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Fitch Rates Florida Power & Light Company's First Mortgage Bonds 'AA-'

Fitch Ratings-New York-17 November 2015: Fitch Ratings has assigned ratings of 'AA-' to Florida Power & Light Company's (FPL) issue of $600 million 3.125% series first mortgage bonds due Dec. 1, 2025. FPL plans to use the net proceeds from this offering to fund transaction costs incurred in connection with FPL's purchase of approximately $400 million in aggregate principal of several series of its first mortgage bonds in September 2015 and for general corporate purposes.

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.

KEY RATING DRIVERS

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 basis points (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 2018. Fitch believes this target is likely to be exceeded, given the 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. FPL continues to make progress on its major capital projects. Specifically, the generation modernization project at Port Everglades remains on budget and scheduled to enter service in mid-2016. Additionally, FPL's development of three new large-scale solar energy centers remain (74-megawatts each) on schedule.

Robust Credit Metrics: FPL's forecasted funds from operations (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. As of Sept. 30, 2015, FPL's latest 12 months (LTM) total adjusted debt/operating EBITDAR and FFO adjusted leverage were 2.1x and 2.5x respectively.

KEY RATING ASSUMPTIONS

--Annual retail sales growth of 1% over 2015-2018;

--Base rate increases in mid-2016 for Port Everglades. Additional rate increase in 2017 to allow FPL to earn close to its current authorized ROE of 10.5%;

--O&M and other expenses growth of 1.5% from 2015-2018;

--Capex at FPL of approximately $15 billion over 2015-2018.

RATING SENSITIVITIES

Positive Rating Action: Given strong rating linkage with its parent company, NextEra Energy, Inc. (NextEra; rated 'A-' by Fitch), 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.

Contact:

Primary Analyst

Shalini Mahajan, CFA

Managing Director

+1-212-908-0351

Fitch Ratings, Inc.

33 Whitehall Street

New York, NY 10004

Secondary Analyst

Maude Tremblay

Director

+1-312-368-3203

Committee Chairperson

Michael Weaver

Managing Director

+1-312-388-3156

Media Relations: Alyssa Castelli, New York, Tel: +1 (212) 908 0540, Email: alyssa.castelli@fitchratings.com.

Date of Relevant Rating Committee: April 21, 2015.

Additional information is available at 'www.fitchratings.com'.

Applicable Criteria

Corporate Rating Methodology - Including Short-Term Ratings and Parent and Subsidiary Linkage (pub. 17 Aug 2015)

Additional Disclosures

Solicitation Status

Endorsement Policy