



March 27, 2000

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RECORDS AND REPORTING

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 Consummation

Dear Ms. Bayó:

Enclosed are one signed and three conformed copies of Florida Power & Light Company's Report of Consummation in connection with the Application for Authority to Issue and Sell Securities pursuant to Florida Statutes, Section 366.04 (Docket No. 981242-EI), relating to the issuance and sale of \$225,000,000 principal amount of First Mortgage Bonds, 5 7/8% Series due April 1, 2009.

Very truly yours,

Robert L. McGrath  
Treasurer

RM:md  
Enclosures

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

- FA
- APP
- SAF
- MAW
- STR
- EAG
- JEG
- MAS
- JPC
- RFR
- SEC
- NAW
- JTH

RECEIVED & FILED

FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

03791 MAR 27 8

DOCKET NO. 981242-EI  
ORDER NO. PSC-98-1608-FOF-EI and  
AMENDATORY ORDER NO. PSC-98-1608A-FOF-EI

ORIGINAL

FLORIDA PUBLIC SERVICE COMMISSION  
Tallahassee, Florida

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REPORT OF CONSUMMATION

IN CONNECTION WITH

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

IN REFERENCE TO:

\$225,000,000 PRINCIPAL AMOUNT OF FIRST MORTGAGE BONDS,  
5 <sup>7</sup>/<sub>8</sub>% SERIES DUE APRIL 1, 2009

Address communications in connection with this Report of Consummation to:

Robert L. McGrath  
Treasurer  
Florida Power & Light Company  
700 Universe Boulevard  
Juno Beach, Florida 33408  
Telephone (561) 691-7630

Date: March 27, 2000

BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

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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-98-1608-FOF-EI, issued by the Commission on December 2, 1998, and Amending Order No. PSC-98-1608A-FOF-EI, issued by the Commission on December 30, 1998 in the above-captioned matter (Docket 981242-EI), the Applicant, Florida Power & Light Company ("FPL") hereby submits its Report of Consummation regarding a transaction involving the issuance and sale of \$225,000,000 principal amount of First Mortgage Bonds, 5 <sup>7</sup>/<sub>8</sub>% Series due April 1, 2009 (the "5 <sup>7</sup>/<sub>8</sub>% Offered Bonds"). The 5 <sup>7</sup>/<sub>8</sub>% 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 5 <sup>7</sup>/<sub>8</sub>% Offered Bonds. It provides the information required for submission by Rule 25-8.009 of the Florida Administrative Code as follows:

- (1) On April 23, 1999 (the closing date of the transaction), FPL sold, through a competitive bid underwritten sale, \$225,000,000 principal amount of First Mortgage Bonds, 5 <sup>7</sup>/<sub>8</sub>% Series dated April 1, 1999 and due April 1, 2009. The proceeds received by FPL on April 23, 1999 were \$224,190,000 in cash covering principal less discount and underwriting commissions, plus \$807,812.50 in cash covering interest accrued from April 1, 1999 to April 23, 1999 for a total of \$224,997,812.50.

For terms and conditions of issues: For the 5 <sup>7</sup>/<sub>8</sub>% Offered Bonds, see Exhibit (c)-1B, pages S-2 and S-3 of the Prospectus Supplement dated April 20, 1999 and pages 3 through 6 of the Prospectus.

For a consolidated statement of capitalization: See Exhibit (c)-2.

For a 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, 1999:  
\$ 14,762,250.

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

	5 <sup>7</sup> / <sub>8</sub> % <u>Offered Bonds</u>
Filing Fees for Registration Statement	\$ 67,950
Legal, Accounting, Rating Agency and Trustee Fees	117,594
Printing (S-3, Prospectus, etc.)	2,464
Florida Taxes and Recording Fees	854,364
	<hr/>
Total Costs	<u>\$ 1,042,372</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 August 31, 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 (as of September 2, 1992, the sole Trustee is Bankers Trust Company), and Ninety-eight 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 (SS); 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)-2C, 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)-2B, 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, Exhibit (a)-2A, Docket No. 940912-EI, Report of Consummation No. 1, Exhibit (a)-2A, Docket No. 971304-EI, Report of Consummation.

- (a)-3 A Ninety-ninth Supplemental Indenture dated as of April 1, 1999 between FPL and Bankers Trust Company, as Trustee, with respect to the 5 7/8% Offered Bonds.
- (a)-4 For Prospectus and Prospectus Supplement, see Exhibits (c)-1B.
- (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 5 7/8% 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 5 7/8% Offered Bonds (Registration No. 333-53053 filed with the Securities and Exchange Commission on May 19, 1998).
- (c)-1B Prospectus Supplement dated April 20, 1999 (including Prospectus) with respect to the 5 7/8% Offered Bonds.

- (c)-1C Annual Report on Form 10-K filed for the year ended December 31, 1999.
- (c)-1D Current Report on Form 8-K with the Securities and Exchange Commission on March 17, 1999.
- (c)-1E Current Report on Form 8-K filed with the Securities and Exchange Commission on April 16, 1999.
- (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 April 20, 1999 with respect to the 5 <sup>7</sup>/<sub>8</sub>% Offered Bonds.
- (e) Statement as to Underwriters' Fees.

- (1) See Exhibit (c)-1B, Page S-1 (as to fee) and Page S-4 (as to Underwriter) of Prospectus Supplement.

NationsBanc Montgomery  
Securities LLC  
100 North Tryon Street  
Charlotte, NC 28255

Lehman Brothers  
3 World Financial Center  
New York, NY 10285

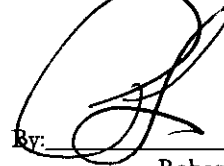
- (2) None.
- (3) No Affiliation.
- (4) Not applicable.

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\* Incorporated by reference

Respectfully submitted this 27<sup>th</sup> day of March, 2000

FLORIDA POWER & LIGHT COMPANY



By: \_\_\_\_\_  
Robert L. McGrath  
Treasurer

Exhibit (a)-3

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. 50

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## 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-ninth Supplemental Indenture***

***Relating to \$225,000,000 Principal Amount  
of First Mortgage Bonds, 5<sup>7</sup>/<sub>8</sub>% Series  
due April 1, 2009.***

***Dated as of April 1, 1999***

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***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 \$787,500, and non-recurring intangible taxes as required by law in the amount of \$63,891, 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-NINTH SUPPLEMENTAL INDENTURE**

**INDENTURE**, dated as of the first day of April, 1999, 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-ninth supplemental indenture (hereinafter called the **Ninety-ninth 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-ninth 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-ninth 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 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 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 Ninety-ninth 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-ninth 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-sixth Series of Bonds

Section 1. (I) There shall be a series of bonds designated "5 <sup>7</sup>/<sub>8</sub>% Series due April 1, 2009", herein sometimes referred to as the "Ninety-sixth 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-sixth Series shall mature on April 1, 2009 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 from April 1, 1999, at the rate of 5 <sup>7</sup>/<sub>8</sub>% per annum, payable semi-annually on October 1 and April 1 of each year commencing on October 1, 1999; 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-sixth Series shall be dated as in Section 10 of the Mortgage provided.

(II) Bonds of the Ninety-sixth 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 (the "Redemption 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"). In no event will the Redemption Price be less than 100% of the principal amount of the bonds of the Ninety-sixth 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-sixth 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-sixth 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-sixth Series (or portion thereof) being redeemed; over
2. the principal amount of the bond of the Ninety-sixth 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 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 NationsBanc Montgomery Securities LLC 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-sixth 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-sixth 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-sixth 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-sixth 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-sixth 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-sixth Series" immediately before the words "remain Outstanding".

### **ARTICLE III**

#### **Miscellaneous Provisions**

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

**SECTION 4.** The holders of bonds of the **Ninety-sixth 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-sixth 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-ninth 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-ninth 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-ninth Supplemental Indenture**.

**SECTION 6.** Whenever in this **Ninety-ninth 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-ninth 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-ninth 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-ninth Supplemental Indenture or any covenant, condition, stipulation, promise or agreement hereof, and all the covenants, conditions, stipulations, promises and agreements in this Ninety-ninth 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-ninth 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.

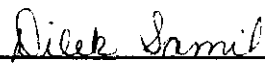
IN WITNESS WHEREOF, FPL has caused its corporate name to be hereunto affixed, and this instrument to be signed and sealed by its President or one of its Vice Presidents, and its corporate seal to be attested by its Secretary or one of its Assistant Secretaries for and in its behalf, and BANKERS TRUST 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

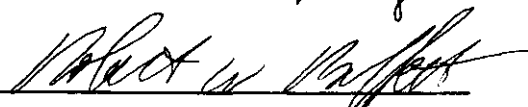
Vice President, Accounting, Controller  
and Chief Accounting Officer  
700 Universe Blvd.  
Juno Beach, FL 33408

Attest:

  
Dilek Samil  
Treasurer and Assistant Secretary  
700 Universe Boulevard  
Juno Beach, FL 33408

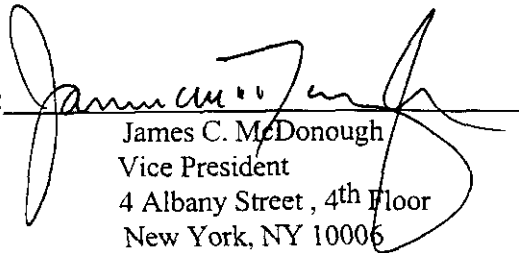
Executed, sealed and delivered by  
FLORIDA POWER & LIGHT COMPANY  
in the presence of:

  
Harold J. Mcgarity

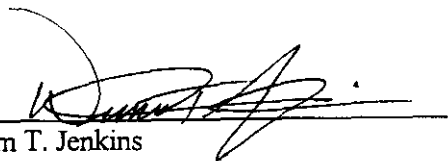
  
Robert W. Buffett

Bankers Trust Company

As Trustee


By: 

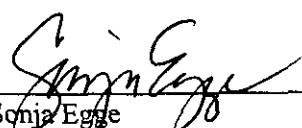
James C. McDonough  
 Vice President  
 4 Albany Street, 4th Floor  
 New York, NY 10006

Attest: 

William T. Jenkins  
 Assistant Vice President  
 4 Albany Street, 4th Floor  
 New York, NY 10066

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

  
 \_\_\_\_\_  
 David Beane

  
 \_\_\_\_\_  
 Sonja Egge

STATE OF FLORIDA  
COUNTY OF PALM BEACH

12  
} SS.:

On the 20<sup>th</sup> day of April, in the year 1999, 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. 115<sup>th</sup> Ave., Plantation, FL 33323; that he is a 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 20<sup>th</sup> day of April, 1999, 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.

*Francine Mc Guire*

Notary Public, State of Florida  
Commission No. CC768319

My Commission Expires Oct. 21, 2002



STATE OF NEW YORK  
COUNTY OF NEW YORK

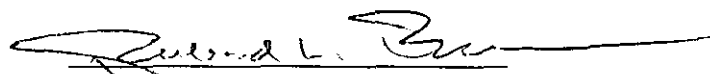
} SS.:

On the 20<sup>th</sup> day of April, in the year 1999, 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 20<sup>th</sup> day of April, 1999, before me personally appeared James C. McDonough and William T. Jenkins, 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 William T. Jenkins produced New York Driver's License No. 286 690 794 and Massachusetts Driver's License No. S711243 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.



Name of Notary: Richard Buckwalter

Notary Public, State of New York  
Commission No. 01SH5087362  
Qualified in Kings County  
Certificate Filed in New York County  
My Commission Expires July 15, 1999

**Exhibit (b)**

March 23, 2000

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

Re: **Issuance and sale by Florida Power & Light Company (the "Company") on April 23, 1999 of \$225,000,000 Principal Amount of First Mortgage Bonds, 5 7/8% Series Due April 1, 2009 (Florida Public Service Commission Docket No. 981242-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 September 30, 1998; (b) Order No. PSC-98-1608-FOF-EI issued by the Commission on December 2, 1998 (the "First Order"); (c) Amending Order No. PSC-98-1608A-FOF-EI issued by the Commission on December 30, 1998 (the "Amending Order", and together with the First Order, the "Order"); and (d) the issuance and sale of \$225,000,000 principal amount of First Mortgage Bonds, 5 7/8% Series due April 1, 2009 (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 or affected by bankruptcy, insolvency, reorganization, receivership, moratorium or other laws affecting mortgagees' and other creditors' rights and remedies generally and general principles of equity.

In rendering the foregoing opinion, we have assumed that the Bonds conform to specimens examined by us and have been duly authenticated by Bankers Trust Company, the Trustee under the Mortgage and Deed of Trust dated as of January 1, 1944, as the same is supplemented by ninety-nine indentures supplemental thereto, and that the signatures on all documents examined by us are genuine, assumptions which we have not independently verified.

We are members of the Florida Bar and do not hold ourselves out as experts on the laws of any other state, and accordingly, 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 an opinion dated as of April 23, 1999 addressed to NationsBanc Montgomery Securities LLC and Lehman Brothers Inc. by Thelen Reid & Priest LLP, New York, New York.

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

RPH/JM1/JEM

MIA\_1998/571779-1



**Exhibit (c)-1B**

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You should rely only on the information incorporated by reference or provided in this Prospectus Supplement or in the accompanying Prospectus. FPL has not authorized anyone else to provide you with different information. FPL is not making an offer of the Offered Bonds in any state where the offer is not permitted. You should not assume that the information in this Prospectus Supplement or in the accompanying Prospectus is accurate as of any date other than the date on the front of those documents.

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**FPL**

**Florida Power &  
Light Company**

**\$225,000,000**

**First Mortgage Bonds,  
5 7/8% Series  
due April 1, 2009**

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**PROSPECTUS  
SUPPLEMENT  
April 20, 1999**

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**NationsBanc Montgomery  
Securities LLC**

**Lehman Brothers**

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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 Thelen 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. Thelen 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 Thelen Reid & Priest LLP.

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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.

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.

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 \$4.1 billion of additional first mortgage bonds based on unfunded Property Additions and \$4.0 billion of additional first mortgage bonds based on the retirement of Bonds at December 31, 1998.

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, 1998.

**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.

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 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 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

coasts of the State of Florida with a population of approximately 7 million. During 1998, FPL served approximately 3.7 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 \$300,000,000 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, 1994 through 1998 are 3.86, 4.33, 4.58, 4.95 and 5.69, respectively.

#### **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

## 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 electronically 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. FPL's Annual Report on Form 10-K for the year ended December 31, 1998 (Form 10-K).
2. FPL's Current Reports on Form 8-K filed with the SEC on March 17, 1999 and April 16, 1999.

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., Thelen 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



## Prospectus

# Florida Power & Light Company

## First Mortgage Bonds

Florida Power & Light Company (FPL) intends from time to time to issue up to \$300,000,000 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 April 20, 1999.

has severally agreed to purchase, the principal amount of Offered Bonds set forth opposite that Underwriter's name in the table below:

<u>Underwriter</u>	<u>Principal Amount of Offered Bonds</u>
NationsBanc Montgomery Securities LLC .....	\$125,000,000
Lehman Brothers Inc. ....	<u>\$100,000,000</u>
Total .....	<u>\$225,000,000</u>

Under the terms and conditions of the Underwriting Agreement, the Underwriters must buy all of the Offered Bonds if they buy any of them. The Underwriters will sell the Offered Bonds to the public when and if the Underwriters buy the Offered Bonds from FPL.

The Underwriters will sell the Offered Bonds in part directly to the public at the price to the public set forth on the cover page of this Prospectus Supplement, and in part to certain dealers at the price to the public less a concession. FPL will compensate the Underwriters by selling the Offered Bonds to them at a price that is less than the price to the public by the amount of the "Underwriting Discount" set forth in the table below (expressed as a percentage of principal amount). The Underwriters may sell the Offered Bonds to certain dealers at a price that is less than the price to the public by no more than the amount of the "Initial Dealers' Concession" set forth in the table below (expressed as a percentage of principal amount). The Underwriters and such dealers may sell the Offered Bonds to certain other dealers at a price that is less than the price to the public by no more than the amount of the "Reallowed Dealers' Concession" set forth in the table below (expressed as a percentage of principal amount).

Underwriting Discount .....	0.360%
Initial Dealers' Concession .....	0.250%
Reallowed Dealers' Concession .....	0.125%

An Underwriter may reject offers for the Offered Bonds. After the initial public offering of the Offered Bonds, the Underwriters may change the offering price and other selling terms of the Offered Bonds.

FPL estimates that its expenses in connection with the sale of the Offered Bonds, other than underwriting discounts, will be \$1,400,000. This estimate includes expenses relating to Florida taxes, printing, rating agency fees, trustees' fees and legal fees, among other expenses.

There is no established trading market for the Offered Bonds. The Underwriters have advised FPL that they intend to make a trading market in the Offered Bonds but are not obligated to do so and may discontinue market-making at any time without notice. FPL cannot give any assurance as to the maintenance of the trading market for, or the liquidity of, 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 stabilize, maintain or otherwise affect the price of the Offered Bonds. Specifically, the Underwriters may overallocate 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 overallocations, 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.

- (b) the principal amount that, but for such redemption, would have been payable at the final maturity of the Offered Bonds being redeemed; over
- (2) the principal amount of the Offered Bonds 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. These 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.

FPL will appoint an independent investment banking institution of national standing to calculate the make-whole premium; *provided* that NationsBanc Montgomery Securities LLC will make such calculation if (1) FPL fails to make such appointment at least 30 calendar days prior to the Redemption Date, or (2) the institution so appointed is unwilling or unable to make such calculation. If NationsBanc Montgomery Securities LLC is to make such calculation but is unwilling or unable to do so, then the Trustee (as defined in the accompanying Prospectus) will appoint an independent investment banking institution of national standing to make such calculation. In any case, the institution making such calculation is referred to in this Prospectus Supplement as 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 Independent Investment Banker will determine the Treasury Yield as of the third business day immediately preceding the applicable Redemption Date.

The Independent Investment Banker will determine the weekly average yields of United States Treasury Notes 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 Independent Investment Banker will calculate the Treasury Yield 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). The Independent Investment Banker will round any weekly average yields so calculated to the nearest 1/100th of 1%, and will round upward for any figure of 1/200th of 1% or above. If weekly average yields for United States Treasury Notes are not available in the H.15 Statistical Release or otherwise, then the Independent Investment Banker will select comparable rates and calculate the Treasury Yield by reference to those rates.

If at the time notice of redemption is given, the redemption moneys are not on deposit with the Mortgage Trustee, 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

FPL is selling the Offered Bonds to the Underwriters named in the table below pursuant to an Underwriting Agreement dated April 20, 1999. FPL has agreed to sell to each of the Underwriters, and each of the Underwriters

## USE OF PROCEEDS

The information in this section adds to the information in the "Use of Proceeds" section on page 3 of the accompanying Prospectus. Please read these two sections together.

The First Mortgage Bonds 5 7/8% Series due April 1, 2009 are referred to in this Prospectus Supplement as the "Offered Bonds."

Florida Power & Light Company ("FPL") will add the net proceeds from the sale of the Offered Bonds to its general funds. FPL expects to use its general funds to redeem all \$215,959,000 principal amount of its First Mortgage Bonds, 7 7/8% Series due January 1, 2013 and for other corporate purposes. FPL will temporarily invest any proceeds that are not immediately required for these purposes in short-term instruments.

## CERTAIN TERMS OF THE OFFERED BONDS

The information in this section adds to the information in the "Description of New Bonds" section beginning on page 3 of the accompanying Prospectus. Please read these two sections together.

**General.** FPL will issue the Offered Bonds as a new series of First Mortgage Bonds under the Mortgage (as defined in the accompanying Prospectus). The Ninety-ninth Supplemental Indenture, dated as of April 1, 1999, supplements the Mortgage and establishes the specific terms of the Offered Bonds.

**Interest and Payment.** FPL will pay interest on the Offered Bonds at 5 7/8% per annum. The Offered Bonds will mature on April 1, 2009. FPL will pay interest on the Offered Bonds on April 1 and October 1 of each year (each an "Interest Payment Date"). The first Interest Payment Date will be October 1, 1999.

FPL will 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.** FPL may redeem any of the Offered Bonds at its option or if and when required by the Mortgage. FPL may redeem any of the Offered Bonds at any time or from time to time, on any date prior to their maturity (each a "Redemption Date"). FPL will give notice of its intention to redeem Offered Bonds at least 30 days prior to a Redemption Date. If FPL redeems all or any part of the Offered Bonds, it will pay a redemption price ("Redemption Price") equal to the sum of (1) 100% of the principal amount of the Offered Bonds being redeemed plus (2) accrued and unpaid interest thereon, if any, to the Redemption Date plus (3) any applicable "make-whole premium." The Redemption Price for Offered Bonds will never be less than 100% of the principal amount of those Offered Bonds plus accrued and unpaid interest on those Offered Bonds to the Redemption Date.

The amount of the make-whole premium with respect to any Offered Bonds 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 Bonds 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



**\$225,000,000**  
**Florida Power & Light Company**  
First Mortgage Bonds,  
5 7/8% Series due April 1, 2009

Florida Power & Light Company will pay interest on these securities on April 1 and October 1 of each year, commencing October 1, 1999. Florida Power & Light Company may redeem some or all of these securities at any time before their maturity date at the redemption prices discussed under the caption "Certain Terms of the Offered Bonds - Redemption" beginning on page S-2 of this Prospectus Supplement.

Florida Power & Light Company does not plan to list these securities on any securities exchange. These securities are secured by the lien of Florida Power & Light Company's mortgage and rank equally with all of Florida Power & Light Company's first mortgage bonds. The lien of the mortgage is discussed under "Description of the New Bonds - Security" on page 4 of the accompanying Prospectus.

Florida Power & Light Company's principal executive offices are located at 700 Universe Boulevard, Juno Beach, Florida 33408, telephone (561) 694-4000, and its mailing address is P.O. Box 14000, Juno Beach, Florida 33408-0420.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this Prospectus Supplement and the accompanying Prospectus are truthful or complete. Any representation to the contrary is a criminal offense.

	Per First Mortgage Bond	Total
Price to Public . . . . .	100%	\$225,000,000
Underwriting Discount . . . . .	0.36%	\$810,000
Proceeds to Florida Power & Light Company (before expenses) . . . . .	99.64%	\$224,190,000

In addition to the Price to Public set forth above, each purchaser will pay an amount equal to the interest accrued on these securities from April 1, 1999 to the date that they are delivered to that purchaser. Florida Power & Light Company currently expects to issue these securities on or about April 23, 1999.

The following Underwriters have agreed to purchase these securities on a firm commitment basis.

**NationsBanc Montgomery Securities LLC**

**Lehman Brothers**

Exhibit (c)-1C

**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, 1999**

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

Name of exchange  
on which registered

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

FPL Group, Inc.: Common Stock, \$0.01 Par Value and Preferred Share Purchase Rights    New York Stock Exchange  
Florida Power & Light Company: None

**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, 2000 (based on the closing market price on the Composite Tape on January 31, 2000) was \$7,495,697,770 (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, 2000.

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 January 31, 2000: 178,246,835 shares

As of January 31, 2000, 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 2000 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
CMP	Central Maine Power Company
charter	Restated Articles of Incorporation, as amended, of FPL Group or FPL, as the case may be
Coalition	The Coalition for Equitable Rates
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
FIPUG	The Florida Industrial Power Users Group
FGT	Florida Gas Transmission Company
FMPA	Florida Municipal Power Agency
FPL	Florida Power & Light Company
FPL Energy	FPL Energy, LLC (and its predecessor FPL Energy, Inc.)
FPL FiberNet	FPL FiberNet, LLC
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
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)
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
RTOS	Regional Transmission Organizations
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. 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 changes in laws or regulations, changing governmental policies and regulatory actions, including those of the FERC, the FPSC, the PURPA, the Holding Company Act 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, availability, pricing and transportation of fuel and other energy commodities, market demand for energy from plants or facilities, changes in tax rates or policies or in rates of inflation or in accounting standards, unanticipated delays or changes in costs for capital projects, 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

### 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. FPL Group Capital, a wholly-owned subsidiary of FPL Group, holds the capital stock and provides funding for the operating subsidiaries other than FPL. The business activities of these operating subsidiaries primarily consist of FPL Energy's independent power projects. For financial information regarding segments, see Note 14. In 2000, FPL Group Capital formed a new subsidiary to sell wholesale fiber-optic network capacity. At December 31, 1999, FPL Group and its subsidiaries employed 10,717 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 seven million. During 1999, FPL served approximately 3.8 million customer accounts. Operating revenues were as follows:

	Years Ended December 31,		
	1999	1998	1997
	(millions)		
Residential .....	\$3,357	\$3,580	\$3,394
Commercial .....	2,226	2,239	2,222
Industrial .....	190	197	206
Other, including the net change in unbilled revenues ..	284	350	310
	<u>\$6,057</u>	<u>\$6,366</u>	<u>\$6,132</u>

**Regulation.** The retail operations of FPL provided approximately 99% of FPL's operating revenues for 1999. 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. See Item 3. Legal Proceedings. Capital expenditures required to comply with environmental laws and regulations for 2000-02 are included in FPL's projected capital expenditures set forth in Item 1. Business - FPL Operations - Capital Expenditures and are not material.

FPL currently holds 190 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 the opportunity 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. 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 1999, the FPSC approved a three-year agreement among FPL, Public Counsel, FIPUG and Coalition regarding FPL's retail base rates, authorized regulatory ROE, capital structure and other matters. The agreement, which became effective April 15, 1999, provides for a \$350 million reduction in annual revenues from retail base operations allocated to all customers on a cents-per-kilowatt-hour basis. Additionally, the agreement sets forth a revenue sharing mechanism for each of the twelve-month periods covered by the agreement, whereby revenues from retail base operations in excess of a stated threshold will be shared on the basis of two-thirds refunded to retail customers and one-third retained by FPL. Revenues from retail base operations in excess of a second threshold will be refunded 100% to retail customers.

The thresholds are as follows:

	Twelve Months Ended		
	2000	April 14, 2001 (millions)	2002
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

Offsetting the annual revenue reduction will be lower special depreciation. The agreement allows 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/or fossil generating assets. Under this new depreciation program, FPL recorded approximately \$70 million of special depreciation in 1999. The new depreciation program replaced a revenue-based special amortization program whereby special amortization in the amount of \$63 million, \$378 million and \$199 million was recorded in 1999, 1998 and 1997, respectively.

In addition, the agreement lowered FPL's authorized regulatory ROE range to 10% - 12% from 11% - 13%. During the term of the agreement, the achieved ROE may from time to time be outside the authorized range, and the revenue sharing mechanism described above is specified to be the appropriate and exclusive mechanism to address that circumstance. For purposes of calculating ROE, 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 purchased power contracts. 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 clause during the 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 term of the agreement.

Fuel costs totaled \$1.7 billion in 1999 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 1999, \$440 million was recovered through the capacity clause. Costs associated with implementing energy conservation programs totaled \$83 million in 1999 and are recovered through the conservation clause. Costs of complying with federal, state and local environmental regulations enacted after April 1993 totaled \$16 million in 1999 and are recovered through the environmental clause to the extent not included in base rates. The new rate agreement limits recovery under this clause to \$12.8 million in 2000 and \$6.4 million in 2001, with no further amounts recoverable during the remaining term of the agreement.

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 1999, operating revenues from wholesale and industrial customers combined represented approximately 4% of FPL's total operating revenues. A number of potential merchant plants have been announced to date in Florida. However, only two submissions to seek a determination of need totaling approximately 1,000 mw have been presented to the FPSC. In March 1999, the FPSC approved one of the petitions for a power plant to be constructed within FPL's service territory. FPL, along with other Florida utilities, has appealed the decision to the Florida Supreme Court.

Almost half of the states, other than Florida, have enacted legislation or have state commissions that issued orders 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. Since there is no deregulation proposal currently under consideration in Florida, FPL is unable to predict the impact of a change to a more competitive environment or when such a change might occur.

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 role, 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.

In December 1999, the FERC issued its final order on regional transmission organizations or RTOs. RTOs, under a variety of structures, provide for the independent operation of transmission systems for a given geographic area. The final order establishes guidelines for public utilities to use in considering and/or developing plans to initiate operations of RTOs. The order requires all public utilities to file with the FERC by October 15, 2000, a proposal for an RTO with certain minimum characteristics and functions to be operational by December 15, 2001, or alternatively, a description of efforts to participate in an RTO, any existing obstacles to RTO participation and any plans to work toward RTO participation. FPL is evaluating various alternatives for compliance with the order.

**System Capability and Load.** FPL's resources for serving summer load as of December 31, 1999 consisted of 18,649 mw, of which 16,444 mw are from FPL-owned facilities (see Item 2. Properties - Generating Facilities) and 2,205 mw are obtained through purchased power contracts. See Note 12 - Contracts. The compounded annual growth rate of retail kwh sales and number of retail customers was 2.9% and 1.9%, respectively, for the three years ended December 31, 1999. It is anticipated that retail kwh sales will grow at a compounded annual rate of approximately 3.7% for the next three years.

Occasionally, unusually cold temperatures during the winter months result in significant increases in electricity usage for a short period of time. However, 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. In 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.

In 1999, the FPSC scheduled hearings to consider appropriate reserve margin targets for peninsular Florida. The FPSC approved a proposal by FPL and two other Florida utilities to voluntarily adopt a 20% reserve margin target to be achieved by 2004. FPL's reserve margin target is currently 15%.

FPL intends to repower its two Fort Myers units and two of its three Sanford units by the end of 2002; these projects will be phased in beginning in 2001. FPL will also add two new gas-fired combustion turbines at its Martin site in 2001, and add new combustion turbines and/or gas-fired combined cycle units from 2003-09. These actions, plus other changes to FPL's existing units and purchased power contracts, are expected to increase FPL's net generating capability by over 4,000 mw.

**Capital Expenditures.** FPL's capital expenditures totaled approximately \$924 million in 1999, \$617 million in 1998 and \$551 million in 1997. Capital expenditures for the 2000-02 period are expected to be \$3.1 billion, including \$1.3 billion in 2000. 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 Turkey Point and two at St. Lucie. The operating licenses for Turkey Point Units Nos. 3 and 4 expire in 2012 and 2013, respectively. The operating licenses for St. Lucie Units Nos. 1 and 2 expire in 2016 and 2023, respectively. 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. Current plans call for St. Lucie Unit No. 1 to be mothballed beginning in 2016 with decommissioning activities to be 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. FPL has informed the NRC of its intent to apply for a 20-year license renewal for each of its four nuclear units. FPL expects to file the application with the NRC in 2000 for the Turkey Point units and 2002 for the St. Lucie units.

**Fuel.** FPL's generating plants use a variety of fuels. See Item 2. Properties - Generating Facilities and Note 12 - Contracts. The diverse fuel options, along with purchased power, enable FPL to shift between sources of generation to achieve an economical fuel mix.

FPL has three contracts in place with FGT that satisfy substantially all of the anticipated needs for natural gas transportation. Additional agreements were executed to extend and provide incremental volumes to the Ft. Myers and Sanford plants, subject to approval by the FERC. The three existing contracts expire in 2010, 2015 and 2022 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 long-term natural gas supply contract at market rates to provide a portion of FPL's anticipated needs for natural gas. The remainder of FPL's gas requirements are 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's oil requirements are obtained under short- and long-term contracts and in the spot market.

FPL leases nuclear fuel for all four of its nuclear units. Currently, FPL is storing spent 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 December 1999, FPL has paid approximately \$401 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. 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, oil and electric power. The division procures natural gas and oil for FPL's and FPL Energy's use in power generation and sells excess electric power. Substantially all of the results of FPL activities are passed through to customers in the fuel or capacity clauses. FPL Energy's results of these activities are recognized in income by FPL Energy. The level of activity is expected to grow as FPL and FPL Energy seek to manage the risk associated with fluctuating commodity prices and increase the value of their power generation assets.

**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 National Institute of Environmental Health Sciences 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 9,783 employees at December 31, 1999. Approximately 35% of the employees are represented by the IBEW under a collective bargaining agreement with FPL expiring on October 31, 2000.

## FPL ENERGY OPERATIONS

**FPL Energy.** FPL Energy, a wholly-owned subsidiary of FPL Group Capital, was formed in 1998 to aggregate FPL Group's existing unregulated energy-related operations. Effective September 30, 1999, FPL Energy, Inc. was converted from a corporation to a limited liability company, and the name was changed to FPL Energy, LLC.

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. In 1999, FPL Energy established regional offices in Pennsylvania and Texas and plans to open several more regional offices in 2000. FPL Energy is actively involved in managing more than 80% of its projects, which represents approximately 95% of the net generating capacity in which FPL Energy has an ownership interest. This active role is expected to continue as opportunities in the unregulated generation market are pursued. As of December 31, 1999, FPL Energy had ownership interests in operating

independent power projects with a net generating capacity of 3,004 mw. These projects' fuel sources are 40% gas, 24% oil, 15% wind, 12% hydro and 9% other. Diversity in project locations reduces seasonal volatility on a portfolio basis. The projects are located in the following regions:

<u>Region</u>	<u>% of Capacity</u>
Northeast .....	48%
Mid-Atlantic .....	27%
West .....	18%
Central .....	4%
Colombia, South America .....	3%

Currently, approximately 30% of FPL Energy's net generating capacity has qualifying facility status under PURPA. Qualifying facility electricity may be generated from hydropower, wind, solar, geothermal, fossil fuels, biomass or waste-product combustion. Utilities pay for qualifying facility electricity on the basis of each utility's avoided cost of power. Qualifying facility status exempts the projects from the application of the Holding Company Act, many provisions of the Federal Power Act, and state laws and regulations respecting rates and financial or organizational regulation of electric utilities. FPL Energy also has ownership interest in operating independent power projects that have received exempt wholesale generator status as defined in the Holding Company Act. These projects represent approximately 70% of FPL Energy's net generating capacity. Exempt wholesale generators own or operate a facility exclusively to sell electric energy at wholesale. They are barred from selling electricity directly to retail customers. While projects with qualifying facility and exempt wholesale generator status are exempt from various restrictions, each project must still comply with other federal, state and local laws, including those regarding siting, construction, operation, licensing and pollution abatement.

In 1999, FPL Energy completed the purchase of CMP's non-nuclear generating assets, primarily fossil and hydro power plants, for \$866 million. The purchase price was based on an agreement, subject to regulatory approvals, reached with CMP in January 1998. In October 1998, the FERC struck down transmission rules that had been in effect in New England since the 1970s. The FERC rulings regarding transmission, as well as the announcement of new entrants into the market and changes in fuel prices since January 1998, resulted in FPL Energy recording a \$176 million pre-tax impairment loss related to the fossil assets. The acquisition was accounted for under the purchase method of accounting and the results of operating the Maine assets have been included in FPL Group's consolidated financial statements since the acquisition date. See Note 9.

FPL Energy's capital expenditures and investments totaled approximately \$1.5 billion, \$521 million and \$291 million in 1999, 1998 and 1997, respectively. FPL Energy is currently constructing a 1,000 mw combined-cycle natural gas-fired plant in Texas, of which FPL Energy owns 99%. This plant is expected to become operational in 2000 and has 70% of the capacity under one-to five-year contracts. As of December 31, 1999, FPL Energy had remaining commitments of \$71 million for the development of this plant. In addition, FPL Energy has announced plans to build five plants that would add approximately 2,100 mw to its generating capacity by 2003. See Management's Discussion - Liquidity and Capital Resources.

Deregulation of the electric 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 power in competitive markets. Substantially all of the energy produced in 1999 by FPL Energy's independent power projects was sold through power sales agreements with utilities that expire in 2000-24. As competitive wholesale markets become more accessible to other generators, obtaining power sales agreements will become a progressively more competitive process. FPL Energy expects that as its existing power sales agreements expire, more of the energy produced will be sold through shorter-term contracts and into competitive wholesale markets.

Competitive wholesale markets in the United States continue to evolve and vary by geographic region. Revenues from electricity sales in these markets will vary based on the prices obtainable for energy, capacity and other ancillary services. Some of the factors affecting success in these markets include the ability to operate generating assets efficiently, the price and supply of fuel, transmission constraints, competition from new sources of generation, demand growth and exposure to legal and regulatory changes.

FPL Energy had 825 employees at December 31, 1999. Approximately 18% of the employees are represented by the IBEW under a collective bargaining agreement with FPL Energy expiring on February 28, 2003.

#### **OTHER FPL GROUP OPERATIONS**

**FPL FiberNet.** FPL FiberNet was formed in January 2000 to enhance the value of FPL Group's fiber-optic network assets that were originally built to support FPL operations. Accordingly, FPL's existing 1,600 mile fiber-optic lines were transferred to FPL FiberNet in January 2000. FPL FiberNet will sell wholesale fiber-optic network capacity to FPL and other new and existing customers, primarily telephone, cable television, internet and other telecommunications companies. The existing network interconnects cities in Florida from Miami to Jacksonville on the east coast, Lake City in the north, and Tampa to Naples on the west coast. FPL FiberNet plans to invest approximately \$225 million over the next three years to expand the existing network within major cities throughout Florida. See Note 13.

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

Name	Age	Position	Effective Date
James L. Broadhead	64	Chairman of the Board and Chief Executive Officer of FPL Group	May 8, 1990
Dennis P. Coyle	61	Chairman of the Board and Chief Executive Officer of FPL	January 15, 1990
K. Michael Davis	53	General Counsel and Secretary of FPL Group	June 1, 1991
		General Counsel and Secretary of FPL	July 1, 1991
Paul J. Evanson	58	Controller and Chief Accounting Officer of FPL Group	May 13, 1991
		Vice President, Accounting, Controller and Chief Accounting Officer of FPL	July 1, 1991
Lewis Hay, III	44	President of FPL	January 9, 1995
Lawrence J. Kelleher	52	Vice President, Finance and Chief Financial Officer of FPL Group	August 2, 1999
		Senior Vice President, Finance and Chief Financial Officer of FPL	August 2, 1999
Robert L. McGrath	46	Vice President, Human Resources of FPL Group	May 13, 1991
		Senior Vice President, Human Resources of FPL	July 1, 1991
Armando J. Olivera	50	Treasurer of FPL Group	January 11, 2000
Thomas F. Plunkett	60	Treasurer of FPL	January 11, 2000
Antonio Rodriguez	57	Senior Vice President, Power Systems of FPL	July 1, 1999
Michael W. Yackira	48	President, Nuclear Division of FPL	March 1, 1996
		Senior Vice President, Power Generation of FPL	July 1, 1999
		President of FPL Energy, LLC	January 15, 1998

- (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 present position for five years or more and his employment history is continuous.
- (b) The business experience of the executive officers is as follows: Mr. Hay was senior vice president and chief financial officer of US Foodservice, a food service distributor, from 1991 to 1997. From 1997 to 1999 he was executive vice president and chief financial officer of US Foodservice. Mr. McGrath was assistant treasurer of FPL Group and FPL from February 1998 to January 2000. Prior to that, Mr. McGrath was vice president and chief financial officer of ESI Energy, Inc. Mr. Olivera was vice president, distribution of FPL from February 1997 to July 1999. Prior to that, Mr. Olivera was vice president, power delivery of FPL. Mr. Plunkett was site vice president at Turkey Point. Mr. Rodriguez was vice president, power delivery of FPL from February 1997 to July 1999. Prior to that, Mr. Rodriguez was vice president, operations of FPL's power generation division. 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.

**Item 2. Properties**

FPL Group and its subsidiaries maintain properties which are adequate for their operations. At December 31, 1999, the electric generating, transmission, distribution and general facilities of FPL represent 45%, 13%, 35% and 7%, respectively, of FPL's gross investment in electric utility plant in service.

**Generating Facilities.** As of December 31, 1999, FPL Group had the following generating facilities:

Facility	Location	No. of Units	Fuel	Net Capacity (mw)(a)
<b>FPL:</b>				
<b>STEAM TURBINES</b>				
Cape Canaveral	Cocoa, FL	2	Oil/Gas	804
Cutler	Miami, FL	2	Gas	215
Fort Myers	Fort Myers, FL	2	Oil	543
Manatee	Parrish, FL	2	Oil	1,625
Martin	Indiantown, FL	2	Oil/Gas	1,631
Port Everglades	Port Everglades, FL	4	Oil/Gas	1,242
Riviera	Riviera Beach, FL	2	Oil/Gas	573
St. Johns River Power Park	Jacksonville, FL	2	coal/Petroleum Coke	254(b)
St. Lucie	Hutchinson Island, FL	2	Nuclear	1,553(c)
Sanford	Lake Monroe, FL	3	Oil/Gas	934
Scherer	Monroe County, GA	1	Coal	658(d)
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	950
Putnam	Palatka, FL	2	Gas/Oil	498
<b>COMBUSTION TURBINES</b>				
Fort Myers	Fort Myers, FL	12	Oil	636
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
<b>TOTAL</b>				<u>16,444</u>
<b>FPL Energy:</b>				
Cerro Gordo	Clearlake, IA	54	wind	42
Doswell	Ashland, VA	4	Gas	665
Maine	Various - ME	7	Oil	713
Maine	Various - ME	92	Hydro	373
Maine	Ft. Fairfield, ME	1	Wastewood	31
Marcus Hook 50	Marcus Hook, PA	1	Gas	50
Southwest Mesa	McCamey, TX	107	wind	75
Vansycle	Helix, OR	38	wind	25
Investments in Joint Ventures	Various	N/M	Various	1,030
<b>TOTAL</b>				<u>3,004</u>

- (a) Represents FPL's net warm weather peaking capability and FPL Energy's net ownership interest in plant capacity.
- (b) Represents FPL's 20% ownership interest in each of SJRPP Units Nos. 1 and 2, which are jointly owned with the JEA.
- (c) Excludes Orlando Utilities Commission's and the FMPA's combined share of approximately 15% of St. Lucie Unit No. 2.
- (d) Represents FPL's approximately 76% ownership of Scherer Unit No. 4, which is jointly owned with the JEA.

N/M - Not meaningful

**Transmission and Distribution.** As of December 31, 1999, FPL owned and operated 487 substations and the following electric transmission and distribution lines:

<u>Nominal voltage</u>	<u>Overhead Lines Pole Miles</u>	<u>Trench and Submarine Cable Miles</u>
500 kv .....	1,107(a)	-
230 kv .....	2,246	31
138 kv .....	1,433	49
115 kv .....	670	-
69 kv .....	166	14
Less than 69 kv .....	<u>39,858</u>	<u>21,353</u>
Total .....	<u>45,480</u>	<u>21,447</u>

(a) Includes approximately 75 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. 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 by FPL, FPL Group and FPL Group Capital, plus attorneys' fees. In October 1998, the trial court dismissed all of the partnerships' antitrust claims against FPL, FPL Group and FPL Group Capital. The partnerships appealed the trial court's dismissal to the Fourth District Court of Appeal which affirmed the trial court's decision as to FPL Group and FPL Group Capital and dismissed as premature the partnerships' appeal of the trial court's decision as to FPL. In June 1999, the partnerships' motion for summary judgment was denied; they have appealed.

In July 1990, FPL entered into an amended and restated agreement (the contract) with a qualifying facility (as defined by PURPA) located in Duval County, Florida. Construction of the facility, which is owned by Cedar Bay Generating Company, L.P. (Cedar Bay), was financed in part by loans from institutional investors, including Paribas.

The contract provides FPL with the right to dispatch the Cedar Bay facility "in any manner it deems appropriate." Despite this contractual right, Cedar Bay initiated an action in 1997 in the Circuit Court for Duval County, Florida, challenging, among other things, the manner in which the facility had been dispatched by FPL. Although the court granted summary judgment to FPL with regard to Cedar Bay's claim that FPL's dispatch decisions violated the express terms of the contract, it permitted a jury to hear Cedar Bay's claim that such dispatch decisions violated an implied duty of good faith and fair dealing. The jury awarded Cedar Bay approximately \$13 million on this claim. Thereafter, the court entered a declaration that FPL was, in the future, to dispatch the Cedar Bay facility in accordance with certain specified parameters. FPL expects to recover the amount of this judgment through the capacity clause.

FPL has appealed both the jury award and the court's declaration. In October 1999, after FPL filed its notice of appeal in the Cedar Bay action, Paribas, on behalf of itself and a group of other Cedar Bay lenders, filed an action against FPL in the



Circuit Court of Duval County. The suit alleges breach of contract, breach of an implied duty of good faith and fair dealing, fraud, tortious interference with contract and several other claims regarding the manner in which FPL has dispatched the Cedar Bay facility. It seeks unspecified damages and other relief.

FPL has moved to dismiss all counts of Paribas' complaint. If the jury award and court declaration in the Cedar Bay case is upheld fully on appeal, Paribas apparently believes that, they and the other lenders have no claims against FPL (or at least would have no damages arising therefrom), and has therefore moved to stay its own action pending resolution of the appeal in the Cedar Bay action.

In November 1999, the Attorney General of the United States, on behalf of the U.S. Environmental Protection Agency (EPA) brought an action in the U.S. District Court for the Northern District of Georgia against Georgia Power Company and other subsidiaries of The Southern Company for injunctive relief and the assessment of civil penalties for violations of the Prevention of Significant Deterioration (PSD) provisions and the New Source Performance Standards (NSPS) of the Clean Air Act. Among other things, the EPA alleges Georgia Power Company constructed and is continuing to operate Scherer Unit No. 4, in which FPL owns a 76% interest, without obtaining a PSD permit, without complying with NSPS requirements, and without applying best available control technology for nitrogen oxides, sulfur dioxides and particulate matter as required by the Clean Air Act. The suit seeks injunctive relief requiring the installation of such technology and civil penalties of up to \$25,000 per day for each violation from August 7, 1977 through January 30, 1997, and \$27,000 per day for each violation thereafter. Georgia Power has filed an answer to the complaint asserting that it has complied with all requirements of the Clean Air Act, denying the plaintiff's allegations of liability, denying that the plaintiff is entitled to any of the relief that it seeks and raising various other defenses.

In the event that FPL Group and 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 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.

**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	1999		1998	
	High	Low	High	Low
First	\$61 15/16	\$50 1/8	\$65 3/16	\$56 1/16
Second	\$60 1/2	\$52 7/8	\$65 5/8	\$58 11/16
Third	\$56 11/16	\$49 1/8	\$70	\$59 11/16
Fourth	\$52 1/2	\$41 1/8	\$72 9/16	\$60 1/2

**Approximate Number of Stockholders.** As of the close of business on January 31, 2000, there were 49,694 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	1999	1998
First	\$0.52	\$0.50
Second	\$0.52	\$0.50
Third	\$0.52	\$0.50
Fourth	\$0.52	\$0.50

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,				
	1999	1998	1997	1996	1995
<b>SELECTED DATA OF FPL GROUP</b>					
(millions, except per share amounts):					
Operating revenues	\$ 6,438	\$ 6,661	\$ 6,369	\$ 6,037	\$ 5,592
Net income	\$ 697	\$ 664	\$ 618	\$ 579	\$ 553
Earnings per share of common stock(a)	\$ 4.07	\$ 3.85	\$ 3.57	\$ 3.33	\$ 3.16
Dividends paid per share of common stock	\$ 2.08	\$ 2.00	\$ 1.92	\$ 1.84	\$ 1.76
Total assets	\$13,441	\$12,029	\$12,449	\$12,219	\$12,459
Long-term debt, excluding current maturities	\$ 3,478	\$ 2,347	\$ 2,949	\$ 3,144	\$ 3,377
Obligations of FPL under capital lease, excluding current maturities	\$ 157	\$ 146	\$ 186	\$ 182	\$ 179
Preferred stock of FPL with sinking fund requirements, excluding current maturities	\$ -	\$ -	\$ -	\$ 42	\$ 50
Energy sales (kwh)	92,483	91,041	84,642	80,889	79,756
<b>SELECTED DATA OF FPL (millions):</b>					
Operating revenues	\$ 6,057	\$ 6,366	\$ 6,132	\$ 5,986	\$ 5,530
Net income available to FPL Group	\$ 576	\$ 616	\$ 608	\$ 591	\$ 568
Total assets	\$10,608	\$10,748	\$11,172	\$11,531	\$11,751
Long-term debt, excluding current maturities	\$ 2,079	\$ 2,191	\$ 2,420	\$ 2,981	\$ 3,094
Energy sales (kwh)	88,067	89,362	82,734	80,889	79,756
Energy sales:					
Residential	50.2%	50.9%	50.6%	51.1%	50.8%
Commercial	40.3	38.8	39.8	38.6	38.5
Industrial	4.5	4.4	4.7	4.7	4.9
Interchange power sales	3.0	3.2	2.1	2.6	1.6
Other(b)	2.0	2.7	2.8	3.0	4.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Approximate 60-minute net peak served (mw)(c):					
Summer season	17,615	17,897	16,613	16,064	15,813
Winter season	17,057	16,802	13,047	16,490	18,096
Average number of customer accounts (thousands):					
Residential	3,332	3,266	3,209	3,153	3,097
Commercial	405	397	389	381	374
Industrial	16	15	15	15	15
Other	3	2	3	2	3
Total	3,756	3,680	3,616	3,551	3,489
Average price per kwh (cents)(d)	6.87	7.13	7.37	7.39	6.97

(a) Basic and assuming dilution.

(b) Includes the net change in unbilled sales.

(c) Winter season includes November - December of the current year and January - March of the following year.

(d) Excludes interchange power sales, net change in unbilled revenues and cost recovery clause revenues, and the provision for refund.

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

### Results of Operations

The operations of FPL continue to be the predominant contributor to FPL Group's earnings. Earnings growth, however, over the past two years has mostly come from improved results at FPL Energy.

FPL Group's 1999 net income and earnings per share grew 5.0% and 5.7%, respectively. The 1999 amounts include the net effect of several nonrecurring transactions that resulted in additional net income of \$16 million, or \$0.09 per share for the year. Excluding the nonrecurring items, FPL Group's net income was \$681 million and earnings per share were \$3.98, resulting in growth of 2.6% and 3.4%, respectively. The comparable growth rates for 1998 were 7.4% and 7.8%, respectively. The nonrecurring transactions are discussed in more detail below within the segment to which they relate.

FPL - FPL's results for 1999 include the settlement of litigation between FPL and FMPA, which resulted in a fourth quarter after-tax charge of \$42 million. The charge, included in O&M expenses, reflects a settlement agreement pursuant to which FPL agreed to pay FMPA a cash settlement; FPL agreed to reduce the demand charge on an existing power purchase agreement; and FPL and FMPA agreed to enter into a new power purchase agreement giving FMPA the right to purchase limited amounts of power in the future at a specified price. This agreement settled a dispute with FMPA that had been pending for nearly ten years.

FPL's net income for 1999, excluding the FMPA charge, was up slightly from 1998. Lower depreciation, customer growth and lower O&M expenses offset the effect of the rate reduction, implemented in April 1999, and a decline in electricity used by retail customers. FPL's net income growth in 1998 compared to 1997 was primarily associated with an increase in total kwh sales and lower interest charges, partly offset by higher depreciation and O&M expenses.

FPL's operating revenues consist primarily of revenues from retail base operations, cost recovery clauses and franchise fees. Revenues from retail base operations were \$3.2 billion, \$3.6 billion and \$3.4 billion in 1999, 1998 and 1997, respectively. 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.

In 1999, the FPSC approved a three-year agreement among FPL, Public Counsel, FIPUG and Coalition regarding FPL's retail base rates, authorized regulatory ROE, capital structure and other matters. The agreement, which became effective April 15,

1999, provides for a \$350 million reduction in annual revenues from retail base operations allocated to all customers on a cents-per-kilowatt-hour basis. Additionally, the agreement sets forth a revenue sharing mechanism for each of the twelve-month periods covered by the agreement, whereby revenues from retail base operations in excess of a stated threshold will be shared on the basis of two-thirds refunded to retail customers and one-third retained by FPL. Revenues from retail base operations in excess of a second threshold will be refunded 100% to retail customers.

The thresholds are as follows:

	Twelve Months Ended		
	2000	April 14, 2001 (millions)	2002
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

Offsetting the annual revenue reduction will be lower special depreciation. The agreement allows 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/or fossil generating assets. Under this new depreciation program, FPL recorded approximately \$70 million of special depreciation in 1999. The new depreciation program replaced a revenue-based special amortization program whereby special amortization in the amount of \$63 million, \$378 million and \$199 million was recorded in 1999, 1998 and 1997, respectively.

In addition, the agreement lowered FPL's authorized regulatory ROE range to 10% - 12%. During the term of the agreement, the achieved ROE may from time to time be outside the authorized range, and the revenue sharing mechanism described above is specified to be the appropriate and exclusive mechanism to address that circumstance. FPL reported an ROE of 12.1%, 12.6% and 12.3% in 1999, 1998 and 1997, respectively. See Note 1 - Revenues and Rates.

The decline in revenues from retail base operations during 1999 was to a large extent due to the negative impact of the agreement that reduced retail base revenues by approximately \$300 million. A 2.8% decline in usage per retail customer mainly due to milder weather conditions than the prior year was almost entirely offset by an increase in the number of customer accounts. The number of customer accounts grew 2% to approximately 3.8 million in 1999.

The increase in retail base revenues in 1998 from 1997 reflects a 4.8% increase in usage per retail customer from warmer weather combined with a 1.8% increase in the number of customer accounts.

FPL's O&M expenses in 1999 benefited from continued cost control efforts. This was partially offset by higher overhaul costs at fossil plants. O&M expenses increased in 1998 as a result of additional costs associated with improving the service reliability of FPL's distribution system, partially offset by lower nuclear maintenance costs and conservation clause expenses. Conservation clause expenses are essentially a pass-through and do not affect net income.

Lower interest charges in 1999 and 1998 reflect lower average debt balances and the full amortization in 1998 of deferred costs associated with reacquired debt.

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 1999, operating revenues from wholesale and industrial customers combined represented approximately 4% of FPL's total operating revenues. A number of potential merchant plants have been announced to date in Florida. However, only two submissions to seek a determination of need totaling approximately 1,000 mw have been presented to the FPSC. In March 1999, the FPSC approved one of the petitions for a power plant to be constructed within FPL's service territory. FPL, along with other Florida utilities, has appealed the decision to the Florida Supreme Court. Since there is no deregulation proposal currently under consideration in Florida, FPL is unable to predict the impact of a change to a more competitive environment or when such a change might occur. See Note 1 - Regulation.

*FPL Energy* - FPL Energy's 1999 and 1998 operating results benefited from a 60% and 51% increase, respectively, in the generating capacity of FPL Energy's power plant portfolio. Operating results also benefited from improved results of a gas-fired power plant in the Mid-Atlantic region, mainly due to the financial restructuring of the project, renegotiation of fuel and power sales contracts, lower non-fuel O&M expenses and improved plant availability. The improvement in FPL Energy's 1999 operating results were partly offset by higher administrative expenses to accommodate future growth. The generating capacity growth since 1997 is primarily the result of the acquisition of the Maine assets (1,117 mw), natural gas projects (300 mw) in the Northeast region and several wind projects (291 mw) in the Central and West regions.

In 1999, FPL Energy's operating results include the effect of a \$176 million (\$104 million after-tax) impairment loss. See Note 9. FPL Energy's 1998 operating results reflect the cost of terminating an interest rate swap agreement, partly offset by the receipt of a settlement relating to a contract dispute.

Deregulation of the electric 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 power in competitive markets. Substantially all of the energy produced in 1999 by FPL Energy's independent power projects was sold through power sales agreements with utilities that expire in 2000-24. As competitive wholesale markets become more accessible to other generators, obtaining power sales agreements will become a progressively more competitive process. FPL Energy expects that as its existing power sales agreements expire, more of the energy produced will be sold through shorter-term contracts and into competitive wholesale markets.

Competitive wholesale markets in the United States continue to evolve and vary by geographic region. Revenues from electricity sales in these markets will vary based on the prices obtainable for energy, capacity and other ancillary services. Some of the factors affecting success in these markets include the ability to operate generating assets efficiently, the price and supply of fuel, transmission constraints, competition from new sources of generation, demand growth and exposure to legal and regulatory changes.

*Corporate and Other* - In 1999, net income for the corporate and other segment reflects a \$149 million (\$96 million after-tax) gain on the sale of an investment in Adelphia Communications Corporation common stock, a \$108 million (\$66 million after-tax) gain recorded by FPL Group Capital on the redemption of its one-third equity interest in a cable limited partnership, costs associated with closing a retail marketing business and the favorable resolution of a prior year state tax matter. In 1998, net income for the corporate and other segment reflects a loss from the sale of Turner Foods Corporation's assets, the cost of terminating an agreement designed to fix interest rates and adjustments relating to prior years' tax matters, including the resolution of an audit issue with the Internal Revenue Service.

*Year 2000* - FPL Group did not experience any significant year 2000-related problems. The total cost of addressing year 2000 issues was approximately \$37 million.

### **Liquidity and Capital Resources**

FPL Group's capital requirements consist of expenditures to meet increased electricity usage and customer growth of FPL and investment opportunities at FPL Energy. In 1999, FPL Group's capital expenditures reflect FPL Energy's investment in generating assets in Maine and the cost of constructing a natural gas power plant in Texas, as well as FPL's power plant expansion activities. As of December 31, 1999, FPL Energy has made commitments totaling approximately \$72 million, primarily in connection with the development of an independent power project. Capital expenditures of FPL for the 2000-02 period are expected to be approximately \$3.1 billion, including \$1.3 billion in 2000. FPL Group Capital and its subsidiaries have guaranteed approximately \$680 million of purchased power agreement obligations, debt service payments and other payments subject to certain contingencies. See Note 12 - Commitments.

Debt maturities of FPL Group's subsidiaries will require cash outflows of approximately \$595 million (\$420 million for FPL) through 2004, including \$125 million for FPL in 2000. It is anticipated that cash requirements for capital expenditures, energy-related investments and debt maturities in 2000 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 repurchase common stock, or for investment. Any temporary cash needs will be met by short-term bank borrowings. In 1999 FPL Group Capital redeemed \$125 million in debentures, which resulted in a loss on reacquired debt of approximately \$8 million and issued \$1.4 billion in debentures, primarily to finance FPL Energy's generating capacity growth. In 1999, FPL had \$230 million in first mortgage bonds mature and issued \$225 million in first mortgage bonds, primarily to redeem \$216 million first mortgage bonds with a 2% higher interest rate. Bank lines of credit currently available to FPL Group and its subsidiaries aggregate \$2.4 billion (\$880 million for FPL).

During 1999, FPL Group repurchased 2.2 million shares of common stock under the 10 million share repurchase program. As of December 31, 1999, FPL Group is authorized to repurchase an additional 6.2 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, 1999 and 1998 was \$216 million and \$259 million, respectively. During 1999, storm fund reserves were reduced to recover the costs associated with three storms. Bank lines of credit of \$300 million, included in the \$880 million 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.

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.

## New Accounting Rule

In June 1998, the Financial Accounting Standards Board issued 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 FAS 133 beginning in 2001.

## 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 \$847 million and \$650 million at December 31, 1999 and 1998, 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. At December 31, 1999 and 1998, other investments of FPL Group include \$291 million and \$72 million, respectively, of investments that are carried at estimated fair value or cost, which approximates fair value.

The following are estimates of the fair value of FPL's and FPL Group's long-term debt:

	1999		1998	
	Carrying Value	Fair Value	Carrying Value	Fair Value
		(millions)		
Long-term debt of FPL (a) .....	\$2,204	\$2,123(b)	\$2,421	\$2,505(b)
Long-term debt of FPL Group (a) .....	\$3,603	\$3,518(b)	\$2,706	\$2,797(b)

(a) Includes current maturities.

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

Market risk associated with all of these securities is estimated as the potential gain in fair value of net liabilities resulting from a hypothetical 10% increase in interest rates and amounts to \$97 million and \$68 million for FPL Group and \$39 million and \$60 million for FPL at December 31, 1999 and 1998, respectively.

*Equity price risk* - Included in the special use funds of FPL are marketable equity securities carried at their market value of approximately \$573 million and \$556 million at December 31, 1999 and 1998, respectively. A hypothetical 10% decrease in the prices quoted by stock exchanges would result in a \$56 million reduction in fair value and corresponding adjustment to the related liability accounts based on current regulatory treatment at both December 31, 1999 and 1998.

*Other risks* - Under current cost-based regulation, FPL's cost of fuel is recovered through the fuel clause, with no effect on earnings. FPL's Energy Marketing & Trading Division buys and sells wholesale energy commodities, such as natural gas, oil and electric power. The division procures natural gas and oil for FPL's and FPL Energy's use in power generation and sells excess electric power. Substantially all of the result of the FPL activities are passed through to customers in the fuel or capacity clauses. FPL Energy's results of these activities are recognized in income by FPL Energy. The level of activity is expected to grow as FPL and FPL Energy seek to manage the risk associated with fluctuating commodity prices and increase the value of their power generation assets. At December 31, 1999, 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, 1999. 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, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP  
Certified Public Accountants

Miami, Florida  
February 11, 2000

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

	<u>Years Ended December 31.</u>		
	<u>1999</u>	<u>1998</u>	<u>1997</u>
OPERATING REVENUES .....	<u>\$6.438</u>	<u>\$6.661</u>	<u>\$6.369</u>
OPERATING EXPENSES:			
Fuel, purchased power and interchange .....	2,365	2,244	2,255
Other operations and maintenance .....	1,322	1,284	1,231
Depreciation and amortization .....	1,040	1,284	1,061
Impairment loss on Maine assets .....	176	-	-
Taxes other than income taxes .....	615	597	594
Total operating expenses .....	<u>5,518</u>	<u>5,409</u>	<u>5,141</u>
OPERATING INCOME .....	<u>920</u>	<u>1,252</u>	<u>1,228</u>
OTHER INCOME (DEDUCTIONS):			
Interest charges .....	(222)	(322)	(291)
Preferred stock dividends - FPL .....	(15)	(15)	(19)
Divestiture of cable investments .....	257	-	-
Other - net .....	80	28	4
Total other income (deductions) - net .....	<u>100</u>	<u>(309)</u>	<u>(306)</u>
INCOME BEFORE INCOME TAXES .....	1,020	943	922
INCOME TAXES .....	<u>323</u>	<u>279</u>	<u>304</u>
NET INCOME .....	<u>\$ 697</u>	<u>\$ 664</u>	<u>\$ 618</u>
Earnings per share of common stock (basic and assuming dilution) .....	\$4.07	\$3.85	\$3.57
Dividends per share of common stock .....	\$2.08	\$2.00	\$1.92
Average number of common shares outstanding .....	171	173	173

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

**FPL GROUP, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(millions)

	December 31,	
	1999	1998
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
Electric utility plant in service and other property .....	\$18,474	\$17,592
Nuclear fuel under capital lease - net.....	157	146
Construction work in progress .....	923	214
Less accumulated depreciation and amortization .....	<u>(10,290)</u>	<u>(9,397)</u>
Total property, plant and equipment - net .....	<u>9,264</u>	<u>8,555</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents .....	361	187
Customer receivables, net of allowances of \$7 and \$8 .....	482	559
Materials, supplies and fossil fuel inventory - at average cost .....	343	282
Deferred clause expenses .....	54	82
Other .....	<u>133</u>	<u>156</u>
Total current assets .....	<u>1,373</u>	<u>1,266</u>
<b>OTHER ASSETS:</b>		
Special use funds of FPL .....	1,352	1,206
Other investments .....	611	391
Other .....	<u>841</u>	<u>611</u>
Total other assets .....	<u>2,804</u>	<u>2,208</u>
<b>TOTAL ASSETS</b> .....	<b><u>\$13,441</u></b>	<b><u>\$12,029</u></b>
<b>CAPITALIZATION:</b>		
Common shareholders' equity .....	\$ 5,370	\$ 5,126
Preferred stock of FPL without sinking fund requirements .....	226	226
Long-term debt .....	<u>3,478</u>	<u>2,347</u>
Total capitalization .....	<u>9,074</u>	<u>7,699</u>
<b>CURRENT LIABILITIES:</b>		
Short-term debt .....	339	110
Current maturities of long-term debt .....	125	359
Accounts payable .....	407	338
Customers' deposits .....	284	282
Accrued interest and taxes .....	182	191
Deferred clause revenues .....	116	89
Other .....	<u>417</u>	<u>272</u>
Total current liabilities .....	<u>1,870</u>	<u>1,641</u>
<b>OTHER LIABILITIES AND DEFERRED CREDITS:</b>		
Accumulated deferred income taxes .....	1,079	1,255
Deferred regulatory credit - income taxes .....	126	148
Unamortized investment tax credits .....	184	205
Storm and property insurance reserve .....	216	259
Other .....	<u>892</u>	<u>822</u>
Total other liabilities and deferred credits .....	<u>2,497</u>	<u>2,689</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>TOTAL CAPITALIZATION AND LIABILITIES</b> .....	<b><u>\$13,441</u></b>	<b><u>\$12,029</u></b>

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



**FPL GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(millions)

	<u>Years Ended December 31,</u>		
	<u>1999</u>	<u>1998</u>	<u>1997</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income .....	\$ 697	\$ 664	\$ 618
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization .....	1,040	1,284	1,061
Decrease in deferred income taxes and related regulatory credit .....	(198)	(237)	(30)
Other - net .....	24	32	(52)
Net cash provided by operating activities .....	<u>1,563</u>	<u>1,743</u>	<u>1,597</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Capital expenditures of FPL .....	(861)	(617)	(551)
Independent power investments .....	(1,540)	(521)	(291)
Distributions and loan repayments from partnerships and joint ventures .....	132	304	53
Proceeds from the sale of assets .....	198	135	43
Other - net .....	(101)	(96)	(51)
Net cash used in investing activities .....	<u>(2,172)</u>	<u>(795)</u>	<u>(797)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Issuance of long-term debt .....	1,609	343	42
Retirement of long-term debt .....	(584)	(727)	(717)
Increase (decrease) in short-term debt .....	229	(24)	113
Repurchase of common stock .....	(116)	(62)	(48)
Dividends on common stock .....	(355)	(345)	(332)
Net cash provided by (used in) financing activities .....	<u>783</u>	<u>(815)</u>	<u>(942)</u>
Net increase (decrease) in cash and cash equivalents .....	174	133	(142)
Cash and cash equivalents at beginning of year .....	187	54	196
Cash and cash equivalents at end of year .....	<u>\$ 361</u>	<u>\$ 187</u>	<u>\$ 54</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>			
Cash paid for interest .....	\$ 221	\$ 308	\$ 287
Cash paid for income taxes .....	\$ 573	\$ 463	\$ 434
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:</b>			
Additions to capital lease obligations .....	\$ 86	\$ 34	\$ 81
Debt assumed for property additions .....	\$ -	\$ -	\$ 420

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

**FPL GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(millions)

	<u>Common Stock (a)</u>	<u>Additional</u>		<u>Accumulated</u>		<u>Common</u>	
	<u>Shares</u>	<u>Aggregate</u>	<u>Paid-In</u>	<u>Unearned</u>	<u>Other</u>	<u>Shareholders'</u>	
		<u>Par Value</u>	<u>Capital</u>	<u>Compensation</u>	<u>Comprehensive</u>	<u>Retained</u>	
					<u>Income (Loss)</u>	<u>Earnings</u>	
						<u>Equity</u>	
Balances, December 31, 1996 ....	183	\$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.....	<u>182(b)</u>	<u>2</u>	<u>3,302</u>	<u>(264)</u>	<u>1</u>	<u>1,804</u>	
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 ....	<u>181(b)</u>	<u>2</u>	<u>3,252</u>	<u>(252)</u>	<u>1</u>	<u>2,123</u>	<u>\$5,126</u>
Net income .....						697	
Repurchase of common stock ...	(2)		(116)				
Dividends on common stock ....						(355)	
Earned compensation under ESOP			12	14			
Other comprehensive loss .....					(2)		
Other .....				(6)			
Balances, December 31, 1999 ....	<u>179(b)</u>	<u>\$2</u>	<u>\$3,148</u>	<u>\$(244)</u>	<u>\$(1)</u>	<u>\$2,465</u>	<u>\$5,370</u>

(a) \$0.01 par value, authorized - 300,000,000 shares; outstanding 178,554,735 and 180,712,435 at December 31, 1999 and 1998, respectively.

(b) Outstanding and unallocated shares held by the Employee Stock Ownership Plan Trust totaled 8 million, 9 million and 9 million at December 31, 1999, 1998 and 1997, respectively.

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

**FLORIDA POWER & LIGHT COMPANY**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(millions)

	<u>Years Ended December 31,</u>		
	<u>1999</u>	<u>1998</u>	<u>1997</u>
OPERATING REVENUES .....	<u>\$6,057</u>	<u>\$6,366</u>	<u>\$6,132</u>
OPERATING EXPENSES:			
Fuel, purchased power and interchange .....	2,232	2,175	2,196
Other operations and maintenance .....	1,158	1,163	1,132
Depreciation and amortization .....	989	1,249	1,034
Income taxes .....	327	356	329
Taxes other than income taxes .....	605	596	592
Total operating expenses .....	<u>5,311</u>	<u>5,539</u>	<u>5,283</u>
OPERATING INCOME .....	<u>746</u>	<u>827</u>	<u>849</u>
OTHER INCOME (DEDUCTIONS):			
Interest charges .....	(163)	(196)	(227)
Other - net .....	8	-	5
Total other deductions - net .....	<u>(155)</u>	<u>(196)</u>	<u>(222)</u>
NET INCOME .....	591	631	627
PREFERRED STOCK DIVIDENDS .....	<u>15</u>	<u>15</u>	<u>19</u>
NET INCOME AVAILABLE TO FPL GROUP, INC. ....	<u>\$ 576</u>	<u>\$ 616</u>	<u>\$ 608</u>

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

**FLORIDA POWER & LIGHT COMPANY**  
**CONSOLIDATED BALANCE SHEETS**  
(millions)

	December 31,	
	1999	1998
<b>ELECTRIC UTILITY PLANT:</b>		
Plant in service .....	\$17,556	\$17,159
Less accumulated depreciation .....	(10,184)	(9,317)
Net .....	7,372	7,842
Nuclear fuel under capital lease - net.....	157	146
Construction work in progress .....	449	159
Electric utility plant - net .....	7,978	8,147
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents .....	-	152
Customer receivables, net of allowances of \$7 and \$8 .....	433	521
Materials, supplies and fossil fuel inventory - at average cost .....	299	239
Deferred clause expenses .....	54	82
Other .....	107	122
Total current assets .....	893	1,116
<b>OTHER ASSETS:</b>		
Special use funds .....	1,352	1,206
Other .....	385	279
Total other assets .....	1,737	1,485
<b>TOTAL ASSETS .....</b>	<b>\$10,608</b>	<b>\$10,748</b>
<b>CAPITALIZATION:</b>		
Common shareholder's equity .....	\$ 4,793	\$ 4,803
Preferred stock without sinking fund requirements .....	226	226
Long-term debt .....	2,079	2,191
Total capitalization .....	7,098	7,220
<b>CURRENT LIABILITIES:</b>		
Commercial paper .....	94	-
Current maturities of long-term debt .....	125	230
Accounts payable .....	379	321
Customers' deposits .....	284	282
Accrued interest and taxes .....	137	198
Deferred clause revenues .....	116	89
Other .....	298	231
Total current liabilities .....	1,433	1,351
<b>OTHER LIABILITIES AND DEFERRED CREDITS:</b>		
Accumulated deferred income taxes .....	802	887
Deferred regulatory credit - income taxes .....	126	148
Unamortized investment tax credits .....	184	205
Storm and property insurance reserve .....	216	259
Other .....	749	678
Total other liabilities and deferred credits .....	2,077	2,177
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>TOTAL CAPITALIZATION AND LIABILITIES .....</b>	<b>\$10,608</b>	<b>\$10,748</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)

	<u>Years Ended December 31,</u>		
	<u>1999</u>	<u>1998</u>	<u>1997</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income .....	\$ 591	\$ 631	\$ 627
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization .....	989	1,249	1,034
Decrease in deferred income taxes and related regulatory credit .....	(105)	(202)	(98)
Other - net .....	24	40	(60)
Net cash provided by operating activities .....	<u>1,499</u>	<u>1,718</u>	<u>1,503</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Capital expenditures .....	(861)	(617)	(551)
Other - net .....	(52)	(80)	(83)
Net cash used in investing activities .....	<u>(913)</u>	<u>(697)</u>	<u>(634)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Issuance of long-term debt .....	224	197	-
Retirement of long-term debt .....	(455)	(389)	(505)
Increase (decrease) in commercial paper .....	94	(40)	40
Capital contributions from FPL Group, Inc. ....	-	-	140
Dividends .....	(601)	(640)	(619)
Net cash used in financing activities .....	<u>(738)</u>	<u>(872)</u>	<u>(944)</u>
Net increase (decrease) in cash and cash equivalents .....	(152)	149	(75)
Cash and cash equivalents at beginning of year .....	152	3	78
Cash and cash equivalents at end of year .....	<u>\$ -</u>	<u>\$ 152</u>	<u>\$ 3</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>			
Cash paid for interest .....	\$ 171	\$ 181	\$ 216
Cash paid for income taxes .....	\$ 503	\$ 510	\$ 575
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:</b>			
Additions to capital lease obligations .....	\$ 86	\$ 34	\$ 81

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

**FLORIDA POWER & LIGHT COMPANY**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY**  
(millions)

	<u>Common Stock (a)</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Common Shareholder's Equity</u>
Balances, December 31, 1996 .....	\$1,373	\$2,424	\$871	
Contributions from FPL Group, Inc. ....	-	140	-	
Net income available to FPL Group, Inc. ....	-	-	608	
Dividends to FPL Group, Inc. ....	-	-	(601)	
Other .....	-	2	(3)	
Balances, December 31, 1997 .....	<u>1,373</u>	<u>2,566</u>	<u>875</u>	
Net income available to FPL Group, Inc. ....	-	-	616	
Dividends to FPL Group, Inc. ....	-	-	(626)	
Other .....	-	-	(1)	
Balances, December 31, 1998 .....	<u>1,373</u>	<u>2,566</u>	<u>864</u>	<u>\$4,803</u>
Net income available to FPL Group, Inc. ....	-	-	576	
Dividends to FPL Group, Inc. ....	-	-	(586)	
Balances, December 31, 1999 .....	<u>\$1,373</u>	<u>\$2,566</u>	<u>\$ 854</u>	<u>\$4,793</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, 1999, 1998 and 1997**

**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) and FPL Energy, LLC (FPL Energy), formerly FPL Energy, Inc. FPL, a rate-regulated public utility, supplies electric service to approximately 3.8 million customers throughout most of the east and lower west coasts of Florida. FPL Energy invests in independent power projects through both controlled and consolidated entities and non-controlling ownership interests in joint ventures accounted for under the equity method.

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 unregulated 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.

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:

	<u>December 31,</u>	
	<u>1999</u>	<u>1998</u>
	(millions)	
<b>Assets (included in other assets):</b>		
Unamortized debt reacquisition costs .....	\$ 12	\$ -
Deferred Department of Energy assessment .....	\$ 39	\$ 44
<b>Liabilities:</b>		
Deferred regulatory credit - income taxes .....	\$126	\$148
Unamortized investment tax credits .....	\$184	\$205
Storm and property insurance reserve (see Note 12 - Insurance).....	\$216	\$259

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 the impact of a change to a more competitive environment or when such a change might occur.

Almost half of the states, other than Florida, have enacted legislation or have state commissions that issued orders 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 December 1999, the FERC issued its final order on regional transmission organizations or RTOs. RTOs, under a variety of structures, provide for the independent operation of transmission systems for a given geographic area. The final order establishes guidelines for public utilities to use in considering and/or developing plans to initiate operations of RTOs. The order requires all public utilities to file with the FERC by October 15, 2000, a proposal for an RTO with certain minimum characteristics and functions to be operational by December 15, 2001, or alternatively, a description of efforts to participate in an RTO, any existing obstacles to RTO participation and any plans to work toward RTO participation. FPL is evaluating various alternatives for compliance with the order.

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

*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 \$130 million and \$152 million at December 31, 1999 and 1998, 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.

In 1999, the FPSC approved a three-year agreement among FPL, the State of Florida 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 common equity (ROE), capital structure and other matters. The agreement, which became effective April 15, 1999, provides for a \$350 million reduction in annual revenues from retail base operations allocated to all customers on a cents-per-kilowatt-hour basis. Additionally, the agreement sets forth a revenue sharing mechanism for each of the twelve-month periods covered by the agreement, whereby revenues from retail base operations in excess of a stated threshold will be shared on the basis of two-thirds refunded to retail customers and one-third retained by FPL. Revenues from retail base operations in excess of a second threshold will be refunded 100% to retail customers.

The thresholds are as follows:

	Twelve Months Ended		
	2000	April 14, 2001 (millions)	2002
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, the agreement lowered FPL's authorized regulatory ROE range to 10% - 12%. During the term of the agreement, the achieved ROE may from time to time be outside the authorized range, and the revenue sharing mechanism described above is specified to be the appropriate and exclusive mechanism to address that circumstance. For purposes of calculating ROE, 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 purchased power contracts. Finally, the agreement established a new special depreciation program (see Electric Plant, Depreciation and Amortization) and includes 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 compliance cost recovery clause during the 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 term of the agreement.

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 and FPL Energy is added to electric utility plant. In accordance with regulatory accounting, the cost of FPL's 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, 1999, the generating, transmission, distribution and general facilities of FPL represented approximately 45%, 13%, 35% 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. In April 1999, the FPSC granted final approval of FPL's most recent depreciation studies, which were effective January 1, 1998. Fossil fuel plant dismantlement studies were filed in September 1998 and were effective January 1, 1999. The weighted annual composite depreciation rate for FPL's electric plant in service was approximately 4.3% for 1999, 4.4% for 1998 and 4.3% for 1997, excluding the effects of decommissioning and dismantlement. Further, these rates exclude the special and plant-related deferred cost amortization discussed below.



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

The agreement that reduced FPL's base rates (see Revenues and Rates) also allows 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/or fossil generating assets. Under this new depreciation program, FPL recorded approximately \$70 million of special depreciation in 1999. The new depreciation program replaced a revenue-based special amortization program whereby FPL recorded as depreciation and amortization expense a fixed amount of \$9 million in 1999 and \$30 million in 1998 and 1997 for nuclear assets. FPL also recorded under this program variable amortization based on the actual level of retail base revenues compared to a fixed amount. The variable amounts recorded in 1999, 1998 and 1997 were \$54 million, \$348 million and \$169 million, respectively. The 1998 and 1997 variable amounts include, as depreciation and amortization expense, \$161 million and \$169 million, respectively, for amortization of regulatory assets. The remaining variable amounts were applied against nuclear and fossil production assets. Additionally, FPL completed amortization of certain plant-related deferred costs by recording \$24 million and \$22 million, in 1998 and 1997, respectively. These costs are considered recoverable costs and are monitored through the monthly reporting process with the FPSC.

*Nuclear Fuel* - FPL leases nuclear fuel for all four of its nuclear units. Nuclear fuel lease expense was \$83 million, \$83 million and \$85 million in 1999, 1998 and 1997, respectively. Included in this expense was an interest component of \$8 million, \$9 million and \$9 million in 1999, 1998 and 1997, 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 \$157 million at December 31, 1999. 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.

*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. 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. Current plans call for St Lucie Unit No. 1 to be mothballed beginning in 2016 with decommissioning activities to be 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, which are pending FPSC approval, 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. Decommissioning expense accruals included in depreciation and amortization expense, were \$85 million in each of the years 1999, 1998 and 1997. FPL's portion of the ultimate cost of decommissioning its four units, expressed in 1999 dollars, is currently estimated to aggregate \$1.7 billion. At December 31, 1999 and 1998, the accumulated provision for nuclear decommissioning totaled approximately \$1.4 billion and \$1.2 billion, respectively, and is included in accumulated depreciation. See Electric Plant, Depreciation and Amortization.

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 1999, 1998 and 1997, and is included in depreciation and amortization expense. FPL's portion of the ultimate cost to dismantle its fossil units is \$482 million. At December 31, 1999 and 1998, the accumulated provision for fossil dismantlement totaled \$232 million and \$185 million, respectively, and is included in accumulated depreciation. The dismantlement studies filed in 1998 indicated an estimated reserve deficiency of \$38 million, which was recovered through the special amortization program. See Electric Plant, Depreciation and Amortization.

Restricted trust funds for the payment of future expenditures to decommission FPL's nuclear units are included in special use funds of FPL. 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.

*Accrual for Major Maintenance Costs* - Consistent with regulatory treatment, FPL's 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. The accrual for nuclear maintenance costs at December 31, 1999 and 1998 totaled \$42 million and \$31 million, respectively. Any difference between the estimated and actual costs are included in O&M expenses when known.

FPL Energy's estimated major maintenance costs for each 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. The accrual for FPL Energy's major maintenance costs at December 31, 1999 and 1998 totaled \$33 million and \$2 million, respectively. Any difference between the estimated and actual costs are included in O&M expenses when known.

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

*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 unregulated 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. 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 12 - 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, 1999 and 1998. Additionally, other investments include notes receivable and non-controlling non-majority owned interests in partnerships and joint ventures, essentially all of which are accounted for under the equity method. See Note 3.

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

*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. Retirements of debt, after the special amortization program terminated on April 14, 1999, resulted in additional reacquisition costs. 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 in 1997.

*Accounting for Derivative Instruments and Hedging Activities* - 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 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 FAS 133 beginning in 2001.

**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, 1999 and a statement of the funded status of both years:

	<u>Pension Benefits</u>		<u>Other Benefits</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
	(millions)			
<b>Change in benefit obligation:</b>				
Obligation at October 1 of prior year .....	\$1,173	\$1,146	\$ 345	\$ 324
Service cost .....	46	45	6	5
Interest cost .....	71	75	21	21
Participant contributions .....	-	-	2	1
Plan amendments .....	-	8	-	-
Actuarial (gains) losses - net .....	(38)	34	(24)	10
Acquisitions .....	4	2	-	-
Benefit payments .....	(78)	(135)	(17)	(16)
Obligation at September 30 .....	<u>1,178</u>	<u>1,173</u>	<u>335</u>	<u>345</u>
<b>Change in plan assets:</b>				
Fair value of plan assets at October 1 of prior year .....	2,329	2,287	115	125
Actual return on plan assets .....	310	184	12	7
Participant contributions .....	-	-	2	1
Benefit payments and expenses .....	(84)	(142)	(18)	(18)
Fair value of plan assets at September 30 .....	<u>2,555</u>	<u>2,329</u>	<u>111</u>	<u>115</u>
<b>Funded Status:</b>				
Funded status at September 30 .....	1,377	1,156	(224)	(230)
Unrecognized prior service cost .....	(89)	(100)	-	-
Unrecognized transition (asset) obligation .....	(117)	(140)	45	49
Unrecognized (gain) loss .....	(900)	(736)	7	34
Prepaid (accrued) benefit cost at FPL Group .....	<u>\$ 271</u>	<u>\$ 180</u>	<u>\$(172)</u>	<u>\$(147)</u>
Prepaid (accrued) benefit cost at FPL .....	<u>\$ 263</u>	<u>\$ 173</u>	<u>\$(168)</u>	<u>\$(145)</u>

The following table provides the components of net periodic benefit cost for the plans for the years ended December 31, 1999, 1998 and 1997:

	<u>Pension Benefits</u>			<u>Other Benefits</u>		
	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
	(millions)					
Service cost .....	\$ 46	\$ 45	\$ 38	\$ 6	\$ 6	\$ 6
Interest cost .....	71	75	76	21	21	21
Expected return on plan assets .....	(156)	(149)	(135)	(7)	(8)	(7)
Amortization of transition (asset) obligation .....	(23)	(23)	(23)	3	3	3
Amortization of prior service cost .....	(8)	(8)	1	-	-	-
Amortization of losses (gains) .....	(22)	(21)	(26)	1	1	-
Net periodic (benefit) cost .....	(92)	(81)	(69)	24	23	23
Effect of Maine acquisition .....	-	-	-	2	-	-
Effect of special retirement program .....	-	-	18	-	-	-
Net periodic (benefit) cost at FPL Group .....	<u>\$(92)</u>	<u>\$(81)</u>	<u>\$(51)</u>	<u>\$ 26</u>	<u>\$ 23</u>	<u>\$ 23</u>
Net periodic (benefit) cost at FPL .....	<u>\$(89)</u>	<u>\$(80)</u>	<u>\$(50)</u>	<u>\$ 23</u>	<u>\$ 23</u>	<u>\$ 23</u>

The weighted-average discount rate used in determining the benefit obligations was 6.5% and 6.0% for 1999 and 1998, 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 2000 trend assumptions used to measure the expected cost of benefits covered by the plans are 6.2% and 5.6%, for persons prior to age 65 and over age 65, respectively. The rate is assumed to decrease over the next 3 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 or decrease in assumed health care cost trend rates would have a corresponding effect on the service and interest cost components and the accumulated obligation of other benefits of approximately \$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. At December 31, 1999 and 1998, other investments of FPL Group include \$291 million and \$72 million, respectively, of investments that are carried at estimated fair value or cost, which approximates fair value. 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,			
	1999		1998	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(millions)			
Long-term debt of FPL (a) .....	\$2,204	\$2,123(b)	\$2,421	\$2,505(b)
Long-term debt of FPL Group (a) .....	\$3,603	\$3,518(b)	\$2,706	\$2,797(b)

(a) Includes current maturities.

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

*Special Use Funds* - The special use funds consist of storm fund assets totaling \$131 million and \$160 million, and decommissioning fund assets totaling \$1.220 billion and \$1.046 billion at December 31, 1999 and 1998, respectively. Securities held in the special use funds are carried at estimated fair value. The nuclear decommissioning fund consists of approximately 40% equity securities and 60% municipal, government, corporate and mortgage- and other asset-backed debt securities with a weighted-average maturity of approximately ten years. The storm fund primarily consists of municipal debt securities with a weighted-average maturity of approximately four years. The cost of securities sold is determined on the specific identification method. The funds had approximate realized gains of \$32 million and approximate realized losses of \$22 million in 1999, \$24 million and \$4 million in 1998 and \$3 million and \$2 million in 1997, respectively. The funds had unrealized gains of approximately \$286 million and \$210 million at December 31, 1999 and 1998, respectively; the unrealized losses at those dates were approximately \$17 million and \$2 million. The proceeds from the sale of securities in 1999, 1998 and 1997 were approximately \$2.7 billion, \$1.2 billion and \$800 million, 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 1999, 1998 and 1997, 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 \$21 million in 1999 and \$19 million in each of the years 1998 and 1997 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, 1999 was approximately \$233 million, representing 8 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, 1999 was approximately \$344 million.

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

*Long-Term Incentive Plan* - As of December 31, 1999, 9 million shares of common stock are reserved and available for awards to officers and employees of FPL Group and its subsidiaries under FPL Group's long-term incentive plan. Restricted stock is issued at market value at the date of grant, typically vests within four years and is subject to, among other things, restrictions on transferability. Performance share awards are typically payable at the end of a three- or four-year performance period and are subject to risk of forfeiture if the specified performance criteria is not met within the restriction period. The changes in share awards under the incentive plan are as follows:

	<u>Restricted Stock</u>	<u>Performance Shares (a)</u>	<u>Options (a)</u>
Balances, December 31, 1996 .....	166,300	311,527	-
Granted .....	71,000(b)	212,011(c)	-
Paid/released .....	-	(70,008)	-
Forfeited .....	(17,750)	(10,942)	-
Balances, December 31, 1997 .....	219,550	442,588	-
Granted .....	19,500(b)	178,518(c)	-
Paid/released .....	-	(80,920)	-
Forfeited .....	(22,250)	(29,566)	-
Balances, December 31, 1998 .....	216,800	510,620	-
Granted .....	210,100(b)	294,662(c)	1,300,000(d)
Paid/released .....	-	(78,640)	-
Forfeited .....	(13,500)	(80,027)	(200,000)
Balances, December 31, 1999 .....	<u>413,400</u>	<u>646,615</u>	<u>1,100,000(e)</u>

- (a) Performance shares and options resulted in approximately 253,000, 128,000 and 132,000 assumed incremental shares of common stock outstanding for purposes of computing diluted earnings per share in 1999, 1998 and 1997, respectively. These incremental shares did not change basic earnings per share.
- (b) The weighted-average grant date fair value of restricted stock granted in 1999, 1998 and 1997 was \$53.21, \$61.89 and \$55.25, respectively.
- (c) The weighted-average grant date fair value of performance shares granted in 1999, 1998 and 1997 was \$61.19, \$59.19 and \$45.63, respectively.
- (d) The weighted-average grant date fair value of options granted in 1999 was \$51.59. The exercise price of each option granted in 1999 equaled the market price of FPL Group stock on the date of grant.
- (e) Exercise prices for options outstanding as of December 31, 1999, ranged from \$51.16 to \$54.38 with a weighted-average exercise price of \$51.59 and a weighted-average remaining contractual life of 8.6 years. As of December 31, 1999, there were no exercisable options. Of the options outstanding as of December 31, 1999, 225,000 vest in 2000, 475,000 in 2001, 200,000 in 2002 and 200,000 in 2003.

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. Stock-based compensation expense was approximately \$13 million, \$10 million and \$8 million in 1999, 1998 and 1997, respectively. Compensation expense for restricted stock and performance shares is the same under the fair value and the intrinsic value based methods. Had compensation expense for the options been determined as prescribed by the fair value based method, FPL Group's net income and earnings per share would have been \$696 million and \$4.06, respectively.

The fair value of the options granted in 1999 were estimated on the date of the grant using the Black-Scholes option-pricing model with a 3.81% weighted-average expected dividend yield, 17.88% weighted-average expected volatility, 5.46% weighted-average risk-free interest rate and a weighted-average expected term of 9.3 years.

*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.

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

**5. Preferred Stock**

FPL Group's charter authorizes the issuance of 100 million shares of serial preferred stock, \$0.01 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)

	<u>December 31, 1999</u>		<u>December 31,</u>	
	<u>Shares</u>	<u>Redemption</u>	<u>1999</u>	<u>1998</u>
	<u>Outstanding</u>	<u>Price</u>	<u>(millions)</u>	
Cumulative, \$100 par value, without sinking fund requirements, authorized 15,822,500 shares:				
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
4.32% Series D	50,000	\$103.50	5	5
4.35% 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	<u>2,262,500</u>		<u>\$226</u>	<u>\$226</u>

- (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 or redemptions of preferred stock in 1999, 1998 and 1997.
- (b) Not callable prior to 2003.

**6. Debt**

Long-term debt consists of the following:

	<u>December 31,</u>	
	<u>1999</u>	<u>1998</u>
	<u>(millions)</u>	
FPL:		
First mortgage bonds:		
Maturing through 2004 - 5 3/8% to 6 7/8%	\$ 350	\$ 580
Maturing 2008 through 2016 - 5 7/8% to 7 7/8%	650	641
Maturing 2023 through 2026 - 7% to 7 3/4%	516	516
Medium-term notes - 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 2020 through 2029 - variable, 3.4% and 3.6% average annual interest rate, respectively	483	483
Unamortized discount - net	(15)	(19)
Total long-term debt of FPL	<u>2,204</u>	<u>2,421</u>
Less current maturities	125	230
Long-term debt of FPL, excluding current maturities	<u>2,079</u>	<u>2,191</u>
FPL Group Capital:		
Debentures:		
Maturing through 2004 - 6 7/8%	175	-
Maturing 2006 through 2013 - 7 3/8% to 7 5/8% (a)	1,225	125
Other long-term debt - 3.4% to 7.645% due various dates to 2018	5	162
Unamortized discount	(6)	(2)
Total long-term debt of FPL Group Capital	<u>1,399</u>	<u>285</u>
Less current maturities	-	129
Long-term debt of FPL Group Capital, excluding current maturities	<u>1,399</u>	<u>156</u>
Total long-term debt	<u>\$3,478</u>	<u>\$2,347</u>

- (a) In December 1999, FPL Group Capital issued \$400 million principal amount of 7 3/8% debentures, maturing in 2009.

Minimum annual maturities of long-term debt for FPL Group are approximately \$125 million, \$170 million and \$300 million for 2000, 2003 and 2004, respectively. The amounts for FPL for the same periods are \$125 million, \$170 million and \$125 million, respectively. FPL Group and FPL have no amounts due in 2001 and 2002.

Short-term debt at December 31, 1999 consists of commercial paper borrowings with a year end weighted-average interest rate of 5.60% for FPL Group (5.87% for FPL). Available lines of credit aggregated approximately \$2.4 billion (\$880 million for FPL) at December 31, 1999, all of which were based on firm commitments.

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

**7. Income Taxes**

The components of income taxes are as follows:

	FPL Group			FPL		
	Years Ended December 31,			Years Ended December 31,		
	1999	1998	1997	1999	1998	1997
	(millions)					
<b>Federal:</b>						
Current .....	\$511	\$467	\$308	\$383	\$492	\$377
Deferred .....	(196)	(215)	(34)	(88)	(169)	(83)
ITC and other - net .....	(29)	(27)	(22)	(21)	(24)	(22)
Total federal .....	<u>286</u>	<u>225</u>	<u>252</u>	<u>274</u>	<u>299</u>	<u>272</u>
<b>State:</b>						
Current .....	55	72	52	62	78	60
Deferred .....	(18)	(18)	-	(9)	(21)	(3)
Total state .....	<u>37</u>	<u>54</u>	<u>52</u>	<u>53</u>	<u>57</u>	<u>57</u>
Income taxes charged to operations - FPL .....				327	356	329
credited to other income (deductions) - FPL .....				(3)	(7)	(8)
<b>Total income taxes</b> .....	<u>\$323</u>	<u>\$279</u>	<u>\$304</u>	<u>\$324</u>	<u>\$349</u>	<u>\$321</u>

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

	FPL Group			FPL		
	Years Ended December 31,			Years Ended December 31,		
	1999	1998	1997	1999	1998	1997
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 ..	2.4	3.7	3.7	3.8	3.7	3.9
Amortization of ITC .....	(2.1)	(2.5)	(2.4)	(2.3)	(2.4)	(2.3)
Amortization of deferred regulatory credit -						
income taxes .....	(1.3)	(1.8)	(1.8)	(1.5)	(1.7)	(1.8)
Adjustments of prior years' tax matters .....	(2.7)	(6.3)(a)	(2.7)	(0.1)	0.1	(1.7)
Preferred stock dividends - FPL .....	0.5	0.5	0.7	-	-	-
Other - net .....	(0.2)	1.0	0.5	0.5	0.9	0.8
<b>Effective income tax rate</b> .....	<u>31.6%</u>	<u>29.6%</u>	<u>33.0%</u>	<u>35.4%</u>	<u>35.6%</u>	<u>33.9%</u>

(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		FPL	
	December 31,		December 31,	
	1999	1998	1999	1998
	(millions)			
<b>Deferred tax liabilities:</b>				
Property-related .....	\$1,377	\$1,493	\$1,377	\$1,493
Investment-related .....	373	460	-	-
Other .....	312	255	168	140
Total deferred tax liabilities .....	<u>2,062</u>	<u>2,208</u>	<u>1,545</u>	<u>1,633</u>
<b>Deferred tax assets and valuation allowance:</b>				
Asset writedowns and capital loss carryforward .....	170	102	-	-
Unamortized ITC and deferred regulatory credit - income taxes .....	119	136	119	136
Storm and decommissioning reserves .....	245	258	245	258
Other .....	472	473	379	352
Valuation allowance .....	(23)	(16)	-	-
Net deferred tax assets .....	<u>983</u>	<u>953</u>	<u>743</u>	<u>746</u>
Accumulated deferred income taxes .....	<u>\$1,079</u>	<u>\$1,255</u>	<u>\$ 802</u>	<u>\$ 887</u>

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, 1999, FPL's gross investment in these units was \$1.174 billion, \$328 million and \$571 million, respectively; accumulated depreciation was \$710 million, \$155 million and \$266 million, respectively.

FPL is responsible for its share of the operating costs, as well as providing its own financing. At December 31, 1999, there was no significant balance of construction work in progress on these facilities. See Note 12 - Litigation.

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

**9. Acquisition of Maine Assets**

During the second quarter of 1999, FPL Energy completed the purchase of Central Maine Power Company's (CMP) non-nuclear generating assets, primarily fossil and hydro power plants, for \$866 million. The purchase price was based on an agreement, subject to regulatory approvals, reached with CMP in January 1998. In October 1998, the FERC struck down transmission rules that had been in effect in New England since the 1970s. FPL Energy filed a lawsuit in November 1998 requesting a declaratory judgment that CMP could not meet the essential terms of the purchase agreement and, as a result, FPL Energy should not be required to complete the transaction. FPL Energy believed these FERC rulings regarding transmission constituted a material adverse effect under the purchase agreement because of the significant decline in the value of the assets caused by the rulings. The request for declaratory judgment was denied in March 1999 and the acquisition was completed on April 7, 1999. The acquisition was accounted for under the purchase method of accounting and the results of operating the Maine plants have been included in the consolidated financial statements since the acquisition date.

The FERC rulings regarding transmission, as well as the announcement of new entrants into the market and changes in fuel prices since January 1998, resulted in FPL Energy recording a \$176 million pre-tax impairment loss to write-down the fossil assets to their fair value, which was determined based on a discounted cash flow analysis. The impairment loss reduced FPL Group's 1999 results of operations and earnings per share by \$104 million and \$0.61 per share, respectively.

Most of the remainder of the purchase price was allocated to the hydro operations. The hydro plants and related goodwill are being amortized on a straight-line basis over the 40-year term of the hydro plant operating licenses.

**10. Divestiture of Cable Investments**

In January 1999, an FPL Group Capital subsidiary sold 3.5 million common shares of Adelphia Communications Corporation (Adelphia) stock and in October 1999 had its one-third ownership interest in a cable limited partnership redeemed, resulting in after-tax gains of approximately \$96 million and \$66 million, respectively. Both investments had been accounted for on the equity method.

**11. Settlement of Litigation**

In October 1999, FPL and the Florida Municipal Power Agency (FMPA) entered into a settlement agreement pursuant to which FPL agreed to pay FMPA a cash settlement; FPL agreed to reduce the demand charge on an existing power purchase agreement; and FPL and FMPA agreed to enter into a new power purchase agreement giving FMPA the right to purchase limited amounts of power in the future at a specified price. FMPA agreed to dismiss the lawsuit with prejudice, and both parties agreed to exchange mutual releases. The settlement reduced FPL's 1999 net income by \$42 million.

**12. 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 \$3.1 billion for 2000 through 2002. Included in this three-year forecast are capital expenditures for 2000 of approximately \$1.3 billion. As of December 31, 1999, FPL Energy has made commitments totaling approximately \$72 million, primarily in connection with the development of an independent power project. FPL Group and its subsidiaries, other than FPL, have guaranteed approximately \$680 million of purchased 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 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 \$50 million in retrospective premiums.



**FPL GROUP, INC. AND FLORIDA POWER & LIGHT COMPANY**  
**NOTES TO 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 the majority 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 \$216 million at December 31, 1999, for T&D property storm damage or assessments under the nuclear insurance program. During 1999, storm fund reserves were reduced to recover the costs associated with three storms. 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 2021. FPL also has various firm pay-for-performance contracts to purchase approximately 900 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. FPL has long-term contracts for the transportation and supply of natural gas, coal and oil with various expiration dates through 2021. FPL Energy has long-term contracts for the transportation and storage of natural gas with expiration dates ranging from 2005 through 2017, and a 24-month contract commencing in mid-2000 for the supply of natural gas.

The required capacity and minimum payments through 2004 under these contracts are estimated to be as follows:

	<u>2000</u>	<u>2001</u>	<u>2002</u> (millions)	<u>2003</u>	<u>2004</u>
FPL:					
Capacity payments:					
JEA and Southern Companies .....	\$210	\$210	\$210	\$200	\$200
Qualifying facilities (a) .....	\$370	\$380	\$400	\$410	\$425
Minimum payments, at projected prices:					
Natural gas, including transportation .....	\$205	\$235	\$255	\$255	\$260
Coal .....	\$ 50	\$ 45	\$ 45	\$ 20	\$ 10
Oil .....	\$165	\$165	\$ 10	\$ -	\$ -
FPL Energy:					
Natural gas, including transportation and storage .....	\$ 20	\$ 20	\$ 20	\$ 15	\$ 15

(a) Includes approximately \$42 million, \$44 million, \$47 million, \$49 million and \$50 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:

	<u>1999 Charges</u>		<u>1998 Charges</u>		<u>1997 Charges</u>	
	<u>Capacity</u>	<u>Energy/ Fuel</u>	<u>Capacity</u>	<u>Energy/ Fuel</u>	<u>Capacity</u>	<u>Energy/ Fuel</u>
			(millions)			
FPL:						
JEA and Southern Companies .....	\$186(a)	\$132(b)		\$192(a)	\$138(b)	\$201(a)
Qualifying facilities .....	\$319(c)	\$121(b)		\$299(c)	\$108(b)	\$296(c)
Natural gas, including transportation .....	\$ -	\$373(b)		\$ -	\$280(b)	\$ -
Coal .....	\$ -	\$ 43(b)		\$ -	\$ 50(b)	\$ -
Oil .....	\$ -	\$115(b)		\$ -	\$ -	\$ -
FPL Energy:						
Natural gas transportation and storage .....	\$ -	\$ 16		\$ -	\$ 18	\$ -
						\$ 16

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

(b) Recovered through the fuel and purchased power cost recovery 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 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 1998, the plant owners (through the attorneys for the majority bondholders) filed an answer denying the allegations in FPL's complaint and asserting

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

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 by FPL, FPL Group and FPL Group Capital, plus attorneys' fees. The trial court dismissed all of the partnerships' antitrust claims. In 1999, the partnerships' motion for summary judgment was denied; they have appealed.

A contract with Cedar Bay Generating Company, L.P. (Cedar Bay), a qualifying facility, provides FPL with the right to dispatch the Cedar Bay facility "in any manner it deems appropriate." Despite this contractual right, Cedar Bay initiated an action in 1997 in the circuit court challenging, among other things, the manner in which the facility had been dispatched by FPL. Although the court granted summary judgment to FPL with regard to Cedar Bay's claim that FPL's dispatch decisions violated the express terms of the contract, it permitted a jury to hear Cedar Bay's claim that such dispatch decisions violated an implied duty of good faith and fair dealing. The jury awarded Cedar Bay approximately \$13 million on this claim. Thereafter, the court entered a declaration that FPL was, in the future, to dispatch the Cedar Bay facility in accordance with certain specified parameters. FPL expects to recover the amount of this judgment through the capacity clause.

FPL has appealed both the jury award and the court's declaration. In 1999, after FPL filed its notice of appeal in the Cedar Bay action, a lender, on behalf of itself and a group of other Cedar Bay lenders, filed an action against FPL in the circuit court alleging breach of contract, breach of an implied duty of good faith and fair dealing, fraud, tortious interference with contract and several other claims regarding the manner in which FPL has dispatched the Cedar Bay facility. It seeks unspecified damages and other relief. FPL has moved to dismiss all counts of this complaint.

In 1999, the Attorney General of the United States, on behalf of the U.S. Environmental Protection Agency (EPA) brought an action against Georgia Power Company and other subsidiaries of The Southern Company for injunctive relief and the assessment of civil penalties for certain violations of the Clean Air Act. Among other things, the EPA alleges Georgia Power Company constructed and is continuing to operate Scherer Unit No. 4, in which FPL owns a 76% interest, without obtaining proper permitting, and without complying with performance and technology standards as required by the Clean Air Act. The suit seeks injunctive relief requiring the installation of such technology and civil penalties of up to \$25,000 per day for each violation from August 7, 1977 through January 30, 1997, and \$27,000 per day for each violation thereafter. Georgia Power has filed an answer to the complaint asserting that it has complied with all requirements of the Clean Air Act, denying the plaintiff's allegations of liability, denying that the plaintiff is entitled to any of the relief that it seeks and raising various other defenses.

FPL Group and FPL believe that they have meritorious defenses to the litigation 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.

### **13. Subsequent Event**

FPL FiberNet, LLC (FPL FiberNet) was formed in January 2000 to enhance the value of FPL Group's fiber-optic network assets that were originally built to support FPL operations. FPL's existing fiber-optic net assets with a net book value of approximately \$100 million were transferred to FPL FiberNet in January 2000. FPL FiberNet will sell wholesale fiber-optic network capacity to FPL and other new and existing customers, primarily telephone, cable television, internet and other telecommunications companies.

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

**14. Segment Information**

FPL Group's reportable segments include FPL, a regulated utility, and FPL Energy, an unregulated energy generating subsidiary. Corporate and other represents other business activities, other segments that are not separately reportable and eliminating entries. For all years presented approximately 98% of FPL Group's operating revenues were derived from the sale of electricity in the United States. As of December 31, 1999 and 1998, less than 1% of long-lived assets were located in foreign countries.

FPL Group's segment information is as follows:

	1999				1998				1997			
	FPL	(a) FPL Energy	Corp. and Other	Total	FPL	(a) FPL Energy (millions)	Corp. and Other	Total	FPL	(a) FPL Energy	Corp. and Other	Total
Operating revenues	\$ 6,057	\$ 323	\$ 58	\$ 6,438	\$ 6,366	\$ 234	\$ 61	\$ 6,661	\$ 6,132	\$ 189	\$ 48	\$ 6,369
Interest expense ..	\$ 164	\$ 44	\$ 14	\$ 222	\$ 196	\$ 84	\$ 42	\$ 322	\$ 227	\$ 49	\$ 15	\$ 291
Depreciation and amortization ....	\$ 989	\$ 34	\$ 17	\$ 1,040	\$ 1,249	\$ 31	\$ 4	\$ 1,284	\$ 1,034	\$ 22	\$ 5	\$ 1,061
Equity in earnings of equity method investees .....	\$ -	\$ 50	\$ -	\$ 50	\$ -	\$ 39	\$ -	\$ 39	\$ -	\$ 12	\$ 2	\$ 14
Income tax expense (benefit)(b)	\$ 324	\$ (42)	\$ 41	\$ 323	\$ 349	\$ 24	\$ (94)	\$ 279	\$ 321	\$ 5	\$ (22)	\$ 304
Net income (loss)(c)	\$ 576	\$ (46)	\$ 167	\$ 697	\$ 616	\$ 32	\$ 16	\$ 664	\$ 608	\$ 9	\$ 1	\$ 618
Significant noncash items .....	\$ 86	\$ -	\$ -	\$ 86	\$ 34	\$ -	\$ -	\$ 34	\$ 81	\$ 420	\$ -	\$ 501
Capital expenditures and investments	\$ 924	\$ 1,540	\$ 15	\$ 2,479	\$ 617	\$ 313	\$ 16	\$ 946	\$ 551	\$ 291	\$ -	\$ 842
Total assets .....	\$ 11,231	\$ 2,212	\$ (2)	\$ 13,441	\$ 10,748	\$ 1,092	\$ 189	\$ 12,029	\$ 11,172	\$ 912	\$ 365	\$ 12,449
Investment in equity method investees	\$ -	\$ 166	\$ -	\$ 166	\$ -	\$ 165	\$ -	\$ 165	\$ -	\$ 74	\$ 2	\$ 76

- (a) In 1999 and 1998, FPL Energy's interest expense was based on an assumed capital structure of 50% debt for operating projects and 100% debt for projects under construction. FPL Energy's 1998 interest expense also includes the cost of terminating an interest rate swap agreement. FPL Energy's 1997 interest expense was related to its outstanding debt, which exceeded the assumed capital structure.
- (b) FPL Group allocates income taxes to FPL Energy on a "separate return method" as if it were a tax paying entity.
- (c) The following nonrecurring items affected 1999 net income: FPL settled litigation (see Note 11); FPL Energy recorded an impairment loss (see Note 9); and Corporate and Other divested its cable investments (see Note 10).

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

FPL Group Capital's debentures, when outstanding, are guaranteed by FPL Group and included in FPL Group's consolidated balance sheets. Summarized financial information of FPL Group Capital is as follows:

	1999	1998	1997		1999	1998
	(millions)				(millions)	
Operating revenues .....	\$380	\$295	\$237	Current assets .....	\$ 640	\$ 317
Operating expenses .....	\$533	\$225	\$186	Noncurrent assets .....	\$2,627	\$1,445
Gain on divestiture of cable investments ..	\$257	\$ -	\$ -	Current liabilities .....	\$ 414	\$ 310
Net income .....	\$138	\$ 68	\$ 27	Noncurrent liabilities ..	\$1,840	\$ 703

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

**16. Quarterly Data (Unaudited)**

Condensed consolidated quarterly financial information for 1999 and 1998 is as follows:

	<u>March 31 (a)</u>	<u>June 30 (a)</u>	<u>September 30 (a)</u>	<u>December 31 (a)</u>
	(millions, except per share amounts)			
<b>FPL Group:</b>				
<u>1999</u>				
Operating revenues .....	\$ 1,412	\$ 1,614	\$ 1,892	\$ 1,520
Operating income .....	\$ 208	\$ 135(b)	\$ 470	\$ 107(c)
Net income .....	\$ 209(d)	\$ 77(b)	\$ 291	\$ 120(c)(e)
Earnings per share(f) .....	\$ 1.22(d)	\$ 0.45(b)	\$ 1.70	\$ 0.71(c)(e)
Dividends per share .....	\$ 0.52	\$ 0.52	\$ 0.52	\$ 0.52
High-low common stock sales prices.	\$61 15/16-50 1/8	\$ 60 1/2-52 7/8	\$56 11/16-49 1/8	\$ 52 1/2-41 1/8
<u>1998</u>				
Operating revenues .....	\$ 1,338	\$ 1,692	\$ 1,999	\$ 1,632
Operating income .....	\$ 218	\$ 317	\$ 528	\$ 189
Net income .....	\$ 108	\$ 176	\$ 287	\$ 93(g)
Earnings per share(f) .....	\$ 0.63	\$ 1.02	\$ 1.66	\$ 0.54(g)
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>FPL:</b>				
<u>1999</u>				
Operating revenues .....	\$ 1,359	\$ 1,511	\$ 1,769	\$ 1,418
Operating income .....	\$ 150	\$ 207	\$ 303	\$ 86(c)
Net income .....	\$ 108	\$ 167	\$ 268	\$ 48(c)
Net income available to FPL Group..	\$ 104	\$ 163	\$ 264	\$ 45(c)
<u>1998</u>				
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

- (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 impairment loss on Maine assets.
- (c) Includes the settlement of litigation between FPL and FMFA.
- (d) Includes gain on the sale of an investment in Adelpia common stock.
- (e) Includes gain on the redemption of a one-third ownership interest in a cable limited partnership.
- (f) Basic and assuming dilution. The sum of the quarterly amounts may not equal the total for the year due to rounding.
- (g) 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.

## 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 2000 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, 64, 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, 61, 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, 58, is the president of FPL. He is a director of Lynch Interactive Corporation. Mr. Evanson has been a director of FPL since 1992 and a director of FPL Group since 1995.

**Lewis Hay, III.** Mr. Hay, 44, is senior vice president, finance and chief financial officer of FPL and vice president, finance and chief financial officer of FPL Group. Mr. Hay has been a director of FPL since 1999.

**Lawrence J. Kelleher.** Mr. Kelleher, 52, 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.

**Armando J. Olivera.** Mr. Olivera, 50, is senior vice president, power systems of FPL. Mr. Olivera has been a director of FPL since 1999.

**Thomas F. Plunkett.** Mr. Plunkett, 60, is president of FPL's nuclear division. Mr. Plunkett has been a director of FPL since 1996.

**Antonio Rodriguez.** Mr. Rodriguez, 57, is senior vice president, power generation of FPL. Mr. Rodriguez has been a director of FPL since 1999.

(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 1. 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, 1999.

### SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation			Restricted Stock Awards(a)	Long-Term Compensation		All Other Compensation(c)
		Salary	Bonus	Other Annual Compensation		Number of Securities Underlying Options	Long-Term Incentive Plan Payouts(b)	
James L. Broadhead Chairman of the Board and Chief Executive Officer of FPL and FPL Group	1999	\$943,000	\$895,850	\$18,809	\$2,412,005	250,000	\$1,083,272	\$12,658
	1998	847,875	937,125	9,809	-	-	1,788,731	12,009
	1997	846,000	824,850	9,813	-	-	1,402,140	11,286
Paul J. Evanson President of FPL	1999	628,500	616,900	8,656	1,278,900	150,000	458,985	13,539
	1998	592,500	546,900	2,785	-	-	704,304	13,746
	1997	564,300	423,200	2,646	-	-	306,741	15,233
Dennis P. Coyle General Counsel and Secretary of FPL and FPL Group	1999	399,832	259,891	7,964	964,802	100,000	236,783	10,259
	1998	357,000	257,040	595	-	-	368,079	9,737
	1997	353,628	198,904	3,600	-	-	310,021	10,653
Thomas F. Plunkett President, Nuclear Division of FPL	1999	340,000	219,100	10,088	255,780	100,000	179,564	10,146
	1998	302,500	177,900	3,482	-	-	103,481	10,344
	1997	275,000	123,200	3,482	-	-	82,128	11,899
Lawrence J. Kelleher Senior Vice President, Human Resources of FPL and Vice President, Human Resources of FPL Group	1999	306,475	220,662	10,213	964,802	100,000	177,346	10,661
	1998	267,750	194,119	3,108	-	-	267,694	9,724
	1997	258,500	147,768	3,273	538,150	-	222,173	11,655

- (a) At December 31, 1999, Mr. Broadhead held 146,800 shares of restricted common stock with a value of \$6,284,875. Of these, 96,800 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. The remaining 50,000 shares vest in 2001. At December 31, 1999, Mr. Evanson held 25,000 shares of restricted common stock with a value of \$1,070,313 that vest as to 6,250 shares in each of the years 2000, 2001, 2002 and 2003; Mr. Coyle held 20,000 shares of restricted common stock with a value of \$856,250 that vest as to 5,000 shares in each of the years 2000, 2001, 2002 and 2003; Mr. Plunkett held 20,000 shares of restricted common stock with a value of \$856,250, 5,000 shares of which were granted in 1999 and vest as to 1,250 shares in each of the years 2000, 2001, 2002 and 2003; and Mr. Kelleher held 30,000 shares of restricted common stock with a value of \$1,284,375, 20,000 shares of which were granted in 1999 and vest as to 5,000 shares in each of the years 2000, 2001, 2002 and 2003. 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. Messrs. Evanson and Plunkett deferred their payouts under FPL Group's Deferred Compensation Plan.
- (c) For 1999, represents employer matching contributions to employee thrift plans and employer contributions for life insurance as follows:

	Thrift Match	Life Insurance
Mr. Broadhead .....	\$7,167	\$5,491
Mr. Evanson .....	7,600	5,939
Mr. Coyle .....	7,167	3,092
Mr. Plunkett .....	7,600	2,546
Mr. Kelleher .....	7,167	3,494

**Long-Term Incentive Plan Awards** - In 1999, performance awards, shareholder value awards and stock option 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	
			Target(#)	Maximum(#)
James L. Broadhead .....	19,687	1/1/99 - 12/31/02	19,687	31,499
Paul J. Evanson .....	7,874	1/1/99 - 12/31/02	7,874	12,598
Dennis P. Coyle .....	4,553	1/1/99 - 12/31/02	4,553	7,285
Thomas F. Plunkett .....	3,651	1/1/99 - 12/31/02	3,651	5,842
Lawrence J. Kelleher .....	3,291	1/1/99 - 12/31/02	3,291	5,266

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 1999 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 return on equity; non-utility net income and return on equity; corporate and other net income; employee safety; number of significant environmental violations; and the development of a plan to meet five-year growth objectives. The qualitative factors included measures to position the Corporation for greater competition and initiating other actions that significantly strengthen the Corporation and enhance shareholder value.

Name	Number of Shares	Performance Period Until Payout	Estimated Future Payouts Under Non-Stock Price-Based Plans	
			Target(#)	Maximum(#)
James L. Broadhead .....	13,423	1/1/99 - 12/31/01	13,423	21,477
Paul J. Evanson .....	6,749	1/1/99 - 12/31/01	6,749	10,798
Dennis P. Coyle .....	3,415	1/1/99 - 12/31/01	3,415	5,464
Thomas F. Plunkett .....	2,738	1-1-99 - 12/31/01	2,738	4,381
Lawrence J. Kelleher .....	2,468	1/1/99 - 12/31/01	2,468	3,948

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.

Option Grants in Last Fiscal Year

Individual Grants					
Name	Number of Securities Underlying Options Granted(a)	Percent of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price Per Share	Expiration Date	Grant Date Present Value(b)
James L. Broadhead .....	250,000	19.2%	\$51.156	2/15/06	\$2,247,027
Paul J. Evanson .....	150,000	11.5%	\$51.156	2/15/09	\$1,515,497
Dennis P. Coyle .....	100,000	7.7%	\$51.156	2/15/09	\$1,010,331
Thomas F. Plunkett .....	100,000	7.7%	\$51.156	2/15/09	\$1,010,331
Lawrence J. Kelleher .....	100,000	7.7%	\$51.156	2/15/09	\$1,010,331

- (a) Options granted are non-qualified stock options. Mr. Broadhead's options will be exercisable on November 28, 2001. All other stock options will become exercisable 25% per year and be fully exercisable after four years. All options were granted at an exercise price per share of 100% of the fair market value of FPL Group, Inc. common stock on the date of grant.
- (b) The values shown reflect standard application of the Black-Scholes pricing model. Volatility is equal to 18.08% and yield is equal to 3.81%. The interest rate is equal to the U.S. Treasury Strip Rate on the date of grant with a term equal to that of the option (5.19% for the 7-year options expiring 2/15/06 and 5.40% for the 10-year options expiring 2/15/09). The values do not take into account risk factors such as non-transferability or risk of forfeiture.

The preceding table sets forth information concerning individual grants of common stock options during fiscal year 1999 to the executive officers named in the Summary Compensation Table. Such awards are also listed in the Summary Compensation Table in the column entitled Number of Securities Underlying Options.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

Name	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at Fiscal Year-End		Value of Unexercised In-The-Money Options at Fiscal Year-End	
			Exercisable	Unexercisable	Exercisable	Unexercisable
James L. Broadhead	0	\$0	0	250,000	\$0	\$0
Paul J. Evanson	0	\$0	0	150,000	\$0	\$0
Dennis P. Coyle	0	\$0	0	100,000	\$0	\$0
Thomas F. Plunkett	0	\$0	0	100,000	\$0	\$0
Lawrence J. Kelleher	0	\$0	0	100,000	\$0	\$0

The preceding table sets forth information, with respect to the named officers, concerning the exercise of stock options during the fiscal year, and unexercised options held at the end of the fiscal year. The named officers did not exercise any stock options during 1999, and held no exercisable options at the end of the year. All of the unexercisable options shown in the preceding table were granted in 1999. At December 31, 1999, the fair market value of the underlying securities (based on the closing share price of FPL Group, Inc. Common Stock reported on the NYSE of \$42.8125 per share) did not exceed the exercise or base price of the options, therefore the options were not in-the-money at fiscal year-end.

**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 1999 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	\$ 58,809	\$117,606	\$ 146,414	\$ 154,909	\$ 157,297
400,000	78,809	157,606	196,414	207,409	209,797
500,000	98,809	197,606	246,414	259,909	262,297
600,000	118,809	237,606	296,414	312,409	314,797
700,000	138,809	277,606	346,414	364,909	367,297
800,000	158,809	317,606	396,414	417,409	419,797
900,000	178,809	357,606	446,414	469,909	472,297
1,000,000	198,809	397,606	496,414	522,409	524,797
1,100,000	218,809	437,606	546,414	574,909	577,297
1,200,000	238,809	477,606	596,414	627,409	629,797
1,300,000	258,809	517,606	646,414	679,909	682,297
1,400,000	278,809	557,606	696,414	732,409	734,797
1,500,000	298,809	597,606	746,414	784,909	787,297
1,600,000	318,809	637,606	796,414	837,409	839,797
1,700,000	338,809	677,606	846,414	889,909	892,297
1,800,000	358,809	717,606	896,414	942,409	944,797
1,900,000	378,809	757,606	946,414	994,909	997,297
2,000,000	398,809	797,606	996,414	1,047,409	1,049,797
2,100,000	418,809	837,606	1,046,414	1,099,909	1,102,297
2,200,000	438,809	877,606	1,096,414	1,152,409	1,154,797
2,300,000	458,809	917,606	1,146,414	1,204,909	1,207,297
2,400,000	478,809	957,606	1,196,414	1,257,409	1,259,797

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 those tables. The estimated credited years of service for the executive officers named in the Summary Compensation Table are: Mr. Broadhead, 11 years; Mr. Evanson, 7 years; Mr. Coyle, 10 years; Mr. Plunkett, 9 years and Mr. Kelleher, 32 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 96,800 shares of restricted common stock which vest 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 (2000) 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. A supplemental retirement plan for Mr. Plunkett provides for benefits, upon retirement at age 62 or more, based on two times his credited years of service up to age 65 and one times his credited years of service thereafter.

In 1998, the vesting schedule attached to 10,000 shares of restricted common stock held by C.O. Woody, then President of the Power Generation Division of FPL, was amended to coincide with Mr. Woody's planned retirement in June 1999. As a consequence of the amended vesting schedule, Mr. Woody was indebted to FPL for a period of less than two weeks in June 1999 for \$147,133 in taxes owed upon vesting of the shares.

FPL Group sponsors a split-dollar life insurance plan for certain of FPL's 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 life insurance coverage.

**Employment Agreements** - FPL Group has an employment agreement with Mr. Broadhead that provides for automatic one-year extensions after 2000 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 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 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:

Name	Number of Shares (a)
James L. Broadhead .....	243,640(b)(c)
Dennis P. Coyle .....	63,469(b)(c)(d)
Paul J. Evanson .....	96,170(b)(c)(d)
Lewis Hay, III .....	25,134(b)(c)
Lawrence J. Kelleher .....	69,562(b)(c)(d)
Armando J. Olivera .....	42,676(b)(c)(d)
Thomas F. Plunkett .....	55,261(b)(c)(d)
Antonio Rodriguez .....	6,171(b)
All directors and executive officers as a group .....	708,939(b)(c)(d)(e)

- (a) Information is as of January 31, 2000, except for executive officers' holdings under the thrift plans and the Supplemental Executive Retirement Plan, which are as of December 31, 1999. Unless otherwise indicated, each person has sole voting and sole investment power.
- (b) Includes 15,625, 3,876, 4,335, 84, 1,292, 195, 549 and 111 phantom shares for Messrs. Broadhead, Coyle, Evanson, Hay, Kelleher, Olivera, Plunkett and Rodriguez, respectively, and a total of 28,967 phantom shares for all directors and officers as a group, credited to a Supplemental Matching Contribution Account under the Supplemental Executive Retirement Plan.
- (c) Includes 146,800, 20,000, 25,000, 25,000, 30,000, 10,000 and 20,000 shares of restricted stock as to which Messrs. Broadhead, Coyle, Evanson, Hay, Kelleher, Olivera and Plunkett, respectively, and a total 311,800 shares of restricted stock for all directors and officers as a group, have voting but not investment power.
- (d) Includes options held by Messrs. Coyle, Evanson, Kelleher, Olivera and Plunkett to purchase 25,000, 37,500, 25,000, 12,500 and 25,000 shares, respectively, and options to purchase a total of 162,500 shares for all directors and officers as a group.
- (e) 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 1999.

**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	<u>Page(s)</u>
	Independent Auditors' Report	16
	FPL Group:	
	Consolidated Statements of Income	17
	Consolidated Balance Sheets	18
	Consolidated Statements of Cash Flows	19
	Consolidated Statements of Shareholders' Equity	20
	FPL:	
	Consolidated Statements of Income	21
	Consolidated Balance Sheets	22
	Consolidated Statements of Cash Flows	23
	Consolidated Statements of Shareholder's Equity	24
	Notes to Consolidated Financial Statements	25-38

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

3. Exhibits including those Incorporated by Reference

<u>Exhibit Number</u>	<u>Description</u>	<u>FPL Group</u>	<u>FPL</u>
*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-nine 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; Exhibit 4 to Form 10-Q for the quarter ended June 30, 1998, File No. 1-3545; and Exhibit 4 to Form 10-Q for the quarter ended March 31, 1999, File No. 1-8841)	x	x
*4(c)	Indenture, dated as of June 1, 1999, between FPL Group Capital Inc and The Bank of New York, as Trustee (filed as Exhibit 4(a) to Form 8-K Dated July 16, 1999, File No. 1-8841)	x	
*4(d)	Guarantee Agreement between FPL Group, Inc. (as guarantor) and The Bank of New York (as Guarantor Trustee) dated as of June 1, 1999 (filed as Exhibit 4(b) to Form 8-K dated July 16, 1999, File No. 1-8841)	x	
10(a)	FPL Group Supplemental Executive Retirement Plan, amended and restated effective April 1, 1997	x	
10(b)	Amendments # 1 and 2 effective January 1, 1998 to FPL Group Supplemental Executive Retirement Plan, amended and restated effective April 1, 1997	x	
10(c)	Amendment #3 effective January 1, 1999, to FPL Group Supplemental Executive Retirement Plan, amended and restated effective April 1, 1997	x	
*10(d)	FPL Group Amended and Restated Supplemental Executive Retirement Plan for James L. Broadhead effective January 1, 1990 (filed as Exhibit 99(d) to Post-Effective Amendment No. 5 to Form S-8, File No. 33-18669)	x	
*10(e)	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(f)	Supplement to the FPL Group Supplemental Executive Retirement Plan as it applies to Thomas F. Plunkett (filed as Exhibit 10(e) to Form 10-K for the year ended December 31, 1997, File No. 1-8841)	x	
*10(g)	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(h)	Long-Term Incentive Plan 1994 (filed as Exhibit 4(d) to Form S-8, File No. 33-57673)	x	
10(i)	Annual Incentive Plan	x	
*10(j)	FPL Group, Inc. Deferred Compensation Plan, amended and restated effective January 1, 1995 (filed as Exhibit 99 to Form S-8, File No. 1-8841)	x	
*10(k)	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	

		<u>FPL Group</u>	<u>FPL</u>
*10(l)	Employment Agreement between FPL Group and James L. Broadhead, amended and restated as of May 10, 1999 (filed as Exhibit 10(a) to Form 10-Q for the quarter ended September 30, 1999, File No. 1-8841)	x	
*10(m)	Employment Agreement between FPL Group and Dennis P. Coyle, amended and restated as of May 10, 1999 (filed as Exhibit 10(b) to Form 10-Q for the quarter ended September 30, 1999, File No. 1-8841)	x	
*10(n)	Employment Agreement between FPL Group and Paul J. Evanson, amended and restated as of May 10, 1999 (filed as Exhibit 10(c) to Form 10-Q for the quarter ended September 30, 1999, File No. 1-8841)	x	
*10(o)	Employment Agreement between FPL Group and Lewis Hay, III, dated as of September 13, 1999 (filed as Exhibit 10(d) to Form 10-Q for the quarter ended September 30, 1999, File No. 1-8841)	x	
*10(p)	Employment Agreement between FPL Group and Lawrence J. Kelleher, amended and restated as of May 10, 1999 (filed as Exhibit 10(e) to Form 10-Q for the quarter ended September 30, 1999, File No. 1-8841)	x	
*10(q)	Employment Agreement between FPL Group and Thomas F. Plunkett, amended and restated as of May 10, 1999 (filed as Exhibit 10(f) to Form 10-Q for the quarter ended September 30, 1999, File No. 1-8841)	x	
*10(r)	Employment Agreement between FPL Group and Michael W. Yackira, amended and restated as of May 10, 1999 (filed as Exhibit 10(g) to Form 10-Q for the quarter ended September 30, 1999, File No. 1-8841)	x	
*10(s)	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(a)	Computation of Ratio of Earnings to Fixed Charges	x	
12(b)	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 - none

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 28, 2000

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 28, 2000:

LEWIS HAY, III  
**Lewis Hay, III**  
Vice President, Finance and Chief Financial Officer  
(Principal Financial Officer)

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

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

**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 28, 2000

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 28, 2000:

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

LEWIS HAY, III  
**Lewis Hay, III**  
Senior Vice President, Finance and Chief Financial Officer  
(Principal Financial Officer and Director)

K. MICHAEL DAVIS  
**K. Michael Davis**  
*Vice President, Accounting,*  
*Controller and Chief Accounting Officer*  
(Principal Accounting Officer)

Directors:

DENNIS P. COYLE  
**Dennis P. Coyle**

THOMAS F. PLUNKETT  
**Thomas F. Plunkett**

LAWRENCE J. KELLEHER  
**Lawrence J. Kelleher**

ANTONIO RODRIGUEZ  
**Antonio Rodriguez**

ARMANDO J. OLIVERA  
**Armando J. Olivera**

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

	Years Ended December 31,				
	1999	1998	1997	1996	1995
	(Millions of Dollars)				
Earnings, as defined:					
Net income .....	\$ 697	\$ 664	\$ 618	\$ 579	\$ 553
Income taxes .....	323	279	304	294	329
Fixed charges, included in the determination of net income, as below .....	234	335	304	283	308
Distributed income of independent power investments....	75	68	47	38	39
Less: Equity in earnings of independent power investments .....	<u>50</u>	<u>39</u>	<u>14</u>	<u>5</u>	<u>6</u>
Total earnings, as defined .....	<u>\$1,279</u>	<u>\$1,307</u>	<u>\$1,259</u>	<u>\$1,189</u>	<u>\$1,223</u>
Fixed charges, as defined:					
Interest charges .....	\$ 222	\$ 322	\$ 291	\$ 267	\$ 291
Rental interest factor .....	4	4	4	5	6
Fixed charges included in nuclear fuel cost .....	<u>8</u>	<u>9</u>	<u>9</u>	<u>11</u>	<u>11</u>
Fixed charges, included in the determination of net income .....	234	335	304	283	308
Capitalized interest .....	<u>9</u>	<u>2</u>	<u>4</u>	<u>-</u>	<u>-</u>
Total fixed charges, as defined .....	<u>\$ 243</u>	<u>\$ 337</u>	<u>\$ 308</u>	<u>\$ 283</u>	<u>\$ 308</u>
Ratio of earnings to fixed charges .....	<u>5.26</u>	<u>3.88</u>	<u>4.09</u>	<u>4.20</u>	<u>3.97</u>

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

	Years Ended December 31,				
	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
	(Millions of Dollars)				
<b>RATIO OF EARNINGS TO FIXED CHARGES</b>					
Earnings, as defined:					
Net income .....	\$ 591	\$ 631	\$ 627	\$ 615	\$ 611
Income taxes .....	324	349	321	322	342
Fixed charges, as below .....	<u>174</u>	<u>209</u>	<u>240</u>	<u>262</u>	<u>286</u>
Total earnings, as defined .....	<u>\$1,089</u>	<u>\$1,189</u>	<u>\$1,188</u>	<u>\$1,199</u>	<u>\$1,239</u>
Fixed charges, as defined:					
Interest charges .....	\$ 163	\$ 196	\$ 227	\$ 246	\$ 270
Rental interest factor .....	3	4	4	5	5
Fixed charges included in nuclear fuel cost .....	<u>8</u>	<u>9</u>	<u>9</u>	<u>11</u>	<u>11</u>
Total fixed charges, as defined .....	<u>\$ 174</u>	<u>\$ 209</u>	<u>\$ 240</u>	<u>\$ 262</u>	<u>\$ 286</u>
Ratio of earnings to fixed charges .....	<u>6.26</u>	<u>5.69</u>	<u>4.95</u>	<u>4.58</u>	<u>4.33</u>
<b>RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS</b>					
Earnings, as defined:					
Net income .....	\$ 591	\$ 631	\$ 627	\$ 615	\$ 611
Income taxes .....	324	349	321	322	342
Fixed charges, as below .....	<u>174</u>	<u>209</u>	<u>240</u>	<u>262</u>	<u>286</u>
Total earnings, as defined .....	<u>\$1,089</u>	<u>\$1,189</u>	<u>\$1,188</u>	<u>\$1,199</u>	<u>\$1,239</u>
Fixed charges, as defined:					
Interest charges .....	\$ 163	\$ 196	\$ 227	\$ 246	\$ 270
Rental interest factor .....	3	4	4	5	5
Fixed charges included in nuclear fuel cost .....	<u>8</u>	<u>9</u>	<u>9</u>	<u>11</u>	<u>11</u>
Total fixed charges, as defined .....	<u>174</u>	<u>209</u>	<u>240</u>	<u>262</u>	<u>286</u>
Non-tax deductible preferred stock dividends .....	15	15	19	24	43
Ratio of income before income taxes to net income .....	<u>1.55</u>	<u>1.55</u>	<u>1.51</u>	<u>1.52</u>	<u>1.56</u>
Preferred stock dividends before income taxes .....	<u>23</u>	<u>23</u>	<u>29</u>	<u>36</u>	<u>68</u>
Combined fixed charges and preferred stock dividends .....	<u>\$ 197</u>	<u>\$ 232</u>	<u>\$ 269</u>	<u>\$ 298</u>	<u>\$ 354</u>
Ratio of earnings to combined fixed charges and preferred stock dividends .....	<u>5.53</u>	<u>5.13</u>	<u>4.42</u>	<u>4.02</u>	<u>3.50</u>



## SUBSIDIARIES OF FPL GROUP, INC.

Subsidiary	State or Jurisdiction of Incorporation
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 No. 333-30697 on Form S-8; Registration Statement No. 333-87869 on Form S-8; Registration Statement No. 333-87941 on Form S-3; Registration Statement No. 333-88067 on Form S-8 and Post-Effective Amendment No. 1 to Registration Statement No. 333-79305 on Form S-8 of FPL Group, Inc., of our report dated February 11, 2000 appearing in this Annual Report on Form 10-K of FPL Group, Inc. for the year ended December 31, 1999.

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. 333-53053 on Form S-3 and Registration Statement No. 333-84005 of Florida Power & Light Company, of our report dated February 11, 2000 appearing in this Annual Report on Form 10-K of Florida Power & Light Company for the year ended December 31, 1999.

We also consent to the incorporation by reference on Form S-3; Registration Statement No. 333-87941-01 on Form S-3 of FPL Group Capital Inc, of our report dated February 11, 2000 appearing in this Annual Report on Form 10-K of FPL Group, Inc., for the year ended December 31, 1999.

DELOITTE & TOUCHE LLP

Miami, Florida  
March 1, 2000

**Exhibit (c)-1D**

**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: 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

59-2449419

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 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 (c)-1E**

**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: April 16, 1999**

Commission  
File Number

1-3545

Exact name of Registrant as specified in its  
charter, address of principal executive  
offices and Registrant's phone number

**FLORIDA POWER & LIGHT COMPANY**

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

IRS Employer  
Identification  
Number

59-0247775

State or other jurisdiction of incorporation: Florida

## Item 5. Other Events

Following is summarized financial information for Florida Power & Light Company:

	<u>Three months ended March 31,</u>	
	<u>1999</u>	<u>1998</u>
	(in millions)	
Operating revenues	\$1,359	\$1,295
Net income	\$108	\$107
Net income available to FPL Group, Inc.	\$104	\$103

### **SIGNATURES**

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

Florida Power & Light Company  
(Registrant)

Date: April 16, 1999

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





**Florida Power & Light Company  
and Subsidiaries**

**Consolidated Statement of Capitalization  
Millions of Dollars**

	<u>As of December 31, 1999</u>
Common Stock (No par value)	\$ 1,373
Retained Earnings and other shareholder's equity	<u>3,420</u>
Total Common Shareholder's Equity	4,793
Preferred Stock without sinking fund requirements	226
Long-Term Debt (1)	<u>2,079</u>
Total Capitalization	<u><u>\$ 7,098</u></u>
Short Term Borrowing	\$ 94

(1) Excludes current maturities



**Florida Power & Light Company  
and Subsidiaries**

Computation of Ratio of Earnings to Fixed Charges  
Millions of Dollars

	<u>Twelve Months Ended December 31, 1999</u>
Earnings, as Defined:	
Net Income	\$ 591
Income Taxes	324
Fixed Charges, as below	<u>174</u>
Total Earnings, as Defined	<u><u>\$ 1,089</u></u>
Fixed Charges, as Defined:	
Interest Charges	\$ 163
Rental Interest Factor	3
Fixed Charges included in nuclear fuel cost	<u>8</u>
Total Fixed Charges, as Defined	<u><u>\$ 174</u></u>
Ratio of Earnings to Fixed Charges	<u><u>6.26</u></u>

**Exhibit (d)**

**FLORIDA POWER & LIGHT COMPANY**

**FORM OF PROPOSAL**

**Submission Deadline:**

**1:00 P.M. New York Time**

**\$225,000,000**

**First Mortgage Bonds**

**5  $\frac{7}{8}$  % Series**

**Due April 1, 2009**

**Proceeds to FPL: 99.64% Per Bond  
plus accrued interest from  
April 1, 1999  
to the date of delivery**

April 20, 1999

Ms. Dilek Samil, Treasurer  
Florida Power & Light Company  
700 Universe Boulevard  
Juno Beach, Florida 33408

Florida Power & Light Company ("FPL") has invited proposals for the purchase of \$225,000,000 million principal amount of its First Mortgage Bonds. It is understood that FPL will either accept one proposal for the purchase of \$225,000,000 million principal amount of First Mortgage Bonds to be due April 1, 2009 (the "First Mortgage Bonds") or will reject all proposals.

Such proposals are to be communicated by telephone to FPL as per the Request for Proposals letter dated April 16, 1999, ("Letter") no later than the Pricing Time (as defined in the Letter). Upon acceptance by FPL of a proposal, the designated firm shall immediately transmit by facsimile a completed and executed Form of Proposal to FPL at (561) 694-6299, attention: Scott Craig, Manager of Corporate Finance. The redemption provisions and other terms associated with such First Mortgage Bonds are set forth in the Form of Prospectus Supplement (draft of April 20, 1999) and in the Form of Prospectus (draft of April 20, 1999) 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 99.64% of the principal amount thereof, plus accrued interest from April 1, 1999 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 required 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 thereupon 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 that provides it with the lowest effective interest cost or may 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 proposals 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 in its sole discretion 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 April 20, 1999), the Form of Prospectus (draft of April 20, 1999), the Underwriting Agreement, FPL's Current Report on Form 8-K, filed with the Securities and Exchange Commission April 16, 1999, and the Prospective Purchaser's Questionnaire.

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 .36% of the principal amount of such First Mortgage Bonds.

7. The delivery of the First Mortgage Bonds and payment therefor will be made at 9:00 a.m., New York time, on April 23, 1999, at the offices of Thelen Reid & Priest LLP, 40 West 57th Street, New York, New York 10019 or at such other time and place as may be agreed upon by FPL and the Prospective Purchasers.

Very truly yours,  
For Themselves and as Representative(s)

*Notations Banc Mortgage Securities*

By: Don Murray  
Title: Sr. Vice President  
Address: 100 N. Tryon St  
Charlotte NC 28252

This proposal for the purchase of \$225 million principal amount of First Mortgage Bonds is accepted as of the date set forth below:

FLORIDA POWER & LIGHT COMPANY

By: Dilek Samil  
Dilek Samil  
Treasurer

Date: 4/20/99

This Form of Proposal must be completed, signed and submitted with the attached Schedule A completed. A copy of the Prospective Purchaser's Questionnaire, attached hereto as Exhibit A, must be provided to FPL c/o Thelen Reid & Priest LLP by each Prospective Purchaser at least one-half hour before the Pricing Time.

SCHEDULE A

Prospective Purchaser

Principal Amount

Nations Bank Montgomery Securities LLC	125,000,000
Lehman Brothers	100,000,000

Total \$ 225,000,000

EXHIBIT A

FLORIDA POWER & LIGHT COMPANY

PROSPECTIVE PURCHASER'S QUESTIONNAIRE

(To be delivered in triplicate one-half hour before the Pricing Time,  
New York time, on the day of submission of proposals)

Florida Power & Light Company  
c/o Thelen Reid & Priest LLP  
40 West 57<sup>th</sup> Street  
New York, New York 10019

Attention: Mr. Robert J. Reger, Jr.

Dear Mr. Reger:

In connection with the proposed offering of First Mortgage Bonds of Florida Power & Light Company ("FPL"), and for use in a Prospectus Supplement relating to the First Mortgage Bonds to be purchased by us, the undersigned, as a prospective purchaser, furnishes the following information:

Our name, as it should appear in the Prospectus Supplement relating to the First Mortgage Bonds to be purchased by us, and our address are as follows:

*Nations Banc Montgomery Securities LLC*

The undersigned is a (check one): corporation  ~~—~~  
partnership

The representative or representatives (the "Representative") authorized to act on our behalf in all matters relating to the purchase and offering of the First Mortgage Bonds, including authority to execute a proposal for the First Mortgage Bonds, is as follows:

or, if no proposal is made by the Representative acting on our behalf, such other person or persons as represent that it or they have been authorized by us to act as Representative on our behalf.

Except as indicated below, (a) we propose to make a public offering of the First Mortgage Bonds purchased by us; (b) neither FPL nor its parent, FPL Group, Inc., has, or has had during the preceding twelve calendar months, as an officer or director any



officer, director, partner, appointee or representative (including a designated representative) of ours or of any corporation a majority of the voting stock of which is owned by us and neither we nor any of our directors, officers or partners have any other material relationship with FPL; (c) other than as stated in, or to be determined pursuant to the agreement among underwriters, the selling group agreement (if any) or any similar agreement or agreements, and as you may be advised with respect thereto by the Representative, we do not know of any arrangements for stabilizing or otherwise artificially affecting the market for the First Mortgage Bonds to be purchased by us, or of any discounts or commissions to be allowed or paid to dealers in connection with the public offering or distribution of the First Mortgage Bonds to be purchased by us; (d) we are not an affiliate, as defined under the Trust Indenture Act of 1939, as amended, of Bankers Trust Company, and neither of said corporation nor any of its directors or executive officers is a director, officer, partner, employee, appointee or representative of ours; (e) we (if a corporation) do not have outstanding nor have we assumed or guaranteed any securities issued otherwise than in our present corporate name; (f) we are not a "holding company", a "subsidiary company" of a "holding company" or an "affiliate" of a "public-utility company" or of a "holding company", each as defined in the Public Utility Holding Company Act of 1935; (g) our commitment to purchase the First Mortgage Bonds will not result in a violation of the financial responsibility requirements of Rule 15c3-1 under the Securities Exchange Act of 1934; (h) we will not submit or participate, directly or through any affiliate, in more than one proposal for the purchase of the First Mortgage Bonds; and (i) we have not prepared any report or memorandum for external use in connection with the proposed offering.

*(State exceptions, if any)*

We will notify you promptly in the event of any development before the date of the Prospectus Supplement relating to the First Mortgage Bonds to be purchased by us, which makes untrue or incomplete any of the above statements as of such date. We agree to comply with such prospectus delivery requirements of rule 15c2-8 under the Securities Exchange Act of 1934 as may be applicable to us, to make a record of any distribution by us of any information with respect to the First Mortgage Bonds and, to the extent required by the Securities and Exchange Commission, to bring all subsequent changes and amendments to the attention of any person to whom such information is given.

Very truly yours,

Nationsbank Mortgage Securities LLC  
Name of Corporation  
or Partnership

By: Dan Mone  
Officer or Partner

*Sr. Vice President*

**EXHIBIT A**

**FLORIDA POWER & LIGHT COMPANY**

**PROSPECTIVE PURCHASER'S QUESTIONNAIRE**

**(To be delivered in triplicate one-half hour before the Pricing Time,  
New York time, on the day of submission of proposals)**

**Florida Power & Light Company  
c/o Thelen Reid & Priest LLP  
40 West 57<sup>th</sup> Street  
New York, New York 10019**

**Attention: Mr. Robert J. Reger, Jr.**

**Dear Mr. Reger:**

**In connection with the proposed offering of First Mortgage Bonds of Florida Power & Light Company ("FPL"), and for use in a Prospectus Supplement relating to the First Mortgage Bonds to be purchased by us, the undersigned, as a prospective purchaser, furnishes the following information:**

**Our name, as it should appear in the Prospectus Supplement relating to the First Mortgage Bonds to be purchased by us, and our address are as follows:**

*Lehman Brothers Inc.*

*Lehman Brothers on cover*

**The undersigned is a (check one):** corporation   
partnership

**The representative or representatives (the "Representative") authorized to act on our behalf in all matters relating to the purchase and offering of the First Mortgage Bonds, including authority to execute a proposal for the First Mortgage Bonds, is as follows:**

*Nationsbank Montgomery Securities*

**or, if no proposal is made by the Representative acting on our behalf, such other person or persons as represent that it or they have been authorized by us to act as Representative on our behalf.**

**Except as indicated below, (a) we propose to make a public offering of the First Mortgage Bonds purchased by us; (b) neither FPL nor its parent, FPL Group, Inc., has, or has had during the preceding twelve calendar months, as an officer or director any**

FLORIDA POWER & LIGHT COMPANY

First Mortgage Bonds

Underwriting Agreement

April 20, 1999

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 \$90,000,000 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 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 Thelen 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 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 or affected by bankruptcy, insolvency, reorganization, receivership, moratorium or other laws affecting mortgagees' and other creditors' rights and remedies generally and general principles of equity;

(iv) the Bonds are valid and binding obligations of FPL in accordance with their terms, except as limited or affected by bankruptcy, insolvency, reorganization, receivership, moratorium or other laws affecting mortgagees' and other creditors' rights and remedies generally and general principles of equity, 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), 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 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 orders 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 "Description of 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 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 Thelen 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 Thelen 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 or additional paid-in capital, increase in the 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, increases 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 \$5,000.

**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.