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July 1, 2020

*Via Electronic Mail*

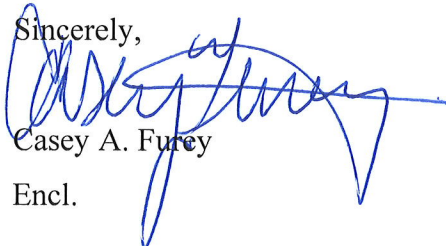
Mr. Steve Kahl  
Executive Director  
North Dakota Public Service Commission  
600 E. Boulevard, Dept. 408  
Bismarck, ND 58505-0480  
ndpsc@ndpsc.gov

In re: Wilton Wind Energy II, LLC  
Decommissioning  
Case No. PU-10-108  
Our File No. 035218-000023

Dear Mr. Kahl:

I am writing on behalf of Wilton Wind Energy II, LLC (“Wilton Wind II”), an indirect, wholly-owned subsidiary of NextEra Energy Resources, LLC (“NextEra”), regarding the Commission’s decommissioning rulemaking in Case No. PU-19-291 that establishes new decommissioning requirements for non-jurisdictional wind facilities effective July 1, 2020. Wilton Wind II owns and operates the Wilton Wind II Energy Center (“WEC”) located in Burleigh County, North Dakota (formerly owned and operated by NextEra’s indirect, wholly-owned subsidiary Wilton Wind II, LLC). On June 27, 2018, the Commission approved the WEC’s decommissioning plan and cost estimate filed in Case No. PU-10-108 as Docket No. 4. In accordance with revised N.D. Admin. Code Ch. 69-09-09, a corresponding decommissioning parent guarantee executed by Wilton Wind II as owner, and NextEra Energy Capital Holdings, Inc. as parent guarantor and related credit rating information are enclosed for filing.

Sincerely,



Casey A. Furey

Encl.

cc: Tracy Davis (via email)  
Adam Renfandt (via email)

Patrick Fahn (via email)



**PARENT GUARANTEE**  
 PUBLIC SERVICE COMMISSION PUBLIC  
 UTILITY DIVISION

Owner/Obligor <b>WILTON WIND ENERGY II, LLC</b>	Guarantor <b>NEXTERA ENERGY CAPITAL HOLDINGS, INC.</b>
Financial Assurance Number: <b>69-09-09-08</b>	Financial Assurance/Guarantee Amount: <b>\$4,125,000</b>

This Parent Guarantee is made by NEXTERA ENERGY CAPITAL HOLDINGS, INC., a corporation organized under the laws of the State of Florida (“**GUARANTOR**”). This absolute and irrevocable guarantee is made on behalf of WILTON WIND ENERGY II, LLC (“**OWNER**” or “**OBLIGOR**”), which is a subsidiary of Guarantor, for the benefit and in favor of the NORTH DAKOTA PUBLIC SERVICE COMMISSION (“**COMMISSION**”).

**RECITALS**

1. The COMMISSION has the legal authority under North Dakota Century Code section 49-02-27 to administer the requirements for wind energy conversion facility decommissioning in the State of North Dakota.
2. GUARANTOR’s indirect, wholly-owned subsidiary, OBLIGOR, owns the following Commercial Wind Energy Facility (“Facility”):

Name	Wilton Wind Energy II, LLC
Address	700 Universe Blvd
City, State, Zip	Juno Beach, FL 33408
Site Certificate Number (“Certificate”)	Not Applicable
Project Description	Project is located in Burleigh County, North Dakota
Estimated Operation Date	December 29, 2019
Decommissioning Cost Estimate	\$4,125,000

3. GUARANTOR will directly or indirectly benefit from the Facility for which the above site certificate has been issued.
4. The OBLIGOR is required to provide to the COMMISSION financial assurance to secure the decommissioning and remediation obligation of OBLIGOR pursuant to North Dakota Century Code Section 49-02-27 and North Dakota Administrative Code Chapter 69-09-09 (together, the “**STATUTE**”) and GUARANTOR desires to guarantee such obligation.
5. The GUARANTOR satisfies the requirements and criteria set by the North Dakota Administrative Code section 69-09-09-08 to allow for a Parental Guarantee.
6. GUARANTOR has full authority under the laws of the State of Florida, its articles of incorporation and its bylaws to enter into this Guarantee. GUARANTOR has full approval from its Board of Directors to enter into this Guarantee.

7. The GUARANTOR wishes to issue this Guarantee to COMMISSION to satisfy the terms of the STATUTE.
8. It is in the best interests of GUARANTOR, in the legitimate furtherance of its purposes and business, to enter into this Guarantee.

\* \* \*

9. For the good and valuable consideration, GUARANTOR guarantees to the COMMISSION that in the event OBLIGOR fails to perform decommissioning and remediation of the Facility in accordance with the Decommissioning Plan<sup>1</sup>, the STATUTE, and to the satisfaction of the COMMISSION, and the GUARANTOR does not substitute performance for the OBLIGOR upon COMMISSION request in accordance with the Decommissioning Plan, the STATUTE, and to the satisfaction of the COMMISSION, the GUARANTOR hereby and irrevocably guarantees timely payment of all obligations owing to the COMMISSION to complete decommissioning and remediation of the site. This Guarantee shall constitute a guarantee of payment and not of collection.
10. GUARANTOR agrees to make prompt payment upon demand of the full amount, or portions thereof, requested by the COMMISSION, of the Parental Guarantee, on the terms and conditions described in this agreement, said payments of monies to be used for the decommissioning and remediation of the above-listed Facility in accordance with the STATUTE.
11. GUARANTOR hereby fully consents to the following, none of which affects, changes or discharges the obligations of this Guarantee:
  - a. Extensions of time for performance of the whole or any part of the conditions of the above listed financial assurance.
  - b. Changes, revisions, modifications, or renewals of the Certificate.
  - c. Renewals, revisions, modifications to the terms of the above-stated financial assurance that have been agreed to by the GUARANTOR and approved by the COMMISSION, including increases or decreases in dollar amount of the guarantee, or the Decommissioning Plan of the Facility for which the above site certificate has been issued in accordance with the STATUTE.
12. GUARANTOR expressly waives the following:
  - a. Notice of the acceptance of this Guarantee by the COMMISSION.
  - b. Notice of changes, revisions, modifications or renewals to the Certificate.
  - c. Notice of any extensions of time for performance of the whole or any part of the condition of the above listed financial assurance.
  - d. With the exception of demand for payment, all other notices to which GUARANTOR might otherwise be entitled in connection with this guarantee or the obligation hereby guaranteed.
  - e. The institution of civil actions or exhaustion of legal remedies against the OBLIGOR as a condition to enforcement of this Guarantee.
  - f. It is understood that any notice provided by the COMMISSION to the GUARANTOR does not constitute a release or modification of the above waivers.

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<sup>1</sup> “Decommissioning Plan” means the plans filed and maintained in compliance with North Dakota Administrative Code Title 69 for the decommissioning and remediation of the facility.

This Guarantee is subject to the following conditions:

13. A signed statement that the Commission has ordered the forfeiture, in whole or in part, of the above listed financial assurance must accompany any demand for funds.
14. GUARANTOR agrees to pay all costs and expenses incurred by the COMMISSION in any successful action instituted to enforce the terms of this Guarantee.
15. This Guarantee will be limited as follows:
  - a. Financial Assurance and Guarantee Amount: The indebtedness reflected by the above listed financial assurance and Guarantee Amount existing at the time of forfeiture.
  - b. Litigation and administrative costs: The actual amount of such costs reasonably incurred in any successful effort to enforce requirements and obligations of the OBLIGOR and the obligations of the GUARANTOR under this agreement. Litigation and administrative costs are not limited by indebtedness reflected by the above listed financial assurance.
  - c. The Guarantee and the GUARANTOR's obligations hereunder shall terminate automatically and immediately at **11:59:59 Eastern Prevailing Time December 29, 2064** (the "Termination Date") provided, that, in the event the facility decommissioning and remediation is not complete prior to the Termination Date and the OBLIGOR has not provided an alternative financial assurance reasonably acceptable to the COMMISSION, the GUARANTOR shall post alternative financial assurance acceptable to the COMMISSION sixty (60) days prior to the Termination Date.
  - d. If, within sixty (60) days of Termination Date, the GUARANTOR or COMMISSION dispute the acceptability of an alternative financial assurance or the completion status of decommissioning and remediation, the GUARANTOR shall deposit an amount equal to the Decommission Cost Estimate in a trust account with the Bank of North Dakota as trustee for the benefit of the COMMISSION. The trustee shall make payments from the fund, as the COMMISSION shall direct in writing, to provide for completion of decommissioning and remediation.
16. If the OBLIGOR fails to complete the decommissioning and remediation as required by STATUTE, the terms and conditions of the Certificate, and to the satisfaction of the Commission, the GUARANTOR shall be required to complete decommissioning and remediation for the lands in default or pay the State of North Dakota the amount necessary to complete the Decommissioning Plan, not to exceed the financial assurance amount within ten (10) business days after the receipt of the COMMISSION's demand for payment. GUARANTOR hereby agrees that demands for payment may be based and are payable on projections of costs or their actual accrual and that liability for payment is not contingent on the costs having been presently sustained.
17. The GUARANTOR agrees to notify the COMMISSION by certified mail, of a voluntary or involuntary proceeding under title 11 (Bankruptcy), United States Code, naming GUARANTOR as debtor, within ten days after commencement of the proceeding.
18. GUARANTOR agrees that if, at the end of any fiscal year the GUARANTOR no longer meets the 69-09-09-08 requirements allowing a guarantee, the GUARANTOR shall send within ninety (90) days, by certified mail, written notice to the COMMISSION and to the OBLIGOR. GUARANTOR may not terminate its guarantee until an alternate financial assurance acceptable to the COMMISSION has been established.
19. GUARANTOR agrees that within sixty (60) days after being notified by the COMMISSION of a

determination that GUARANTOR no longer meets the 69-09-09-08 requirements or that the GUARANTOR is disallowed from continuing as a guarantee of decommissioning and remediation, the GUARANTOR shall establish alternative financial assurance acceptable to the COMMISSION in the name of the OBLIGOR unless the OBLIGOR has done so.

20. The GUARANTOR agrees to remain bound under this Guarantee notwithstanding any or all of the following: amendment or modification of the Decommissioning Plan, amendment or modification of the Certificate of Site Compatibility, the extension or reduction of the time of performance after abandonment or end-of-life and/or decommissioning and remediation, or any other modification or alteration of an obligation of the OBLIGOR.
21. The GUARANTOR agrees to remain bound under this Guarantee for as long as the OBLIGOR must comply with the applicable financial assurance requirements of North Dakota Administrative Code title 69 for the above-listed facility, except as provided in paragraph 22 of this agreement.
22. The GUARANTOR may terminate this agreement by sending written notice by certified mail to the COMMISSION and to OBLIGOR at least one hundred and twenty (120) days in advance of the proposed cancellation, provided that this Guarantee may not be terminated unless and until OBLIGOR obtains, and the COMMISSION approves, alternative financial assurance, or the facility decommissioning and remediation is deemed complete by the COMMISSION.
23. The GUARANTOR shall send a written notice by certified mail to the COMMISSION, not less than two years prior to the Termination Date, providing notice of the Termination Date contained herein.
24. This Guarantee is and continues to be effective notwithstanding any present or future legal disability of the OBLIGOR.
25. There are no conditions or limitations to this Guarantee except those contained in this instrument as of the effective date, and thereafter no alteration, change or modification hereof shall be binding or effective unless executed in writing, signed by the GUARANTOR, and approved by the COMMISSION.
26. This Guarantee is good and effective notwithstanding any change or changes in the business name of the OBLIGOR or GUARANTOR.
27. This Guarantee is binding upon GUARANTOR and its successors and permitted assigns, and inures to the benefit of and is enforceable by the Commission and its successors and permitted assigns. GUARANTOR may not assign this Guarantee in part or in whole without prior written consent of the Commission.
28. No changes, revisions, modifications or renewals to the above listed Financial Assurance or the Certificate act as a release of the GUARANTOR from this Guarantee unless approved by the COMMISSION.
29. In the case of insolvency, bankruptcy or dissolution of the OBLIGOR, all funds represented by the above listed financial assurance are due and payable and this Guarantee may thereupon be enforced.
30. All notices required to, or which may be given, are effective when received by the addressees specified below:

a. For the Guarantor:

NextEra Energy Capital Holdings, Inc.  
700 Universe Blvd.  
Juno Beach, Florida 33408  
Attention: Treasurer

b. For the Commission

Executive Secretary  
North Dakota Public Service Commission  
State Capitol, 12<sup>th</sup> Floor  
600 E. Boulevard, Dept. 408  
Bismarck, ND 58505-0480

31. This Guarantee is a binding contract and must be construed under and is subject to the laws of the State of North Dakota. Any action arising out of this Guarantee or the subject matter hereof must be adjudicated exclusively in the state District Court of Burleigh County, North Dakota. GUARANTOR agrees to the exclusive jurisdiction of such court and waives any claim of lack of jurisdiction or *forum non conveniens*, or that this Guarantee or the subject matter hereof may not be enforced in or by such court.

32. This agreement may be executed in any number of identical counterparts, each of which, when executed and delivered by the GUARANTOR hereto, is considered to be an original, but all of which shall constitute one and the same instrument.

33. The effective date of this agreement is the date of Commission approval.

34. Other

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35. The COMMISSSION hereby agrees that this Guarantee supersedes and replaces that certain Guarantee executed by GUARANTOR in favor of the COMMISSION dated \_\_\_\_ (the "Prior Guarantee") attached as Exhibit A, and such Prior Guarantee and any of GUARANTOR'S obligations thereunder are hereby deemed null and void.

SIGNATURES OF GUARANTOR:

First Authorized Signature:

Signature of President or Authorized Officer <i>Paul I. Cutler</i>	
Name Paul I. Cutler Treasurer	Title

State of Florida )  
 County of Palm Beach ) SS.


The foregoing instrument was acknowledged before me on this date JUNE 12, 2020 by  
PAUL CUTLER and ALDO PORTALES  
 of NESTERA ENERGY CAPITAL HOLDINGS, INC., a FLORIDA  
 corporation, on behalf of the corporation.

BY: *Lisa R. Taube*  
 NOTARY PUBLIC: \_\_\_\_\_  
 MY COMMISSION EXPIRES: \_\_\_\_\_

(SEAL)



Second Authorized Signature:

Signature of Chief Financial Officer or Authorized Officer 	
Name <b>Aldo E. Portales</b> Assistant Treasurer	Title

State of Florida )  
 County of Palm Beach ) SS.

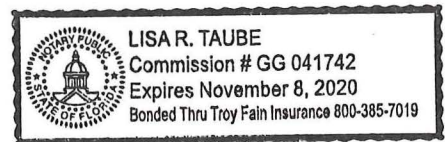
The foregoing instrument was acknowledged before me on this date JUNE 12 2020 by  
ALDO PORTALES and PAUL CUTLER  
 of NENTRA ENERGY CAPITAL HOLDINGS INC. a FLORIDA  
 corporation, on behalf of the corporation.

BY: 

NOTARY PUBLIC: \_\_\_\_\_

MY COMMISSION EXPIRES: \_\_\_\_\_

(SEAL)




ACKNOWLEDGEMENT OF OBLIGOR

The OBLIGOR acknowledges and agrees that the above-signed GUARANTOR is providing to the COMMISSION financial assurance to secure the decommissioning and remediation obligation of the OBLIGOR pursuant to North Dakota Century Code Section 49-02-27 and the North Dakota Administrative Code Chapter 69-09-09 (together, the "STATUTE"). The OBLIGOR agrees that the above-signed agreement does not relieve the OBLIGOR from liability or its decommissioning and remediation obligations pursuant to the Decommissioning Plan, the STATUTE, and to the satisfaction of the COMMISSION.

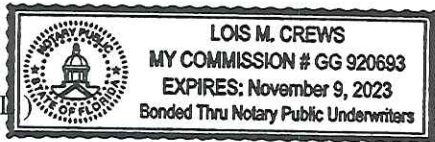
OBLIGOR agrees that upon COMMISSION determination that GUARANTOR's financial assurance is no longer acceptable, OBLIGOR shall provide alternative financial assurance acceptable to the COMMISSION within sixty (60) days.

First Authorized Signature:

Signature of President or Authorized Officer	
	
Name TERRELL K. CREWS II	Title: PRESIDENT

State of FLORIDA )  
 ) SS.  
County of PALM BEACH )

The foregoing instrument was acknowledged before me on this date 6/22/2020 by  
Terrell K. Crews II and \_\_\_\_\_  
of Wilton Wind Energy I, LLC, a Delaware  
corporation, on behalf of the corporation.



( S E A L )

BY: Lois M. Crews  
NOTARY PUBLIC: Lois M. Crews  
MY COMMISSION EXPIRES: 11/9/2023

Second Authorized Signature:

Signature of Chief Financial Officer or Authorized Officer	
Name	Title: VICE PRESIDENT
MATTHEW S. HANDEL	

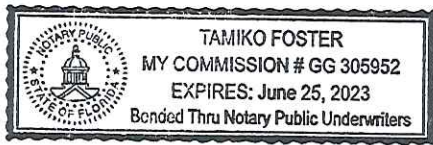
State of FLORIDA )  
 ) SS.  
 County of PALM BEACH )

The foregoing instrument was acknowledged before me on this date 6/22/2020 by

Matthew S. Handel and \_\_\_\_\_

of Wilton Wind Energy I, LLC, a Delaware

corporation, on behalf of the corporation.



( S E A L )

BY: [Signature]  
 NOTARY PUBLIC: TAMIKO FOSTER  
 MY COMMISSION EXPIRES: 6/25/23

# RatingsDirect®

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**Research Update:**

## NextEra Energy Inc. Ratings Affirmed On Acquisition Of Gulf Power; Outlook Remains Stable

**Primary Credit Analyst:**

Gabe Grosberg, New York (1) 212-438-6043; gabe.grosberg@spglobal.com

**Secondary Contact:**

Rebecca Ai, New York + (212) 438-7278; rebecca.ai@spglobal.com

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## Research Update:

# NextEra Energy Inc. Ratings Affirmed On Acquisition Of Gulf Power; Outlook Remains Stable

## Rating Action Overview

- NextEra Energy Inc. (NEE) completed its debt-financed acquisition of Gulf Power Co., which increases the EBITDA contribution from its lower-risk regulated utility businesses.
- On Jan. 3, 2019, S&P Global Ratings affirmed its ratings on NEE, including the 'A-' issuer credit rating. The outlook is stable.
- At the same time, we revised our assessment of the company's business risk profile upward to the low end of the excellent business risk profile category. Previously, we assessed the business risk profile in the strong category.
- Our ratings on Gulf Power, including the 'A-' issuer credit rating and stable outlook, are unchanged.
- The stable rating outlook on NEE incorporates our view that the company will continue to reduce risk at its competitive businesses by strategically growing through contracted assets and that its regulated utility business will consistently reflect about 70% of consolidated EBITDA. Because of the fully debt-financed Gulf Power acquisition, we expect that consolidated financial measures will weaken and reflect funds from operations (FFO) to debt of 21%-24%.

## Rating Action Rationale

Our affirmation of the ratings and stable outlook on NextEra reflects our expectations for a modest improvement in the business risk profile, offset by a modest weakening in financial measures. We expect that NextEra's EBITDA contribution from its lower-risk regulated utilities businesses will consistently reflect about 70% of consolidated EBITDA. This compares with our prior expectation that the regulated utility businesses would account for about two-thirds of consolidated EBITDA. Furthermore, we think that the company will continue to reduce the risks of its competitive businesses by growing through lower-risk, long-term contracted assets. Because of these improvements, we revised upward our assessment of the company's business risk profile to excellent from strong. However, we assess the company at the very low end of the range for this category, incorporating the company's other higher-risk businesses. These include nuclear merchant generation, proprietary trading, retail supply and wholesale full-requirements contracts, and natural gas exploration and production businesses. These activities account for more

than 10% of consolidated EBITDA and have significant liquidity needs, low margins, and require diligent risk management and hedging against fluctuating commodity prices. To account for these risks, we assess the comparable ratings analysis modifier as negative.

We assess NextEra's financial measures using our medial volatility table because the majority of the company's operating cash flows are from its lower-risk regulated utilities and reflecting its generally effective management of regulatory risk in Florida.

We expect a weakening in NextEra's 2019 financial measures, in part due to the all debt-financed acquisition of Gulf Power. FFO to debt for year-end 2017 and for the rolling-12-months ended September 2018 was about 25% and we expect year-end 2018 to be about 28%. However, we expect NextEra's financial measures to weaken in 2019 reflecting the Gulf Power fully debt-financed acquisition, robust capital spending at more than \$10 billion, and dividends of more than \$2 billion. Specifically, we expect FFO to debt to weaken to 21%-24% and to remain at this level as NextEra continues to grow its core businesses.

We assess Gulf Power as a core subsidiary of NEE. This reflects our view that Gulf Power is highly unlikely to be sold, is integral to the overall group strategy, and has a strong long-term commitment from senior management. As a result, we assess the issuer credit rating on Gulf Power as in line with NEE's 'a-' group credit profile.

## **Outlook**

The stable rating outlook incorporates our view that the company will remain focused on growing its regulated utility businesses and will continue to reduce risk at its competitive businesses by strategically growing through contracted assets. We expect NEE's regulated utility business will consistently reflect about 70% of consolidated EBITDA. Because of the fully debt-financed nature of the Gulf Power transaction, we expect that consolidated financial measures will weaken, reflecting FFO to debt at 21%-24%.

### **Downside scenario**

We could lower the rating over the next 24 months if the company's effective management of regulatory risk weakens or if the lower-risk regulated utility businesses account for less than 70% of consolidated EBITDA. We could also lower the ratings if FFO to debt consistently weakens to below 21%. This could occur if the company unexpectedly increases debt leverage to support more aggressive growth, shareholder rewards, or another debt-financed large acquisition.

## **Upside scenario**

We could raise the rating over the next 24 months if financial measures consistently reflect the middle of the range for the financial risk profile category, reflecting FFO to debt consistently greater than 26%. This could occur if the company reduces reliance on debt leverage or decides to finance a future large acquisition or capital project with mostly equity.

## **Company Description**

NextEra is a very large company that primarily consists of lower-risk regulated utilities (about 70% of EBITDA), competitive generation (about 20% of EBITDA), proprietary trading (about 5% of EBITDA), and natural gas exploration and production (about 5% of EBITDA). The company's utilities serve more than 5.5 million customers primarily in the state of Florida and has more than 27,000 MW of electric generation of which about 70% is from natural gas. NextEra has continued to reduce the risks of its competitive generation by increasing its reliance on long-term contracted assets with high-quality credit counterparties.

## **Liquidity**

NEE has adequate liquidity, in our view, and can more than cover its needs for the next 12 months even if EBITDA declines by 10%. We expect the company's liquidity sources over the next 12 months will exceed uses by more than 1.1x, the minimum threshold for this liquidity assessment under our criteria. Under our stress scenario, we do not expect the company to require access to the capital markets during that period to meet liquidity needs. In addition, NEE has sound relationships with banks and satisfactory standing in the credit markets. It could absorb a high-impact, low-probability event with limited need for refinancing.

Principal liquidity sources:

- FFO of about \$7 billion;
- Credit facility availability of about \$8 billion; and
- Cash on hand of about \$500 million.

Principal liquidity uses:

- Long-term debt maturities of about \$2.2 billion in 2019;
- Maintenance annual capital spending of about \$8 billion; and,
- Annual dividends of more than \$2 billion.

## Issue Ratings - Subordination Risk Analysis

### Capital structure

- NEE's capital structure consists of about \$38 billion total debt of which about \$13.7 billion is outstanding at NextEra Energy Capital Holdings Inc. (NEECH), about \$13.3 billion is outstanding at FPL, about \$7 billion of non-recourse debt is outstanding at project subsidiaries of NextEra Energy Resources LLC, and about \$1.4 billion is outstanding at Gulf Power.

### Analytical conclusions

- The hybrid equity units at NEE are rated two notches below the issuer credit rating, one notch for deferability and one notch for subordination.
- The unsecured debt at NEECH, guaranteed by NEE, is rated one notch below the issuer credit rating because it ranks behind significant debt issued by subsidiaries in the capital structure.
- Junior subordinated notes and hybrid equity units at NEECH are rated two notches below the issuer credit rating, one notch for deferability and one notch for subordination.
- Secured debt at FPL benefits from a first-priority lien on substantially all of the utility's real property owned or subsequently acquired. Collateral provides coverage of more than 1.5x, supporting a '1+' recovery rating and an issue-level rating one notch above the issuer credit rating.
- Unsecured debt at FPL is rated the same as the issuer credit rating because it is a qualifying investment-grade regulated utility.
- The commercial paper program at both NEECH and FPL is rated 'A-2', consistent with the issuer credit ratings.

## Ratings Score Snapshot

Issuer Credit Rating: A-/Stable/--

Business risk: Excellent

- Country risk: Very low
- Industry risk: Low
- Competitive position: Excellent

Financial risk: Intermediate

- Cash flow/Leverage: Intermediate

Anchor: a

#### Modifiers

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Financial policy: Neutral (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable ratings analysis: Negative (-1 notch)

Stand-alone credit profile: a-

- Group credit profile: a-

### **Related Criteria**

- Criteria - Corporates - General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria - Corporates - Industrials: Key Credit Factors For The Unregulated Power And Gas Industry, March 28, 2014
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- Criteria - Corporates - Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria - Corporates - Utilities: Collateral Coverage And Issue Notching Rules For '1+' And '1' Recovery Ratings On Senior Bonds Secured By Utility Real Property, Feb. 14, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Insurance - General: Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008

## Ratings List

### Ratings Affirmed

NextEra Energy Inc.	
Issuer Credit Rating	A-/Stable/--
Florida Power & Light Co.	
NextEra Energy Capital Holdings Inc.	
Issuer Credit Rating	A-/Stable/A-2
NextEra Energy Inc.	
Senior Unsecured	BBB
Florida Power & Light Co.	
Senior Secured	A
Recovery Rating	1+
Senior Unsecured	A-
Preferred Stock	BBB
Commercial Paper	A-2
NextEra Energy Capital Holdings Inc.	
Senior Unsecured	BBB+
Senior Unsecured	BBB
Junior Subordinated	BBB
Commercial Paper	A-2

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

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ENTITY

# NextEra Energy Capital Holdings, Inc. (formerly FPL Group Capital Inc.)

Corporate Finance / Utilities and Power / Global / North  
America / United States

EU Endorsed; Solicited by or on behalf of the issuer (sell  
side)

## 01 Ratings

RATING	ACTION	DATE	RATINGS KEY	OUTLOOK	WATCH
A-	Affirmed	18-Oct-20	POSITIVE		
F2	Affirmed	18-Oct-20	NEGATIVE		
			EVOLVING		

## RATINGS KEY OUTLOOK WATCH

### STABLE

\* Long Term/Short Term Issuer Default Rating displayed in orange denotes EU Unsolicited and Non-Participatory Ratings

Where there was a review with no rating action (Review - No Action), please refer to the "Latest Rating Action Commentary" for an explanation of key rating drivers

\*Premium content is displayed in Fitch Red

## RATING HISTORY

LTR

STR

<b>DATE:</b>	18-Oct-2019	26-Oct-2018	21-May-2018	04-Apr-2018
<b>RATING:</b>	A-	A-	A-	A-
<b>ACTION:</b>	Affirmed	Review - No Action	Affirmed	Affirmed

## 02 Rating Actions

RATING ACTION COMMENTARY  
/ THU 07 MAY, 2020

Fitch Rates  
NextEra  
Energy  
Capital  
Holdings'  
Senior

RATING ACTION COMMENTARY  
/ FRI 03 APR, 2020

Fitch Rates  
NextEra  
Energy  
Capital  
Holdings'  
Senior

RATING ACTION COMMENTARY  
/ FRI 21 FEB, 2020

Fitch Rates  
NextEra  
Energy  
Capital  
Holdings'  
Senior

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Unsecured  
Debentures  
'A-'; Outlook  
Stable

Unsecured  
Debentures  
'A-'; Outlook  
Stable

Unsecured  
Debentures  
'A-'; Outlook  
Stable

I  
C  
S

## 03 Insights

HIGHLIGHT

**NextEra  
Energy,  
Inc.**

FITCH WIRE / WED 30 JAN, 2019

**PG&E Bankruptcy  
Highlights Regulatory,  
Contract and ESG Risk**

NO  
F  
E  
C

RATING REPORT / MON 31 OCT, 2016

**NextEra Energy, Inc.  
(Including NextEra Energy  
Capital Holdings, Inc.)**

RA  
F  
L  
C

NON-RATING ACTION COMMENTARY / FRI 26 AUG, 2016

**Fitch Rates Nextera  
Energy Capital Holdings'  
Debentures 'A-'**

RA  
F  
L  
C

# NextEra Energy, Inc.

## (Including NextEra Energy Capital Holdings, Inc.)



### 04 Securities and Obligations

RATED ENTITY / DEBT ⇅	RATINGS ⇅	ENTITY DETAILS ⇅	DEBT TYPE & IDENTIFIERS ⇅	OTHER DETAILS ⇅
<b>Issuer:</b> NextEra Energy Capital Holdings, Inc. (formerly FPL Group Capital Inc.) <b>Debt Level:</b> senior unsecured <b>Issue:</b> USCP	18-Oct-2019 F2 Affirmed Short Term Rating <a href="#">RATING HISTORY</a>	<b>Country:</b> United States <b>Sectors:</b> Corporate Finance; Utilities and Power <b>Disclosures:</b> EU Endorsed;	senior unsecured; commercial paper	<b>Program:</b> USCP <b>Currency:</b> USD <b>Market:</b> US <b>Placement:</b> Public

**Issuer:** NextEra Energy Capital Holdings, Inc. (formerly FPL Group Capital Inc.)  
**Debt Level:** junior subordinated  
**Issue:** USD 319 mln 6.35% bond/note 01-Oct-2066

18-Oct-2019  
BBB  
Affirmed  
Long Term Rating  
[RATING HISTORY](#)

**Country:** United States  
**Sectors:** Corporate Finance; Utilities and Power  
**Disclosures:** EU Endorsed;

junior subordinated; bond/note  
**CUSIP:** 302570AW6 (Public)  
**ISIN:** US302570AW69 (Public)

**Maturity Date:** 01-Oct-2066  
**Currency:** USD  
**Amount:** 319,000,000  
**Coupon Rate:** 6.35%  
**Placement:** Public

---

**Issuer:** NextEra Energy Capital Holdings, Inc. (formerly FPL Group Capital Inc.)  
**Debt Level:** junior subordinated  
**Issue:** USD 312 mln Variable 6.65% bond/note 15-Jun-2067

18-Oct-2019  
BBB  
Affirmed  
Long Term Rating  
[RATING HISTORY](#)

**Country:** United States  
**Sectors:** Corporate Finance; Utilities and Power  
**Disclosures:** EU Endorsed;

junior subordinated; bond/note  
**CUSIP:** 302570AX4 (Public)  
**ISIN:** US302570AX43 (Public)

**Maturity Date:** 15-Jun-2067  
**Currency:** USD  
**Amount:** 312,000,000  
**Placement:** Public

---

**Issuer:** NextEra Energy Capital Holdings, Inc. (formerly FPL Group Capital Inc.)  
**Debt Level:** senior unsecured  
**Issue:** USD 400 mln 4.5% bond/note 01-Jun-2021

18-Oct-2019  
A-  
Affirmed  
Long Term Rating  
[RATING HISTORY](#)

**Country:** United States  
**Sectors:** Corporate Finance; Utilities and Power  
**Disclosures:** EU Endorsed;

senior unsecured; bond/note  
**CUSIP:** 65339KAA8 (Public)  
**ISIN:** US65339KAA88 (Public)

**Maturity Date:** 01-Jun-2021  
**Currency:** USD  
**Amount:** 400,000,000  
**Coupon Rate:** 4.5%  
**Placement:** Public

---

**Issuer:** NextEra Energy Capital Holdings, Inc. (formerly FPL Group Capital Inc.)  
**Debt Level:** junior subordinated  
**Issue:** USD 500 mln 5.125% bond/note 15-Nov-2072

18-Oct-2019  
BBB  
Affirmed  
Long Term Rating  
[RATING HISTORY](#)

**Country:** United States  
**Sectors:** Corporate Finance; Utilities and Power  
**Disclosures:** EU Endorsed;

junior subordinated; bond/note  
**CUSIP:** 65339K803 (Public)  
**ISIN:** US65339K8036 (Public)

**Maturity Date:** 15-Nov-2072  
**Currency:** USD  
**Amount:** 500,000,000  
**Coupon Rate:** 5.125%  
**Placement:** Public

---

**Issuer:** NextEra Energy Capital Holdings, Inc. (formerly FPL Group Capital Inc.)  
**Debt Level:** junior subordinated  
**Issue:** USD 450 mln 5% bond/note 15-Jan-2073

18-Oct-2019  
BBB  
Affirmed  
Long Term Rating  
[RATING HISTORY](#)

**Country:** United States  
**Sectors:** Corporate Finance; Utilities and Power  
**Disclosures:** EU Endorsed;

junior subordinated; bond/note  
**CUSIP:** 65339K886 (Public)  
**ISIN:** US65339K8861 (Public)

**Maturity Date:** 15-Jan-2073  
**Currency:** USD  
**Amount:** 450,000,000  
**Coupon Rate:** 5%  
**Placement:** Public

---

**Issuer:** NextEra Energy Capital Holdings, Inc. (formerly FPL Group Capital Inc.)  
**Debt Level:** senior unsecured  
**Issue:** USD 250 mln 3.625% bond/note 15-Jun-2023

18-Oct-2019  
A-  
Affirmed  
Long Term Rating  
[RATING HISTORY](#)

**Country:** United States  
**Sectors:** Corporate Finance; Utilities and Power  
**Disclosures:** EU Endorsed;

senior unsecured; bond/note  
**CUSIP:** 65339KAG5 (Public)  
**ISIN:** US65339KAG58 (Public)

**Maturity Date:** 15-Jun-2023  
**Currency:** USD  
**Amount:** 250,000,000  
**Coupon Rate:** 3.625%  
**Placement:** Public

---

**Issuer:** NextEra Energy Capital Holdings, Inc. (formerly FPL Group Capital Inc.)  
**Debt Level:** senior unsecured  
**Issue:** USD 700 mln 2.36% bond/note 01-Sep-2020

18-Oct-2019  
 A-  
 Affirmed  
 Long Term Rating  
[RATING HISTORY](#)

**Country:** United States  
**Sectors:** Corporate Finance; Utilities and Power  
**Disclosures:** EU Endorsed;

senior unsecured; bond/note  
**CUSIP:** 65339KAQ3 (Public)  
**ISIN:** US65339KAQ31 (Public)

**Maturity Date:** 01-Sep-2020  
**Currency:** USD  
**Amount:** 700,000,000  
**Coupon Rate:** 2.36%  
**Placement:** Public

---

**Issuer:** NextEra Energy Capital Holdings, Inc. (formerly FPL Group Capital Inc.)  
**Debt Level:** junior subordinated  
**Issue:** USD 570 mln 5.25% bond/note 01-Jun-2076

18-Oct-2019  
 BBB  
 Affirmed  
 Long Term Rating  
[RATING HISTORY](#)

**Country:** United States  
**Sectors:** Corporate Finance; Utilities and Power  
**Disclosures:** EU Endorsed;

junior subordinated; bond/note  
**CUSIP:** 65339K100 (Public)  
**ISIN:** US65339K1007 (Public)

**Maturity Date:** 01-Jun-2076  
**Currency:** USD  
**Amount:** 570,000,000  
**Coupon Rate:** 5.25%  
**Placement:** Public

---

**Issuer:** NextEra Energy Capital Holdings, Inc. (formerly FPL Group Capital Inc.)  
**Debt Level:** senior unsecured  
**Issue:** USD 1.5 bln 1.65% bond/note 01-Sep-2021

18-Oct-2019  
 A-  
 Affirmed  
 Long Term Rating  
[RATING HISTORY](#)

**Country:** United States  
**Sectors:** Corporate Finance; Utilities and Power  
**Disclosures:** EU Endorsed;

senior unsecured; bond/note  
**CUSIP:** 65339F820 (Public)  
**CUSIP:** 65339K878 (Public)  
**ISIN:** US65339F8207 (Public)  
**ISIN:** US65339K8788 (Public)

**Maturity Date:** 01-Sep-2021  
**Currency:** USD  
**Amount:** 1,500,000,000  
**Coupon Rate:** 1.65%  
**Placement:** Public

---

## 05 Disclosures

### ORIGINAL RATING DATE

---

Long Term Issuer Default Rating  
Short Term Issuer Default Rating

### SOLICITATION STATUS

---

Long Term Issuer Default Rating  
Short Term Issuer Default Rating

### ENDORSEMENT STATUS

---

EU

### COUNTRY OF ANALYST

---

UNITED STATES

### COUNTRY OF FITCH LEGAL ENTITY

---

UNITED STATES

## 06 Identifiers

<b>TYPE:</b>	CIK Code	CUSIP	CUSIP	CUSIP	ICB	LEI
<b>IDENTIFIER:</b>	0000794447	302570	65339F	65339K	7535	UMI46Y

## 07 Criteria

**01**  
MAY  
2020

**27**  
MAR  
2020

**06** Short-  
Term  
Ratings  
Criteria  
MAR  
2020

**14**  
OCT  
2019

**27** Parent  
and  
SEP  
2019

Corporate  
Rating  
Criteria

**08** Analysts

Shalini  
Mahajan,  
CFA  
Primary  
Rating  
Analyst

Corporate  
Rating  
Criteria -  
Effective  
from 27  
March 2020  
to 1 May  
2020

Ivana  
Ergovic  
Secondary  
Rating  
Analyst

MORE CRITERIA

Corporates  
Notching  
and  
Recovery  
Ratings  
Criteria

Subsidiary  
Rating  
Linkage

## RATINGS KEY OUTLOOK WATCH

POSITIVE

NEGATIVE

EVOLVING

STABLE

\* Long Term/Short Term Issuer Default Rating  
displayed in orange denotes EU Unsolicited and  
Non-Participatory Ratings

Where there was a review with no rating action (Review – No Action), please refer to the “Latest Rating Action Commentary” for an explanation of key rating drivers

\*Premium content is displayed in Fitch Red



## CREDIT OPINION

28 January 2020

Update

✓ Rate this Research

### RATINGS

#### NextEra Energy, Inc.

Domicile	Juno Beach, Florida, United States
Long Term Rating	Baa1
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Japan	81-3-5408-4100
EMEA	44-20-7772-5454

## NextEra Energy, Inc.

### Update to credit analysis

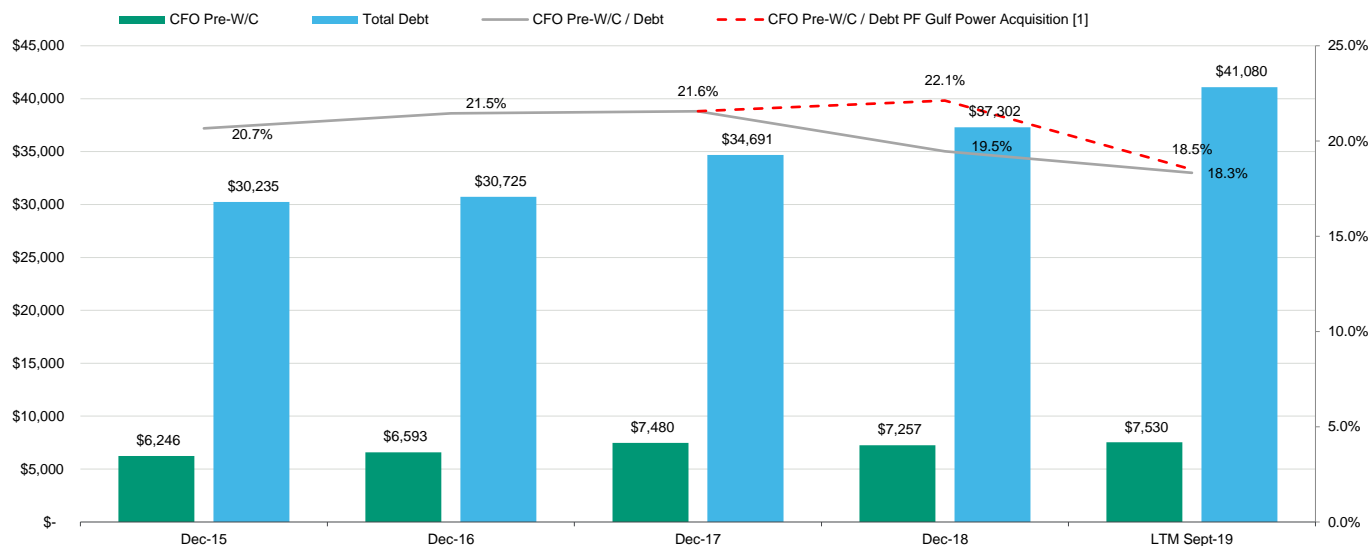
#### Summary

NextEra Energy, Inc.'s (NEE) credit profile reflects its industry-leading positions in the utility and renewable energy sectors as well as its solid financial profile. Its principal utility subsidiary, Florida Power and Light Company (FPL, A1 stable), is one of the largest and financially strongest regulated electric utilities in the US and accounts for about 63% of NEE's consolidated EBITDA. NEE's regulated businesses account for about 70% of NEE's consolidated EBITDA. The majority of NEE's remaining EBITDA is generated by NextEra Energy Resources LLC (NEER, unrated), which holds the largest private portfolio of renewable power projects in North America. NEER is the principal subsidiary of NextEra Energy Capital Holdings, Inc. (NEECH, Baa1 stable, debt guaranteed by NEE), an intermediate holding company of NEE and the principal debt financing vehicle for NEE's non-Florida utility businesses. NEER also owns a majority stake in NextEra Energy Partners, LP (NEP, Ba1 stable), a yieldco that acquires, manages and owns contracted clean energy projects and pipelines with stable long-term cash flows.

We expect NEE's consolidated ratio of cash flow from operations pre-working capital (CFO pre-W/C) to debt will continue to remain above 18%, a financial metric threshold for a potential downgrade. At the same time, NEE's credit is constrained by an elevated level of holding company debt, which is approximately 46% of consolidated debt, including the proportional consolidation of NEP's debt (roughly 39% of consolidated debt when allocating some parent debt to certain unlevered operating assets). NEE's holding company debt was driven higher in 2019 with the acquisition of Gulf Power Company (A2 stable) in January 2019, which modestly added to its regulated business mix and strengthened its business risk profile. NEE is also exposed to extreme weather events such as hurricanes and tropical storms that periodically hit the Florida service territories of its regulated utilities.

Exhibit 1

## Historical CFO Pre-W/C, Total Debt and ratio of CFO Pre-W/C to Debt (\$ MM)



[1] 2018 excludes Gulf Power acquisition pre-funding and LTM Sept-19 is pro-forma for Gulf Power acquisition

Source: Moody's Financial Metrics

## Credit strengths

- » Large size and leading position in the utility and renewable energy sectors
- » FPL's strong credit quality is the foundation of NEE's credit profile
- » Continued focus on growing regulated assets and reducing uncontracted merchant exposure strengthens business risk profile
- » NEER, a leading player in the renewable energy sector, has a higher risk profile that is mitigated by long-term power contracts largely with investment grade counterparties

## Credit challenges

- » Holding company debt level is one of the highest within the sector, constraining the ratings of the corporate family
- » Financial metrics are lower compared to recent years
- » Large negative free cash flow of \$4.1 billion at NEECH
- » Aggressive acquisition appetite including expected pursuit of South Carolina Public Service Authority (Santee Cooper, A2 negative)
- » Geographic concentration in Florida with risk of storms through ownership of FPL and Gulf Power
- » Project execution risk remains at NEER as it continues investing heavily through an elevated construction cycle

## Rating outlook

The stable rating outlook is based on our expectation that FPL and Gulf Power will continue to benefit from a highly credit supportive Florida regulatory environment, that NEE's renewable asset portfolio will maintain a steady performance, major construction projects will remain on time and within budget, and that the company will continue to have unfettered access to the capital markets. The stable outlook also reflects our expectation that any M&A activity, if executed, will be financed in a manner that maintains a financial profile

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on [www.moody's.com](http://www.moody's.com) for the most updated credit rating action information and rating history.

that supports current credit quality such that NEE's ratio of CFO pre-W/C to debt remains above 18% and CFO pre-W/C less dividends to debt remains in the low-teens range.

### Factors that could lead to an upgrade

An upgrade is unlikely in the near future due to the high percentage of holding company debt, significant capital projects, and aggressive M&A appetite. Longer term, substantial debt reduction at NEECH such that the percentage of holding company debt is less than 25% and consolidated financial metrics improve such that NEE's ratio of CFO pre-W/C to Debt is sustained in the mid-20% range could put upwards rating pressure on NEE.

### Factors that could lead to a downgrade

NEE's ratings could be downgraded if its ratio of CFO pre-W/C to debt declines below 18% for an extended period of time. The ratings could be downgraded if the regulatory environment deteriorates in Florida such that there is a delay in cost recovery at FPL or there are adverse tax or environmental policy developments that negatively impact NEECH. Downgrades could also result if NEE's business risk profile deteriorates or if holding company level debt is sustained above 50%. A downgrade of NEE could lead to a downgrade of FPL and Gulf Power, due to affiliation with a weaker parent.

### Key indicators

Exhibit 2

#### NextEra Energy, Inc. [1]

	Dec-15	Dec-16	Dec-17	Dec-18	LTM Sept-19
CFO Pre-W/C + Interest / Interest	5.8x	6.6x	5.6x	5.6x	3.6x
CFO Pre-W/C / Debt	20.7%	21.5%	21.6%	19.5%	18.3%
CFO Pre-W/C – Dividends / Debt	15.9%	15.9%	15.9%	13.5%	12.3%
Debt / Capitalization	47.6%	45.5%	49.3%	45.0%	45.6%

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. Financial Metrics™  
Source: Moody's Financial Metrics

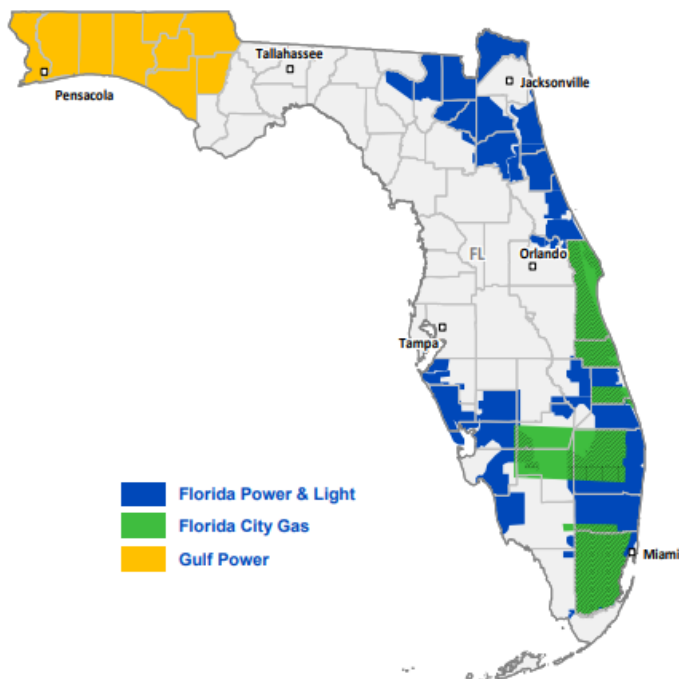
### Profile

Headquartered in Juno Beach, Florida, NextEra Energy, Inc. is one of the largest holding companies in our global regulated utility rated universe. NEE's principal operating utility, Florida Power & Light Company (FPL, A1 stable) is one of the largest vertically integrated regulated utilities in the US serving approximately 5 million customer accounts or an estimated 10 million people across nearly half of the state of Florida. FPL accounts for about 63% of NEE's consolidated EBITDA. NEE also owns Gulf Power Company (A2 stable), a small regulated vertically integrated electric utility in the panhandle of Florida. NEE is also the holding company of NextEra Energy Capital Holdings, Inc. (NEECH, Baa1 stable), which is the principal debt financing vehicle for the non-Florida utility businesses and an intermediate holding company of NextEra Energy Resources (NEER, unrated). NEER is an intermediate holding company for NEE's independent power projects as well as ownership interests in natural gas pipelines, and through a subsidiary also has majority ownership interest in yieldco, NextEra Energy Partners, LP (NEP, Ba1 stable). NEECH's other subsidiaries include NextEra Energy Transmission (NEET, unrated), which holds FERC regulated electric transmission assets. NEE has no debt of its own but guarantees the debt that resides at NEECH.

In January 2019, NEE, through a wholly owned subsidiary, completed the acquisition of Gulf Power from The Southern Company (Southern, Baa2 stable). NEE acquired Gulf Power for approximately \$5.75 billion, which included \$4.35 billion in cash plus the assumption of approximately \$1.4 billion of Gulf Power debt.

Beginning January 2018, because of governance changes at NEP, NEP was deconsolidated from NEE's results on a US GAAP accounting basis. For more details about the credit considerations of NEP please refer to its Credit Opinion available on [www.moody.com](http://www.moody.com).

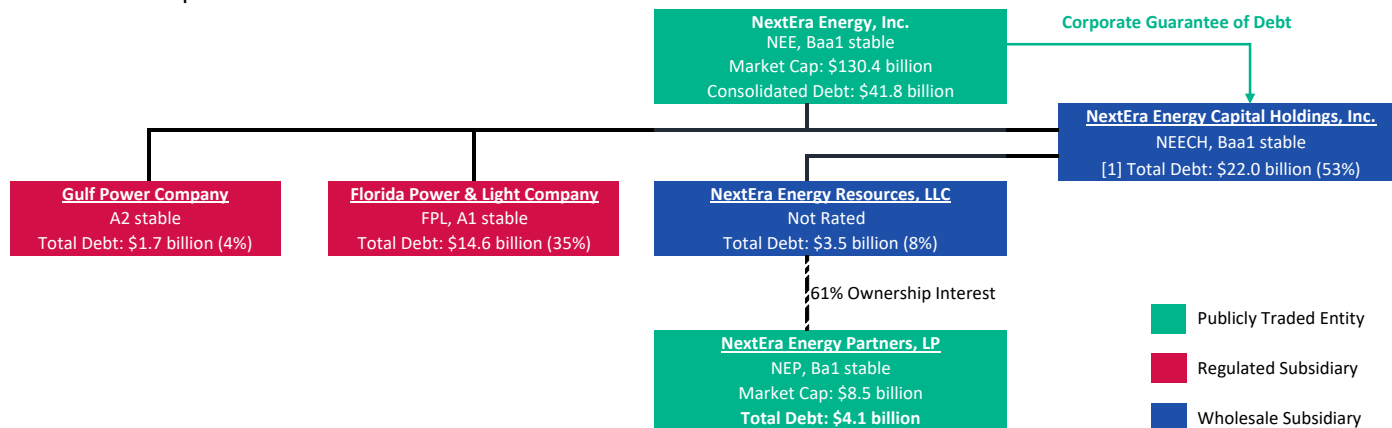
Exhibit 3  
NEE's regulated utility service area map



Source: Company Presentations

### Detailed credit considerations

Exhibit 4  
Organizational Chart  
Debt amounts as reported



[1] Includes Lone Star Transmission Debt  
Note: As of 30 September 2019; NEE Market Capitalization as of 28 January 2020; NEE Consolidated Debt.  
Source: Company Filings, Marketwatch

### FPL'S STRONG CREDIT QUALITY IS THE FOUNDATION OF NEE'S CREDIT PROFILE

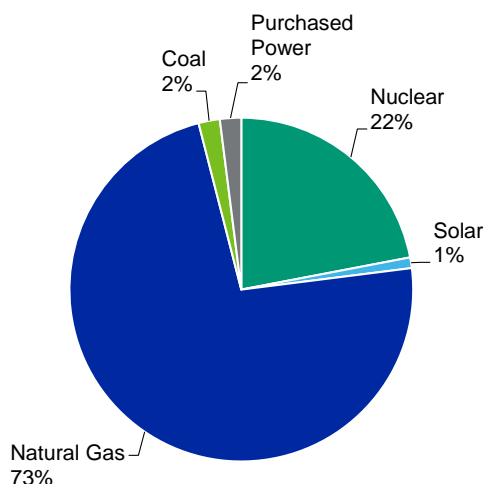
FPL is NEE's principal subsidiary and "crown jewel." FPL is one of the financially strongest regulated electric utilities in the US and forms the core foundation of NEE's credit quality. At the same time, FPL's large geographic concentration in Florida exposes NEE to the state's economic cycles, weather events such as severe storms, and any significant changes to the political and regulatory environment. A rarity amongst US regulated electric utilities, FPL's growing population within its service territory generates organic sales and load growth, as well as new investment opportunities that provide steady rate base expansion with earnings and cash flow growth potential.

FPL has modernized its generation portfolio to be predominantly gas, a strategy which has lowered customer rates and minimized the environmental risks related to coal. FPL incorporated a strategy of buying coal plants with which it had above-market power purchase agreements, retiring those plants and replacing them with cleaner generation. FPL will eliminate its only remaining coal plant (Indiantown) in Florida in Q1 2020, which is after the company shut down two coal plants in Jacksonville and Martin County, in 2016 and 2018, respectively. Additionally, FPL plans to continue increasing the fuel efficiency of its natural gas power plants through increased investments while also investing heavily in solar generation.

As of 30 September 2019, approximately 2% of FPL's 27,000 megawatts (MW) of generation capacity was solar. In its 2019 10-year power plant site plan, FPL is projecting an additional 7,273 MW of solar power by the end of 2028, which equates to adding roughly 730 MW of solar per year. In its 2016 rate case settlement, FPL is allowed timely recovery of up to 300 MW annually of new solar generation from 2017 to 2020 through a Solar Base Rate Adjustment (SoBRA) mechanism. In early 2019, the company announced its plan to install more than 30 million solar panels by 2030, which could more than double its stated goal of over 4,000 MW.

Exhibit 5

#### FPL Generation fuel mix by MWh



As of December 31, 2018  
Source: Company Filings

In November 2016, FPL's rate case settlement order demonstrated Florida's stable and credit supportive regulatory environment. The settlement became effective on 1 January 2017 and provides revenue visibility over its four-year term (a total of \$811 million in rate increases) through 2020. The rate order included an allowed mid-point ROE of 10.55% with a range of 9.6% to 11.6% based on an equity ratio that FPL has consistently maintained at about 60%.

The 2016 rate settlement retained the cost recovery mechanisms that have allowed FPL to produce consistently above-average credit metrics. An example includes storm cost recovery provisions, which are important in Florida where hurricanes are prevalent. The new SoBRA mechanism was included in the settlement order, which provides FPL the ability to increase base rates on a timely basis without a rate case for the addition of new solar generation assets. This mechanism is similar to the Generation Base Rate Adjustment that will allow for FPL's Dania Beach power generation facility modernization project that is currently underway to be reflected in rates upon its expected in service date in 2022.

Changes to the US tax law in December 2017 did not have a material impact on FPL's financial metrics. FPL used the federal tax savings arising from tax reform to offset approximately \$1.3 billion of storm restoration costs resulting from Hurricane Irma in September 2017. FPL's last rate case settlement agreement set parameters for base rates and storm surcharges from January 2017 through at least December 2020. In addition to avoiding a Hurricane Irma surcharge, in May 2019 the FPSC allowed FPL to use future federal tax savings to replenish its reserve amortization account, which was depleted from the Hurricane Irma storm costs. The FPSC also allowed FPL to keep the excess tax reform savings once the reserve account was replenished as long as the utility did not earn above its upper

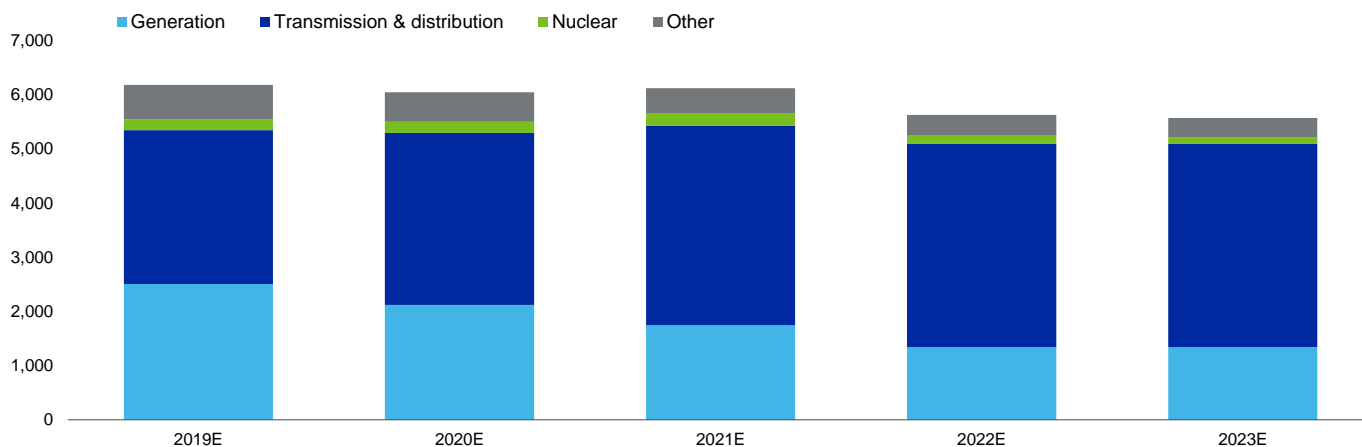
end of the range of 11.6% on its allowed ROE. Because of this decision, FPL expects to file its next general rate case in 2021, which is one year later than it originally intended.

In late June 2019, the governor of Florida signed into law Senate Bill 796, which requires investor-owned utilities (IOUs) to submit storm protection plans to the FPSC that detail how the IOUs will harden their grids and make them more resilient during extreme weather events like hurricanes. The new law is credit positive for the state's utilities, particularly FPL, given that it is the state's largest, because it allows the utilities to grow rate base through increased investments and obtain timely recovery of these investments, all in an effort to ensure customer reliability. It is also a sign that Florida regulators support proactive management of physical risks arising from climate change, which is expected to cause storms to be more frequent and more powerful over time.

In early January 2020, the Supreme Court of Florida unanimously rejected a proposed constitutional amendment that would open the state to electric competition. The energy choice measure proposal was initially introduced in the first half of 2019 and needed to reach 766,200 signatures by 1 February 2020 before it could appear on the Florida ballot. The measure would have amended the constitution to declare that the Florida wholesale and retail electricity markets be fully competitive. In its ruling, the Supreme Court of Florida found that the initiative's summary would mislead voters on its effects and was considered not clear and ambiguous.

Exhibit 6

#### FPL's elevated capital expenditures will continue to grow rate base and cash flows (\$ millions)



Source: Company Filings

#### HOLDING COMPANY LEVERAGE IS ONE OF THE HIGHEST WITHIN THE SECTOR, A CREDIT NEGATIVE

We estimate NEE's holdco debt as a percentage of consolidated debt is currently about 46%, including the proportional consolidation of its ownership in NEP. Excluding NEP, NEE's holdco debt would be approximately 49% of consolidated debt. However, when allocating some parent debt to certain unlevered assets, NEE's holdco debt percentage is roughly 39% of consolidated debt. As a result, NEE's holding company debt is higher than it has been in recent years, and one of the highest within the regulated utility sector, and is a constraint on the credit quality of the corporate family. NEE's holding company debt at 30 September 2019 had increased due to the \$1.5 billion of equity units issued in September. These equity units convert to equity in three years and the proceeds are typically used to reduce holding company debt which would reduce NEE's holdco debt percentage of consolidated debt.

NEE's holding company leverage increased with the acquisition of Gulf Power in January 2019. NEE acquired Gulf Power from Southern for approximately \$5.75 billion, which included \$4.35 billion in cash plus the assumption of approximately \$1.4 billion of Gulf Power debt. In order to finance the acquisition, NEECH temporarily borrowed \$1.125 billion under each of four separate bilateral term loan agreements for a total of \$4.5 billion. The term loans were fully repaid in April 2019 using proceeds from the issuance of debentures and junior subordinated notes as well as borrowings from additional variable rate term loan agreements.

The Gulf Power acquisition was the final and largest component of the transaction between NEE and Southern originally announced in May 2018, in which NEE was to acquire Gulf Power, a small natural gas local distribution company, Florida City Gas Company

(unrated), and two contracted gas-fired merchant power plants in Florida for a total purchase price of \$6.5 billion. The acquisition of Gulf Power, Florida City Gas and the contracted merchant power plants added modest business diversity to NEE while remaining in the highly credit supportive Florida regulatory environment where NEE already had a large presence with FPL. Although relatively modest, the acquisition is consistent with management's stated strategy to pursue rate regulated assets to add to NEE's regulated businesses and strengthen its business risk profile. At the same time, the announced leveraged transaction was priced at a relatively high multiple of about 13x historical EBITDA and increased leverage at the parent level via debt issued at NEECH, a credit negative.

Even after the Gulf Power acquisition that closed on 1 January 2019, NEE has continued to look for utility acquisitions to increase its regulated business mix. NEE was one of 9 bidders for the Jacksonville Electric Authority (JEA, A2 stable), which recently ended the bid process for the sale of its electric and water/wastewater assets in late December 2019. In addition, NEE is one of a select list of bidders for the South Carolina Public Service Authority (Santee Cooper, A2 negative), which is in the midst of a potential sale of its assets.

### **NEER IS A LEADING PLAYER IN THE RENEWABLE ENERGY SECTOR WITH A HIGHER RISK PROFILE THAT IS MITIGATED THROUGH LONG TERM CONTRACTS**

NEER, which accounts for about 30% of NEE's EBITDA, has increased the contracted portion of its large portfolio of renewable assets to approximately 77% in 2018 and expects to increase it up to 80% by 2022. At the same time, we expect NEE's regulated and contracted assets combined will account for 90% of adjusted EBITDA by the end of 2020.

NEER has a large, diverse portfolio of generation assets, and is the largest owner of wind and solar generation in North America. Strong demand for renewable energy provides NEER with growth opportunities to sell renewable energy under long-term contracts, primarily to investment-grade utilities that are attracted to the declining prices of renewable power and seeking to satisfy environmental mandates as well as meet customer preferences. The long term revenue visibility from the contracted assets and the predominance of renewables, which entail no fuel risk or commodity price exposure, is in contrast to the typically higher risk associated with unregulated power companies that are exposed to merchant power sales and challenged coal and nuclear plants. Although NEER continues to invest heavily and project execution risk remains, NEER has a strong track record to complete projects on time and within budget.

In late December 2019, the federal government passed a law to extend onshore and offshore wind tax credits. The onshore wind production tax credits (PTCs) were extended an additional year at \$14/MWh or 60% of the full credit, which was previously set to end in 2019 at \$9/MWh or 40% of the full credit. The law also contained a one-year extension of the investment tax credit for offshore wind at the 60% level in 2020 with four years to put the project in-service. There was no change to solar investment tax credits which are expected to step down each year to a 10% tax credit in 2022 and remains at that level.

There is somewhat greater uncertainty longer term over environmental policy and supportiveness for renewables after the US exit from the Paris accords, the withdrawal of the Clean Power Plan and the reduction in tax credits. While many utilities have met their near-term renewable portfolio standards, utilities continue to increase their carbon reduction goals longer term. At the same time, NEER continues its efforts to contract with large high creditworthy corporations to further diversify its customer base before utilities are expected to return to the market as major buyers in order to meet increasing renewable portfolio standards.

NEER's cash flow has risen from new generation capacity that has been added over the last several years. NEER generally manages the construction of renewable projects to make the most of the federal tax credits available. The company is in the midst of a large construction phase, including peak spending levels of about \$6.8 billion in 2019, largely due to increased renewable investments. NEER has grown its renewable capacity from approximately 16 GW in 2016 to about 20 GW in 2018.

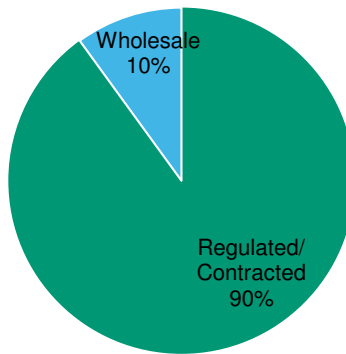
Gas pipelines and energy storage also contribute to the increase in NEER's capital investments. The company continues to make modest but growing investments in energy storage, which is not only an emerging technology growth area in the renewable sector, but it will also support further growth in wind and solar energy installations. The \$1.5 billion Sabal Trail (represents NEE's 42.5% ownership interest) and the related \$500 million Florida Southeast Connection gas pipelines went into service in 2017, and the approximately \$5.4 billion Mountain Valley pipeline, of which NEE has 31% ownership, is due to go in-service in 2020, depending on receipt of state environmental approvals and a final permit from the Army Corps of Engineers. We note that the Mountain Valley pipeline continues to experience cost overruns and delays related to permitting. These pipelines are expected to generate stable cash flow under 20-year contracts and will help support NEE's credit metrics.

Exhibit 7  
**NEER projected annual capital expenditures**  
 (\$ billions)



Source: Company Presentations

Exhibit 8  
**Moody's pro forma 2019 estimate of NextEra's business mix by adjusted EBITDA (pro forma for Gulf Power acquisition)**

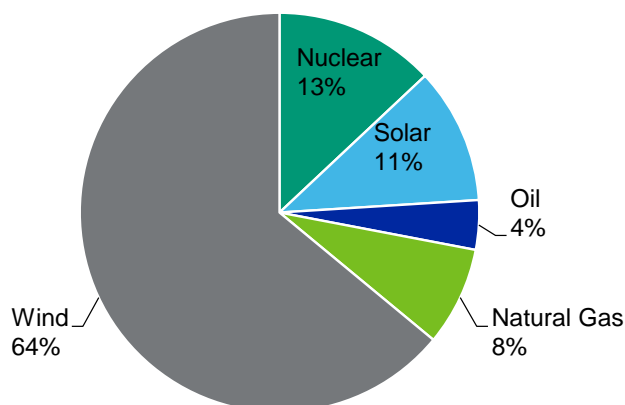


Regulated includes FPL, transmission assets and FERC pipelines.  
 Source: Company Presentations

Exhibit 9

**NEER Generation fuel mix by MW**

Includes NEP



As of December 31, 2018

Source: Company Filings

**FINANCIAL PROFILE EXPECTED TO REMAIN STABLE**

For the 12-months ended 30 September 2019, on a US GAAP reporting basis adjusted for Moody's standard adjustments, NEE's ratio of CFO pre-W/C to debt was 18.3% which is lower than its 3-year average ending the same period of 20.8%, primarily due to the \$1.5 billion of equity units issued in September 2019, which we only attribute a 25% equity allocation. These equity units convert to equity in three years and the proceeds are typically used to reduce holding company debt. Pro forma for the acquisition of Gulf Power, we estimate NEE's ratio of CFO pre-W/C to debt to be almost 19%. As mentioned earlier, beginning in 2018, NEE deconsolidated NEP based on US GAAP accounting rules. When proportionally consolidating NEP's results based on NEE's approximately 61% ownership interest, and pro forma for the recent acquisition of Gulf Power, we estimate that NEE's consolidated ratio of CFO pre-W/C to debt ratio is approximately 18%. Going forward, we expect NEE's financial profile to remain steady including ratio of CFO pre-W/C to debt above 18%, even while the company continues to invest heavily at NEER as well as its regulated utilities, FPL and Gulf Power.

We expect that NEE will manage its balance sheet in a manner that maintains its current financial profile and supports its credit quality. Historically, the company has sold assets and has issued equity to maintain a balanced capital structure. NEE's financial metrics were not materially impacted by the December 2017 changes in tax legislation as NEE's unregulated business modestly benefitted from the lower tax rate and FPL was able to offset hurricane restoration costs with the federal tax savings.

NEE has a relatively high percentage of holding company debt compared to its peers, but this, along with the presence of a higher risk unregulated, albeit heavily contracted, business are incorporated in our credit analysis and reflected in the relatively wide differential between the credit quality of NEE and its principal utility subsidiary, FPL.

**ESG considerations**

As a holding company of regulated utilities and renewable energy, one of NEE's primary goals is to provide customers with affordable, reliable and clean energy to power their homes and businesses, which are important social factors. From a governance perspective, financial policies that result in a strong financial position are important for managing the company's business, environmental and social risks.

NEE has moderate carbon transition risk within the utility sector because of its low exposure to coal but substantial ownership of natural gas-fired generation assets. NEE's coal exposure includes FPL's ownership of approximately 75% of a unit at the Scherer coal plant in Georgia (655 MW) and 100% ownership of the 330 MW Indiantown coal plant (expected to be retired in 2020) in Florida as well as Gulf Power's 25% share of the Scherer coal plant (205 MW), 50% of the Daniel coal plant in Mississippi (500 MW) and the 970 MW coal-fired Crist Generating Plant in Florida. NEE, including FPL, owns approximately 22 GW of natural gas generation

out of a total owned generation of approximately 50 GW. NEE continues to invest in renewable energy, including at FPL where solar generation assets are typically included in rate base and in rates on a timely basis through the SoBRA cost recovery mechanism. Moody's framework for assessing carbon transition risk in this industry is discussed in "Prudent regulation key to mitigating risk, capturing opportunities of decarbonization" (2 Nov 2017).

### Liquidity analysis

NEE's corporate family of companies have sufficient liquidity, with FPL maintaining the strongest liquidity profile. NEECH's liquidity is somewhat constrained by its large capital investment program and the need to repay/refinance a substantial amount of maturing debt and provide for material contingent calls related to its hedging and marketing activities. However, NEECH has demonstrated an ability to manage its liquidity profile sufficiently, primarily through solid access to bank and debt capital markets.

For the last twelve months ended 30 September 2019, FPL's cash flow from operations was \$5.1 billion compared to capital expenditures of \$5.3 billion, largely driven by spending on transmission and distribution infrastructure, investments at its Okeechobee Clean Energy Center which went into service in March 2019, as well as solar generation investments. The shortfall in funding capital investments using internally generated cash flow was supplemented by short and long-term borrowings as well as capital contributions from its parent. Going forward, we expect FPL will fund its capital investments using internally generated cash flow and any shortfalls will be supplemented with debt borrowings and equity contributions from its parent in a balanced manner in order to maintain its targeted capital structure.

As of 30 September 2019, FPL had net available liquidity of about \$4.3 billion, which included \$4.6 billion of bank revolving line of credit facilities that also backstop its commercial paper (CP) program of which \$445 million was outstanding. The utility had full availability on its \$1.7 billion of bilateral revolving credit facilities and about \$137 million of cash on-hand. Owing to its strong credit profile, FPL also maintains unfettered access to capital markets which typically allows the utility to easily refinance its debt maturities. Commitments under the core revolver are laddered, with the vast majority terminating in 2024. FPL's credit facilities do not contain a material adverse change clause on borrowings. The next large debt maturity at FPL is \$45 million of senior notes maturing in December 2020 and a \$49 million credit facility also maturing in December 2020.

NEECH's liquidity profile is impacted by its large capital investment program and the continuous development of power projects, which typically results in negative free cash flow. Its negative free cash flow position has ranged from about \$3 billion to almost \$7 billion over the last five years. For the LTM September 2019, NEECH's cash flow from operations was \$2.1 billion compared to capital expenditures of \$6.4 billion and contributions from its parent of \$0.6 billion. NEECH expects to finance the resulting negative free cash flow of about \$3.7 billion through a combination of project finance debt, tax equity, recycling of capital through asset sales and long-term debt issuances at NEECH.

As of 30 September 2019, NEECH had \$4.5 billion of net available liquidity, which included \$988 million of cash and \$5.6 billion of availability on its revolving credit facilities, net against about \$2.2 billion of commercial paper borrowings. NEECH's almost \$5.3 billion bank revolving line of credit facility backstops its CP program. As with FPL's core revolvers, the commitments are laddered, with the vast majority terminating in 2024. This facility does not contain a material adverse change clause on borrowings. NextEra's nearest debt maturities are a ¥552 million term loan that matures in June 2020 and \$716 million of senior debt at the HoldCo that will mature in August 2020.

## Rating methodology and scorecard factors

Exhibit 10

### Rating Factors

NextEra Energy, Inc.

Regulated Electric and Gas Utilities Industry Scorecard [1][2]	Current LTM 9/30/2019		Moody's 12-18 Month Forward View As of Date Published [3]	
	Measure	Score	Measure	Score
<b>Factor 1 : Regulatory Framework (25%)</b>				
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	Aa	Aa	Aa	Aa
<b>Factor 2 : Ability to Recover Costs and Earn Returns (25%)</b>				
a) Timeliness of Recovery of Operating and Capital Costs	A	A	A	A
b) Sufficiency of Rates and Returns	Baa	Baa	Baa	Baa
<b>Factor 3 : Diversification (10%)</b>				
a) Market Position	Aa	Aa	Aa	Aa
b) Generation and Fuel Diversity	A	A	A	A
<b>Factor 4 : Financial Strength (40%)</b>				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	5.5x	A	5.2x - 5.7x	A
b) CFO pre-WC / Debt (3 Year Avg)	20.8%	Baa	17% - 19%	Baa
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	14.8%	Baa	11% - 14%	Baa
d) Debt / Capitalization (3 Year Avg)	44.5%	A	43% - 46%	A
<b>Rating:</b>				
Scorecard-Indicated Outcome Before Notching Adjustment		A2		A2
HoldCo Structural Subordination Notching		-2		-2
a) Scorecard-Indicated Outcome		Baa1		Baa1
b) Actual Rating Assigned		(P)Baa1		(P)Baa1

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.

[2] As of 9/30/2019(LTM)

[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.

Source: Moody's Financial Metrics

## Appendix

Exhibit 11

## Cash Flow and Credit Metrics [1]

CF Metrics	Dec-15	Dec-16	Dec-17	Dec-18	LTM Sept-19
As Adjusted					
FFO	6,475	6,663	7,559	7,394	7,686
+/- Other	(229)	(70)	(79)	(137)	(156)
<b>CFO Pre-WC</b>	<b>6,246</b>	<b>6,593</b>	<b>7,480</b>	<b>7,257</b>	<b>7,530</b>
+/- ΔWC	313	(388)	(857)	(693)	4
<b>CFO</b>	<b>6,559</b>	<b>6,205</b>	<b>6,623</b>	<b>6,564</b>	<b>7,534</b>
- Div	1,448	1,714	1,967	2,238	2,477
- Capex	8,256	9,501	10,621	12,880	12,306
<b>FCF</b>	<b>(3,145)</b>	<b>(5,010)</b>	<b>(5,965)</b>	<b>(8,554)</b>	<b>(7,249)</b>
(CFO Pre-W/C) / Debt	20.7%	21.5%	21.6%	19.5%	18.3%
(CFO Pre-W/C - Dividends) / Debt	15.9%	15.9%	15.9%	13.5%	12.3%
FFO / Debt	21.4%	21.7%	21.8%	19.8%	18.7%
RCF / Debt	16.6%	16.1%	16.1%	13.8%	12.7%
Revenue	17,486	16,155	17,173	16,727	19,008
Cost of Good Sold	5,410	4,113	4,071	3,732	4,243
Interest Expense	1,289	1,181	1,636	1,579	2,842
Net Income	2,490	2,512	4,789	3,103	2,396
Total Assets	82,358	89,858	97,849	103,584	114,104
Total Liabilities	59,462	65,121	69,203	68,982	76,757
Total Equity	22,896	24,737	28,646	34,602	37,347

[1] All figures and ratios are calculated using Moody's estimates and standard adjustments. Periods are Financial Year-End unless indicated. LTM = Last Twelve Months  
Source: Moody's Financial Metrics

Exhibit 12

## Peer Comparison Table [1]

(In US millions)	NextEra Energy, Inc.			Berkshire Hathaway Energy Company			Duke Energy Corporation			Sempra Energy			Dominion Energy, Inc.		
	(P)Baa1 Stable			A3 Stable			Baa1 Stable			Baa1 Negative			Baa2 Stable		
	FYE	FYE	LTM	FYE	FYE	LTM	FYE	FYE	LTM	FYE	FYE	LTM	FYE	FYE	LTM
Revenue	17,173	16,727	19,008	18,614	19,787	19,865	23,565	24,521	25,091	11,207	11,687	12,297	12,586	13,366	15,458
CFO Pre-W/C	7,480	7,257	7,530	6,729	6,531	6,629	8,018	7,907	8,267	3,608	3,336	3,463	4,655	5,158	4,943
Total Debt	34,691	37,302	41,080	41,967	41,363	42,461	54,169	57,787	61,046	21,331	27,280	27,928	38,825	36,852	43,686
CFO Pre-W/C / Debt	21.6%	19.5%	18.3%	16.0%	15.8%	15.6%	14.8%	13.7%	13.5%	16.9%	12.2%	12.4%	12.0%	14.0%	11.3%
CFO Pre-W/C - Dividends / Debt	15.9%	13.5%	12.3%	16.0%	15.8%	15.6%	10.3%	9.4%	9.3%	12.8%	8.5%	8.5%	6.9%	7.9%	4.9%
Debt / Capitalization	49.3%	45.0%	45.6%	53.4%	51.6%	50.9%	53.0%	52.9%	52.4%	54.7%	55.9%	55.1%	61.1%	56.7%	54.8%

[1] All figures & ratios calculated using Moody's estimates & standard adjustments. FYE = Financial Year-End. LTM = Last Twelve Months. RUR\* = Ratings under Review, where UPG = for upgrade and DNG = for downgrade  
Source: Moody's Financial Metrics

## Ratings

Exhibit 13

Category	Moody's Rating
<b>NEXTERA ENERGY, INC.</b>	
Outlook	Stable
Issuer Rating	Baa1
Senior Unsecured Shelf	(P)Baa1
Jr Subordinate Shelf	(P)Baa2
Pref. Shelf	(P)Baa3
<b>NEXTERA ENERGY CAPITAL HOLDINGS, INC.</b>	
Outlook	Stable
Senior Unsecured	Baa1
Bkd Jr Subordinate	Baa2
BACKED Pref. Shelf	(P)Baa3
Commercial Paper	P-2
<b>FLORIDA POWER &amp; LIGHT COMPANY</b>	
Outlook	Stable
Issuer Rating	A1
First Mortgage Bonds	Aa2
Senior Secured	Aa2
Senior Unsecured	A1
Commercial Paper	P-1
Other Short Term	VMIG 1
<b>NEXTERA ENERGY OPERATING PARTNERS, LP</b>	
Outlook	Stable
Bkd Senior Unsecured	Ba1/LGD4
<b>GULF POWER COMPANY</b>	
Outlook	Stable
Issuer Rating	A2
Senior Unsecured	A2
Commercial Paper	P-1
<b>NEXTERA ENERGY PARTNERS, LP</b>	
Outlook	Stable
Corporate Family Rating	Ba1
Speculative Grade Liquidity	SGL-2

Source: Moody's Investors Service

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