus, furniture, chattels, and choses in action; all municipal and other franchises, consents or permits; all lines for the transmission and distribution of electric current, gas, steam heat or water for any purpose including towers, poles, wires, cables, pipes, conduits, ducts and all apparatus for use in connection therewith; all real estate, lands, easements, servitudes, licenses, permits, franchises, privileges, rights of way and other rights in or relating to real estate or the occupancy of the same and (except as herein or in the Mortgage, as heretofore supplemented, expressly excepted) all the right, title and interest of FPL in and to all other property of any kind or nature appertaining to and/or used and/or occupied and/or enjoyed in connection with any property hereinbefore or in the Mortgage, as heretofore supplemented, described.



TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in anywise appertaining to the aforesaid property or any part thereof, with the reversion and reversions, remainder and remainders and (subject to the provisions of Section 57 of the Mortgage) the tolls, rents, revenues, issues, earnings, income, products and profits thereof, and all the estate, right, title and interest and claim whatsoever, at law as well as in equity, which FPL now has or may hereinafter acquire in and to the aforesaid property and franchises and every part and parcel thereof.

IT IS HEREBY AGREED by FPL that, subject to the provisions of Section 87 of the Mortgage, all the property, rights, and franchises acquired by FPL after the date hereof (except any herein or in the Mortgage, as heretofore supplemented, expressly excepted) shall be and are as fully granted and conveyed hereby and as fully embraced within the Lien of the Mortgage, as if such property, rights and franchises were now owned by FPL and were specifically described herein and conveyed hereby.

PROVIDED that the following are not and are not intended to be now or hereafter granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed hereunder and are hereby expressly excepted from the Lien and operation of this \_\_\_\_\_ Supplemental Indenture and from the Lien and operation of the Mortgage, as heretofore supplemented, viz: (1) cash, shares of stock, bonds, notes and other obligations and other securities not hereafter specifically pledged, paid, deposited, delivered or held under the Mortgage or covenanted so to be; (2) merchandise, equipment, materials or supplies held for the purpose of sale in the usual course of business and fuel (including Nuclear Fuel unless expressly subjected to the Lien and operation of the Mortgage by FPL in a future Supplemental Indenture), oil and similar materials and supplies consumable in the operation of any properties of FPL; rolling stock, buses, motor coaches, automobiles and other vehicles; (3) bills, notes and accounts receivable, and all contracts, leases and operating agreements not specifically pledged under the Mortgage or covenanted so to be; (4) the last day of the term of any lease or leasehold which may hereafter become subject to the Lien of the Mortgage; (5) electric energy, gas, ice, and other materials or products generated, manufactured, produced or purchased by FPL for sale, distribution or use in the ordinary course of its business; all timber, minerals, mineral rights and royalties; (6) FPL's franchise to be a corporation; and (7) the properties already sold or in the process of being sold by FPL and heretofore released from the Mortgage and Deed of Trust, dated as of January 1, 1926, from Florida Power & Light Company to Bankers Trust Company and The Florida National Bank of Jacksonville, trustees, and specifically described in three separate releases executed by Bankers Trust Company and The Florida National Bank of Jacksonville, dated July 28, 1943, October 6, 1943 and December 11, 1943, which releases have heretofore been delivered by the said trustees to FPL and recorded by FPL among the Public Records of all Counties in which such properties are located; provided, however, that the property and rights expressly excepted from the Lien and operation of the Mortgage in the above subdivisions (2) and (3) shall (to the extent permitted by law) cease to be so excepted in the event and as of the date that the Trustee or a receiver or trustee shall enter

upon and take possession of the Mortgaged and Pledged Property in the manner provided in Article XIII of the Mortgage by reason of the occurrence of a Default as defined in Section 65 thereof.

TO HAVE AND TO HOLD all such properties, real, personal and mixed, granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed by FPL as aforesaid, or intended so to be, unto Bankers Trust Company, the Trustee, and its successors and assigns forever.

IN TRUST NEVERTHELESS, for the same purposes and upon the same terms, trusts and conditions and subject to and with the same provisos and covenants as are set forth in the Mortgage, as heretofore supplemented, this \_\_\_\_\_ Supplemental Indenture being supplemental thereto.

AND IT IS HEREBY COVENANTED by FPL that all terms, conditions, provisos, covenants and provisions contained in the Mortgage shall affect and apply to the property hereinbefore described and conveyed and to the estate, rights, obligations and duties of FPL and the Trustee and the beneficiaries of the trust with respect to said property, and to the Trustee and its successors as Trustee of said property in the same manner and with the same effect as if said property had been owned by FPL at the time of the execution of the Mortgage, and had been specifically and at length described in and conveyed to said Trustee, by the Mortgage as a part of the property therein stated to be conveyed.

FPL further covenants and agrees to and with the Trustee and its successors in said trust under the Mortgage, as follows:

## ARTICLE I

### \_\_\_\_\_ Series of Bonds

\*\*SECTION 1. (I) There shall be a series of bonds designated "Secured Medium-Term Notes, Series \_\_\_\_\_", herein sometimes referred to as the \_\_\_\_\_ Series", each of which shall also bear the descriptive title First Mortgage Bond, and the form thereof, which shall be established by Resolution of the Board of Directors of FPL, shall contain suitable provisions with respect to the matters hereinafter in this Section specified. Bonds of the \_\_\_\_\_ Series shall be issued from time to time in an aggregate principal amount not to exceed \$\_\_\_\_\_ at any one time Outstanding except as provided in Section 16 of the Mortgage. [The amount which may be Outstanding from time to time will be stated in one or more notices of receipt of advance under mortgage providing for future advances (a form of which is annexed hereto) executed by the Company and recorded in Palm Beach County, Florida, and in one or more acknowledgements of future

\*\* The provisions in this Section 1 will be inserted in supplemental indentures relating to the issuance of First Mortgage Bonds designated Secured Medium Term Notes, provided that the bracketed language may change.

advance (a form of which is annexed hereto) executed by FPL and the Trustee and recorded in Monroe County, Georgia.] Bonds of the \_\_\_\_\_ Series shall be issued as fully registered bonds in the denominations of [One Hundred] Thousand Dollars and, at the option of FPL, in any larger amount that is an integral multiple of [One] Thousand Dollars (the exercise of such option to be evidenced by the execution and delivery thereof); each bond of the \_\_\_\_\_ Series shall mature on [such date not less than \_\_\_\_\_ months nor more than \_\_\_\_\_ years from date of issue,] shall bear interest at [such rate or rates (which may be either fixed or variable) and have such other terms and provisions not inconsistent with the Mortgage as the Board of Directors may determine in accordance with a Resolution filed with the Trustee referring to this \_\_\_\_\_ Supplemental Indenture]; interest on bonds of the \_\_\_\_\_ Series [which bear interest at a fixed rate] shall be payable [semi-annually on \_\_\_\_\_ and \_\_\_\_\_ of each year] and at maturity (each an interest payment date); interest on bonds of the \_\_\_\_\_ Series [which bear interest at a variable rate] shall be payable [on the dates established on the Issue Date [or the Original Interest Accrual Date] with respect to such bonds and shall be set forth in such bonds.] [Notwithstanding the foregoing, so long as there is no existing default in the payment of interest on the bonds of the \_\_\_\_\_ Series, all bonds of the \_\_\_\_\_ Series authenticated by the Trustee after the Record Date hereinafter specified for any interest payment date, and prior to such interest payment date (unless the Issue Date [or the Original Interest Accrual Date] is after such Record Date), shall be dated the date of authentication, but shall bear interest from such interest payment date, and the person in whose name any bond of the \_\_\_\_\_ Series is registered at the close of business on any Record Date with respect to any interest payment date shall be entitled to receive the interest payable on such interest payment date, notwithstanding the cancellation of such bond of the \_\_\_\_\_ Series, upon any transfer or exchange thereof subsequent to the Record Date and on or prior to such interest payment date. If the Issue Date [or the Original Interest Accrual Date] of the bonds of the \_\_\_\_\_ Series of a designated interest rate and maturity is after the Record Date, such bonds shall bear interest from the Issue Date [or the Original Interest Accrual Date] but payment of interest shall commence on the second interest payment date succeeding the Issue Date [or the Original Interest Accrual Date]. "Record Date" for bonds of the \_\_\_\_\_ Series which bear interest at a fixed rate shall mean \_\_\_\_\_ for interest payable \_\_\_\_\_ and \_\_\_\_\_ for interest payable \_\_\_\_\_, and for bonds of the \_\_\_\_\_ Series which bear interest at a variable rate, the date 15 calendar days prior to any interest payment date, provided that, interest payable on the maturity date will be payable to the person to whom the principal thereof shall be payable. "Issue Date" [or "Original Interest Accrual Date"] with respect to bonds of the \_\_\_\_\_ Series of a designated interest rate and maturity [unless a Resolution filed with the Trustee on or before such date shall specify another date from which interest shall accrue, then such other date for bonds of such designated interest rate and maturity.] shall mean the date of first authentication of bonds of such designated interest rate and maturity.] The principal of and interest on each said bond is payable at the office or agency of FPL in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for public

and private debts. Bonds of the \_\_\_\_\_ Series shall be dated as in Section 10 of the Mortgage provided.

\*\*\*[(II) Bonds of the \_\_\_\_\_ Series may be redeemable either at the option of FPL or pursuant to the requirements of the Mortgage (including, among other requirements, the application of cash delivered to or deposited with the Trustee pursuant to the provisions of Section 39 or Section 64 of the Mortgage or with proceeds of Released Property) in whole at any time, or in part from time to time, prior to maturity, upon notice, as provided in Section 52 of the Mortgage, mailed at least thirty (30) days prior to the date fixed for redemption, as the Board of Directors may determine in accordance with a Resolution filed with the Trustee referring to this \_\_\_\_\_ Supplement Indenture.]

[(III) At the option of the registered owner, any bonds of the \_\_\_\_\_ Series, upon surrender thereof for cancellation at the office or agency of FPL in the Borough of Manhattan, The City of New York, together with a written instrument of transfer wherever required by FPL, duly executed by the registered owner or by his duly authorized attorney, shall (subject to the provisions of Section 12 of the Mortgage) be exchangeable for a like aggregate principal amount of bonds of the same series of other authorized denominations which have the same issue date, maturity date, and redemption provisions, if any, and which bear interest at the same rate.]

Bonds of the \_\_\_\_\_ Series shall be transferrable (subject to the provisions of Section 12 of the Mortgage) at the office or agency of FPL in the Borough of Manhattan, The City of New York.

Upon any exchange or transfer of bonds of the \_\_\_\_\_ Series, FPL may make a charge therefor sufficient to reimburse it for any tax or taxes or other governmental charge, as provided in Section 12 of the Mortgage, but FPL hereby waives any right to make a charge in addition thereto for any exchange or transfer of bonds of the \_\_\_\_\_ Series.

\*\*\*\*[SECTION 1. (I) There shall be a series of bonds designated "       % Series due                     ", herein sometimes referred to as the "                     Series", each of which shall also bear the descriptive title *First Mortgage Bond*, and the form thereof, which shall be established by Resolution of the Board of Directors of FPL, shall contain suitable provisions with respect to the matters hereinafter in this Section specified. Bonds of the \_\_\_\_\_ Series shall mature on \_\_\_\_\_ and shall be issued as fully registered bonds in denominations of [One] Thousand Dollars and, at the option of FPL, in any multiple or multiples of [One] Thousand Dollars (the exercise of such option to be

\*\*\* These or other redemption provisions or other terms and conditions relating to the series of First Mortgage Bonds may be inserted here.

\*\*\*\* These provisions will be inserted in any supplemental indentures relating to the issuance of First Mortgage Bonds other than those designated Secured Medium-Term Notes, provided that the bracketed language may change.



evidenced by the execution and delivery thereof); they shall bear interest [at the rate of \_\_\_\_% per annum, payable semi-annually on \_\_\_\_ and \_\_\_\_ of each year;] the principal of and interest on each said bond to be payable at the office or agency of FPL in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts. Bonds of the \_\_\_\_ Series shall be dated as in Section 10 of the Mortgage provided.

[(II) Bonds of the \_\_\_\_ Series shall be redeemable either at the option of FPL or pursuant to the requirements of the Mortgage (including, among other requirements, the application of cash delivered to or deposited with the Trustee pursuant to the provisions of Section 39 or Section 64 of the Mortgage or with proceeds of Released Property) in whole at any time, or in part from time to time, prior to maturity, upon notice, as provided in Section 52 of the Mortgage, mailed at least thirty (30) days prior to the date fixed for redemption, at the following general redemption prices, expressed in percentages of the principal amount of the bonds to be redeemed:

#### **General Redemption Prices**

If redeemed during the 12 month period ending \_\_\_\_\_,

in each case, together with accrued interest to the date fixed for redemption.]\*\*\*\*\*

(III) At the option of the registered owner, any bonds of the \_\_\_\_ Series, upon surrender thereof for cancellation at the office or agency of FPL in the Borough of Manhattan, The City of New York, together with a written instrument of transfer wherever required by FPL, duly executed by the registered owner or by his duly authorized attorney, shall (subject to the provisions of

---

\*\*\*\*\* These or other redemption provisions or other terms and conditions relating to the series of First Mortgage Bonds may be inserted here.



*Section 12 of the Mortgage) be exchangeable for a like aggregate principal amount of bonds of the same series of other authorized denominations.*

*Bonds of the \_\_\_\_\_ Series shall be transferable (subject to the provisions of Section 12 of the Mortgage) at the office or agency of FPL in the Borough of Manhattan, The City of New York.*

*Upon any exchange or transfer of bonds of the \_\_\_\_\_ Series, FPL may make a charge therefor sufficient to reimburse it for any tax or taxes or other governmental charge, as provided in Section 12 of the Mortgage, but FPL hereby waives any right to make a charge in addition thereto for any exchange or transfer of bonds of the \_\_\_\_\_ Series.]*

## **ARTICLE II**

### **Dividend Covenant**

SECTION 2. Section 3 of the Third Supplemental Indenture, as heretofore amended, is hereby further amended by inserting the words "or \_\_\_\_\_ Series" immediately before the words "remain Outstanding".

## **ARTICLE III**

### **Miscellaneous Provisions**

SECTION 3. Subject to the amendments provided for in this \_\_\_\_\_ Supplemental Indenture, the terms defined in the Mortgage, as heretofore supplemented, shall, for all purposes of this \_\_\_\_\_ Supplemental Indenture, have the meanings specified in the Mortgage, as heretofore supplemented.

\*\*\*\*\*SECTION 4. The holders of bonds of the \_\_\_\_\_ Series consent that FPL may, but shall not be obligated to, fix a record date for the purpose of determining the holders of bonds of the \_\_\_\_\_ Series entitled to consent to any amendment, supplement or waiver. If a record date is fixed, those persons who were holders at such record date (or their duly designated proxies), and only those persons, shall be entitled to consent to such amendment, supplement or waiver or to revoke any consent previously given, whether or not such persons continue to be holders after such record date. No such consent shall be valid or effective for more than 90 days after such record date.

SECTION 5. The Trustee hereby accepts the trust herein declared, provided, created or supplemented and agree to perform the same upon the terms and conditions

---

\*\*\*\*\* This provision may be deleted in any supplemental indenture relating to the issuance of First Mortgage Bonds other than those which are issued to the Depository Trust Company, or its successor. The remaining sections will be renumbered accordingly.

herein and in the Mortgage, as heretofore supplemented, set forth and upon the following terms and conditions:

The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this \_\_\_\_\_ Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made by FPL solely. In general, each and every term and condition contained in Article XVII of the Mortgage, as heretofore amended, shall apply to and form part of this \_\_\_\_\_ Supplemental Indenture with the same force and effect as if the same were herein set forth in full with such omissions, variations and insertions, if any, as may be appropriate to make the same conform to the provisions of this \_\_\_\_\_ Supplemental Indenture.

SECTION 6. Whenever in this \_\_\_\_\_ Supplemental Indenture either of the parties hereto is named or referred to, this shall, subject to the provisions of Articles XVI and XVII of the Mortgage, as heretofore amended, be deemed to include the successors and assigns of such party, and all the covenants and agreements in this \_\_\_\_\_ Supplemental Indenture contained by or on behalf of FPL, or by or on behalf of the Trustee, or either of them, shall, subject as aforesaid, bind and inure to the respective benefits of the respective successors and assigns of such parties, whether so expressed or not.

SECTION 7. Nothing in this \_\_\_\_\_ Supplemental Indenture, expressed or implied, is intended, or shall be construed, to confer upon, or to give to, any person, firm or corporation, other than the parties hereto and the holders of the bonds and coupons Outstanding under the Mortgage, any right, remedy or claim under or by reason of this \_\_\_\_\_ Supplemental Indenture or any covenant, condition, stipulation, promise or agreement hereof, and all the covenants, conditions, stipulations, promises and agreements in this \_\_\_\_\_ Supplemental Indenture contained by or on behalf of FPL shall be for the sole and exclusive benefit of the parties hereto, and of the holders of the bonds and coupons Outstanding under the Mortgage.

SECTION 8. The Mortgage, as heretofore supplemented and amended and as supplemented hereby, is intended by the parties hereto, as to properties now or hereafter encumbered thereby and located within the State of Georgia, to operate and is to be construed as granting a lien only on such properties and not as a deed passing title thereto.

SECTION 9. This \_\_\_\_\_ Supplemental Indenture shall be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, FPL has caused its corporate name to be hereunto affixed, and this instrument to be signed and sealed by its President or one of its Vice Presidents, and its corporate seal to be attested by its Secretary or one of its Assistant Secretaries for and in its behalf, and BANKERS TRUST COMPANY has caused its corporate name to be hereunto affixed, and this instrument to be signed and sealed by one of its Vice Presidents or Assistant Vice Presidents, and its corporate seal to be attested by one of its Assistant Vice Presidents or one of its Assistant Secretaries, all as of the day and year first above written.

FLORIDA POWER & LIGHT COMPANY

By: \_\_\_\_\_

Attest: \_\_\_\_\_

Executed, sealed and delivered by  
FLORIDA POWER & LIGHT COMPANY  
in the presence of:

\_\_\_\_\_

\_\_\_\_\_

BANKERS TRUST COMPANY,

As Trustee

By: \_\_\_\_\_

Attest: \_\_\_\_\_

Executed, sealed and delivered by  
BANKERS TRUST COMPANY  
in the presence of:

\_\_\_\_\_

\_\_\_\_\_

STATE OF FLORIDA }  
COUNTY OF PALM BEACH } ss.:

On the \_\_\_\_\_ day of \_\_\_\_\_, in the year \_\_\_\_\_, before me personally came \_\_\_\_\_, to me known, who, being by me duly sworn, did depose and say that he resides at \_\_\_\_\_; that he is a \_\_\_\_\_ of FLORIDA POWER & LIGHT COMPANY, one of the corporations described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

I HEREBY CERTIFY, that on this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, before me personally appeared \_\_\_\_\_ and an \_\_\_\_\_ of FLORIDA POWER & LIGHT COMPANY, a corporation under the laws of the State of Florida, to me known to be the persons described in and who executed the foregoing instrument and severally acknowledged the execution thereof to be their free act and deed as such officers, for the uses and purposes therein mentioned; and that they affixed thereto the official seal of said corporation, and that said instrument is the act and deed of said corporation.

\_\_\_\_\_ and \_\_\_\_\_ produced Florida Driver's License No. \_\_\_\_\_ and Florida Driver's License No. \_\_\_\_\_ as identification, respectively, and did take an oath.

WITNESS my signature and official seal at Jussu Beach, in the County of Palm Beach, and State of Florida, the day and year last aforesaid.

Notary Public, State of Florida  
Commission No. \_\_\_\_\_  
My Commission Expires \_\_\_\_\_



STATE OF NEW YORK }  
COUNTY OF NEW YORK } ss.:

On the \_\_\_\_\_ day of \_\_\_\_\_, in the year \_\_\_\_\_, before me personally came \_\_\_\_\_, to me known, who, being by me duly sworn, did depose and say that he resides at \_\_\_\_\_; that he is a \_\_\_\_\_ of BANKERS TRUST COMPANY, one of the corporations described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

I HEREBY CERTIFY, that on this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, before me personally appeared \_\_\_\_\_ and \_\_\_\_\_, respectively, a \_\_\_\_\_ and an \_\_\_\_\_ of BANKERS TRUST COMPANY, a corporation under the laws of the state of New York, to me known to be the persons described in and who executed the foregoing instrument and severally acknowledged the execution thereof to be their free act and deed as such officers, for the uses and purposes therein mentioned; and that they affixed thereto the official seal of said corporation, and that said instrument is the act and deed of said corporation.

\_\_\_\_\_ and \_\_\_\_\_ produced \_\_\_\_\_ Driver's License No. \_\_\_\_\_ and \_\_\_\_\_ Driver's License No. \_\_\_\_\_ as identification, respectively, and did take an oath.

WITNESS my signature and official seal at New York City, in the County of New York, and State of New York, the day and year last aforesaid.

Notary Public, State of New York  
Commission No. \_\_\_\_\_  
Qualified in \_\_\_\_\_ County  
My Commission Expires \_\_\_\_\_

STATE OF NEW YORK } ss.:  
COUNTY OF NEW YORK }

On the \_\_\_\_\_ day of \_\_\_\_\_, in the year \_\_\_\_\_, before me personally came \_\_\_\_\_, to me known, who, being by me duly sworn, did depose and say that he resides at \_\_\_\_\_; that he is \_\_\_\_\_ of BANKERS TRUST COMPANY, one of the corporations described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

I HEREBY CERTIFY, that on this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, before me personally appeared \_\_\_\_\_ and \_\_\_\_\_, respectively, \_\_\_\_\_ and an \_\_\_\_\_ of BANKERS TRUST COMPANY, a corporation under the laws of the state of New York, to me known to be the persons described in and who executed the foregoing instrument and severally acknowledged the execution thereof to be their free act and deed as such officers, for the uses and purposes therein mentioned; and that they affixed thereto the official seal of said corporation, and that said instrument is the act and deed of said corporation.

\_\_\_\_\_ and \_\_\_\_\_ produced \_\_\_\_\_ Driver's  
License No. \_\_\_\_\_ and \_\_\_\_\_ License  
No. \_\_\_\_\_ as identification, respectively, and did take an oath.

WITNESS my signature and official seal at New York City, in the County of New York, and State of New York, the day and year last aforesaid.

Notary Public, State of New York  
Commission No. \_\_\_\_\_  
Qualified in \_\_\_\_\_ County  
My Commission Expires \_\_\_\_\_



STEEL ■  
HECTOR  
■ DAVIS

Steel Hector & Davis LLP  
1900 Phillips Point West  
777 South Flagler Drive  
West Palm Beach, Florida 33401-6198  
561.650.7200  
561.650.1509 Fax

Exhibit 5(a)

May 18, 1998

Florida Power & Light Company  
700 Universe Boulevard  
Juno Beach, Florida 33408

Ladies and Gentlemen:

As counsel for Florida Power & Light Company, a Florida corporation (the "Company"), we have participated in the preparation and filing of a registration statement on Form S-3 to be filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, on or about the date hereof (the "Registration Statement") in connection with the proposed offering of \$210,000,000 in principal amount of First Mortgage Bonds (the "New Bonds"). In connection therewith, we have reviewed such documents and records as we have deemed necessary to enable us to express an opinion on the matters covered thereby.

Based on the foregoing, we are of the opinion that the New Bonds, when sold as contemplated by the Registration Statement, will be valid, legal and binding obligations of the Company, except as such may later be limited by bankruptcy, insolvency or other laws affecting mortgagees' and other creditors' rights generally and equitable limitations on the enforceability of specific remedies.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement. We also consent to the reference to us in the Prospectus included in the Registration Statement under the captions "Experts" and "Legal Opinions".

We are members of the Florida Bar and this opinion is limited to the laws of Florida and the federal laws of the United States. As to all matters of New York law, we have relied, with your consent, upon the opinion of even date herewith rendered to you by Reid & Priest LLP, New York, New York. As to all matters of Florida law, Reid & Priest LLP is hereby authorized to rely upon this opinion as though it were rendered to it.

Very truly yours,

*Steel Hector & Davis LLP*  
STEEL HECTOR & DAVIS LLP

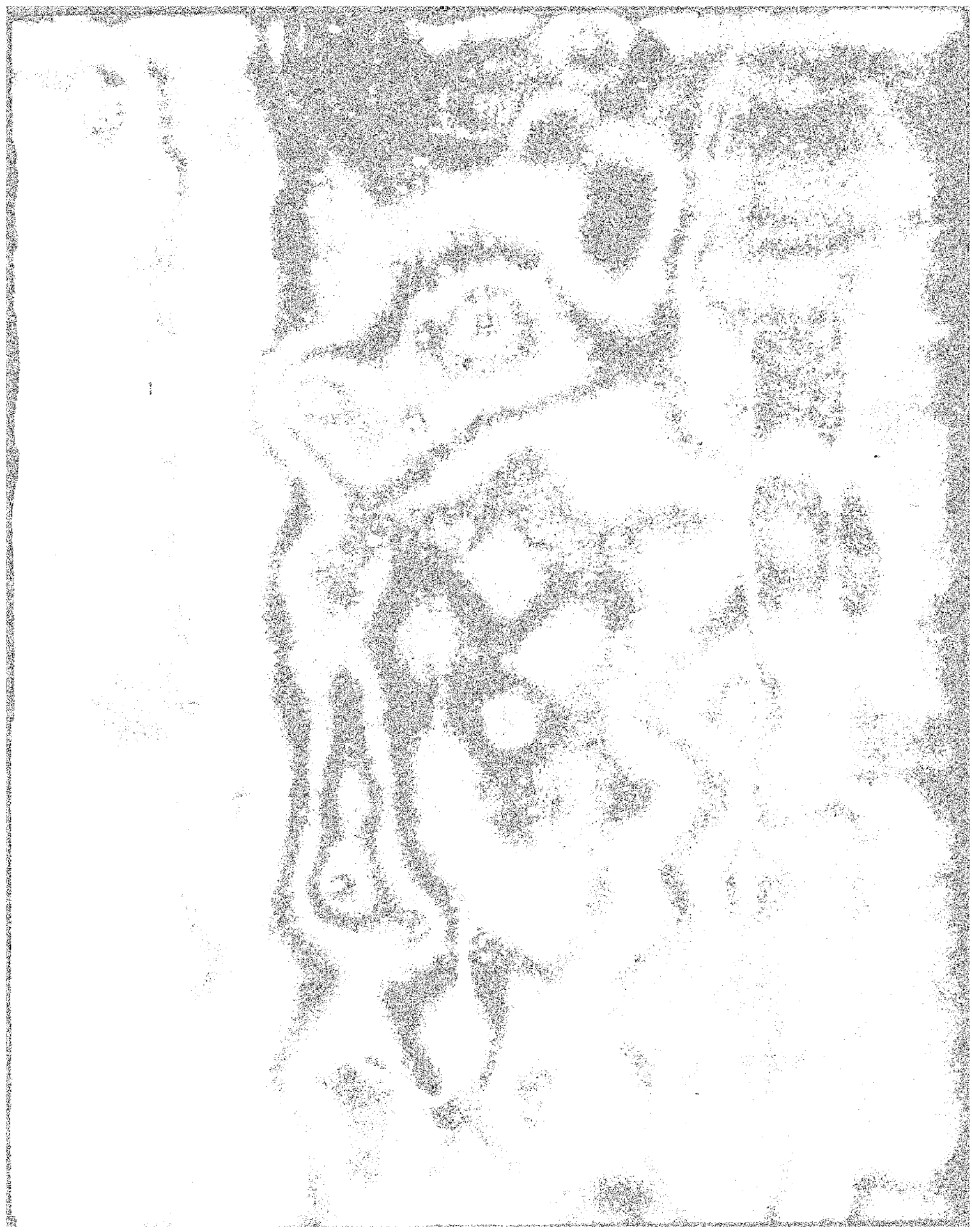
WPB/132590-1

Miami  
305.577.7000  
305.577.7001 Fax

Tallahassee  
904.222.2300  
904.222.8410 Fax

Key West  
305.292.7272  
305.292.7271 Fax

Caracas  
582.951.2067  
582.951.3067 Fax





**REID & PRIEST LLP**

40 WEST 57<sup>TH</sup> STREET  
NEW YORK, N. Y. 10019-4097  
TELEPHONE 212 603-2000  
FAX 212 603-2001

WASHINGTON OFFICE  
MARKET SQUARE  
701 PENNSYLVANIA AVENUE, N. W.  
WASHINGTON, D.C. 20004  
202 508-4000  
FAX 202 508-4321

NEW YORK OFFICE  
DIRECT DIAL NUMBER

Exhibit 5(b)

New York, New York  
May 18, 1998

Florida Power & Light Company  
700 Universe Boulevard  
Juno Beach, Florida 33408

Ladies and Gentlemen:

As counsel for Florida Power & Light Company, a Florida corporation (the "Company"), we have participated in the preparation and filing of a registration statement on Form S-3 to be filed with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended, on or about the date hereof (the "Registration Statement") in connection with the proposed offering of \$210,000,000 in principal amount of First Mortgage Bonds (the "New Bonds"). In connection therewith, we have reviewed such documents and records as we have deemed necessary to enable us to express an opinion on the matters covered hereby.

Based upon the foregoing, we are of the opinion that the New Bonds, when sold in the manner contemplated in the Registration Statement, will be valid, legal and binding obligations of the Company, except as such may later be limited by bankruptcy, insolvency or other laws affecting mortgagees' and other creditors' rights generally and by general equity principles.

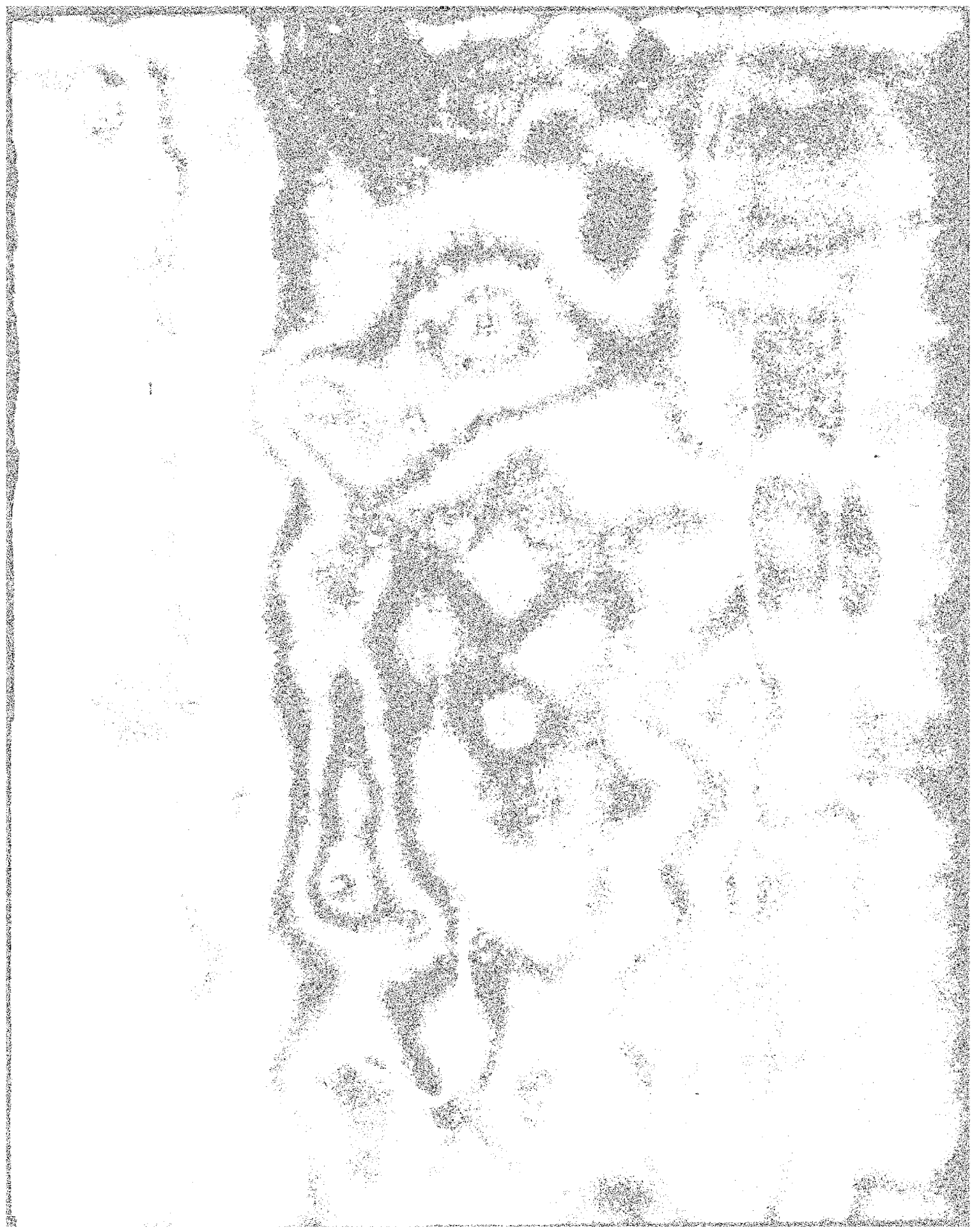
We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to us in the prospectus included in the Registration Statement under the caption "Legal Opinions".

We are members of the New York Bar and this opinion is limited to the laws of the State of New York and the federal laws of the United States. As to all matters of Florida law, we have relied, with your consent, upon the opinion of even date herewith rendered to you by Steel, Hector & Davis, West Palm Beach, Florida. As to all matters of New York law, Steel, Hector & Davis is authorized to rely upon this opinion as if it were addressed to it.

Very truly yours,



REID & PRIEST LLP



**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM T-1**

**STATEMENT OF ELIGIBILITY UNDER THE TRUST INDENTURE ACT OF 1939  
OF A CORPORATION DESIGNATED TO ACT AS TRUSTEE**

**CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF A TRUSTEE  
PURSUANT TO SECTION 305(b)(2) \_\_\_\_\_**

**BANKERS TRUST COMPANY**  
(Exact name of trustee as specified in its charter)

**NEW YORK**  
(Jurisdiction of Incorporation or  
organization if not a U.S. national bank)

**13-4941247**  
(I.R.S. Employer  
Identification no.)

**FOUR ALBANY STREET  
NEW YORK, NEW YORK**  
(Address of principal  
executive offices)

**10006**  
(Zip Code)

**Bankers Trust Company  
Legal Department  
130 Liberty Street, 31st Floor  
New York, New York 10006  
(212) 250-2201**  
(Name, address and telephone number of agent for service)

**FLORIDA POWER & LIGHT COMPANY**  
(Exact name of obligor 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 33174**  
(Address of principal executive offices)

**Florida Power & Light Company  
First Mortgage Bonds, \_\_\_\_% Series Due \_\_\_\_\_**  
(Title of the indenture securities)

**Item 1. General Information.**

Furnish the following information as to the trustee.

- (a) Name and address of each examining or supervising authority to which it is subject.

Name

Address

Federal Reserve Bank (2nd District)  
Federal Deposit Insurance Corporation  
New York State Banking Department

New York, NY  
Washington, D.C.  
Albany, NY

- (b) Whether it is authorized to exercise corporate trust powers.  
Yes.

**Item 2. Affiliations with Obligor.**

If the obligor is an affiliate of the Trustee, describe each such affiliation.

None.

**Item 3. -15. Not Applicable**

**Item 16. List of Exhibits.**

- Exhibit 1 -** Restated Organization Certificate of Bankers Trust Company dated August 7, 1990, Certificate of Amendment of the Organization Certificate of Bankers Trust Company dated June 21, 1995 - Incorporated herein by reference to Exhibit 1 filed with Form T-1 Statement, Registration No. 33-65171, Certificate of Amendment of the Organization Certificate of Bankers Trust Company dated March 20, 1996, incorporate by referenced to Exhibit 1 filed with Form T-1 Statement, Registration No. 333-25843 and Certificate of Amendment of the Organization Certificate of Bankers Trust Company dated June 19, 1997, copy attached.
- Exhibit 2 -** Certificate of Authority to commence business - Incorporated herein by reference to Exhibit 2 filed with Form T-1 Statement, Registration No. 33-21047.
- Exhibit 3 -** Authorization of the Trustee to exercise corporate trust powers - Incorporated herein by reference to Exhibit 2 filed with Form T-1 Statement, Registration No. 33-21047.
- Exhibit 4 -** Existing By-Laws of Bankers Trust Company, as amended on November 18, 1997. Copy attached.

- Exhibit 5 -** Not applicable.
- Exhibit 6 -** Consent of Bankers Trust Company required by Section 321(b) of the Act. - Incorporated herein by reference to Exhibit 4 filed with Form T-1 Statement, Registration No. 22-18864.
- Exhibit 7 -** The latest report of condition of Bankers Trust Company dated as of December 31, 1997. Copy attached.
- Exhibit 8 -** Not Applicable.
- Exhibit 9 -** Not Applicable.



**SIGNATURE**

Pursuant to the requirements of the Trust Indenture Act of 1939, as amended, the trustee, Bankers Trust Company, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 18th day of May, 1998.

**BANKERS TRUST COMPANY**

By: 

Jason Theriault  
Assistant Treasurer

**SIGNATURE**

Pursuant to the requirements of the Trust Indenture Act of 1939, as amended, the trustee, Bankers Trust Company, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 18th day of May, 1998.

**BANKERS TRUST COMPANY**

By: Jason Theriault  
Jason Theriault  
Assistant Treasurer

*State of New York,*  
**Banking Department**

I, MANUEL KURSKY, Deputy Superintendent of Banks of the State of New York, DO HEREBY APPROVE the annexed Certificate entitled "CERTIFICATE OF AMENDMENT OF THE ORGANIZATION CERTIFICATE OF BANKERS TRUST COMPANY Under Section 8005 of the Banking Law," dated June 19, 1997, providing for an increase in authorized capital stock from \$1,601,666,670 consisting of 100,166,667 shares with a par value of \$10 each designated as Common Stock and 600 shares with a par value of \$1,000,000 each designated as Series Preferred Stock to \$2,001,666,670 consisting of 100,166,667 shares with a par value of \$10 each designated as Common Stock and 1,000 shares with a par value of \$1,000,000 each designated as Series Preferred Stock.

*Witness, my hand and official seal of the Banking Department at the City of New York,*  
*this 27th day of June in the Year of our Lord one thousand*  
*nine hundred and ninety-seven.*

Manuel Kursky  
Deputy Superintendent of Banks

CERTIFICATE OF AMENDMENT  
OF THE  
ORGANIZATION CERTIFICATE  
OF BANKERS TRUST

Under Section 8005 of the Banking Law

---

We, James T. Byrne, Jr. and Lea Lahtinen, being respectively a Managing Director and an Assistant Secretary of Bankers Trust Company, do hereby certify:

1. The name of the corporation is Bankers Trust Company.
2. The organization certificate of said corporation was filed by the Superintendent of Banks on the 5th of march, 1903.
3. The organization certificate as heretofore amended is hereby amended to increase the aggregate number of shares which the corporation shall have authority to issue and to increase the amount of its authorized capital stock in conformity therewith.
4. Article III of the organization certificate with reference to the authorized capital stock, the number of shares into which the capital stock shall be divided, the par value of the shares and the capital stock outstanding, which reads as follows:

"III. The amount of capital stock which the corporation is hereafter to have is One Billion, Six Hundred and One Million, Six Hundred Sixty-Six Thousand, Six Hundred Seventy Dollars (\$1,601,666,670), divided into One Hundred Million, One Hundred Sixty-Six Thousand, Six Hundred Sixty-Seven (100,166,667) shares with a par value of \$10 each designated as Common Stock and 600 shares with a par value of One Million Dollars (\$1,000,000) each designated as Series Preferred Stock."

is hereby amended to read as follows:

"III. The amount of capital stock which the corporation is hereafter to have is Two Billion One Million, Six Hundred Sixty-Six Thousand, Six Hundred Seventy Dollars (\$2,001,666,670), divided into One Hundred Million, One Hundred Sixty-Six Thousand, Six Hundred Sixty-Seven (100,166,667) shares with a par value of \$10 each designated as Common Stock and 1000 shares with a par value of One Million Dollars (\$1,000,000) each designated as Series Preferred Stock."

5. The foregoing amendment of the organization certificate was authorized by unanimous written consent signed by the holder of all outstanding shares entitled to vote thereon.

IN WITNESS WHEREOF, we have made and subscribed this certificate this 19th day of June, 1997.

James T. Byrne, Jr.

James T. Byrne, Jr.  
Managing Director

Lea Lahtinen

Lea Lahtinen  
Assistant Secretary

State of New York )

) ss:

County of New York )

Lea Lahtinen, being fully sworn, deposes and says that she is an Assistant Secretary of Bankers Trust Company, the corporation described in the foregoing certificate; that she has read the foregoing certificate and knows the contents thereof, and that the statements herein contained are true.

Lea Lahtinen

Lea Lahtinen

Sworn to before me this 19th day  
of June, 1997.

Sandra L. West

Notary Public

SANDRA L. WEST

Notary Public State of New York

No. 31-4942101

Qualified in New York County

Commission Expires September 19, 1998



# **BY-LAWS**

**NOVEMBER 18, 1997**

**Bankers Trust Company  
New York**

**BY-LAWS  
of  
Bankers Trust Company**

**ARTICLE I**

**MEETINGS OF STOCKHOLDERS**

**SECTION 1.** The annual meeting of the stockholders of this Company shall be held at the office of the Company in the Borough of Manhattan, City of New York, on the third Tuesday in January of each year, for the election of directors and such other business as may properly come before said meeting.

**SECTION 2.** Special meetings of stockholders other than those regulated by statute may be called at any time by a majority of the directors. It shall be the duty of the Chairman of the Board, the Chief Executive Officer or the President to call such meetings whenever requested in writing to do so by stockholders owning a majority of the capital stock.

**SECTION 3.** At all meetings of stockholders, there shall be present, either in person or by proxy, stockholders owning a majority of the capital stock of the Company, in order to constitute a quorum, except at special elections of directors, as provided by law, but less than a quorum shall have power to adjourn any meeting.

**SECTION 4.** The Chairman of the Board or, in his absence, the Chief Executive Officer or, in his absence, the President or, in their absence, the senior officer present, shall preside at meetings of the stockholders and shall direct the proceedings and the order of business. The Secretary shall act as secretary of such meetings and record the proceedings.

**ARTICLE II**

**DIRECTORS**

**SECTION 1.** The affairs of the Company shall be managed and its corporate powers exercised by a Board of Directors consisting of such number of directors, but not less than ten nor more than twenty-five, as may from time to time be fixed by resolution adopted by a majority of the directors then in office, or by the stockholders. In the event of any increase in the number of directors, additional directors may be elected within the limitations so fixed, either by the stockholders or within the limitations imposed by law, by a majority of directors then in office. One-third of the number of directors, as fixed from time to time, shall constitute a quorum. Any one or more members of the Board of Directors or any Committee thereof may participate in a meeting of the Board of Directors or Committee thereof by means of a conference telephone or similar communications equipment which allows all persons participating in the meeting to hear

each other at the same time. Participation by such means shall constitute presence in person at such a meeting.

All directors hereafter elected shall hold office until the next annual meeting of the stockholders and until their successors are elected and have qualified. No person who shall have attained age 72 shall be eligible to be elected or re-elected a director. Such director may, however, remain a director of the Company until the next annual meeting of the stockholders of Bankers Trust New York Corporation (the Company's parent) so that such director's retirement will coincide with the retirement date from Bankers Trust New York Corporation.

No Officer-Director who shall have attained age 65, or earlier relinquishes his responsibilities and title, shall be eligible to serve as a director.

SECTION 2. Vacancies not exceeding one-third of the whole number of the Board of Directors may be filled by the affirmative vote of a majority of the directors then in office, and the directors so elected shall hold office for the balance of the unexpired term.

SECTION 3. The Chairman of the Board shall preside at meetings of the Board of Directors. In his absence, the Chief Executive Officer or, in his absence, such other director as the Board of Directors from time to time may designate shall preside at such meetings.

SECTION 4. The Board of Directors may adopt such Rules and Regulations for the conduct of its meetings and the management of the affairs of the Company as it may deem proper, not inconsistent with the laws of the State of New York, or these By-Laws, and all officers and employees shall strictly adhere to, and be bound by, such Rules and Regulations.

SECTION 5. Regular meetings of the Board of Directors shall be held from time to time on the third Tuesday of the month. If the day appointed for holding such regular meetings shall be a legal holiday, the regular meeting to be held on such day shall be held on the next business day thereafter. Special meetings of the Board of Directors may be called upon at least two day's notice whenever it may be deemed proper by the Chairman of the Board or, the Chief Executive Officer or, in their absence, by such other director as the Board of Directors may have designated pursuant to Section 3 of this Article, and shall be called upon like notice whenever any three of the directors so request in writing.

SECTION 6. The compensation of directors as such or as members of committees shall be fixed from time to time by resolution of the Board of Directors.

## **ARTICLE III**

### **COMMITTEES**

**SECTION 1.** There shall be an Executive Committee of the Board consisting of not less than five directors who shall be appointed annually by the Board of Directors. The Chairman of the Board shall preside at meetings of the Executive Committee. In his absence, the Chief Executive Officer or, in his absence, such other member of the Committee as the Committee from time to time may designate shall preside at such meetings.

The Executive Committee shall possess and exercise to the extent permitted by law all of the powers of the Board of Directors, except when the latter is in session, and shall keep minutes of its proceedings, which shall be presented to the Board of Directors at its next subsequent meeting. All acts done and powers and authority conferred by the Executive Committee from time to time shall be and be deemed to be, and may be certified as being, the act and under the authority of the Board of Directors.

A majority of the Committee shall constitute a quorum, but the Committee may act only by the concurrent vote of not less than one-third of its members, at least one of whom must be a director other than an officer. Any one or more directors, even though not members of the Executive Committee, may attend any meeting of the Committee, and the member or members of the Committee present, even though less than a quorum, may designate any one or more of such directors as a substitute or substitutes for any absent member or members of the Committee, and each such substitute or substitutes shall be counted for quorum, voting, and all other purposes as a member or members of the Committee.

**SECTION 2.** There shall be an Audit Committee appointed annually by resolution adopted by a majority of the entire Board of Directors which shall consist of such number of directors, who are not also officers of the Company, as may from time to time be fixed by resolution adopted by the Board of Directors. The Chairman shall be designated by the Board of Directors, who shall also from time to time fix a quorum for meetings of the Committee. Such Committee shall conduct the annual directors' examinations of the Company as required by the New York State Banking Law; shall review the reports of all examinations made of the Company by public authorities and report thereon to the Board of Directors; and shall report to the Board of Directors such other matters as it deems advisable with respect to the Company, its various departments and the conduct of its operations.

In the performance of its duties, the Audit Committee may employ or retain, from time to time, expert assistants, independent of the officers or personnel of the Company, to make studies of the Company's assets and liabilities as the Committee may request and to make an examination of the accounting and auditing methods of the Company and its system of internal protective controls to the extent considered necessary or advisable in order to determine that the operations of the Company, including its fiduciary departments, are being audited by the General Auditor in such a manner as to provide prudent and adequate protection. The Committee also may direct the

General Auditor to make such investigation as it deems necessary or advisable with respect to the Company, its various departments and the conduct of its operations. The Committee shall hold regular quarterly meetings and during the intervals thereof shall meet at other times on call of the Chairman.

**SECTION 3.** The Board of Directors shall have the power to appoint any other Committees as may seem necessary, and from time to time to suspend or continue the powers and duties of such Committees. Each Committee appointed pursuant to this Article shall serve at the pleasure of the Board of Directors.

## **ARTICLE IV**

### **OFFICERS**

**SECTION 1.** The Board of Directors shall elect from among their number a Chairman of the Board and a Chief Executive Officer; and shall also elect a President, and may also elect a Senior Vice Chairman, one or more Vice Chairmen, one or more Executive Vice Presidents, one or more Senior Managing Directors, one or more Managing Directors, one or more Senior Vice Presidents, one or more Principals, one or more Vice Presidents, one or more General Managers, a Secretary, a Controller, a Treasurer, a General Counsel, one or more Associate General Counsels, a General Auditor, a General Credit Auditor, and one or more Deputy Auditors, who need not be directors. The officers of the corporation may also include such other officers or assistant officers as shall from time to time be elected or appointed by the Board. The Chairman of the Board or the Chief Executive Officer or, in their absence, the President, the Senior Vice Chairman or any Vice Chairman, may from time to time appoint assistant officers. All officers elected or appointed by the Board of Directors shall hold their respective offices during the pleasure of the Board of Directors, and all assistant officers shall hold office at the pleasure of the Board or the Chairman of the Board or the Chief Executive Officer or, in their absence, the President, the Senior Vice Chairman or any Vice Chairman. The Board of Directors may require any and all officers and employees to give security for the faithful performance of their duties.

**SECTION 2.** The Board of Directors shall designate the Chief Executive Officer of the Company who may also hold the additional title of Chairman of the Board, President, Senior Vice Chairman or Vice Chairman and such person shall have, subject to the supervision and direction of the Board of Directors or the Executive Committee, all of the powers vested in such Chief Executive Officer by law or by these By-Laws, or which usually attach or pertain to such office. The other officers shall have, subject to the supervision and direction of the Board of Directors or the Executive Committee or the Chairman of the Board or, the Chief Executive Officer, the powers vested by law or by these By-Laws in them as holders of their respective offices and, in addition, shall perform such other duties as shall be assigned to them by the Board of Directors or the Executive Committee or the Chairman of the Board or the Chief Executive Officer.

The General Auditor shall be responsible, through the Audit Committee, to the Board of Directors for the determination of the program of the internal audit function and the evaluation of the adequacy of the system of internal controls. Subject to the Board of Directors, the General



Auditor shall have and may exercise all the powers and shall perform all the duties usual to such office and shall have such other powers as may be prescribed or assigned to him from time to time by the Board of Directors or vested in him by law or by these By-Laws. He shall perform such other duties and shall make such investigations, examinations and reports as may be prescribed or required by the Audit Committee. The General Auditor shall have unrestricted access to all records and premises of the Company and shall delegate such authority to his subordinates. He shall have the duty to report to the Audit Committee on all matters concerning the internal audit program and the adequacy of the system of internal controls of the Company which he deems advisable or which the Audit Committee may request. Additionally, the General Auditor shall have the duty of reporting independently of all officers of the Company to the Audit Committee at least quarterly on any matters concerning the internal audit program and the adequacy of the system of internal controls of the Company that should be brought to the attention of the directors except those matters responsibility for which has been vested in the General Credit Auditor. Should the General Auditor deem any matter to be of special immediate importance, he shall report thereon forthwith to the Audit Committee. The General Auditor shall report to the Chief Financial Officer only for administrative purposes.

The General Credit Auditor shall be responsible to the Chief Executive Officer and, through the Audit Committee, to the Board of Directors for the systems of internal credit audit, shall perform such other duties as the Chief Executive Officer may prescribe, and shall make such examinations and reports as may be required by the Audit Committee. The General Credit Auditor shall have unrestricted access to all records and may delegate such authority to subordinates.

**SECTION 3.** The compensation of all officers shall be fixed under such plan or plans of position evaluation and salary administration as shall be approved from time to time by resolution of the Board of Directors.

**SECTION 4.** The Board of Directors, the Executive Committee, the Chairman of the Board, the Chief Executive Officer or any person authorized for this purpose by the Chief Executive Officer, shall appoint or engage all other employees and agents and fix their compensation. The employment of all such employees and agents shall continue during the pleasure of the Board of Directors or the Executive Committee or the Chairman of the Board or the Chief Executive Officer or any such authorized person; and the Board of Directors, the Executive Committee, the Chairman of the Board, the Chief Executive Officer or any such authorized person may discharge any such employees and agents at will.

## ARTICLE V

### INDEMNIFICATION OF DIRECTORS, OFFICERS AND OTHERS

**SECTION 1.** The Company shall, to the fullest extent permitted by Section 7018 of the New York Banking Law, indemnify any person who is or was made, or threatened to be made, a party to an action or proceeding, whether civil or criminal, whether involving any actual or alleged breach of duty, neglect or error, any accountability, or any actual or alleged misstatement, misleading statement or other act or omission and whether brought or threatened in any court or administrative or legislative body or agency, including an action by or in the right of the Company to procure a judgment in its favor and an action by or in the right of any other corporation of any type or kind, domestic or foreign, or any partnership, joint venture, trust, employee benefit plan or other enterprise, which any director or officer of the Company is servicing or served in any capacity at the request of the Company by reason of the fact that he, his testator or intestate, is or was a director or officer of the Company, or is serving or served such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise in any capacity, against judgments, fines, amounts paid in settlement, and costs, charges and expenses, including attorneys' fees, or any appeal therein; provided, however, that no indemnification shall be provided to any such person if a judgment or other final adjudication adverse to the director or officer establishes that (i) his acts were committed in bad faith or were the result of active and deliberate dishonesty and, in either case, were material to the cause of action so adjudicated, or (ii) he personally gained in fact a financial profit or other advantage to which he was not legally entitled.

**SECTION 2.** The Company may indemnify any other person to whom the Company is permitted to provide indemnification or the advancement of expenses by applicable law, whether pursuant to rights granted pursuant to, or provided by, the New York Banking Law or other rights created by (i) a resolution of stockholders, (ii) a resolution of directors, or (iii) an agreement providing for such indemnification, it being expressly intended that these By-Laws authorize the creation of other rights in any such manner.

**SECTION 3.** The Company shall, from time to time, reimburse or advance to any person referred to in Section 1 the funds necessary for payment of expenses, including attorneys' fees, incurred in connection with any action or proceeding referred to in Section 1, upon receipt of a written undertaking by or on behalf of such person to repay such amount(s) if a judgment or other final adjudication adverse to the director or officer establishes that (i) his acts were committed in bad faith or were the result of active and deliberate dishonesty and, in either case, were material to the cause of action so adjudicated, or (ii) he personally gained in fact a financial profit or other advantage to which he was not legally entitled.

**SECTION 4.** Any director or officer of the Company serving (i) another corporation, of which a majority of the shares entitled to vote in the election of its directors is held by the Company, or (ii) any employee benefit plan of the Company or any corporation referred to in clause (i) in any capacity shall be deemed to be doing so at the request of the Company. In all other cases, the

provisions of this Article V will apply (i) only if the person serving another corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise so served at the specific request of the Company, evidenced by a written communication signed by the Chairman of the Board, the Chief Executive Officer or the President, and (ii) only if and to the extent that, after making such efforts as the Chairman of the Board, the Chief Executive Officer or the President shall deem adequate in the circumstances, such person shall be unable to obtain indemnification from such other enterprise or its insurer.

SECTION 5. Any person entitled to be indemnified or to the reimbursement or advancement of expenses as a matter of right pursuant to this Article V may elect to have the right to indemnification (or advancement of expenses) interpreted on the basis of the applicable law in effect at the time of occurrence of the event or events giving rise to the action or proceeding, to the extent permitted by law, or on the basis of the applicable law in effect at the time indemnification is sought.

SECTION 6. The right to be indemnified or to the reimbursement or advancement of expense pursuant to this Article V (i) is a contract right pursuant to which the person entitled thereto may bring suit as if the provisions hereof were set forth in a separate written contract between the Company and the director or officer, (ii) is intended to be retroactive and shall be available with respect to events occurring prior to the adoption hereof, and (iii) shall continue to exist after the rescission or restrictive modification hereof with respect to events occurring prior thereto.

SECTION 7. If a request to be indemnified or for the reimbursement or advancement of expenses pursuant hereto is not paid in full by the Company within thirty days after a written claim has been received by the Company, the claimant may at any time thereafter bring suit against the Company to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled also to be paid the expenses of prosecuting such claim. Neither the failure of the Company (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of or reimbursement or advancement of expenses to the claimant is proper in the circumstance, nor an actual determination by the Company (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant is not entitled to indemnification or to the reimbursement or advancement of expenses, shall be a defense to the action or create a presumption that the claimant is not so entitled.

SECTION 8. A person who has been successful, on the merits or otherwise, in the defense of a civil or criminal action or proceeding of the character described in Section 1 shall be entitled to indemnification only as provided in Sections 1 and 3, notwithstanding any provision of the New York Banking Law to the contrary.

## **ARTICLE VI**

### **SEAL**

SECTION 1. The Board of Directors shall provide a seal for the Company, the counterpart dies of which shall be in the charge of the Secretary of the Company and such officers as the Chairman of the Board, the Chief Executive Officer or the Secretary may from time to time direct in writing, to be affixed to certificates of stock and other documents in accordance with the directions of the Board of Directors or the Executive Committee.

SECTION 2. The Board of Directors may provide, in proper cases on a specified occasion and for a specified transaction or transactions, for the use of a printed or engraved facsimile seal of the Company.

## **ARTICLE VII**

### **CAPITAL STOCK**

SECTION 1. Registration of transfer of shares shall only be made upon the books of the Company by the registered holder in person, or by power of attorney, duly executed, witnessed and filed with the Secretary or other proper officer of the Company, on the surrender of the certificate or certificates of such shares properly assigned for transfer.

## **ARTICLE VIII**

### **CONSTRUCTION**


SECTION 1. The masculine gender, when appearing in these By-Laws, shall be deemed to include the feminine gender.

## **ARTICLE IX**

### **AMENDMENTS**

SECTION 1. These By-Laws may be altered, amended or added to by the Board of Directors at any meeting, or by the stockholders at any annual or special meeting, provided notice thereof has been given.

I, Jason Theriault, Assistant Treasurer of Bankers Trust Company, New York, New York, hereby certify that the foregoing is a complete, true and correct copy of the By-Laws of Bankers Trust Company, and that the same are in full force and effect at this date.

  
\_\_\_\_\_  
ASSISTANT TREASURER

DATED: May 18, 1998



Legal Title of Bank: Bankers Trust Company  
 Address: 130 Liberty Street  
 City, State ZIP: New York, NY 10006  
 FDIC Certificate No.: 0 | 0 | 6 | 2 | 3

Call Date: 12/31/97 ST-BK: 36-4840  
 Vendor ID: D CERT: 00623

FFIEC 031  
 Page RC-1  
 11

**Consolidated Report of Condition for Insured Commercial  
 and State-Chartered Savings Banks for December 31, 1997**

All schedules are to be reported in thousands of dollars. Unless otherwise indicated,  
 reported the amount outstanding as of the last business day of the quarter.

**Schedule RC—Balance Sheet**

		C400	
Dollar Amounts in Thousands		RCFD	BIL Mil Thou
<b>ASSETS</b>			
1. Cash and balances due from depository institutions (from Schedule RC-A):		//////////	
a. Noninterest-bearing balances and currency and coin (1)		0081	2,121,000 1.a.
b. Interest-bearing balances (2)		0071	4,770,000 1.b.
2. Securities:		//////////	
a. Held-to-maturity securities (from Schedule RC-B, column A)		1754	0 2.a.
b. Available-for-sale securities (from Schedule RC-B, column D)		1773	4,015,000 2.b.
3. Federal funds sold and securities purchased under agreements to resell		1350	28,927,000 3.
4. Loans and lease financing receivables:		//////////	
a. Loans and leases, net of unearned income (from Schedule RC-C)	RCFD 2122 17,692,000	//////////	4.a.
b. LESS: Allowance for loan and lease losses	RCFD 3123 659,000	//////////	4.b.
c. LESS: Allocated transfer risk reserve	RCFD 3128 0	//////////	4.c.
d. Loans and leases, net of unearned income, allowance, and reserve (item 4.a minus 4.b and 4.c)		2125	17,033,000 4.d.
5. Trading Assets (from schedule RC-D)		3545	45,488,000 5.
6. Premises and fixed assets (including capitalized leases)		2145	766,000 6.
7. Other real estate owned (from Schedule RC-M)		2150	188,000 7.
8. Investments in unconsolidated subsidiaries and associated companies (from Schedule RC-M)		2130	58,000 8.
9. Customers' liability to this bank on acceptances outstanding		2155	633,000 9.
10. Intangible assets (from Schedule RC-M)		2143	83,000 10.
11. Other assets (from Schedule RC-F)		2160	5,957,000 11.
12. Total assets (sum of items 1 through 11)		2170	110,039,000 12.

- (1) Includes cash items in process of collection and unposted debits.  
 (2) Includes time certificates of deposit not held for trading.

Legal Title of Bank: Bankers Trust Company  
 Address: 130 Liberty Street  
 City, State Zip: New York, NY 10006  
 FDIC Certificate No.: 0 0 6 2 3

Call Date: 12/31/97 ST-BK: 36-4840  
 Vendor ID: D CERT: 00623

FFIEC 031  
 Page RC-2  
 12

Schedule RC—Continued

		Dollar Amounts in Thousands	Bill Mill Thou	
<b>LIABILITIES</b>				
13.	Deposits:			
a.	In domestic offices (sum of totals of columns A and C from Schedule RC-E, part I)			
(1)	Noninterest-bearing(1).....	RCON 6631 2,856,000.....	RCON 2200 24,608,000	13.
(2)	Interest-bearing.....	RCON 6636 21,752,000.....		13.
b.	In foreign offices, Edge and Agreement subsidiaries, and IBFs (from Schedule RC-E part II)			
(1)	Noninterest-bearing.....	RCFN 6631 2,122,000	RCFN 2200 20,529,000	13.
(2)	Interest-bearing.....	RCFN 6636 18,407,000		13.
14.	Federal funds purchased and securities sold under agreements to repurchase		RCFD 2800 13,777,000	14.
15.	a. Demand notes issued to the U.S. Treasury.....		RCON 2840 0	15.
b.	Trading liabilities (from Schedule RC-D).....		RCFD 3548 24,968,000	15.
16.	Other borrowed money (includes mortgage indebtedness and obligations under capitalized leases):			
a.	With a remaining maturity of one year or less.....		RCFD 2332 5,810,000	16.
b.	With a remaining maturity of more than one year through three years.....		A547 4,702,000	16.
c.	With a remaining maturity of more than three years.....		A548 1,750,000	16.
17.	Not Applicable.....			17.
18.	Bank's liability on acceptances executed and outstanding.....		RCFD 2920 633,000	18.
19.	Subordinated notes and debentures (2).....		RCFD 3200 1,307,000	19.
20.	Other liabilities (from Schedule RC-D).....		RCFD 2930 5,961,000	20.
21.	Total liabilities (sum of items 13 through 20).....		RCFD 2948 104,045,000	21.
22.	Not Applicable.....			22.
<b>EQUITY CAPITAL</b>				
23.	Perpetual preferred stock and related surplus.....		RCFD 3838 1,000,000	23.
24.	Common stock.....		RCFD 3230 1,352,000	24.
25.	Surplus (exclude all surplus related to preferred stock).....		RCFD 3839 540,000	25.
26.	a. Undivided profits and capital reserves.....		RCFD 3632 3,526,000	26.
b.	Net unrealized holding gains (losses) on available-for-sale securities.....		RCFD 8434 ( 45,000)	26.
27.	Cumulative foreign currency translation adjustments.....		RCFD 3284 ( 379,000)	27.
28.	Total equity capital (sum of items 23 through 27).....		RCFD 3210 5,994,000	28.
29.	Total liabilities and equity capital (sum of items 21 and 28).....		RCFD 3300 110,039,000	29.

Memorandum

To be reported only with the March Report of Condition.

1.	Indicate in the box at the right the number of the statement below that best describes the most comprehensive level of auditing work performed for the bank by independent external auditors as of any date during 1996.....	RCFD 6724	Number N/A	M.1
1 =	Independent audit of the bank conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the bank	4 =	Directors' examination of the bank performed by other external auditors (may be required by state chartering authority)	
2 =	Independent audit of the bank's parent holding company conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the consolidated holding company (but not on the bank separately)	5 =	Review of the bank's financial statements by external auditors	
3 =	Directors' examination of the bank conducted in accordance with generally accepted auditing standards by a certified public accounting firm (may be required by state chartering authority)	6 =	Compilation of the bank's financial statements by external auditors	
		7 =	Other audit procedures (excluding tax preparation work)	
		8 =	No external audit work	

- (1) Including total demand deposits and noninterest-bearing time and savings deposits.  
 (2) Includes limited-life preferred stock and related surplus.

**INDEPENDENT AUDITORS' CONSENT**

We consent to the incorporation by reference in this Registration Statement of Florida Power & Light Company on Form S-3 of our report dated February 13, 1998, appearing in Florida Power & Light Company's Annual Report on Form 10-K for the year ended December 31, 1997, and to the reference to us under heading "Experts" in the Prospectus which is part of this Registration Statement.

*Deloitte & Touche LLP*  
DELOITTE & TOUCHE LLP

Miami, Florida

May 18, 1998

**Exhibit (c)-1B**

**PROSPECTUS SUPPLEMENT**  
(To Prospectus dated May 28, 1998)



**\$200,000,000**  
**Florida Power & Light Company**  
**First Mortgage Bonds,**  
**6% Series due June 1, 2008**

Interest on the First Mortgage Bonds, 6% Series due June 1, 2008 ("Offered Bonds"), is payable semiannually on June 1 and December 1, beginning December 1, 1998. The Offered Bonds will be redeemable at the option of Florida Power & Light Company ("FPL") or as required by the mortgage, in whole at any time or in part from time to time, on at least 30 days' notice, at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of redemption, plus a Make-Whole Premium (as defined herein), if any, relating to the then prevailing Treasury Yield (as defined herein) and the remaining life of the Offered Bonds. See "Certain Terms of the Offered Bonds-Redemption and Purchase of Offered Bonds" herein and "Description of New Bonds" in the accompanying Prospectus.

**THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR BY ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

	Initial Public Offering Price(1)	Underwriting Discount(2)	Proceeds to FPL(1)(3)
Per Offered Bond . . . . .	99.398%	0.297%	99.101%
Total . . . . .	\$198,796,000	\$594,000	\$198,202,000

- (1) Plus accrued interest from June 1, 1998.
- (2) FPL has agreed to indemnify the Underwriters (as defined herein) against certain liabilities, including liabilities under the Securities Act of 1933, as amended.
- (3) Before deducting expenses payable by FPL, estimated to be \$1,400,000.

The Offered Bonds are offered by the Underwriters when, as and if issued by FPL, delivered to and accepted by the Underwriters and subject to their right to reject orders in whole or in part. It is expected that the Offered Bonds will be ready for delivery in New York, New York on or about June 16, 1998.

**BancAmerica Robertson Stephens**

**Morgan Stanley Dean Witter**

The date of this Prospectus Supplement is June 11, 1998



**CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN, OR OTHERWISE AFFECT THE PRICE OF THE OFFERED BONDS, INCLUDING STABILIZING TRANSACTIONS AND THE PURCHASE OF OFFERED BONDS TO COVER SHORT POSITIONS BY THE UNDERWRITERS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING".**

#### **USE OF PROCEEDS**

The following information supplements and should be read in conjunction with the statements under "Use of Proceeds" in the accompanying Prospectus.

The net proceeds from the sale of the Offered Bonds will be added to FPL's general funds and are expected to be used, together with other funds, for the redemption of all \$75,000,000 principal amount of FPL's First Mortgage Bonds, 7½% Series due January 1, 2007, and all \$125,779,000 principal amount of FPL's First Mortgage Bonds, 7½% Series due December 1, 2012. Proceeds not immediately required for the foregoing purposes will be temporarily invested in short-term instruments.

#### **CERTAIN TERMS OF THE OFFERED BONDS**

The following information concerning the Offered Bonds supplements and should be read in conjunction with the statements under "Description of New Bonds" in the accompanying Prospectus.

**General.** The Offered Bonds will be issued as a new series of FPL's First Mortgage Bonds under the Mortgage (as defined in the accompanying Prospectus) as supplemented by the Ninety-eighth Supplemental Indenture dated as of June 1, 1998 relating to the Offered Bonds. The Offered Bonds will be issued as fully registered bonds in denominations of \$1,000 and, at the option of FPL, in multiples of \$1,000.

**Interest and Payment.** The Offered Bonds will mature on the date and will bear interest at the rate shown in their title, payable June 1 and December 1, beginning December 1, 1998. Principal and interest are payable at Bankers Trust Company in New York City.

FPL has covenanted to pay interest on any overdue principal and (to the extent that payment of such interest is enforceable under applicable law) on any overdue installment of interest on the First Mortgage Bonds of all series at the rate of 6% per annum.

**Redemption and Purchase of Offered Bonds.** The Offered Bonds will be redeemable at any time, at the option of FPL or as required by the Mortgage, in whole or from time to time in part, on at least 30 days' notice, on any date prior to maturity (the "Redemption Date") at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest if any, to the Redemption Date plus a premium (the "Make-Whole Premium"), if any (the "Redemption Price"). In no event will the Redemption Price be less than 100% of the principal amount of the Offered Bonds plus accrued interest to the Redemption Date.

The amount of the Make-Whole Premium with respect to any Offered Bond (or portion thereof) to be redeemed will be equal to the excess, if any, of:

1. the sum of the present values, calculated as of the Redemption Date, of:
  - a. each interest payment that, but for such redemption, would have been payable on the Offered Bond (or portion thereof) being redeemed on each interest payment date

occurring after the Redemption Date (excluding any accrued interest for the period prior to the Redemption Date); and

- b. the principal amount that, but for such redemption, would have been payable at the final maturity of the Offered Bond (or portion thereof) being redeemed; over

- 2. the principal amount of the Offered Bond (or portion thereof) being redeemed.

The present values of interest and principal payments referred to in clause (1) above will be determined in accordance with generally accepted principles of financial analysis. Such present values will be calculated by discounting the amount of each payment of interest or principal from the date that each such payment would have been payable, but for the redemption, to the Redemption Date at a discount rate equal to the Treasury Yield (as defined below) plus 10 basis points.

The Make-Whole Premium will be calculated by an independent investment banking institution of national standing appointed by FPL; *provided* that if FPL fails to make such appointment at least 30 calendar days prior to the Redemption Date, or if the institution so appointed is unwilling or unable to make such calculation, such calculation will be made by BancAmerica Robertson Stephens or, if such firm is unwilling or unable to make such calculation, by an independent investment banking institution of national standing appointed by the Mortgage Trustee (in any such case, an "Independent Investment Banker").

For purposes of determining the Make-Whole Premium, "Treasury Yield" means a rate of interest per annum equal to the weekly average yield to maturity of United States Treasury Notes that have a constant maturity that corresponds to the remaining term to maturity of the Offered Bonds, calculated to the nearest 1/12th of a year (the "Remaining Term"). The Treasury Yield will be determined as of the third business day immediately preceding the applicable Redemption Date.

The weekly average yields of United States Treasury Notes will be determined by reference to the most recent statistical release published by the Federal Reserve Bank of New York and designated "H.15(519) Selected Interest Rates" or any successor release (the "H.15 Statistical Release"). If the H.15 Statistical Release sets forth a weekly average yield for United States Treasury Notes having a constant maturity that is the same as the Remaining Term, then the Treasury Yield will be equal to such weekly average yield. In all other cases, the Treasury Yield will be calculated by interpolation, on a straight-line basis, between the weekly average yields on the United States Treasury Notes that have a constant maturity closest to and greater than the Remaining Term and the United States Treasury Notes that have a constant maturity closest to and less than the Remaining Term (in each case as set forth in the H.15 Statistical Release). Any weekly average yields so calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200th of 1% or above being rounded upward. If weekly average yields for United States Treasury Notes are not available in the H.15 Statistical Release or otherwise, then the Treasury Yield will be calculated by interpolation of comparable rates selected by the Independent Investment Banker.

If at the time notice of redemption is given, the redemption moneys are not on deposit with the Mortgage Trustee (as defined in the accompanying Prospectus), the redemption shall be subject to their receipt before the date fixed for redemption and such notice shall be of no effect unless such moneys are received.

Cash deposited under any provisions of the Mortgage (with certain exceptions) may be applied to the purchase of First Mortgage Bonds of any series.

# UNDERWRITING

Subject to the terms and conditions set forth in the Underwriting Agreement dated June 11, 1998 (the "Underwriting Agreement"), FPL has agreed to sell to each of the Underwriters named below (the "Underwriters"), and each of the Underwriters has severally agreed to purchase the principal amount of the Offered Bonds set forth opposite its name below:

<u>Underwriter</u>	<u>Principal Amount of Offered Bonds</u>
BancAmerica Robertson Stephens .....	\$175,000,000
Morgan Stanley & Co. Incorporated .....	<u>25,000,000</u>
Total .....	<u>\$200,000,000</u>

Under the terms and conditions of the Underwriting Agreement, the Underwriters are committed to take and pay for all of the Offered Bonds, if any are taken.

The Underwriters propose to offer the Offered Bonds in part directly to the public at the initial public offering price set forth on the cover page of this Prospectus Supplement, and in part to certain dealers at such price less a concession not in excess of .25% of the principal amount of the Offered Bonds. The Underwriters may allow, and such dealers may resallow, a concession not in excess of .125% of the principal amount of the Offered Bonds to certain other dealers. After the Offered Bonds are released for sale to the public, the offering price and other selling terms may, from time to time, be varied.

The Offered Bonds are a new issue with no established trading market. FPL has been advised by the Underwriters that they intend to make a market in the Offered Bonds but are not obligated to do so and may discontinue market-making at any time without notice. No assurance can be given as to the liquidity of the trading market for the Offered Bonds.

FPL has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

In order to facilitate the offering of the Offered Bonds, the Underwriters may engage in transactions that maintain or otherwise affect the price of the Offered Bonds. Specifically, the Underwriters may overalloc in connection with the offering of the Offered Bonds, creating a short position in the Offered Bonds for their own account. In addition, to cover overallocments, the Underwriters may bid for, and purchase, Offered Bonds in the open market. Any of these activities may maintain the price of the Offered Bonds above independent market levels. The Underwriters are not required to engage in these activities and may end any of these activities at any time.

## Prospectus

# Florida Power & Light Company

## First Mortgage Bonds

Florida Power & Light Company (FPL) intends from time to time to issue up to \$500,000,000 aggregate principal amount of its First Mortgage Bonds (New Bonds) in one or more series at prices and on terms to be determined when the agreement to sell is made or at the time of sale.

For each issue of New Bonds for which this Prospectus is being delivered (Offered Bonds) there is an accompanying Prospectus Supplement or Prospectus Supplements (Prospectus Supplement) that set forth, without limitation and to the extent applicable, the series designation, aggregate principal amount of the issue, purchase price, maturity, interest rate or rates (which may be either fixed or variable) or the method of determination of such rate or rates, times of payment of interest, the place where the principal of and interest on the Offered Bonds will be payable, the denominations in which the Offered Bonds are authorized to be issued, whether the Offered Bonds will be issued in registered form, in bearer form or both, whether all or a portion of the Offered Bonds will be issued in global form, redemption terms, if any, and other special terms of the Offered Bonds.

**THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND  
EXCHANGE COMMISSION OR BY ANY STATE SECURITIES COMMISSION  
NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY  
STATE SECURITIES COMMISSION PASSED UPON THE  
ACCURACY OR ADEQUACY OF THIS PROSPECTUS.  
ANY REPRESENTATION TO THE  
CONTRARY IS A CRIMINAL  
OFFENSE.**

The New Bonds may be sold directly by FPL or through agents designated from time to time or through underwriters or dealers or a group of underwriters. If any agents of FPL or any underwriters are involved in the sale of the Offered Bonds in respect of which this Prospectus is being delivered, the names of such agents or underwriters, the initial price to the public, any applicable commissions or discounts and the proceeds to FPL with respect to such Offered Bonds are set forth in the Prospectus Supplement. See "Plan of Distribution" for possible indemnification arrangements for underwriters or agents.

The date of this Prospectus is May 28, 1998.



## AVAILABLE INFORMATION

FPL is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (Exchange Act), and in accordance therewith files reports and other information with the Securities and Exchange Commission (SEC). Such reports and other information can be inspected and copied at the public reference facilities maintained by the SEC at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the following Regional Offices of the SEC: Chicago Regional Office, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661; and New York Regional Office, Seven World Trade Center, Suite 1300 New York, New York 10048. Copies of such material can also be obtained from the Public Reference Section of the SEC at its principal office at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the SEC maintains a World Wide Web site (<http://www.sec.gov>) that contains reports and other information filed by FPL.

Security holders of FPL may obtain, upon request, copies of an Annual Report on Form 10-K of FPL containing financial statements as of the end of the most recent fiscal year audited and reported upon (with an opinion expressed) by independent auditors.

## INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following FPL documents filed with the SEC are incorporated by reference in this Prospectus:

1. Annual Report on Form 10-K for the year ended December 31, 1997 (Form 10-K).
2. Quarterly Report on Form 10-Q for the quarter ended March 31, 1998.

All documents filed by FPL with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the offering of the securities covered by this Prospectus shall be deemed to be incorporated by reference in this Prospectus and to be a part hereof from the date of filing such documents.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which is deemed to be incorporated by reference herein or in the Prospectus Supplement modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

FPL will provide without charge to each person, including any beneficial owner, to whom a copy of this Prospectus is delivered, upon written or oral request of any such person, a copy of any and all of the documents referred to above that have been incorporated by reference in this Prospectus excluding the exhibits thereto (unless such exhibits are specifically incorporated by reference into such documents). Requests for such copies should be directed to: Robert J. Reger, Jr., Esq., Reid & Priest LLP, 40 West 57th Street, New York, New York, 10019, (212) 603-2000.

## FPL

FPL was incorporated under the laws of Florida in 1925 and is engaged in the generation, transmission, distribution and sale of electric energy. The principal executive office of FPL is located at 700 Universe Boulevard, Juno Beach, Florida 33408, telephone (561) 694-4000, and the mailing address is P.O. Box 14000, Juno Beach, Florida 33408-0420. FPL supplies electric service throughout most of the east and lower west coasts of the State of Florida, serving an area of about 27,650 square miles with a population of approximately 7 million. During 1997, FPL served approximately 3.6 million customer accounts. All of the shares of common stock of FPL is owned by FPL Group, Inc. (FPL Group).



## USE OF PROCEEDS

FPL is offering hereby a maximum of \$500,000,000 aggregate principal amount of New Bonds. The net proceeds to be received from the sale of the New Bonds will be added to FPL's general funds and will be used for corporate purposes which may include, but are not limited to, the redemption or purchase of certain of its outstanding debt and preferred stock, the repayment of all or a portion of short-term borrowings outstanding, the repayment of all or a portion of any maturing long-term debt obligations and the financing of the acquisition or construction of additional electric facilities. Proceeds not immediately required for the foregoing purposes will be temporarily invested in short-term instruments.

FPL maintains a continuous construction program, principally for electric generation, transmission and distribution facilities. FPL anticipates financing this program partially through internally generated funds, partially through the sale of additional securities, partially through short-term borrowings and partially through equity investments by FPL Group. See "Item 1. Business - Capital Expenditure" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" in the Form 10-K incorporated by reference herein.

## RATIO OF EARNINGS TO FIXED CHARGES

The ratios of earnings to fixed charges for the years ended December 31, 1993 through 1997 are 3.03, 3.86, 4.33, 4.58 and 4.95, respectively. The ratio of earnings to fixed charges for the quarter ended March 31, 1998 is 3.98.

## DESCRIPTION OF NEW BONDS

**General.** The New Bonds are to be issued under a Mortgage and Deed of Trust dated as of January 1, 1944, with Bankers Trust Company, as Trustee (Mortgage Trustee), and The Florida National Bank of Jacksonville (now resigned) as supplemented and amended, and as to be supplemented by one or more supplemental indentures relating to the New Bonds, all of which are collectively referred to as the "Mortgage".

The following statements are brief summaries of certain provisions of the Mortgage, which is on file with the SEC and incorporated by reference herein, and do not purport to be complete. They make use of terms defined in the Mortgage. Reference is made to the Mortgage for a definition of these terms and for the complete provisions of the Mortgage. The following statements are qualified in their entirety by such reference.

Reference is made to the Prospectus Supplement for the following terms of the Offered Bonds (among others): (i) the designation, series and aggregate principal amount of the Offered Bonds; (ii) the percentage or percentages of their principal amount at which such Offered Bonds will be issued; (iii) the date or dates on which the Offered Bonds will mature; (iv) the rate or rates (which may be either fixed or variable), and/or the method of determination of such rate or rates, per annum at which the Offered Bonds will bear interest; (v) the times at which such interest will be payable; (vi) the place where the principal of and interest on the Offered Bonds will be payable; (vii) the denominations in which the Offered Bonds are authorized to be issued; (viii) the redemption terms, if any; (ix) whether the Offered Bonds will be in registered form, in bearer form or both; (x) whether all or a portion of the Offered Bonds will be in global form; and (xi) any other terms or provisions relating to such Offered Bonds which are not inconsistent with the provisions of the Mortgage.

**Form and Exchanges.** The New Bonds may be issued in fully registered form without coupons, in bearer form with or without coupons or any combination thereof. New Bonds in bearer form will not be offered, sold, resold or delivered in the United States or to United States persons in connection with their original issuance. Unless otherwise specified in the Prospectus Supplement, the New Bonds will be issuable in the form of registered bonds without coupons. New Bonds will be exchangeable without charge for other New Bonds of the same series and of the same or different authorized denominations, in each case for a like aggregate principal amount of New Bonds having the same issue date with identical terms and provisions, unless otherwise specified in the Prospectus Supplement. New Bonds may be transferred without charge, other than for applicable stamp

taxes or other governmental charges, unless otherwise specified in the Prospectus Supplement. Reference is made to the Prospectus Supplement for additional requirements as to the form and method of exchange of the New Bonds. Additionally, New Bonds may be represented in whole or in part by global notes, and if so represented, beneficial interests in such global notes will be shown on and transfers thereof will be effected only through, records maintained by a designated depository and its participants.

**Interest and Payment.** Reference is made to the Prospectus Supplement for the interest rate or rates (which may be either fixed or variable) and/or the method of determination of such rate or rates of the Offered Bonds and the date or dates on which such interest is payable. Unless otherwise specified in the Prospectus Supplement, principal and interest are payable in U.S. dollars at Bankers Trust Company in New York City.

**Redemption and Purchase of Offered Bonds.** See the Prospectus Supplement.

**Special Provisions for Retirement of Bonds.** If, during any 12 month period, mortgaged property is disposed of by order of or to any Federal, State, county, municipal or other governmental bodies or agencies, resulting in the receipt of \$10 million or more as proceeds, FPL (subject to certain conditions) must apply such proceeds, less certain deductions, to the retirement of Bonds. Any series of Bonds may be redeemable at the redemption prices applicable for this purpose. See the Prospectus Supplement.

**Security.** The New Bonds together with all other Bonds now or hereafter issued under the Mortgage will be secured by the Mortgage, which constitutes, in the opinion of counsel to FPL, a first mortgage lien on all of the present properties and franchises of FPL (except as stated below), subject to (a) lease of minor portions of FPL's property to others for uses which, in the opinion of such counsel, do not interfere with FPL's business, (b) leases of certain property of FPL not used in its electric business, and (c) excepted encumbrances. There are excepted from the lien all cash and securities; certain equipment, materials or supplies and fuel (including Nuclear Fuel); automobiles and other vehicles; receivables, contracts, leases and operating agreements; and timber, minerals, mineral rights and royalties.

The Mortgage contains provisions subjecting after-acquired property (subject to pre-existing liens) to the lien thereof, subject to limitation in the case of consolidation, merger or sale of substantially all of FPL's assets. Property acquired since the most recent recording of a supplemental indenture may also be subject to possible rights of others which may attach prior to recordation of a supplemental indenture subsequent to the acquisition of such property.

The Mortgage provides that the Mortgage Trustee shall have a lien upon the mortgaged property, prior to the Bonds, for the payment of its reasonable compensation and expenses and for indemnity against certain liabilities.

**Issuance of Additional Bonds.** The maximum principal amount of Bonds which may be issued under the Mortgage is unlimited. Bonds of any series may be issued from time to time on the basis of (1) 60% of Property Additions after adjustments to offset retirements, (2) retirement of bonds or qualified lien bonds, and (3) deposit of cash. With certain exceptions in the case of (2) above, the issuance of Bonds is subject to adjusted net earnings for 12 consecutive months out of the preceding 15 months before income taxes being either at least twice the annual interest requirements on, or 10% of the principal amount of, all Bonds at the time outstanding, including the additional issue, and all indebtedness of prior or equal rank. Such adjusted net earnings are computed after provision for retirement and depreciation of property equal to the replacement requirements of the Mortgage for such period.

Property Additions generally include plants, lines, pipes, mains, cables, machinery, boilers, transmission lines, pipe lines, distribution systems, service systems and supply systems, Nuclear Fuel that has been expressly subjected to the lien and operation of the Mortgage, railroad cars, barges and other transportation equipment (other than trucks) for the transportation of fuel, and other property, real or personal, and improvements, extensions, additions, renewals or replacements located within the United States of America or its coastal waters. Any such property, whether or not in operation, can be used as Property Additions prior to the

obtaining of permits or licenses. Property Additions may not include securities, fuel (including Nuclear Fuel unless expressly subjected to the lien and operation of the Mortgage), automobiles or other vehicles, or property used principally for the production or gathering of natural gas. Under the Mortgage, FPL could issue approximately \$4.5 billion of additional first mortgage bonds based on unfunded Property Additions and \$3.3 billion of additional first mortgage bonds based on the retirement of Bonds at December 31, 1997.

The Mortgage contains certain restrictions upon the issuance of Bonds against property subject to liens and upon the increase of the amount of such liens.

**Release and Substitution of Property.** Property may be released against (1) deposit of cash or, to a limited extent, purchase money mortgages; (2) Property Additions, and (3) waiver of the right to issue Bonds without applying any earnings test. Cash so deposited and cash deposited against the issuance of additional Bonds may be withdrawn upon the bases stated in (2) and (3) above. When property released is not funded property, Property Additions used to effect the release may again, in certain cases, become available as credits under the Mortgage, and the waiver of the right to issue Bonds to effect the release may, in certain cases, cease to be effective as such a waiver. Similar provisions are in effect as to cash proceeds of such property. The Mortgage contains special provisions with respect to qualified lien bonds pledged, and disposition of monies received on pledged prior lien bonds. FPL may, without any release, consume in its operations Nuclear Fuel even if such Nuclear Fuel has been expressly subjected to the lien and operation of the Mortgage.

**Dividend Restrictions.** The Mortgage contains provisions restricting an amount of retained earnings which can be used to pay cash dividends on common stock. The amount restricted is subject to being increased or decreased on the basis of various factors and any restricted retained earnings can be used for various purposes. No retained earnings were restricted, as a result of these provisions of the Mortgage, as of December 31, 1997.

**Modification of the Mortgage.** Generally the rights of the Bondholders may be modified with the consent of 66-2/3% of the Bonds and, if less than all series of Bonds are affected, the consent also of 66-2/3% of Bonds of each series affected. FPL has reserved the right to amend the Mortgage without any consent or other action by the holders of any series of Bonds created after April 30, 1992 (including the New Bonds) so as to substitute for the foregoing provisions the following: Generally the rights of the Bondholders may be modified with the consent of a majority of the Bonds, but if less than all series of the Bonds are affected, only the consent of a majority of the affected Bonds is required. In general, no modification of the terms of payment of principal and interest, no modification of the obligations of FPL under Section 64 of the Mortgage (until the foregoing substitution is made), and no modification affecting the lien or reducing the percentage required for modification, are effective against any Bondholder without such Bondholder's consent.

**Default and Notice Thereof.** Defaults are: default in payment of principal; default for 60 days in payment of interest or of installments of funds for retirement of Bonds; certain defaults with respect to qualified lien bonds; certain events in bankruptcy, insolvency or reorganization; and default for 90 days after notice on other covenants. The Mortgage Trustee may withhold notice of default (except in payment of principal, interest or any fund for retirement of Bonds), if it thinks it is in the interests of the Bondholders.

Holders of 25% of the Bonds may declare the principal and the interest due on default, but a majority may annul such declaration if such default has been cured. No holder of Bonds may enforce the lien of the Mortgage unless (1) such holder has given the Mortgage Trustee written notice of a default; (2) 25% of the Bonds have requested the Mortgage Trustee to act and offered it reasonable opportunity to act and indemnity satisfactory to the Mortgage Trustee against the costs, expenses and liabilities to be incurred thereby; and (3) the Mortgage Trustee has failed to act. The Mortgage Trustee is not required to risk its funds or incur personal liability if there is reasonable ground for believing that the repayment is not reasonably assured. A majority of the Bonds may direct the time, method, and place of conducting any proceedings for any remedy available to the Mortgage Trustee, or exercising any trust or power conferred upon the Mortgage Trustee.



Satisfaction and Discharge of Mortgage. Upon FPL's making due provision for the payment of all of the Bonds and paying all other sums due under the Mortgage, the Mortgage may be satisfied and discharged of record.

Evidence to be Furnished to the Mortgage Trustee. Compliance with Mortgage provisions is evidenced by written statements of FPL's officers or persons selected or paid by FPL. In certain major matters the accountant, appraiser, engineer or counsel must be independent. Various certificates and other papers are required to be filed annually and in certain events, including an annual certificate with reference to compliance with the terms of the Mortgage and absence of default.

Concerning the Mortgage Trustee. In the regular course of business, FPL may obtain short-term funds from several banks, including Bankers Trust Company.

#### PLAN OF DISTRIBUTION

FPL may sell the New Bonds in any of three ways: (i) through underwriters or dealers; (ii) directly to a limited number of purchasers or to a single purchaser; or (iii) through agents. The Prospectus Supplement with respect to the Offered Bonds sets forth the terms of the offering of the Offered Bonds, including the name or names of any underwriters, dealers or agents, the purchase price of such Offered Bonds and the proceeds to FPL from such sale, any underwriting discounts and other items constituting underwriters' compensation, any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers. Any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers may be changed from time to time.

If underwriters are used in the sale, the New Bonds will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of the sale. The New Bonds may be offered to the public either through underwriting syndicates represented by one or more managing underwriters as may be designated by FPL, or directly by one or more of such firms. The underwriter or underwriters with respect to a particular underwritten offering of Offered Bonds are named in the Prospectus Supplement relating to such offering and, if an underwriting syndicate is used, the managing underwriter or underwriters are set forth on the cover page of such Prospectus Supplement. Unless otherwise set forth in the Prospectus Supplement, the obligations of the underwriters to purchase the Offered Bonds will be subject to certain conditions precedent, and the underwriters will be obligated to purchase all such Offered Bonds if any are purchased.

New Bonds may be sold directly by FPL or through agents designated by FPL from time to time. The Prospectus Supplement sets forth the name of any agent involved in the offer or sale of the Offered Bonds in respect of which the Prospectus Supplement is delivered as well as any commissions payable by FPL to such agent. Unless otherwise indicated in the Prospectus Supplement, any such agent is acting on a best efforts basis for the period of its appointment.

If so indicated in the Prospectus Supplement, FPL will authorize agents, underwriters or dealers to solicit offers by certain specified institutions to purchase Offered Bonds from FPL at the public offering price set forth in the Prospectus Supplement pursuant to delayed delivery contracts providing for payment and delivery on a specified date in the future. Such contracts will be subject to those conditions set forth in the Prospectus Supplement, and the Prospectus Supplement will set forth the commission payable for solicitation of such contracts.

Agents and underwriters may be entitled under agreements entered into with FPL to indemnification by FPL against certain civil liabilities, including liabilities under the Securities Act of 1933, as amended (Securities Act).

## EXPERTS

The consolidated financial statements of FPL and its subsidiaries appearing in FPL's Annual Report on Form 10-K incorporated by reference herein have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report included in said Annual Report on Form 10-K, which report is incorporated herein by reference, and have been so incorporated by reference herein in reliance upon such report given upon the authority of that firm as experts in accounting and auditing.

Legal conclusions and opinions specifically attributed to counsel in the documents incorporated herein by reference have been reviewed by Steel Hector & Davis LLP, West Palm Beach, Florida, counsel to FPL, and are set forth on the authority of said firm as experts.

## LEGAL OPINIONS

The legality of the New Bonds will be passed upon for FPL by Steel Hector & Davis LLP, West Palm Beach, Florida, and Reid & Priest LLP, New York, New York, co-counsel to FPL, and for any underwriter or agent by Winthrop, Stimson, Putnam & Roberts, New York, New York. Reid & Priest LLP and Winthrop, Stimson, Putnam & Roberts may rely as to all matters of Florida law upon the opinion of Steel Hector & Davis LLP. Steel Hector & Davis LLP may rely as to all matters of New York law on the opinion of Reid & Priest LLP.

---

No dealer, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Prospectus or any Prospectus Supplement in connection with an offer made by this Prospectus or any Prospectus Supplement, and if given or made, such information or representations must not be relied upon as having been authorized by FPL or any other person, underwriter, dealer or agent. Neither the delivery of this Prospectus or any Prospectus Supplement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of FPL since the date hereof or thereof. This Prospectus and any Prospectus Supplement do not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation.



No dealer, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Prospectus Supplement or the accompanying Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by FPL or any other person, underwriter, dealer or agent. Neither this Prospectus Supplement nor the accompanying Prospectus constitutes an offer to sell or a solicitation of an offer to buy the securities offered hereby or thereby in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. Neither the delivery of this Prospectus Supplement or the accompanying Prospectus nor any sale made hereunder or thereunder, shall, under any circumstances, create an implication that there has been no change in the affairs of FPL since the date hereof or thereof or that the information contained herein or therein is correct as of any time subsequent to the date hereof or thereof.

## TABLE OF CONTENTS

	<u>Page</u>
<b>Prospectus Supplement</b>	
Use of Proceeds .....	S-2
Certain Terms of the Offered Bonds .....	S-2
Underwriting .....	S-4
<b>Prospectus</b>	
Available Information .....	2
Incorporation of Certain Documents by Reference .....	2
FPL .....	2
Use of Proceeds .....	3
Ratio of Earnings to Fixed Charges .....	3
Description of New Bonds .....	3
Plan of Distribution .....	6
Experts .....	7
Legal Opinions .....	7



## Florida Power & Light Company

**\$200,000,000**

**First Mortgage Bonds,  
6% Series due June 1, 2008**

**PROSPECTUS  
SUPPLEMENT  
June 11, 1998**

**BancAmerica Robertson Stephens  
Morgan Stanley Dean Witter**

**Exhibit (c)-2**

**FLORIDA POWER & LIGHT COMPANY  
AND SUBSIDIARIES**

**Consolidated Statements of Capitalization  
Millions of Dollars**

	<u>As of December 31, 1998</u>
Common stock (no par value)	\$ 1,373
Retained earnings and other shareholder's equity	<u>3,430</u>
Total Common Shareholder's Equity	4,803
Preferred Stock without sinking fund requirements	226
Long-Term Debt <sup>(1)</sup>	<u>2,191</u>
Total Capitalization	\$ <u>7,220</u>
Short Term Borrowing	\$ -----

---

<sup>(1)</sup> Excludes current maturities

**Exhibit (c)-3**

**FLORIDA POWER & LIGHT COMPANY  
AND SUBSIDIARIES**

**Computation of Ratio of Earnings To Fixed Charges**

	Twelve Months Ended December 31, 1998 Millions of Dollars
<b>Earnings, as defined:</b>	
Net income	\$ 631
Income taxes	349
Fixed charges, as below	<u>209</u>
<b>Total earnings, as defined</b>	<b><u>\$ 1,189</u></b>
<b>Fixed charges, as defined:</b>	
Interest expense	\$ 196
Rental interest factor	4
Fixed charges included in nuclear fuel cost	<u>9</u>
<b>Total fixed charges, as defined</b>	<b><u>\$ 209</u></b>
<b>Ratio of earnings to fixed charges</b>	<b><u>5.69</u></b>



**Exhibit (d)**

**FLORIDA POWER & LIGHT COMPANY**

**FORM OF PROPOSAL**

Submission Deadline:

1:00 P.M. New York Time

\$200,000,000

First Mortgage Bonds

6 % Series

Due June 1, 2008

Proceeds to FPL: 171 1/4 % Per Bond

plus accrued interest from  
June 1, 1998  
to the date of delivery

June 11, 1998

Ms. Dale Saml, Treasurer  
Florida Power & Light Company  
700 Universe Boulevard  
Juno Beach, Florida 33408

Florida Power & Light Company ("FPL") has invited proposals for the purchase of \$200 million principal amount of its First Mortgage Bonds. It is understood that FPL will either accept one proposal for the purchase of \$200 million principal amount of First Mortgage Bonds to be due June 1, 2008 (the "First Mortgage Bonds") or will reject all proposals.

Such proposals are to be communicated by telephone to FPL, as per the Request for Proposal letter dated June 5, 1998. ("Letter") no later than the Pricing Time (as defined in the Letter). Upon acceptance by FPL of a proposal, the designated firm shall immediately execute by facsimile a completed and executed Form of Proposal to FPL at (561) 694-6259, attention: Scott Craig, Manager of Corporate Finance. The redemptive provisions and other terms associated with such First Mortgage Bonds are set forth in the Form of Prospective Supplement (draft of June 5, 1998) and in the Prospectus dated May 28, 1998 for the First Mortgage Bonds.

The firms or corporations named in the attached Schedule A (Prospective Purchasers) submit the following proposal:

1. The stated annual interest to be borne by the First Mortgage Bonds expressed as a percentage of the principal amount thereof shall be as set forth above; and each of the Prospective Purchasers, severally, hereby offers to purchase the principal amount of First Mortgage Bonds set forth opposite its name in Schedule A attached hereto from FPL at 171 1/4 % of the principal amount thereof, plus accrued interest from June 1, 1998 to the date of delivery, upon the terms and conditions set forth in the attached Underwriting Agreement.

2. The Prospective Purchasers agree that (a) their offer included in this proposal shall be irrevocable until one hour after the Pricing Time, New York time, unless such proposal is sooner rejected by FPL; (b) if this proposal shall be accepted by FPL, they will forthwith furnish to FPL all information which is requested to complete the Prospectus Supplement; and (c) if this proposal shall be accepted by FPL by execution and delivery of the same, the accepted proposal and the attached Underwriting Agreement shall together become effective without any separate execution of such Underwriting Agreement and shall constitute the agreement between FPL and the Prospective Purchasers, and all rights of FPL and the Prospective Purchasers shall be determined solely in accordance with the terms thereof, subject, however, to such modifications therein as may be necessary and mutually agreed upon by FPL and the Prospective Purchasers.

3. Within one hour after the Pricing Time, New York time, FPL may accept at its option the proposal which provides it with the lowest effective interest cost or reject all proposals. The effective interest cost will be determined as set forth in the Letter. This proposal shall be deemed rejected by FPL if it shall not have been accepted by FPL one hour after the Pricing Time, New York time, and FPL reserves the right in its sole discretion to reject any and all proposals.

In case two or more proposals provide the identical effective interest cost, FPL (unless it rejects all proposals) will give the bidders of such identical bids an opportunity to improve their proposals. If no improved proposals shall be made by such bidders within the time specified by FPL, or if upon the submission of such revised proposals, two or more of such proposals provide FPL with the identical lowest effective interest cost, FPL may accept any one of such identical proposals at its discretion. FPL reserves the right to reject any and all proposals.

4. The validity and interpretation of this proposal shall be governed by the laws of the State of New York.

5. Each of the Prospective Purchasers acknowledges receipt of a copy of the Letter, the Form of Prospectus Supplement (draft of June 5, 1998), the Prospectus dated May 28, 1998 and the Underwriting Agreement.

6. The undersigned state that, if this proposal is accepted, the expected initial offering price to the public of the First Mortgage Bonds shall not exceed the purchase price to be paid to FPL pursuant to paragraph 1 above (excluding accrued interest) plus 34 1/4 % of the principal amount of such First Mortgage Bonds.

7. The delivery of the First Mortgage Bonds and payment therefor will be at 9:00 a.m., New York time, on June 11, 1998, at the offices of Reid & Priest LLP, 40 West 57<sup>th</sup> Street, New York, New York 10019.

Very truly yours,

For Themselves and as Representative(s)  
BancAmerica Robertson Stephens  
231 South LaSalle Street

By: [Signature]  
Title: [Signature]  
Address: [Signature]

This proposal for the purchase of \$200 million principal amount of First Mortgage Bonds is accepted as of the date set forth below:

FLORIDA POWER & LIGHT COMPANY

By: Derek Jamil

Date: June 11, 1998

This Form of Proposal must be completed, signed and submitted with the attached Schedule A completed. A copy of the Prospective Purchaser's Questionnaire must have been previously provided to FPL, c/o Reid & Priest LLP, by each Prospective Purchaser.

SCHEDULE A

<u>Promoter/Purchaser</u>	<u>Principal Amount</u>
Bank America Robinson Stephens	\$175,000,000
HOBBS Stanley Dean Miller	25,000,000

Total \$ 200,000,000

## FLORIDA POWER & LIGHT COMPANY

### First Mortgage Bonds

#### Underwriting Agreement

June 11, 1998

AGREEMENT between FLORIDA POWER & LIGHT COMPANY, a Florida corporation ("FPL"), and the several Underwriters, or the Underwriter, as the case may be, named in Schedule A to the Form of Proposal (the "Proposal") to which this underwriting agreement is attached (the underwriting agreement, together with the Proposal, are referred to jointly herein as "this agreement" or the "Underwriting Agreement") relating to the issuance and sale by FPL of its First Mortgage Bonds of the series designation, with the terms and in the principal amount as set forth in this agreement (the "Bonds").

The term "Underwriters" as used herein shall be deemed to mean the firm or corporation or the several firms or corporations named in Schedule A to the Proposal and any underwriter substituted as provided in Section 4 hereof and the term "Underwriter" shall be deemed to mean one of such Underwriters. The term "Representatives," as used herein, shall be deemed to mean the representative or representatives, if any, named in the questionnaire heretofore submitted to FPL by each of the Underwriters, who by signing the Proposal represent that it or they have been authorized by each Underwriter to sign such Proposal and enter into this agreement on behalf of such Underwriter and to act for it in the manner herein provided. All obligations of the Underwriters hereunder are several and not joint. If more than one firm is named in Schedule A to the Proposal, any action under or in respect of this agreement may be taken by such firms jointly as the Representatives or by one of the firms acting on behalf of the Representatives and such action will be binding upon all the Underwriters.

The Bonds will be a series of First Mortgage Bonds ("First Mortgage Bonds") issued by FPL under its Mortgage and Deed of Trust, dated as of January 1, 1944, to Bankers Trust Company, as Trustee (the "Mortgage Trustee"), and The Florida National Bank of Jacksonville (now resigned), as heretofore supplemented and as it will be further supplemented by a supplemental indenture relating to the Bonds ("Supplemental Indenture") in substantially the form heretofore delivered to the Representatives. Such Mortgage and Deed of Trust as it has been and will be so supplemented is hereinafter called the "Mortgage".

FPL has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-3, including a prospectus ("registration statement No. 33-61390"), for the registration of \$1,220,300,000 aggregate principal amount of its First Mortgage Bonds under the Securities Act of 1933, as amended (the "Securities Act"), which registration statement has been declared effective by the Commission. FPL also filed with the Commission a registration statement on Form S-3, including a prospectus ("registration statement No. 333-53053") for the registration of \$210,000,000 of its First Mortgage Bonds, which registration statement has been declared effective by the Commission. All but \$290,000,000 principal amount of First Mortgage Bonds registered with the Commission under the Securities Act pursuant to registration statement No. 33-61390, as amended, have been previously issued. References herein to the term "Registration Statement" as of any given date shall mean registration statement No. 333-53053 and registration statement No. 33-61390, each as amended or supplemented to such date, including all documents incorporated by reference therein as of such date pursuant to Item 12 of Form S-3 ("Incorporated Documents"). References herein to the term "Prospectus" as of any given date shall mean the prospectus forming a part of registration statement No. 333-53053, as supplemented by a prospectus supplement relating to the Bonds proposed to be filed pursuant to Rule 424 of the general rules and regulations under the Securities Act ("Rule 424"), and as further amended or supplemented as of such date (other than amendments or supplements relating to First Mortgage Bonds other than the Bonds or, when referring to the Prospectus relating to a particular offering of the Bonds, Bonds other than the Bonds being offered on such date), including all Incorporated Documents. References herein to the term "Effective Date" shall be deemed to refer to the later of the time and date that registration statement No. 333-53053 was declared effective and of the filing of FPL's most recent Annual Report on Form 10-K if such filing is made prior to the Closing Date (as hereafter defined). Prior to the termination of the offering of the Bonds, FPL will not file any amendment to the Registration Statement or any amendment or supplement to the Prospectus without prior notice to the Representatives and to Winthrop, Stimson, Putnam & Roberts, who are acting as counsel on behalf of the several Underwriters ("Counsel for the Underwriters"), or any



such amendment or supplement to which the Representatives shall reasonably object in writing, or which shall be unsatisfactory to Counsel for the Underwriters.

SECTION 1. Representations and Warranties of FPL. FPL represents and warrants to the several Underwriters that:

(a) The Registration Statement at the Effective Date fully complied, and the Prospectus both on the date it is filed with, or transmitted for filing to, the Commission, pursuant to Rule 424 (such date, the "424 Date") and at the Closing Date (as hereinafter defined), and the Registration Statement and the Mortgage at the Closing Date, will fully comply, in all material respects with the applicable provisions of the Securities Act and the Trust Indenture Act of 1939, as amended (the "1939 Act"), as applicable and, in each case, the applicable instructions, rules and regulations of the Commission with respect thereto; at the Effective Date, the Registration Statement did not, and at the Closing Date, the Registration Statement will not, contain an untrue statement of a material fact, or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; the Prospectus, at the 424 Date and at the Closing Date, will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading; and the Incorporated Documents, when filed with the Commission, fully complied or will fully comply in all material respects with the applicable provisions of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the applicable instructions, rules and regulations of the Commission thereunder; provided, that the foregoing representations and warranties in this subsection (a) shall not apply to statements or omissions made in reliance upon and in conformity with information furnished in writing to FPL by or on behalf of any Underwriter for use in connection with the preparation of the Registration Statement or the Prospectus, or to any statements in or omissions from any Statement of Eligibility and Qualification on Form T-1, or amendments thereto, of the Mortgage Trustee.

(b) The financial statements included as part of or incorporated by reference in the Prospectus present fairly the financial condition and operations of FPL at the respective dates or for the respective periods to which they apply; such financial statements have been prepared in each case in accordance with generally accepted accounting principles consistently applied throughout the periods involved except as otherwise indicated in the Registration Statement; and Deloitte & Touche L.L.P., who have audited the audited financial statements, are independent public accountants as required by the Securities Act and the Exchange Act and the rules and regulations of the Commission thereunder.

(c) Except as reflected in or contemplated by the Registration Statement and the Prospectus, since the respective most recent dates as of which information is given in the Registration Statement and Prospectus, there has not been any material adverse change in the business, properties or financial condition of FPL, nor has any material transaction been entered into by FPL, other than changes and transactions contemplated by the Registration Statement and Prospectus, and transactions in the ordinary course of business. FPL has no material contingent obligation which is not disclosed in the Registration Statement and Prospectus.

(d) The consummation of the transactions herein contemplated and the fulfillment of the terms hereof on the part of FPL to be fulfilled have been duly authorized by all necessary corporate action of FPL in accordance with the provisions of its Restated Articles of Incorporation, as amended, (the "Charter"), by-laws and applicable law, and the Bonds when issued and delivered as provided herein will constitute legal, valid and binding obligations of FPL in accordance with their terms, except as limited by bankruptcy, insolvency or other laws affecting mortgagees' and other creditors' rights generally and equitable limitations on the enforceability of specific remedies.

(e) The consummation of the transactions herein contemplated and the fulfillment of the terms hereof and the compliance by FPL with all the terms and provisions of the Mortgage will not result in a breach of any of the terms or provisions of, or constitute a default under, FPL's Charter, by-laws or any indenture, mortgage, deed of trust or other agreement or instrument to which FPL is now a party, or violate any law or any order, rule, decree or regulation applicable to FPL of any Federal or state court, regulatory board or body or administrative agency having jurisdiction over FPL or any of its property, except where

such breach, default or violation would not have a material adverse effect on the business, properties or financial condition of FPL.

(f) All the property to be subjected to the lien of the Mortgage will be adequately described therein.

**SECTION 2. Purchase and Sale.** On the basis of the representations and warranties herein contained, and subject to the terms and conditions in this agreement set forth, FPL agrees to sell to the respective Underwriters named in Schedule A to the Proposal, severally and not jointly, and the respective Underwriters agree, severally and not jointly, to purchase from FPL, the respective principal amounts of Bonds set forth opposite their respective names in Schedule A to the Proposal at the purchase price set forth in the Proposal.

**SECTION 3. Public Offering.** The Underwriters propose to make a *bona fide* public offering of the Bonds as set forth in the Prospectus, such public offering to be made as soon after the execution of this agreement as practicable, subject, however, to the terms and conditions of this agreement.

**SECTION 4. Time and Place of Closing. Default of Underwriter.** Delivery of the Bonds and payment therefor by certified or official bank check or checks, payable to the order of FPL in New York Clearing House or similar next day funds or by wire transfer in federal funds (or in such other manner as may be set forth in the Proposal), shall be made at the time, date and place set forth in the Proposal, or at such other time, date or place as shall be agreed upon in writing by FPL and the Representatives. The hour and date of such delivery and payment are herein called the "Closing Date".

The Bonds shall be delivered to the Representatives for the respective accounts of the Underwriters in fully registered form in such authorized denominations and registered in such names as the Representatives may reasonably request in writing not later than 12:30 p.m., New York City time, on the third business day prior to the Closing Date, or to the extent not so requested, registered in the names of the respective Underwriters in such authorized denominations as FPL shall determine. For the purpose of expediting the checking of the Bonds by the Representatives on behalf of the Underwriters, FPL agrees to make such Bonds available to the Representatives for such purpose at the office of Reid & Priest LLP, 40 West 57th Street, New York, New York 10019 not later than 2:00 p.m., New York City time, on the business day preceding the Closing Date, or at such other time and place as may be agreed upon by FPL and the Representatives.

If any Underwriter shall fail to purchase and pay for the principal amount of the Bonds which such Underwriter has agreed to purchase and pay for hereunder (otherwise than by reason of any failure on the part of FPL to comply with any of the provisions contained herein), the non-defaulting Underwriters shall be obligated to take up and pay for (in addition to the respective principal amount of the Bonds set forth opposite their respective names in Schedule A to the Proposal) the principal amount of the Bonds which such defaulting Underwriter or Underwriters failed to take up and pay for, up to a principal amount thereof equal to, in the case of each such remaining Underwriter, ten percent (10%) of the principal amount of the Bonds set forth opposite the name of such remaining Underwriter in said Schedule A to the Proposal, and such remaining Underwriters shall have the right, within 24 hours of receipt of such notice, either to take up and pay for (in such proportion as may be agreed upon among them), or to substitute another Underwriter or Underwriters, satisfactory to FPL, to take up and pay for, the remaining principal amount of the Bonds which the defaulting Underwriter or Underwriters agreed but failed to purchase. If any unpurchased Bonds still remain, then FPL shall be entitled to a further period of 24 hours within which to procure another party or other parties, members of the National Association of Securities Dealers, Inc. (or, if not members of such Association, who are not eligible for membership in said Association and who agree (i) to make no sales within the United States, its territories or its possessions or to persons who are citizens thereof or residents therein and (ii) in making sales to comply with said Association's Conduct Rules) and satisfactory to the Representatives to purchase such Bonds on the terms set forth in this agreement. In the event that, within the respective prescribed periods, the non-defaulting Underwriters notify FPL that they have arranged for the purchase of such Bonds, or FPL notifies the non-defaulting Underwriters that it has arranged for the purchase of such Bonds, the non-defaulting Underwriters or FPL shall have the right to postpone the Closing Date for a period of not more than three full business days beyond the expiration of the respective prescribed periods in order to effect whatever changes may thus be made necessary in the Registration Statement or the Prospectus or in any other documents or arrangements. In the event that neither the non-defaulting Underwriters nor FPL has arranged for the purchase of

such Bonds by another party or parties as above provided, then this agreement shall terminate without any liability on the part of FPL or any Underwriter (other than an Underwriter which shall have failed or refused, otherwise than for some reason sufficient to justify, in accordance with the terms hereof, the cancellation or termination of its obligations hereunder, to purchase and pay for the Bonds which such Underwriter has agreed to purchase as provided in Section 2 hereof), except as otherwise provided in subsections (c) and (e) of Section 5 hereof.

**SECTION 5. Covenants of FPL.** FPL agrees that:

(a) It will promptly transmit copies of the Prospectus to the Commission for filing pursuant to Rule 424.

(b) It will deliver to the Representatives and to Counsel for the Underwriters one signed copy of the Registration Statement or, if a signed copy is not available, one conformed copy of the Registration Statement certified by an officer of FPL to be in the form as originally filed, including all Incorporated Documents and all exhibits except those incorporated by reference, which relate to the Bonds, including a signed or conformed copy of each consent and certificate included therein or filed as an exhibit thereto. FPL will deliver to the Underwriters through the Representatives as soon as practicable after the date of this agreement as many copies of the Prospectus as the Representatives may reasonably request for the purposes contemplated by the Securities Act. FPL will promptly advise the Representatives of the issuance of any stop order under the Securities Act with respect to the Registration Statement or the institution of any proceedings therefor of which FPL shall have received notice prior to the termination of the offering of the Bonds hereunder. FPL will use its best efforts to prevent the issuance of any such stop order and to secure the prompt removal thereof, if issued.

(c) It will pay all expenses in connection with (i) the preparation and filing by it of the Registration Statement and Prospectus, (ii) the issuance and delivery of the Bonds as provided in Section 4 hereof, (iii) the preparation, execution, filing and recording of the Supplemental Indenture, and (iv) the printing and delivery to the Representatives for the account of the Underwriters, in reasonable quantities, of copies of the Registration Statement and the Prospectus and the Supplemental Indenture and will pay all taxes, if any (but not including any transfer taxes), on the issuance of the Bonds and the recordation of the Supplemental Indenture. FPL shall not, however, be required to pay any amount for any expenses of the Representatives or any of the Underwriters, except as provided in Sections 6 and 7 hereof and except that if this agreement shall be terminated in accordance with the provisions of Section 6, 7 or 9 hereof, FPL will pay the fees and disbursements of Counsel for the Underwriters, whose fees and disbursements the Underwriters agree to pay in any other event. FPL shall not in any event be liable to any of the several Underwriters for damages on account of loss of anticipated profits.

(d) During a period of nine months after the date of this agreement, if any event relating to or affecting FPL or of which FPL shall be advised in writing by the Representatives shall occur which, in FPL's opinion, should be set forth in a supplement to or an amendment of the Prospectus in order to make the Prospectus not misleading in light of the circumstances when it is delivered to a purchaser, FPL will forthwith at its expense prepare and furnish to the Representatives a reasonable number of copies of a supplement or supplements or an amendment or amendments to the Prospectus which will supplement or amend the Prospectus so that as supplemented or amended it will not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading; provided that should such event relate solely to activities of any of the Underwriters, then the Underwriters shall assume the expense of preparing and furnishing copies of any such amendment or supplement. In case any Underwriter is required to deliver a Prospectus after the expiration of nine months after the date of this agreement, FPL, upon the request of the Representatives will furnish to the Representatives, at the expense of such Underwriter, a reasonable quantity of a supplemented or amended Prospectus or supplements or amendments to the Prospectus complying with Section 10 of the Securities Act.

(e) It will furnish such proper information as may be lawfully required and otherwise cooperate in qualifying the Bonds for offer and sale under the blue sky laws of such jurisdictions as the Representatives may designate and will pay filing fees in the aggregate not exceeding \$7,500, provided that



FPL shall not be required to qualify as a foreign corporation or dealer in securities, or to file any consents to service of process under the laws of any jurisdiction, or to meet other requirements deemed by FPL to be unduly burdensome.

(f) It will make generally available to its security holders, as soon as practicable, an earnings statement (which need not be audited, unless required so to be under Section 11(a) of the Securities Act) in reasonable detail covering the 12 months beginning not later than the first day of the quarter next succeeding the month in which occurred the effective date of the Registration Statement as defined in Rule 158 under the Securities Act.

(g) On or before the Closing Date, it will, if applicable, cause (i) at least one counterpart of the Supplemental Indenture to be duly recorded in the States of Florida or Georgia and (ii) all intangible and documentary stamp taxes due in connection with the issuance of the Bonds and the recording of the Supplemental Indenture to be paid. Within 30 days following the Closing Date, FPL will, if applicable, cause the Supplemental Indenture to be duly recorded in all other counties in which property of FPL is located.

**SECTION 6. Conditions of Underwriters' Obligations.** The several obligations of the Underwriters to purchase and pay for the Bonds shall be subject to the accuracy of, and compliance with, the representations and warranties of FPL contained herein on the Closing Date, to the performance by FPL of its obligations to be performed hereunder on or prior to the Closing Date and to the following conditions:

(a) No stop order suspending the effectiveness of the Registration Statement shall be in effect on the Closing Date; no order of the Commission directed to the adequacy of any document incorporated by reference shall have been issued; no proceedings for either such purpose shall be pending before, or threatened by, the Commission on such date; and the Representatives shall have received, prior to payment for the Bonds, a certificate of FPL, dated the Closing Date to the effect that, to the best of its knowledge, no such order is in effect and no proceedings for such purpose are pending before, or to the knowledge of FPL, threatened by, the Commission.

(b) On the Closing Date, there shall be in full force and effect an authorization of the Florida Public Service Commission with respect to the issuance and sale of the Bonds on the terms herein stated or contemplated, and containing no provision unacceptable to the Representatives by reason of the fact that it is materially adverse to FPL, it being understood that no authorization provided to Counsel for the Underwriters and in effect at the date of this agreement contains any such unacceptable provision.

(c) At the Closing Date, the Representatives shall have received from Steel Hector & Davis LLP, counsel to FPL, a favorable opinion (with a copy thereof for each of the Underwriters), which opinion will not pass upon compliance with provisions of the blue sky laws of any jurisdiction, in form and substance satisfactory to Counsel for the Underwriters, to the effect that:

(i) FPL is a validly organized and existing corporation and is in good standing under the laws of the State of Florida, and is doing business in that State, and has valid franchisees, licenses and permits adequate for the conduct of its business;

(ii) FPL is a corporation duly authorized by its Charter to conduct the business which it is now conducting as set forth in the Prospectus; FPL is subject, as to retail rates and services, issuance of securities, accounting and certain other matters, to the jurisdiction of the Florida Public Service Commission; and FPL is subject, as to wholesale rates, accounting and certain other matters to the jurisdiction of the Federal Energy Regulatory Commission;

(iii) the Mortgage has been duly and validly authorized by all necessary corporate action, has been duly and validly executed and delivered, and is a valid and binding instrument enforceable in accordance with its terms, except as limited by bankruptcy, insolvency or other laws affecting mortgagees' and other creditors' rights generally and equitable limitations on the enforceability of specific remedies;

(iv) the Bonds are valid and binding obligations of FPL in accordance with their terms, except as limited by bankruptcy, insolvency or other laws affecting mortgagees' and other creditors' rights generally and equitable limitations on the enforceability of specific remedies, and are entitled to the benefit of the security afforded by the Mortgage;

(v) the Registration Statement, at the Effective Date, and the Prospectus, at the 424 Date (except as to the financial statements and other financial or statistical data contained or incorporated by reference therein, upon which such opinion need not pass and except for those parts of the Registration Statement that constitute the Statement of Eligibility and Qualification on Form T-1, upon which such opinion need not pass), compiled as to form in all material respects with the applicable requirements of the Securities Act and the applicable instructions, rules and regulations of the Commission thereunder and the Incorporated Documents (except as to the financial statements and other financial or statistical data contained or incorporated by reference therein, upon which such opinion need not pass), at the time they were filed with the Commission, compiled as to form in all material respects with the applicable requirements of the Exchange Act and the applicable instructions, rules and regulations of the Commission thereunder. The Registration Statement has become, and is at the Closing Date, effective under the Securities Act, and to the best of the knowledge of said counsel, no proceedings for a stop order with respect thereto are pending or threatened under Section 8 of the Securities Act;

(vi) the consummation of the transactions herein contemplated and the fulfillment of the terms hereof and the compliance by FPL with all the terms and provisions of the Mortgage will not result in a breach of any of the terms or provisions of, or constitute a default under, the Charter or by-laws of FPL or any indenture, mortgage, deed of trust or other agreement or instrument the terms of which are known to such counsel to which FPL is now a party, except where such breach or default would not have a material adverse effect on the business, properties or financial condition of FPL;

(vii) nothing has come to the attention of said counsel that would lead them to believe that the Registration Statement (except as to financial statements and other financial or statistical data contained or incorporated by reference therein, upon which such opinion need not pass and except for those parts of the Registration Statement that constitute the Statement of Eligibility and Qualification on Form T-1, upon which such opinion need not pass), at the Effective Date, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus, at the 424 Date, and at the Closing Date (except as aforesaid) included or includes, any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, provided that such counsel may state that their belief is based upon their participation in the preparation of the Registration Statement and the Prospectus and any supplements and amendments thereto and review and discussion of the contents thereof, but is without independent check or verification except as specified;

(viii) the Bonds are being issued and sold pursuant to the authority contained in an order of the Florida Public Service Commission, which authority is adequate to permit the issuance and sale of the Bonds. To the best of the knowledge of said counsel, said authorization is still in full force and effect, and no further approval, authorization, consent or order of any public board or body (other than in connection or in compliance with the provisions of the blue sky laws of any jurisdiction) is legally required for the authorization of the issuance and sale of the Bonds;

(ix) the Bonds conform, as to legal matters, with the statements concerning them made under the headings "New Bonds" and "Certain Terms of the Offered Bonds" in the Prospectus;

(x) the Mortgage is duly qualified under the 1939 Act;



FPL;

(xi) this agreement has been duly and validly authorized, executed and delivered by

(xii) if Bonds are to be sold pursuant to this agreement on the Closing Date, as to the Mortgaged and Pledged Property, as defined in the Mortgage, FPL has satisfactory title to any easements and personal properties, and good and marketable or insurable title in fee simple to any other real properties (except as FPL's interest is stated to be otherwise), subject only to Excepted Encumbrances, as defined in the Mortgage, to any lien, if any, existing or placed thereon at the time of acquisition thereof by FPL, to minor defects and encumbrances customarily found in the case of properties of like size and character and which, in the opinion of said counsel, would not impair the use thereof by FPL (all of which title exceptions, encumbrances, liens and defects are hereinafter referred to as "Exceptions"), and to the lien of the Mortgage; the Mortgage constitutes a valid, direct, and first mortgage lien upon the Mortgaged and Pledged Property now owned by FPL, subject, however, to the Exceptions and as set forth in the last sentence of this paragraph; and the description of properties in the Mortgage is adequate to constitute the Mortgage a lien on Mortgaged and Pledged Property hereafter acquired by FPL, subject, however, to the Exceptions and except as limited by bankruptcy, insolvency or other laws affecting mortgagees' and other creditors' rights generally and equitable limitations on the enforceability of specific remedies. The Supplemental Indenture is in proper form for recording in all places required; and upon such recording, the Supplemental Indenture will constitute adequate record notice to perfect the lien of the Mortgage as to all Mortgaged and Pledged Property acquired by FPL subsequent to the recording of the Ninety-eighth Supplemental Indenture and prior to the recording of the Supplemental Indenture;

(xiii) except as stated or referred to in the Prospectus, there are no material pending legal proceedings to which FPL is a party or of which property of FPL is the subject which if determined adversely would have a material adverse effect on FPL, and, to the best of the knowledge of said counsel, no such proceeding is known to be contemplated by governmental authorities; and

(xiv) the information contained in the Prospectus, which is stated therein to have been made in reliance upon the authority of said counsel or is specifically attributed to them, has been reviewed by them and is correct.

In said opinion such counsel may rely as to all matters of New York law on an opinion of Reid & Priest LLP and as to matters relating to Mortgaged and Pledged Property located in the State of Georgia on (i) prior opinions provided to FPL on matters of Georgia law and (ii) a current opinion from Georgia counsel.

(d) At the Closing Date, the Representatives shall have received from Reid & Priest LLP, counsel to FPL, a favorable opinion (with a copy thereof for each of the Underwriters), which opinion will not pass upon compliance with provisions of the blue sky laws of any jurisdiction, in form and substance satisfactory to Counsel for the Underwriters, to the same effect with respect to matters enumerated in paragraphs (iii) through (xi) in subsection (c) of this Section 6. In said opinion such Counsel may rely as to all matters of Florida law on the opinion of Steel Hector & Davis LLP.

(e) At the Closing Date, the Representatives shall have received from Counsel for the Underwriters a favorable opinion (with a copy thereof for each of the Underwriters) to the same effect with respect to the matters enumerated in (iii) - (v) and (vii) - (xi) of subsection (c) of this Section 6 as the opinion required by said subsection (c). In said opinion such counsel may rely as to all matters of Florida law on the opinion of Steel Hector & Davis LLP, and will not pass upon the incorporation of FPL, titles to property, franchises or the lien of the Mortgage.

(f) At the Closing Date, the Representatives shall have received from Deloitte & Touche LLP a letter (with copies thereof for each of the Underwriters) to the effect that (i) they are independent public accountants with respect to FPL within the meaning of the Securities Act and the Exchange Act and the applicable published rules and regulations thereunder; (ii) in their opinion, the consolidated financial statements audited by them and incorporated by reference in the Prospectus comply as to form in all material

respects with the applicable accounting requirements of the Securities Act and the Exchange Act and the published rules and regulations thereunder; (iii) on the basis of a reading of the unaudited condensed consolidated financial statements of FPL incorporated by reference in the Prospectus, the latest available interim unaudited consolidated financial statements of FPL since the close of FPL's most recent audited fiscal year, the minutes and consents of the Board of Directors, the Finance Committee of the Board of Directors, the Stock Issuance Committee of the Board of Directors, and the Shareholder of FPL since the end of the most recent audited fiscal year, and inquiries of officials of FPL who have responsibility for financial and accounting matters (it being understood that the foregoing procedures do not constitute an audit made in accordance with generally accepted auditing standards and they would not necessarily reveal matters of significance with respect to the comments made in such letter, and accordingly that Deloitte & Touche LLP make no representation as to the sufficiency of such procedures for the several Underwriters' purposes), nothing has come to their attention which caused them to believe that (a) the unaudited condensed consolidated financial statements of FPL incorporated by reference in the Prospectus (1) do not comply as to form in all material respects with the applicable accounting requirements of the Securities Act and the Exchange Act and the published rules and regulations thereunder and (2) except as disclosed in the Prospectus are not in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the audited consolidated financial statements of FPL incorporated by reference in the Prospectus, (b) at the date of the latest available interim balance sheet read by them and at a specified date not more than five days prior to the Closing Date there was any change in the common stock, additional paid-in capital, preferred stock or long-term debt of FPL and its subsidiaries, or decrease in their net assets, in each case as compared with amounts shown in the most recent consolidated balance sheet incorporated by reference in the Prospectus, except in all instances for changes or decreases which the Prospectus discloses have occurred or may occur, or as occasioned by the declaration, provision for, or payment of dividends, or which are described in such letter, or (c) for the period from the date of the most recent consolidated balance sheet incorporated by reference in the Prospectus to the latest available interim balance sheet read by them and for the period from the date of the latest available interim balance sheet read by them to a specified date not more than five days prior to the Closing Date, there were any decreases, as compared with the corresponding period in the preceding year, in total consolidated operating revenues or in net income or net income available to FPL Group, Inc., except in all instances for decreases which the Prospectus discloses have occurred or may occur, or which are described in such letter; and (iv) they have carried out certain procedures and made certain findings, as specified in such letter, with respect to certain amounts included in the Prospectus and Exhibit 12 to the Registration Statement and such other items as the Representatives may reasonably request.

(g) Since the respective most recent dates as of which information is given in the Registration Statement and Prospectus and up to the Closing Date, there shall have been no material adverse change in the business, properties or financial condition of FPL, except as reflected in or contemplated by the Registration Statement and Prospectus, and since such dates and up to the Closing Date, there shall have been no material transaction entered into by FPL other than transactions disclosed by the Registration Statement and the Prospectus and transactions in the ordinary course of business; and at the Closing Date, the Representatives shall have received a certificate to such effect, signed by FPL.

(h) All legal proceedings to be taken in connection with the issuance and sale of the Bonds shall have been satisfactory in form and substance to Counsel for the Underwriters.

In case any of the conditions specified above in this Section 6 shall not have been fulfilled, this agreement may be terminated by the Representatives, upon mailing or delivering written notice thereof to FPL. Any such termination shall be without liability of any party to any other party except as otherwise provided in subsections (c) and (e) of Section 5 hereof and except that in the event of such termination by the Representatives, FPL shall reimburse the Underwriters for out-of-pocket expenses reasonably incurred by them in connection with the transactions contemplated by this agreement, not in excess, however, of an aggregate of \$5,000.

**SECTION 7. Conditions of FPL's Obligations.** The obligation of FPL to deliver the Bonds shall be subject to the following conditions:

(a) No stop order suspending the effectiveness of the Registration Statement, and no order directed to the adequacy of any document incorporated by reference, shall be in effect at the Closing Date, and no proceedings for either such purpose shall be pending before, or threatened by, the Commission on such date.

(b) On the Closing Date there shall be in full force and effect an authorization of the Florida Public Service Commission with respect to the issuance and sale of the Bonds on the terms herein stated or contemplated, and containing no provision unacceptable to FPL by reason of the fact that it is materially adverse to FPL, it being understood that no authorization in effect at the date of this agreement contains any such unacceptable provision.

In case any of the conditions specified in this Section 7 shall not have been fulfilled, this agreement may be terminated by FPL upon mailing or delivering written notice thereof to the Representatives. Any such termination shall be without liability of any party to any other party, except as otherwise provided in subsections (c) and (e) of Section 5 hereof and except that in the event of such termination by FPL, FPL shall reimburse the Underwriters for out-of-pocket expenses reasonably incurred by them in connection with the transactions contemplated by this agreement, not in excess, however, of an aggregate of \$5000.

#### SECTION 8. Indemnification.

(a) FPL agrees to indemnify and hold harmless each Underwriter and each person who controls any Underwriter within the meaning of Section 15 of the Securities Act against any and all losses, claims, damages or liabilities, joint or several, to which it or any of them may become subject under the Securities Act or any other statute or common law, and to reimburse each such Underwriter and controlling person for any legal or other expenses (including, to the extent hereinafter provided, reasonable counsel fees) incurred by them in connection with investigating any such losses, claims, damages or liabilities or in connection with defending any actions, insofar as such losses, claims, damages, liabilities, expenses or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus (if used prior to the Effective Date), including all Incorporated Documents, or in the Registration Statement or the Prospectus, or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that the indemnity agreement contained in this paragraph shall not apply to any such losses, claims, damages, liabilities, expenses or actions arising out of, or based upon, any such untrue statement or alleged untrue statement, or any such omission or alleged omission, if such statement or omission was made in reliance upon and in conformity with information furnished herein or to FPL in writing by or on behalf of any Underwriter, through the Representatives or otherwise, for use in connection with the preparation of the Registration Statement or the Prospectus or any amendment or supplement to either thereof, or arising out of, or based upon, statements in or omissions from the Statement of Eligibility and Qualification on Form T-1 of the Mortgage Trustee and provided, further, that the indemnity agreement contained in this paragraph in respect of any preliminary prospectus shall not inure to the benefit of any Underwriter (or of any person controlling such Underwriter) on account of any such losses, claims, damages, liabilities, expenses or actions arising from the sale of the Bonds to any person if such Underwriter shall have failed to send or give to such person (i) with or prior to the written confirmation of such sale, a copy of the Prospectus or the Prospectus as amended or supplemented, if any amendments or supplements thereto shall have been furnished at or prior to the time of written confirmation of the sale involved, but exclusive of any Incorporated Documents unless, with respect to the delivery of any amendment or supplement, the alleged omission or alleged untrue statement is not corrected in such amendment or supplement at the time of confirmation, or (ii) with or prior to the delivery of such Bonds to such person, a copy of any amendment or supplement to the Prospectus which shall have been furnished subsequent to such written confirmation and prior to the delivery of such Bonds to such person, exclusive of any Incorporated Documents unless, with respect to the delivery of any amendment or supplement, the alleged omission or alleged untrue statement was not corrected in such amendment or supplement at the time of such delivery. The indemnity agreement of FPL contained in this paragraph and the representations and warranties of FPL contained in Section 1 hereof shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of any Underwriter or any such controlling person, and shall survive the delivery of the Bonds. The Underwriters agree promptly to notify



FPL, and each other Underwriter, of the commencement of any litigation or proceedings against them or any of them or any such controlling person in connection with the issuance and sale of the Bonds.

(b) Each Underwriter agrees to indemnify and hold harmless FPL, its officers and directors, and each person who controls any thereof within the meaning of Section 15 of the Securities Act, against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the Securities Act or other statute or common law, and to reimburse each of them for any legal or other expenses (including, to the extent hereinafter provided, reasonable counsel fees) incurred by them in connection with investigating any such losses, claims, damages or liabilities, or in connection with defending any actions, insofar as such losses, claims, damages, liabilities, expenses or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or Prospectus or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading if such statement or omission was made in reliance upon and in conformity with information furnished herein or to FPL in writing by or on behalf of such Underwriter, through the Representatives or otherwise, for use in connection with the preparation of the Registration Statement or the Prospectus or any amendment or supplement to either thereof. The indemnity agreement of the respective Underwriters contained in this paragraph shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of FPL or any of its officers or directors or any such other Underwriter or any such controlling person, and shall survive the delivery of the Bonds. FPL agrees promptly to notify the Representatives of the commencement of any litigation or proceedings against FPL (or any controlling person thereof) or any of its officers or directors in connection with the issuance and sale of the Bonds.

(c) FPL and the several Underwriters each agree that, upon the receipt of notice of the commencement of any action against it, its officers and directors, or any person controlling it as aforesaid, in respect of which indemnity may be sought on account of any indemnity agreement contained herein, it will promptly give written notice of the commencement thereof to the party or parties against whom indemnity shall be sought thereunder, but the omission so to notify such indemnifying party or parties of any such action shall not relieve such indemnifying party or parties from any liability which it or they may have to the indemnified party otherwise than on account of such indemnity agreement. In case such notice of any such action shall be so given, such indemnifying party shall be entitled to participate at its own expense in the defense or, if it so elects, to assume (in conjunction with any other indemnifying parties) the defense of such action, in which event such defense shall be conducted by counsel chosen by such indemnifying party or parties and satisfactory to the indemnified party or parties who shall be defendant or defendants in such action, and such defendant or defendants shall bear the fees and expenses of any additional counsel retained by them; but if the indemnifying party shall elect not to assume the defense of such action, such indemnifying party will reimburse such indemnified party or parties for the reasonable fees and expenses of any counsel retained by them; provided, however, if the defendants in any such action include both the indemnified party and the indemnifying party and counsel for the indemnifying party shall have reasonably concluded that there may be a conflict of interest involved in the representation by such counsel of both the indemnifying party and the indemnified party, the indemnified party or parties shall have the right to select separate counsel, satisfactory to the indemnifying party, to participate in the defense of such action on behalf of such indemnified party or parties (it being understood, however, that the indemnifying party shall not be liable for the expenses of more than one separate counsel representing the indemnified parties who are parties to such action).

SECTION 9. Termination. This agreement may be terminated by the Representatives by delivering written notice thereof to FPL, at any time prior to the Closing Date if (a) after the date hereof and at or prior to the Closing Date there shall have occurred any general suspension of trading in securities on the New York Stock Exchange, Inc. or there shall have been established by the New York Stock Exchange, Inc. or by the Commission or by any federal or state agency or by the decision of any court any limitation on prices for such trading or any restrictions on the distribution of securities, or a general banking moratorium declared by New York or federal authorities, or (b) there shall have occurred any new outbreak of hostilities including, but not limited to, an escalation of hostilities which existed prior to the date of this agreement or other national or international calamity or crisis, the effect of any such event specified in (a) or (b) above on the financial markets of the United States shall be such as to make it impracticable for the Underwriters to enforce contracts for the sale of the Bonds. This agreement may

also be terminated at any time prior to the Closing Date if in the judgment of the Representatives the subject matter of any amendment or supplement to the Registration Statement or Prospectus prepared and furnished by FPL reflects a material adverse change in the business, properties or financial condition of FPL which renders it either inadvisable to proceed with such offering, if any, or inadvisable to proceed with the delivery of the Bonds to be purchased hereunder. Any termination of this agreement pursuant to this Section 9 shall be without liability of any party to any other party except as otherwise provided in subsections (c) and (e) of Section 5 hereof.

**SECTION 10. Miscellaneous.** The validity and interpretation of this agreement shall be governed by the law of the State of New York. This agreement shall inure to the benefit of FPL, the several Underwriters and, with respect to the provisions of Section 8 hereof, each controlling person referred to in said Section 8, and their respective successors. Nothing in this agreement is intended or shall be construed to give to any other person, firm or corporation any legal or equitable right, remedy or claim under or in respect of this agreement or any provision herein contained. The term "successors" as used in this agreement shall not include any purchaser, as such purchaser, of any Bonds from any of the several Underwriters.

**SECTION 11. Notices.** All communications hereunder shall be in writing or by telegram and, if to the Underwriters, shall be mailed or delivered to the Representatives at the address set forth in the Proposal hereto, or if to FPL, shall be mailed or delivered to it at 700 Universe Boulevard, Juno Beach, Florida 33408, attention: Treasurer.