MOODY'S
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Credit Opinion: NextEra Energy, Inc.

Global Credit Research - 27 Oct 2015

Juno Beach, Florida, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	Baa1
Jr Subordinate Shelf	(P)Baa2
Pref. Shelf	(P)Baa3
NextEra Energy Capital Holdings, Inc.	
Outlook	Stable
Bkd Senior Unsecured	Baa1
Jr Subordinate Shelf	(P)Baa2
BACKED Pref. Shelf	(P)Baa3
Commercial Paper	P-2
Florida Power & Light Company	
Outlook	Stable
Issuer Rating	A1
First Mortgage Bonds	Aa2
Commercial Paper	P-1
FPL Group Capital Trust I	
Outlook	Stable
BACKED Pref. Stock	Baa2

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Key Indicators

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

	6/30/2015(L)	12/31/2014	12/31/2013	12/31/2012	12/31/2011
(CFO Pre-W/C + Interest) / Interest	5.8x	5.4x	5.1x	4.5x	4.8x
(CFO Pre-W/C) / Net Debt	22.4%	21.1%	18.7%	15.6%	19.3%
RCF / Net Debt	17.8%	17.0%	14.5%	11.6%	16.2%
(CFO Pre-W/C) / Debt	21.9%	20.6%	18.4%	15.4%	19.0%
RCF / Debt	17.5%	16.7%	14.2%	11.4%	15.9%

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

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

FPL: Strong foundation to NEE's credit profile

NEER: Growing, de-risking a leading clean-energy portfolio

NEP: Role as financing vehicle diminished for now amidst market turmoil

Hawaiian Electric acquisition: a strategic move to lower risk businesses

Balance sheet fortified going into capex peak in 2016

Corporate Profile

NextEra Energy, Inc. (NEE, Baa1 issuer rating) is one of the largest hybrid power and utility companies in the US. It is a holding company for Florida Power and Light Company (FPL, A1 issuer rating), a regulated electric utility in Florida, and NextEra Energy Capital Holdings, Inc. (NEECH, Baa1 senior unsecured for debt guaranteed by NEE), the principal debt financing vehicle for the non-FPL businesses. NEECH's largest subsidiary is NextEra Energy Resources (NEER, not rated), an intermediate holding company for NEE's independent power projects and its yieldco, NextEra Energy Partners, LP (NEP, not rated).

SUMMARY RATING RATIONALE

NEE's rating reflects its leading industry positions in the US as the owner of one of the strongest regulated electric utilities (FPL, 52% of LTM June 2015 consolidated EBITDA) as well as the largest portfolio of renewable power projects under NEECH (the remaining 48% of EBITDA). Over the past few years, NEE has been de-emphasizing merchant power activities, and focusing instead on lower-risk contracted or regulated businesses in a credit-positive strategic shift. NEE has fortified its balance sheet going into another construction wave at NEER in 2016, but will need continued good access to the bank and debt capital markets to maintain its liquidity.

For further detail, please refer to our Credit Opinions for NEECH (focused on the non-FPL aspects of NEE) and FPL.

DETAILED RATING CONSIDERATIONS

FPL: STRONG FOUNDATION TO NEE'S CREDIT PROFILE

FPL is NEE's legacy core asset. As one of the strongest regulated electric utilities in the US, FPL forms a strong foundation to NEE's credit profile. The political and regulatory environment for Florida utilities is stable, allaying some of the uncertainties that FPL's upcoming rate case in 2016 will entail. The company has good cost recovery mechanisms that produce consistently above-average credit metrics. Unusual among many US electric utilities, FPL has a growing service territory that will generate organic sales growth and new investment opportunities. FPL has minimal exposure to coal, which puts it in a good stead to comply with the Environmental Protection Agency's proposed Clean Power Plan. It is reliant on natural gas for the majority of its generation, however, and as a strategic response, the company has begun to invest in gas reserves both as a fuel cost hedge and a long-term investment.

NEER: GROWING, DE-RISKING A LEADING CLEAN-ENERGY PORTFOLIO

NEER has a large, diverse generation portfolio, and is the top owner of wind and solar generation in the US. These clean energy resources obviate much of the heavy environmental expenditures that its coal-oriented peers are required to make, and provide opportunities to sell renewable energy mostly to investment-grade utilities seeking to comply with environmental mandates. NEER's credit metrics have improved from new cash flows generated by power plants that were completed over the last few years. Demand for renewable energy remains robust, and to meet it, NEER plans to spend $12 billion in an ongoing wave of construction over the 2016-18 period that will increase its wind and solar generation capacity by roughly 25%. All of these projects are secured by long-term contracts, which will result in more stable cash flows, while reducing NEER's exposure to merchant activities that are riskier and have a weak outlook.

NEP: ROLE AS FINANCING VEHICLE DIMINISHED FOR NOW AMIDST MARKET TURMOIL

NEP is a yieldco subsidiary of NEER that went public in July 2014. Since June 2015, NEP's unit prices have fallen along with other yieldcos in a broad market downturn. The fall in unit prices has eliminated the prior cost-of-capital advantage of raising capital at NEP, so that for the near future, we expect little growth and financing activity at NEP. This market downturn caught NEP as it announced its acquisition of NET Midstream pipelines in August 2015. Given the weakness in the yieldco equity market, the $1.5 billion of financing in the 3Q15 was more leveraged than initially planned from a NEE consolidated standpoint (about 75% debt financed, including the 25% equity credit we give to the $700 million of equity units that NEE issued), with NEE stepping up to finance almost half of that amount rather than at NEP. From a credit perspective, NEP is still too small to have much impact on NEE's large balance sheet. As of 30 June 2015 (before the above-mentioned 3Q15 transactions), NEP accounted for only 4% of consolidated EBITDA and 8% of consolidated debt.

HAWAIIAN ELECTRIC ACQUISITION: A STRATEGIC MOVE TO LOWER RISK BUSINESSES

NEE is seeking new shareholder growth avenues beyond the next few years of identified projects and to circumvent the industry outlook for flat-to-declining power sales due to energy efficiency and new technologies. The company also wants to reduce business risk by increasing the proportion of regulated and contracted assets.

In keeping with NEE's strategic efforts to grow regulated businesses, NEE has shown a willingness to buy other utilities, as indicated by its pending acquisition of Hawaiian Electric Industries Inc., the parent company of Hawaiian Electric Company, Inc. (Baa1 negative). This $4.3 billion acquisition requires the approval of the Hawaii Public Utilities Commission, which has stated it may take until June 2016 to decide. We note that the proposed transaction has met with some local opposition, including the governor of Hawaii. If the acquisition is consummated as currently contemplated, it will not have a rating impact on NEE, since the proportion of regulated EBITDA on a pro forma basis goes up by only 5% from 52% of NEE consolidated currently, due to Hawaiian Electric's much smaller size and the 100% equity financing for the transaction.

BALANCE SHEET FORTIFIED GOING INTO CAPEX PEAK IN 2016

NEE's credit metrics have recovered with cash flow from operations before working capital changes to debt (CFO pre-WC / Debt) of 22.3% in LTM June 2015, steadily up from the nadir of 15.4% in 2012. These improvements were driven by rising cash flows at NEER from power plants coming on-line. In addition, NEE strengthened its balance sheet by issuing a significant amount of equity, including $0.6 billion issued in December 2014 from the exercise of an equity forward sale agreement and $1.2 billion issued in 2015 from the settlement of the equity forward contracts included in its equity units. A better capitalized balance sheet better positions the company for 2016, which will be another peak year for capex and related financings. Organic projects will push capex to the $9 billion range in 2016 and potentially up to $11 billion if Hawaiian Electric is acquired.

We believe management is motivated to defend NEE's ratings, which it considers as a competitive advantage in executing its business strategy. We also note that, in August 2015, NextEra also changed its dividend policy to increase dividend payouts from 55% in 2014 to 65% by 2018. The stable outlook incorporates the expectation that NEE will mitigate the credit-negative impact of higher dividends with rising cash flow from new projects at NEECH and a lower business risk profile from reduced merchant activities.

Liquidity Profile

Over the next four quarters through 2016, FPL is projected to maintain adequate liquidity. NEECH's liquidity will be constrained by the need to finance a spike in its already large capital program, to repay and to refinance a substantial amount of maturing debt, and to provide for material contingent calls related to its hedging and marketing activities. However, NEECH has demonstrated good access to bank and debt capital markets to maintain its liquidity.

FPL: FPL's CFO pre-WC at the current run-rate ($3.6 billion in LTM June 2015) would meet the majority of the $3.9 - $4.3 billion of projected capex in 2016. FPL can bridge its funding gap with its $3.2 billion of credit facilities, which backstop its CP program. In 2016, $500 million of these commitments expire; the remainder terminates in 2020. FPL's credit facilities do not contain a material adverse change clause. Other than minor amortization payments on its storm securitization bonds, FPL does not have a large debt maturity until November 2017 when $300 million of first mortgage bonds come due.

NEECH: NEECH's CFO pre-WC at the current run-rate (calculated as NEE consolidated minus FPL) of $2.6 billion in LTM June 2015 would meet only half of its 2016 projected capex of $5.2 - $5.6 billion. Its core credit facility is a $4.9 billion revolver, which backs up its CP program. In 2016, $750 million of these commitments expire; the remainder terminates in 2020. This facility does not contain a material adverse change clause. In addition, NEECH had $1.7 billion of availability under several term loans and revolvers at NEER and NEP as of 30 June 2015. As of that date, NEECH had $4.3 billion of current maturities, including amortization of project debt at NEER.

Rating Outlook

The stable outlook incorporates the expectation that a faster rate of dividend growth would be sufficiently supported by a concomitant increase in stable cash flow from regulated and contracted assets as the company moves away from volatile merchant activities. We base our outlook on NEE maintaining cash flow from operations before working capital changes-to-debt (CFO pre-WC / Debt) in the 21%-23% range, about where it is currently. Given the plan to increase dividend payouts, we will focus more than previously on CFO pre-WC - Dividends / Debt, which we expect will be sustained in the 16%-17% range (17.5% as of LTM June 2015). We will also monitor the dividend payout metric, calculated as dividends divided by Net Profit After-tax Before Unusual Items, kept below 70% (48% as of LTM June 2015. The outlook also assumes that a balanced financing strategy will maintain the percentage of holding company debt below 40% (35% on a GAAP reported basis as of 30 June 2015).

What Could Change the Rating - Up

An upgrade is unlikely in the foreseeable future, in light of the significant capital projects ahead of NEE, and its willingness to take part in sizable M&A transactions. Longer term, an upgrade is possible if NEE substantially reduces debt at NEECH/NEER and its unregulated activities while improving its cash flow metrics, such as consolidated CFO pre-WC / Debt sustained above 30%.

What Could Change the Rating - Down

A downgrade is possible if NEE is unsuccessful in increasing cash flow from its investments as it plans while lowering its business risk and maintaining balanced financial strategies, so that its consolidated CFO pre-WC / Debt is sustained below 20%; CFO pre-WC - Dividends / Debt below 16%; dividend payouts around 70%; and the percentage of holding company debt to total consolidated debt around 40%.

Other Considerations

NEE's capital structure is made complex by an array of financings used (e.g., hybrids, tax equity, the yieldco) at a growing number of entities under NEECH. The three-notch gap between the NEE holding company's Baa1 and FPL's A1 issuer ratings reflects not only the differences in their business risk, but also the degree of structural subordination of holding company debt obligations to a substantial amount of debt at the operating assets. NEE has a relatively high percentage of holding company debt obligations compared to its peers. NEE's ultimate holding company has no debt of its own, but as of 30 June 2015, guaranteed 35% of reported consolidated debt that resides at NEECH. NEECH's debt is structurally subordinated to project-related debt (32% of consolidated debt), mostly at NEER, and debt at FPL (33% of consolidated debt).

GRID INDICATED RATINGS

Given the almost 50/50 mix between FPL and NEER segment assets, we analyze NEE using both our regulated utility and unregulated utility rating methodologies. NEE's Baa1 rating reflects a company that combines a A-quality utility and a Baa-quality unregulated power company. Both grids indicate a Baa1 rating, in line with NEE's actual rating. If NEE becomes significantly more regulated as it plans, the unregulated utility methodology will become less relevant in assessing the company on a consolidated basis.

Rating Factors

NextEra Energy, Inc.

Regulated Electric and Gas Utilities Industry Grid [1][2]	**Current LTM 6/30/2015**		[3]**Moody's 12-18 Month Forward ViewAs of 10/16/2015**	
Factor 1 : Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Legislative and Judicial Underpinnings of	A	A	A	A

the Regulatory Framework				
b) Consistency and Predictability of Regulation	Aa	Aa	Aa	Aa
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	Baa	Baa	Baa	Baa
b) Sufficiency of Rates and Returns	Baa	Baa	Baa	Baa
Factor 3 : Diversification (10%)				
a) Market Position	Aa	Aa	Aa	Aa
b) Generation and Fuel Diversity	A	A	A	A
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	5.3x	A	6.1x - 6.3x	Aa
b) CFO pre-WC / Debt (3 Year Avg)	18.9%	Baa	22% - 24%	A
c) CFO pre-WC - Dividends / Debt (3 Year Avg)	13.9%	Baa	17% - 19%	A
d) Debt / Capitalization (3 Year Avg)	49.8%	Baa	46% - 48%	Baa
Rating:				
Grid-Indicated Rating Before Notching Adjustment		Baa1		A3
HoldCo Structural Subordination Notching	-1	-1	-1	-1
a) Indicated Rating from Grid		Baa2		Baa1
b) Actual Rating Assigned		Baa1		Baa1

Unregulated Utilities and Unregulated Power Companies Industry Grid [1][2]	**Current LTM 6/30/2015**		[3]**Moody's 12-18 Month Forward ViewAs of 10/16/2015**	
Factor 1 : Scale (10%)	**Measure**	**Score**	**Measure**	**Score**
a) Scale (USD Billion)	Aa	Aa	Aa	Aa
Factor 2 : Business Profile (40%)				
a) Market Diversification	A	A	A	A
b) Hedging and Integration Impact on Cash Flow Predictability	Baa	Baa	Baa	Baa
c) Market Framework & Positioning	Baa	Baa	Baa	Baa
d) Capital Requirements and Operational Performance	Baa	Baa	Baa	Baa
e) Business Mix Impact on Cash Flow Predictability	A	A	A	A
Factor 3 : Financial Policy (10%)				
a) Financial Policy	Baa	Baa	Baa	Baa
Factor 4 : Leverage and Coverage (40%)				
a) (CFO Pre-W/C + Interest) / Interest (3 Year Avg)	5.3x	Baa	5x - 5.2x	Baa
b) (CFO Pre-W/C) / Net Debt (3 Year Avg)		NA		
c) RCF / Net Debt (3 Year Avg)		NA		
b) (CFO Pre-W/C) / Debt (3 Year Avg)	18.9%	Ba	19% - 21%	Baa
c) RCF / Debt (3 Year Avg)	14.8%	Ba	14% - 15%	Ba
Rating:				
a) Indicated Rating from Grid		Baa2		Baa2
b) Actual Rating Assigned		Baa1		Baa1

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. [2] As of 6/30/2015(L); Source: Moody's Financial Metrics [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

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