Florida Power & Light Co.

Full Rating Report

Ratings

Long-Term IDR	A
Short-Term IDR	F1
Senior Secured	AA–
Senior Unsecured	A+

IDR – Issuer Default Rating.

Rating Outlook

Stable

Financial Summary

Florida Power & Light Co.

($ Mil.)	LTM 3/31/15	2014
Adjusted Revenue	11,352	11,345
Operating EBITDAR	4,253	4,184
Cash Flow from Operations	3,477	3,399
Total Adjusted Debt	9,560	10,284
Total Capitalization	23,620	23,435
Capex/ Depreciation (%)	2.0	2.2
FFO Fixed-Charge Coverage (x)	9.2	9.3
FFO-Adjusted Leverage (x)	2.3	2.6
Total Adjusted Debt/EBITDAR (x)	2.2	2.5

Related Research

U.S. Retail Electric Sales Dashboard (June 2015)

Off to a Good Start (1Q15 Earnings Calls Wrap-Up) (May 2015)

Florida Power & Light Co. – Ratings Navigator (March 2015)

Fitch Affirms NextEra on Acquisition; Hawaiian Electric on Watch Positive (December 2014)

Analysts

Shalini Mahajan
+1 212 908-0351
shalini.mahajan@fitchratings.com

Maude Tremblay
+1 312 368-3203
maude.tremblay@fitchratings.com

Key Rating Drivers

Stable Outlook: Fitch Ratings last affirmed the ratings for Florida Power & Light Co. (FPL) on Dec. 4, 2014. FPL's ratings reflect the predictable nature of cash flows from regulated electric operations, a favorable 2012 rate order that provides for at least four years of regulatory certainty, recovering electric sales in its service territory after a prolonged trough, management focus on O&M cost containment that is expected to drive returns close to the upper end of the authorized return on equity (ROE) range, and a strong balance sheet and liquidity profile.

Constructive Regulation: A favorable turnaround in the regulatory climate in Florida and an extended period of regulatory certainty are key credit positives for FPL The 2012 rate order spans a four-year term (until December 2016), set rates based on 10.5% ROE with a 100 bps band and automatically adjusts base rates on commercial operations of new generation plants over 2013–2016.

Recovering Florida Economy: Florida's economy is recovering well after the recent prolonged recession, with most key indicators such as housing starts, employment statistics and consumer sentiment on an upward trend. Adjusted for weather, FPL's retail kilowatt hour sales grew 1.3% in 2014, driven by 1.2% customer growth and 0.1% usage increase. Fitch's financial forecasts for FPL are based on a 1% cumulative annual growth rate in retail sales over 2015–2018; any upside in sales growth would be positive for FPL's credit metrics.

High Capex: FPL has identified approximately $14.6 billion in capex through 2019. Fitch believes this target is likely to be exceeded, given the recent approval by the Florida Public Service Commission (FPSC) to invest up to $500 million annually in natural gas reserves projects. Fitch expects FPL to finance its capex and distribution to the parent using a mix of equity and debt so as to maintain its regulatory capital structure.

Robust Credit Metrics: FPL's forecasted FFO credit metrics are expected to weaken from their current robust levels as benefits from bonus depreciation subside after 2015. Fitch expects the FFO fixed-charge coverage to be in the 7.0x–9.0x range over the forecast period, 2015–2018. FFO-adjusted leverage and adjusted debt/EBITDAR are expected to be 3.0x and 2.3x, respectively, by 2018. These metrics are quite robust compared with the 'A' rated financial profile for a regulated utility.

Rating Sensitivities

Positive Rating Action: Given strong rating linkage with its parent company, NextEra Energy, Inc. (NextEra), that is rated a notch lower, future positive rating actions appear unlikely.

Negative Rating Action: Downward rating pressure could result from unfavorable changes in current Florida regulatory policies for timely recovery of utility capital investments, fuel and purchased power costs, and storm-related costs; or increasing parent risk profile from higher debt leverage or aggressive corporate strategy. A downgrade in NextEra's ratings would adversely affect FPL's ratings, consistent with Fitch's parent and subsidiary rating linkage criteria.

OPC 009844
FPL RC-16

Financial Overview

Liquidity and Debt Structure

FPL independently funds its short-term and long-term debt needs, while 100% of FPL's equity is invested by NextEra. FPL's long-term debt financing vehicles are primarily taxable secured first mortgage bonds and tax-exempt revenue bonds. FPL has its own credit facilities, separate from NextEra and its other subsidiaries, to provide liquidity backup for commercial paper funding and variable-rate tax-exempt revenue notes, as well as for issuance of letters of credit.

Committed corporate credit facilities for the NextEra group of companies aggregate approximately $8.8 billion, excluding limited recourse or non-recourse project financing arrangements. Included in that total is $7.85 billion of corporate credit facility that includes $3 billion in unsecured facilities available to FPL (entire amount available as loans and $2.5 billion available to issue letters of credit). Out of the $3 billion credit facility, $500 million matures in May 2016, while the rest matures in 2020. Other credit facilities available to FPL include a $200 million revolving term loan facility that matures May 2018. FPL's debt maturities are manageable.

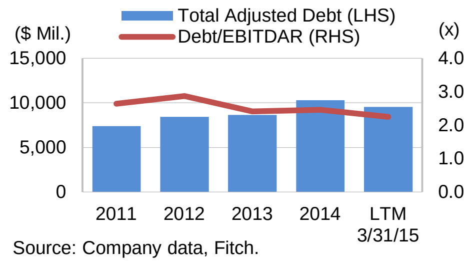
Debt Maturities and Liquidity

($ Mil., as of March 31, 2015)

2015	28
2016	—
2017	300
2018	—
Thereafter	9,114
Cash and Cash Equivalents	28
Undrawn Committed Facilities	2,808

Source: Company data, Fitch.

Total Debt and Leverage

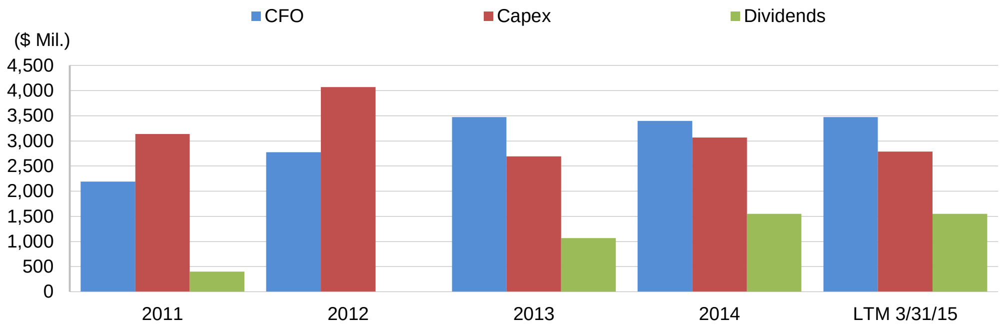


Source: Company data, Fitch.

Cash Flow Analysis

Fitch expects FPL to generate adequate cash flow from operations to fund its capital reinvestment needs. However, dividend distribution to its parent will render the company FCF negative. Fitch expects FPL to finance its capex and dividend to the parent using a mix of equity and debt so as to maintain its regulatory capital structure.

CFO and Cash Use



Source: Company data, Fitch.

Related Criteria

Recovery Ratings and Notching Criteria for Utilities (March 2015)

Corporate Rating Methodology — Including Short-Term Ratings and Parent and Subsidiary Linkage (May 2014)

Rating U.S. Utilities, Power and Gas Companies (Sector Credit Factors) (March 2014)

Parent and Subsidiary Rating Linkage (Fitch's Approach to Rating Entities within a Corporate Group Structure) (August 2013)

OPC 009845
FPL RC-16

Peer Group

Issuer	Country
A	
Georgia Power Company	United States
Wisconsin Electric Power Co.	United States
BBB+	
Duke Energy Florida, Inc.	United States

Issuer Rating History

Date	LT IDR (FC)	Outlook/ Watch
April 24, 2015	A	Stable
Dec. 4, 2014	A	Stable
Oct. 1, 2014	A	Stable
April 25, 2014	A	Stable
April 26, 2013	A	Stable
April 27, 2012	A	Stable
May 2, 2011	A	Stable
April 30, 2010	A	Negative
Jan. 12, 2010	A	RWN
Oct. 29, 2009	A	Stable
Dec. 14, 2007	A	Stable
Dec. 20, 2006	A	Stable
Feb. 27, 2006	A	Stable
Dec. 19, 2005	A	Stable
Dec. 6, 2005	A	Stable
July 5, 2005	A+	RWN
Feb. 4, 2005	A+	Stable
July 29, 2003	A+	Stable

LT IDR – Long-term Issuer Default Rating. FC – Foreign currency. RWN – Rating Watch Negative.
Source: Fitch.

Peer and Sector Analysis

Peer Group Analysis

	Florida Power & Light Co.	Georgia Power Company	Wisconsin Electric Power Co.	Duke Energy Florida, Inc.
As of	3/31/15	3/31/15	3/31/15	3/31/15
IDR	A	A	A	BBB+
Outlook	Rating Outlook Stable	Rating Outlook Stable	Rating Outlook Stable	Rating Outlook Stable
Fundamental Ratios (x)				
Operating EBITDAR/ (Gross Interest Expense + Rents)	9.62	7.77	7.92	6.05
FFO Fixed-Charge Coverage	9.24	6.63	6.64	5.67
Total Adjusted Debt/Operating EBITDAR	2.25	3.51	3.45	3.15
FFO/Total Adjusted Debt (%)	42.7	25.3	24.5	29.7
FFO-Adjusted Leverage	2.34	3.95	4.08	3.36
Common Dividend Payout (%)	101.4	81.6	91.6	63.3
Internal Cash/Capex (%)	69.1	62.0	69.0	87.7
Capex/Depreciation (%)	197.7	233.1	185.0	136.6
Return on Equity (%)	11.1	11.9	10.7	11.3
Financial Information ($ Mil.)				
Revenue	11,352	8,697	3,933	4,945
Revenue Growth (%)	6.2	0.4	(3.5)	5.8
EBITDA	4,253	3,088	934	1,634
Operating EBITDA Margin (%)	35.8	33.9	25.9	33.2
FCF	(862)	(756)	(172)	(92)
Total Adjusted Debt with Equity Credit	9,560	10,934	3,224	5,470
Cash and Cash Equivalents	28	413	15	10
Funds Flow from Operations	3,644	2,352	671	1,339
Capex	(2,789)	(1,991)	(555)	(747)

IDR – Issuer Default Rating.
Source: Company data, Fitch.

Key Rating Issues

Constructive Regulation

Fitch views the current Florida regulatory environment as constructive and vastly improved from the highly politicized decision-making witnessed at the depths of the last recession. FPL was successful in securing a favorable rate order for its 2012 base rate case. The rate order, effective from January 2013 to December 2016, provides for regulatory certainty for four years. The authorized regulatory ROE is 10.5% with a range of plus or minus 100 basis points. FPL can seek rate relief if the regulatory ROE falls below 9.5% and, conversely, can be pulled into a rate review if the ROE exceeds 11.5%. FPL has the ability to amortize a depreciation reserve surplus of approximately $224 million and fossil dismantlement reserve of $176 million to keep the regulatory ROE within the band. The rate order also provided for automatic adjustment to base rates to reflect FPL's three modernization projects, i.e. Cape Canaveral, Riviera Beach and Port Everglades.

High Capex

FPL's capex has been high over the last few years, mostly driven by new generation additions. As part of its fleet modernization program, FPL constructed and placed into service the 1,210 MW Cape Canaveral and 1,212 MW Riviera Beach power plants in April 2013 and April 2014, respectively. FPL has also undertaken uprates at its nuclear facilities of St. Lucie and Turkey Point, which resulted in an incremental 522 MW of capacity at these units. Through a generation base rate adjustment (GBRA) mechanism, FPL has been able to receive rate recovery of its modernization projects without filing for a rate case. These increases amounted

OPC 009846
FPL RC-16

to $164 million for Cape Canaveral and $234 million for Riviera Beach. The nuclear uprate costs are being recovered through the nuclear clause and base rates.

Capex peaked in 2012 and has been moderating since, but it is likely to pick up again. FPL is in the process of modernizing its Port Everglades plant (1,240 MW), which is expected to be operational in mid-2016. FPL has issued a request for proposal for capacity need in 2019 and its self-build option includes a new natural gas-fired combined cycle plant in Okeechobee County, FL. In addition, FPL plans to build three solar PV projects (74 MW each) that are expected to be placed into service by the end of 2016. FPL has also announced plans to purchase the 250 MW coal-fired Cedar Bay facility, which has a power purchase agreement with FPL through 2024. Once the acquisition, which requires FPSC approval, is complete, FPL plans to retire the plant by the end of 2016.

In December 2014, the FPSC approved FPL's petition to invest in natural gas reserves and recover costs associated with the investment through the fuel clause. A wholly owned subsidiary of FPL will, in partnership with a third party, develop up to 38 natural gas production wells in the Woodford shale region. In June, the FPSC authorized FPL to invest up to $500 million annually in future natural gas reserves. FPL also is in the process of obtaining a combined construction and operating license from the Nuclear Regulatory Commission for two additional nuclear units (2,200 MW) at its Turkey Point site.

Rebound in Customer Growth

Florida's economy is recovering well after the last prolonged recession, with most key indicators such as housing starts, employment statistics and consumer sentiment on an upward trend. Adjusted for weather, FPL's retail kilowatt hour sales grew 1.3% in 2014, driven by 1.2% customer growth and 0.1% usage increase. In 2013, FPL's weather-adjusted retail sales grew by 0.8%, driven by 0.6% customer growth and 0.2% increased usage.

Fitch's financial forecasts for FPL are based on a 1% cumulative annual growth rate in retail sales over 2015–2018; any upside in sales growth would be positive for FPL's credit metrics. Conversely, a flat or declining growth environment could put pressure on FPL's financial performance. However, FPL's credit metrics are expected to be quite robust over 2015–2018, and there exists adequate headroom to withstand a long period of flat-to-negative growth, which is what Fitch has assumed in its stress case. This is also a key factor in the stability of FPL's ratings, since the utility cannot implement a base rate increase outside the new generation additions before December 2016.

Strong Credit Metrics

FPL's credit metrics remain robust over the rating horizon and are strong compared to its 'A' rating level. The metrics show modest deterioration as the utility nears the end of its rate freeze period and continues to invest heavily in improving its infrastructure. Growth in EBITDA is supported by sales growth and preapproved base rate increases. FFO is negatively affected as the tax shield offered by bonus depreciation subsides and FPL resumes cash payments to its parent.

Fitch expects FFO fixed-charge coverage to be in the 7.0x–9.0x range over the forecast period, 2015–2018. FFO-adjusted leverage and adjusted debt/EBITDAR are expected to be approximately 3.0x and 2.3x, respectively, by 2018.

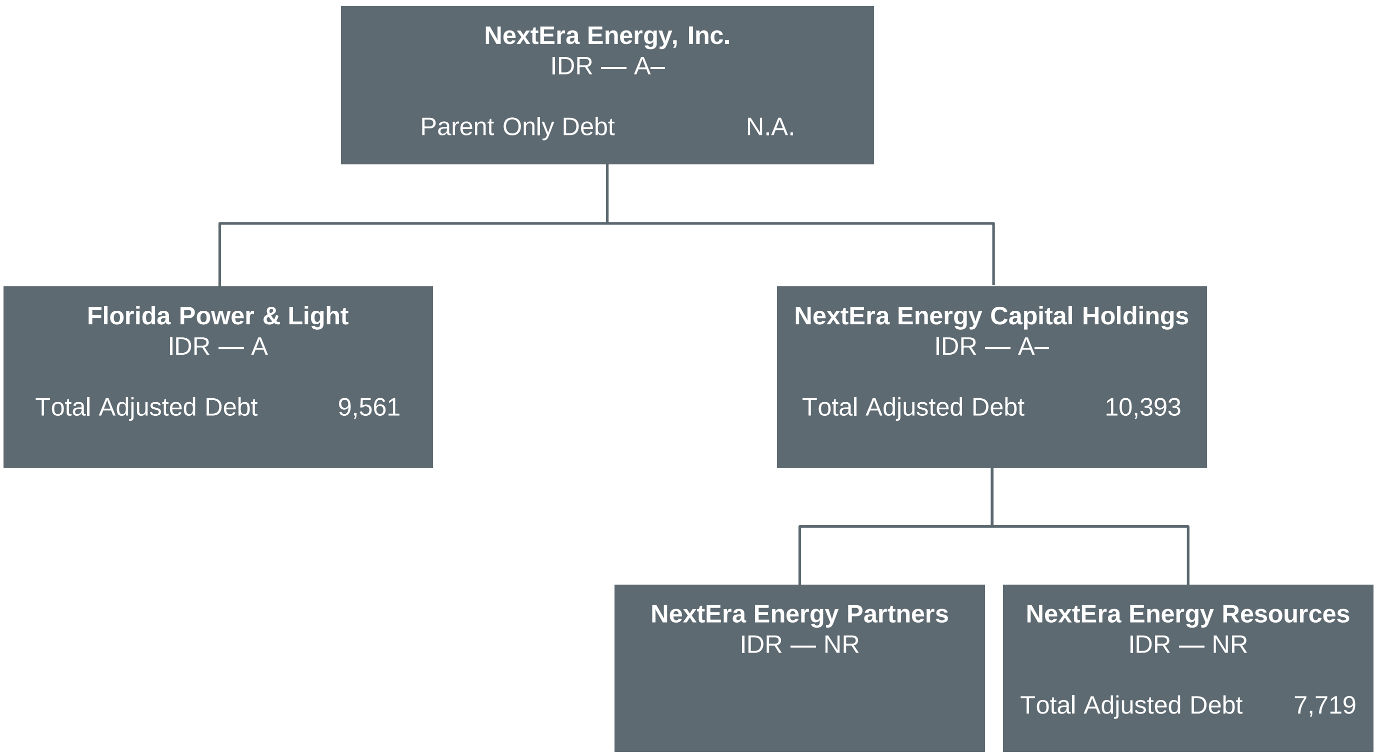
OPC 009847
FPL RC-16

Organizational Structure

The rating linkage between NextEra and FPL is strong, given the strategic importance of FPL in the overall portfolio and common financial ties. However, FPL's authorized regulatory capital structure (40% debt and 60% equity) and 65% debt/cap covenant in its debt indentures limit the distribution that could be paid to the parent and provide for a one-notch differential between FPL's and NextEra's Issuer Default Ratings. The proposed acquisition of Hawaiian Electric Industries, Inc. (HEI) does not affect the ratings of FPL. HEI will become a wholly owned, second-tier holding company of NextEra.

Organizational and Debt Structure

($ Mil., As of March 31, 2015)



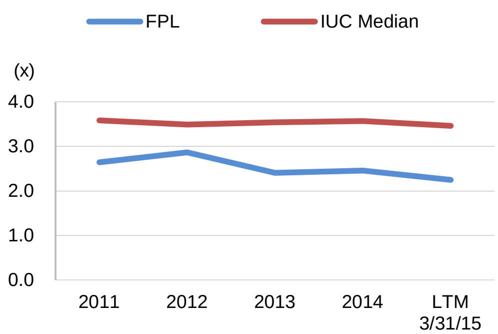
IDR – Issuer Default Rating. NR – Not rated. N.A. – Not available.
Source: Company reports, Fitch analysis.

Definitions

- Total Adjusted Debt/Op. EBITDAR: Total balance sheet adjusted for equity credit and off-balance sheet debt divided by operating EBITDAR.
- FFO Fixed-Charge Coverage: FFO plus gross interest minus interest received plus preferred dividends plus rental payments divided by gross interest plus preferred dividends plus rental payments.
- FFO Adjusted Leverage: Gross debt plus lease adjustment minus equity credit for hybrid instruments plus preferred stock divided by FFO plus gross interest paid plus preferred dividends plus rental expense.

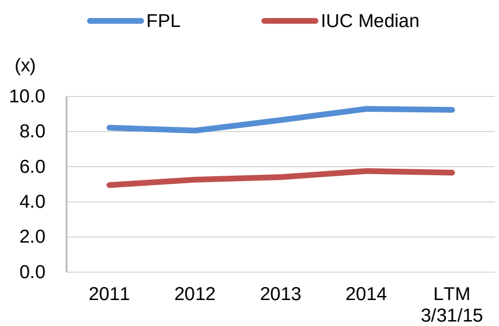
Key Metrics

Total Adjusted Debt/Op. EBITDAR



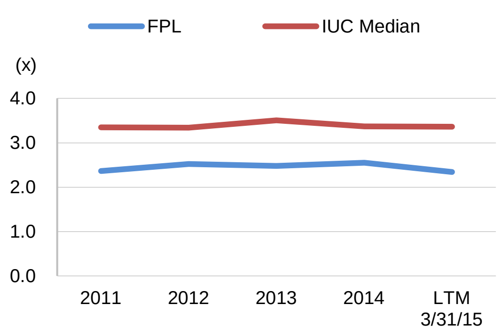
Source: Company data, Fitch.

FFO Fixed-Charge Coverage



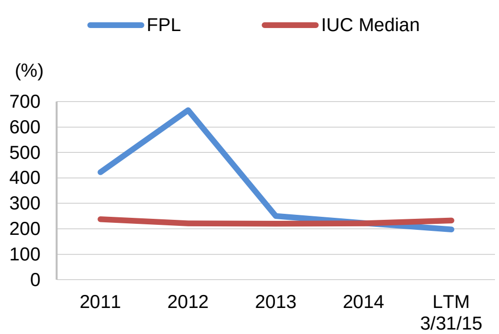
Source: Company data, Fitch.

FFO-Adjusted Leverage



Source: Company data, Fitch.

Capex/Depreciation



Source: Company data, Fitch.

OPC 009849
FPL RC-16

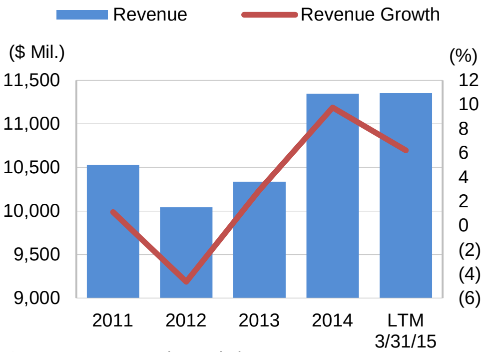
Company Profile

FPL is an integrated electric utility that provides rate-regulated electric service to approximately 4.7 million customer accounts in Florida. Residential customer accounts comprise 89% of the total, with commercial customer accounts making up the rest. Its residential and commercial retail bill per kWh is one of the lowest in Florida and also below the national average.

FPL owns approximately 25,100 MW of generation capacity. FPL's fuel mix is 68% natural gas, 23% nuclear, 4% coal and 5% purchased power. FPL has firm transportation contracts in place for existing pipeline capacity with five transportation suppliers. In 2013, the FPSC approved FPL's 25-year natural gas transportation agreements with the proposed Sabal Trail and Florida Southeast Connection pipelines, both of which include NextEra as a project sponsor and are expected to be operational in mid-2017.

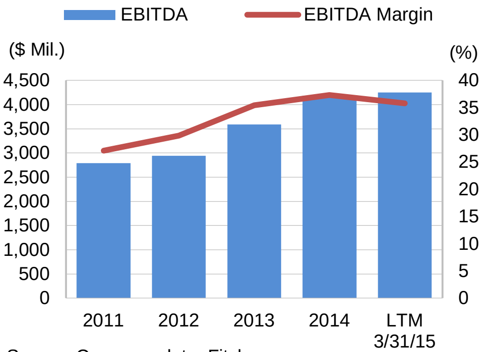
Business Trends

Revenue Dynamics



Source: Company data, Fitch.

EBITDA Dynamics



Source: Company data, Fitch.

OPC 009850
FPL RC-16

Financial Summary — Florida Power & Light Co.

(IDR — A/Stable) ($ Mil., as of March 31, 2015)	2011	2012	2013	2014	LTM Ended 3/31/2015
Fundamental Ratios (x)					
Operating EBITDAR/(Gross Interest Expense + Rents)	7.4	7.1	8.9	9.7	9.6
FFO Fixed-Charge Coverage	8.2	8.1	8.7	9.3	9.2
Total Adjusted Debt/Operating EBITDAR	2.6	2.9	2.4	2.5	2.2
FFO/Total Adjusted Debt (%)	42.3	39.7	40.3	39.2	42.7
FFO-Adjusted Leverage	2.4	2.5	2.5	2.6	2.3
Common Dividend Payout (%)	37.5	—	79.3	102.2	101.4
Internal Cash/Capex (%)	57.0	68.2	89.3	60.3	69.1
Capex/Depreciation (%)	422.8	666.1	250.8	222.7	197.7
Return on Equity (%)	10.3	10.6	10.5	11.6	11.1
Profitability					
Revenues	10,532	10,043	10,337	11,345	11,352
Revenue Growth (%)	1.1	(4.6)	2.9	9.8	6.2
Net Revenues	5,555	5,778	6,412	6,970	7,008
Operating and Maintenance Expense	1,699	1,773	1,699	1,620	1,589
Operating EBITDA	2,793	2,945	3,590	4,184	4,253
Operating EBITDAR	2,793	2,945	3,590	4,184	4,253
Depreciation and Amortization Expense	742	611	1,073	1,377	1,411
Operating EBIT	2,051	2,334	2,517	2,807	2,842
Gross Interest Expense	379	416	403	433	442
Net Income for Common	1,068	1,240	1,349	1,517	1,529
Operating Maintenance Expense % of Net Revenues	30.6	30.7	26.5	23.2	22.7
Operating EBIT % of Net Revenues	36.9	40.4	39.3	40.3	40.6
Cash Flow					
Cash Flow from Operations	2,189	2,775	3,472	3,399	3,477
Change in Working Capital	(550)	(159)	388	(195)	(167)
Funds from Operations	2,739	2,934	3,084	3,594	3,644
Dividends	(400)	—	(1,070)	(1,550)	(1,550)
Capex	(3,137)	(4,070)	(2,691)	(3,067)	(2,789)
FCF	**(1,348)**	**(1,295)**	**(289)**	**(1,218)**	**(862)**
Net Other Investment Cash Flow	(122)	(195)	(229)	(507)	(476)
Net Change in Debt	1,024	1,020	143	1,580	736
Net Equity Proceeds	410	440	275	100	550
Capital Structure					
Short-Term Debt	330	105	204	1,142	420
Total Long-Term Debt	7,046	8,344	8,443	9,142	9,140
Total Debt with Equity Credit	**7,376**	**8,449**	**8,647**	**10,284**	**9,560**
Total Adjusted Debt with Equity Credit	7,376	8,449	8,647	10,284	9,560
Total Hybrid Equity and Minority Interest	—	—	—	—	—
Total Common Shareholders' Equity	10,850	12,530	13,084	13,151	14,060
Total Capital	18,226	20,979	21,731	23,435	23,620
Total Debt/Total Capital (%)	40.5	40.3	39.8	43.9	40.5
Total Hybrid Equity and Minority Interest/Total Capital (%)	—	—	—	—	—
Common Equity/Total Capital (%)	59.5	59.7	60.2	56.1	59.5

IDR – Issuer Default Rating.
Source: Company data, Fitch.

OPC 009851
FPL RC-16

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.