MEMORANDUM

TO: TAX ACCOUNTING FILES

FROM: NEE TAX ACCOUNTING AND TAX PLANNING

SUBJECT: TAX REFORM –IMPACT ON 2017 FINANCIAL STATEMENTS

DATE: DECEMBER 28, 2017

I. BACKGROUND

NextEra Energy, Inc. ("NEE") conducts its operations principally through two wholly-owned subsidiaries, Florida Power & Light Company ("FPL") and NextEra Energy Resources, LLC ("NEER"). NEER is a disregarded entity for U.S. tax purposes and is a wholly-owned subsidiary of NextEra Energy Capital Holdings, Inc. ("NEECH"). NEECH, a regarded entity for U.S. tax purposes, is wholly-owned by NEE. Entities that are not owned by FPL or NEER are collectively referred to as the "Corporate and Other" business unit ("C&O") within this memorandum. During 2014, NextEra Energy Partners LP ("NEP") was formed to acquire, manage, and own contracted clean energy projects with stable, long-term cash flows through a limited partner interest in NextEra Energy Operating Partners, LP ("Opco"), of which NEER owns, directly and indirectly, 65.16% at December 31, 2017. All entities are collectively referred to as "the Company" within this memorandum.

On December 22, 2017, President Trump signed the *Tax Cuts and Jobs Act of 2017* (the "2017 Act") into law, which includes a broad range of tax changes affecting businesses, including corporate tax rates, business deductions, and international tax provisions, and provides the most significant overhaul of the US tax code in more than 30 years. The legislation is generally effective for tax years beginning after 2017. The bill also includes some temporary measures and provides transition rules for certain items. ASC 740, *Accounting for Income Taxes* ("ASC 740"), requires the effects of changes in tax laws or rates to be recognized in the period in which the law is enacted regardless of the effective date. As a result, the Company remeasured its deferred tax liabilities and deferred tax assets, along with evaluating any other tax accounting implications related to the 2017 Act.

Additionally, on December 22, 2017 the Securities Exchange Commission ("SEC") issued Staff Accounting Bulletin 118, *Income Tax Accounting Implications of the Tax Cuts and Jobs Act* ("SAB 118") which granted relief providing up to one-year to finalize accounting impacts related to the 2017 Act. The relief is limited to accounting for income taxes associated with the 2017 Act only. The SEC has acknowledged the accounting for certain income tax effects of the 2017 Act may be incomplete for Form 10-K purposes. The guidance was provided for "situations where a registrant does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete the accounting". The relief is similar to the accounting for business combinations whereby provisional amounts are recorded based on reasonable estimates until information is finalized. Measurement period ends when amounts are finalized and cannot extend beyond one year from enactment date (i.e., December 22, 2018).

On January 10, 2018, at the Financial Accounting Standard Board's ("FASB") board meeting, the FASB discussed several topics related to income tax accounting for tax reform and we considered whether there were any tax accounting implications as a result of the FASB board meeting.

Unless otherwise noted, all references to "section" or "sections" are to the Internal Revenue Code of 1986, as amended, including by the 2017 Act (the "Code").

II. PURPOSE

The purpose of this memorandum and supporting workbooks is to document the Company's considerations of the 2017 Act and SAB 118 on the 2017 financial statements.

III. CONSOLIDATED SUMMARY CALCULATION

Tab 1 in both the federal and state workbook is a summary of the impact on the 2017 financial statements of the 2017 Act. A summary of the NEE consolidated impact broken down by business unit and discussed in this memorandum is shown below:

$ in millions	FPL	NEER	C&O	Total
Income Statement Impact Due to 2017 Act (Benefit)/Detriment	(14)	[redacted]		
Balance Sheet Impact Due to 2017 Act	(4,462)			

[redacted]

V. ACCOUNTING FOR TAX LAW CHANGES

a. Accounting for Tax Law Changes - Timing

Pursuant to ASC 740-10-25-47, the effects of changes in tax laws or rates are to be recognized in the period in which the law is enacted regardless of the effective date and for US federal tax purposes, the enactment date is most often the date the President signs the bill into law.

2017 Tax Accounting Implications:
As such, the effects of the changes related to the 2017 Act will be recognized in 2017 as it was enacted on December 22, 2017.

b. Accounting for Tax Law Changes – Nonregulated Entities

[redacted]

c. Accounting for Tax Law Changes – Regulated Entities

Rate regulated utilities/entities will record the reduction in tax rates differently, following the guidance in ASC 740 for this industry. Instead of reducing Accumulated Deferred Income Taxes ("ADIT") as a component of the income tax provision as described above, the accounting for the tax rate reduction for regulated entities would follow the ratemaking, and a regulatory tax liability would likely be recorded for all or a portion of the rate differential. The entry for the tax rate reduction for rate-regulated entities would likely be to Regulatory Liability. This entry would be computed at the revenue requirement (gross-up) level and recognizes it is probable that the reduction in ADIT will be 1) used to reduce customer rates and 2) that the regulatory liability itself is a temporary difference. ASC 740 requires regulated entities to record ADIT the same as all enterprises with an offsetting regulatory asset/liability (balance sheet) to reflect the probable regulated recovery/refund resulting from the regulatory process. One of the areas of difference cited in ASC 740 for regulated enterprises is the treatment afforded changes in income tax rates. Specifically ASC 980-740-25-1 and 25-2 states:

> 25-1 *For regulated entities that meet the criteria for application of paragraph 980-10-15-2, this Subtopic specifically:*
>
> *a) ..*
> *b) Requires recognition of a deferred tax liability for tax benefits that are flowed through to customers when temporary differences originate and for the equity component of the allowance for funds used during construction.*
> *c) Requires adjustment of a deferred tax liability or asset for an enacted change in tax law or rates.*
>
> *25-2 If, as a result of an action by a regulator, it is <u>probable</u> that the future increase or decrease in taxes payable for (b) and (c) in the preceding paragraph will be recovered from or returned to customers through future rates, an asset or liability shall be recognized for that probable future revenue or reduction in future revenue pursuant to paragraphs 980-340-25-1 and 980-405-25-1. That asset or liability also shall be a temporary difference for which a deferred tax liability or asset shall be recognized.*

<u>2017 Tax Accounting Implications</u>:
Based on the above guidance, a regulatory asset or liability should be recorded if it is probable that the benefit resulting from the tax rate decrease will be returned to customers through future rates. As such, it is important to determine NEE's population of regulated entities and whether it is probable that the benefit resulting from the tax rate decrease will be returned to customers through future rates for each of these regulated entities. As attached in Appendix A to this memorandum, Tax Accounting Policy and Analysis identified the population of regulated contracts/entities as well as the treatment of the tax rate decrease based on whether it was probable that the tax rate decrease will be returned to customers through future rates for each of these regulated entities. Below is a summary of the results from the analysis in Appendix A.

Contract/Entity	Offsetting entry to change in deferred balances	Rationale
FPL retail	Regulatory	It is probable that the benefit will be returned to

	Liability	the customers through future rates as the prices that FPL may charge are approved by the Florida Public Service Commission and the regulated rates are intended to cover the cost of providing service, including a reasonable rate of return on invested capital.
FPL long-term whole sale contracts	Regulatory Liability	The Lee County and FL Keys agreements will result in return of the benefit to the customers. For the remaining 8 stated rate contracts, while there may be conceptual merit to record the impact of the tax change to earnings and not a regulatory liability, there appears to be significant challenges in discerning what portion of the impacts, if any, relate to those contracts.
[redacted]		

See summary of the remeasurement of the federal deferred tax assets and liabilities by business unit, including the entry for the tax rate reduction for rate regulated entities as detailed above would be to Regulatory Liability and the entry would be computed at the revenue requirement (gross-up) level summarized in **Tab 1** in the federal workbook and **Tab 1** in the state workbook

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[redacted]

[redacted]

VI. TAX ACCOUNTING IMPLICATIONS OF DOMESTIC PROVISIONS

a. Applicable Tax Rate

The 2017 Act reduces the corporate federal tax rate from 35% to 21%, effective in 2018.[3]

2017 Tax Accounting Implications:
The Company considered the following 2017 tax accounting implications related to the decrease in the corporate federal tax rate: (1) remeasurement of deferred tax assets and liabilities, (2) valuation allowance considerations specifically related to the utilization of the production and investment tax credits and (3) state impacts.

1. Remeasurement of deferred tax assets and liabilities

Pursuant to ASC 740-10-10-3, in computing the amount of deferred tax liabilities and assets, the objective is to measure a deferred tax liability or asset using the enacted tax rate(s) expected to apply to taxable income in the periods in which the deferred tax liability or asset is expected to be settled or realized. Thus, at the date of enactment, deferred taxes will need to be remeasured based upon the new 21% tax rate. See summary of the remeasurement of the federal deferred tax assets and liabilities by business unit summarized in **Tab 1** in the federal workbook.

2. Valuation allowance considerations

[redacted]

[3] Section 11(b).

[redacted]

4. Enactment date vs. year end date

Deloitte *Financial Reporting Alert 18-10 - Frequently Asked Questions About Tax Reform (*"Deloitte Alert"*)* states that an entity should adjust deferred tax balances for the effect of a change in tax laws or rates as of the enactment date even if such date does not coincide with the end of a financial reporting period. The Company considered the implications of the enactment date of December 22, 2017 and identified that this would impact the remeasurement of deferred balances related to OCI. OCI activity prior to the enactment date should remain recorded at a federal rate 35% as described above; however, OCI activity after the enactment date should be recorded at 21%. The Company considered the following:

a. [redacted]

b. [redacted]

[redacted]

b. Repeal of Alternative Minimum Tax ("AMT")

The corporate AMT is being fully repealed for tax years beginning after December 31, 2017.[4] For tax years beginning in 2018, 2019, and 2020, the AMT credit carryforward can be utilized to offset regular tax with any remaining AMT carryforwards eligible for a refund of 50%.[5] Any remaining AMT credit carryforwards will become fully refundable beginning in the 2021 tax year.[6]

2017 Tax Accounting Implications:
As there are no existing valuation allowances on AMT credit carryforwards, the Company has no valuation allowance considerations because of tax reform since the asset is fully refundable.

[redacted]

c. Changes in NOL Deduction

The 2017 Act places new restrictions on the use of net operating losses ("NOLs"). Generally, under the 2017 Act, NOLs arising in tax years beginning after 2017 may only be carried forward, not backward, and may only be used to offset up to 80 percent of taxable income.[7] NOLs generated in tax years beginning before January 1, 2018 will not be subject to the taxable income limitation and will continue to have a two year carryback and 20 year carryforward period.[8]

2017 Tax Accounting Implications:
There are no existing federal NOLs as of December 2017 for NEE. [redacted]

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[4] Section 55(a).
[5] Section 53(e)(2).
[6] *Id.*
[7] Section 172(a), (b)(1)(A).
[8] 2017 Act section 13302(e).

[redacted]

d. Cost Recovery

[redacted]

For regulated property (e.g., FPL, [redacted] the 2017 Act allows MACRS with no bonus for property acquired and placed in service after September 27, 2017.[14]

For both regulated and unregulated property, the 2017 Act requires that the pre-2017 Act bonus depreciation phase-down (50% in 2017, 40% in 2018, 30% in 2019) applies to the portion of tax basis acquired (includes delivery or subject to a binding written contract) prior to September 28, 2017, and placed in service after September 27, 2017.[15] The following chart provides an overview of the relevant bonus depreciation percentages applying the binding contract straddle rule provided in the 2017 Act.

	Placed in Service Date[16]					
	2017	**2018**	**2019**	**2020**	**2021**	**2022**
Regulated Property						

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[9] Section 168(k)(1)(A).
[10] Section 168(k)(6)(A).
[11] Section 168(k)(6)(B).
[12] Section 168(k)(7).
[13] Section 168(k)(2)(A)(ii).
[14] Section 168(k)(9)(A).
[15] Section 168(k)(8).
[16] Analysis of bonus depreciation percentages based on Treasury Regulations issued for bonus depreciation in 2001 and 2005. The Company expects similar rules should apply to the bonus depreciation provisions enacted pursuant to the 2017 Act, but subsequent IRS guidance could impact this determination.

	2017	2018	2019	2020	2021	2022
Binding contract to acquire property prior to Sept. 28, 2017[17,18]	50%	40%	30%	0%	0%	0%
Binding contract to acquire property after Sept. 27, 2017[17]	0%	0%	0%	0%	0%	0%
Incurred 10% of total project cost prior to Sept. 28, 2017[19]	50%	40%	30%	0%	0%	0%

	2017	2018	2019	2020	2021	2022
Non-Regulated Property						
Binding contract to acquire property prior to Sept. 28, 2017[17, 18]	50%	40%	30%	0%	0%	0%
Binding contract to acquire property after Sept. 27, 2017[17]	100%	100%	100%	100%	100%	100%
Incurred 10% of total project cost prior to Sept. 28, 2017[19]	50%	40%	30%	0%	0%	0%

2017 Tax Accounting Implications:

For fiscal 2017, both regulated and unregulated property placed in service in the fourth quarter 2017 was analyzed to determine if such property was subject to a binding written contract prior to September 28, 2017, and therefore subject to the pre-2017 Act bonus depreciation of 50%. Tax Planning worked with Integrated Supply Chain ("ISC") to determine which assets placed in service in the fourth quarter of 2017 were subject to a binding written contract prior to September 28, 2017, and determined that this applied to substantially all of the property placed in service in the fourth quarter. Specifically, ISC's preliminary analysis identified approximately $103mm for FPL [redacted] that were placed in service in the fourth quarter of 2017 that were not subject to a binding written contract prior to September 28, 2017. For FPL, further analysis needs to be completed to determine whether the additions qualify for expensing as repair [redacted]. As these amounts are not material, the Company determined that a reasonable estimate for the year end provision, is

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[17] A contract is not binding until both the amount and design specifications are specified (e.g., a master agreement with general terms and conditions would not constitute a binding contract until purchase order is issued).

[18] Pre-2017 Act bonus depreciation phase-down applies to property subject to binding contract (i.e., component of larger property) and not to entire tax basis of property placed in service (assuming 10% of total property cost has not been incurred prior to Sept. 28, 2017).

[19] Relevant bonus depreciation percentage arguably applies to entire tax basis of property placed in service regardless of when costs are incurred. If 10% of total property cost is incurred after Sept. 27, 2017, only the components under a binding written contract prior to Sept. 28, 2017, should be subject to pre-2017 Act bonus depreciation phase-down. 10% of total project cost is a safe harbor provided by the Treasury Regulations. The taxpayer can also look to when "physical work of a significant nature" begins.

that all assets placed in service in the fourth quarter of 2017 are being treated as subject to the pre-2017 Act bonus of 50% and there is no change on the 2017 tax provision.

[redacted]

e. Normalization of Excess Deferred Taxes

To prevent regulators from excluding deferred income tax expense as a cost in the ratemaking process, the Code contains normalization provisions for public utility property that prevents regulators from flowing through the benefits of accelerated depreciation to ratepayers, which would be contrary to the rationale for allowing accelerated depreciation provisions. The normalization provisions allow utilities to enjoy the benefits intended when taking accelerated depreciation. At the same time, the normalization rules require that the resulting ADIT be used to reduce rate base or be treated as zero cost capital in the rate of return calculation, providing ratepayers the time value benefit of the interest free loan from the government. The normalization provisions apply to accelerated depreciation, certain excess ADIT due to reductions in income tax rate, and to the investment tax credit. The excess ADIT normalization provision first came to light in the 1986 Tax Act and pertained to the difference caused by reducing the tax rate from 46% to 34%. That provision required excess deferred income taxes be used to reduce revenue requirements no faster than would occur as the book/tax difference reverses. Any reduction in revenue requirements faster than this method would be a normalization violation. This method is referred to as the Average Rate Assumption Method (ARAM). If requisite vintage detail is available, ARAM must be used to pass back the excess ADIT related to method/life depreciation differences protected by the normalization provisions of the Code.

Book/tax differences other than method/life depreciation differences are not protected by the normalization rules, and thus there may be diversity in how these unprotected book/tax differences are shared with customers. When tax rates change, regulators may require any excess ADIT on unprotected book/tax differences to be used to reduce revenue requirements in any manner that can be justified. For instance, excess ADIT on unprotected items may be reversed as the book/tax difference itself reverses (similar to an ARAM approach), or such excess may be quantified and used to reduce rates over an arbitrary period. In 1986, there was diversity among regulators on how to treat unprotected excess deferred income taxes. Some regulators followed a treatment akin to ARAM, while others required regulated entities to pass unprotected excess ADIT to customers over a term shorter than the remaining book life of the assets, thus passing the impact on to customers sooner than the ARAM. Additionally, in a number of recent rate orders/settlements, regulators have included provisions suggesting that in the event of tax reform, utilities should compute the revenue requirement impacts and adjust rates/tariffs.

2017 Tax Accounting Implications:
As requisite vintage detail is available for FPL [redacted] ARAM must be used to pass back the excess ADIT related to method/life depreciation differences protected by the normalization provisions of the Code.

As stated above, book/tax differences other than method/life depreciation differences are not protected by the normalization rules, and thus there may be diversity in how these unprotected book/tax differences are shared with customers. [redacted] The Company determined for FPL [redacted] he excess ADIT for the book/tax differences for the non-protected property will be deferred to a regulatory liability and flowed back over a period of time.

[redacted]

2017 Tax Accounting Implications:
There is no impact on the 2017 provision.

[redacted]

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[20] Section 163(j).
[21] Section 163(j)(8).
[22] Section 163(j)(2).
[23] 2017 Act section 13601(a), (b).

[redacted]

h. Section 199 Deduction

The section 199 deduction for qualified domestic production activities is repealed starting for tax years beginning after December 31, 2017.[25]

2017 Tax Accounting Implications:
The Company considered whether any of the other 2017 Act provisions impacted the 2017 section 199 deduction. As described above in "Cost Recovery," the Company determined that there was no change for the 2017 provision as the majority of the fourth quarter assets placed in service would be subject to the pre-tax reform bonus of 50%. As stated above, ISC's preliminary analysis identified approximately $103mm for FPL [redacted] that were placed in service in the fourth quarter of 2017 that were not subject to a binding written contract prior to September 28, 2017. For FPL, further analysis needs to be completed to determine whether the additions qualify for expensing as a repair [redacted]. As such, the Company determined there is no change in the 2017 section 199 deduction related to this provision of the 2017 Act until further analysis is performed and based on the amounts above, the impact would not be material to the financial statements [redacted]

[redacted]

i. R&D Expenditures

Certain specified research or experimentation expenditures are required to be capitalized and amortized over a five-year period (15 years for research outside the US) beginning in tax years after December 31, 2022.[26] Currently, taxpayers can deduct these expenditures immediately or elect to amortize them over five years.

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[24] 2017 Act section 13601(e)(2).
[25] 2017 Act section 13305.
[26] Section 174(a).

2017 Tax Accounting Implications:
There is no impact for 2017 based on this provision.

[redacted]

[redacted]

[27] Section 951A(a).
[28] Section 951A(b)(1).
[29] Section 951A(b)(2).
[30] Section 951A(c)(1).
[31] Section 951A(c)(2)(A).
[32] Section 951A(c)(2)(B).

[redacted]

33 Section 951A(d)(1).
34 Section 951A(d)(3).
35 Section 250(a)(1)(B).
36 Section 250(a)(3)(B).
37 Section 960(d)(1).
38 Section 960(d)(2).
39 Section 960(d)(3).

[redacted]

VIII. TAX PLANNING OPPORTUNITIES

[40] Section 59A.

By accelerating deductions into pre-reform years / deferring revenue into post-reform years, taxpayers will likely receive a permanent cash tax benefit. The Company identified the following tax planning opportunities to accelerate deductions into 2017:

a. Employee bonus accrual

[redacted]

b. FPL Energy Services, Inc. ("FPLES") Deferred Marketing Expenses

The Company requested a manual change in method of accounting to adopt the correct treatment for its SurgeShield advertising expenses. FPLES is proposing to deduct its SurgeShield direct advertising expenses and commissions paid to third parties under section 162(a). FPLES incorrectly concluded that the SurgeShield advertising expenses related to the purchase of a customer list. As such, the expenses were treated as a section 197 intangible and amortized over 15 years. Generally, the impact of a manual change in a federal income tax accounting method from an impermissible method to a permissible method should be recognized when the entity has filed a Form 3115 and has received the affirmative written consent of the IRS. The Company will record the impact of this method change in 2018 once it receives the affirmative written consent from the IRS.

[redacted]

IX. PROCESS TO RECORD IMPLICATIONS OF 2017 ACT

The Company considered the changes in processes, controls, data needs, and systems for the 2017 financial statements. The controls identified as being impacted by the 2017 Tax Act are as follows:

Registrant	Control
NEE and FPL	FPL TAX-144 Monthly, the tax function remains abreast of changes in relevant statutory, administrative, and judicial authority in the company's tax jurisdictions by attending monthly meetings and reviewing monthly accounting and regulatory issues reports. FPL TAX-159 Quarterly, the FPL Tax Accounting Manager reviews the FAS109 quarterly analysis on a timely basis. FPL TAX-160 Quarterly, the FPL Tax Accounting Manager reviews and approves the Effective Rate Reconciliation
[redacted]	

This memorandum serves to document Tax Accounting's considerations of the 2017 tax accounting implications of the 2017 Act. Additionally, in performing the controls above and calculating the impacts of these provisions, Tax Accounting performed the following procedures:

a) Tax Accounting developed an expectation of the implications of the 2017 Act in December using the estimated book/tax differences at 12/31/2017[41]
b) Tax Accounting developed an expectation of the implications of the 2017 Act in January based on December 2017 actuals as summarized in **Tab 1** in both the federal and state workbook.
c) After manually calculating the expected impact of the 2017 Act, Tax Accounting implemented the rate change in OTP.
d) After implementing the rate change in OTP, Tax Accounting compared the impacts recorded within OTP to those calculated manually and ensured the amounts were recorded correctly.
e) Tax Accounting summarized the results of the tax accounting changes in a consolidated workbook which recalculated and summarized the implications of the 2017 Act for all business units which was reconciled into both the Effective Tax Rate Reconciliation and the Adjusted Earnings Rate Reconciliation.

X. DISCLOSURES AND IMPLICATIONS OF SAB 118

As stated above, on December 22, the SEC granted relief providing up to one-year to finalize accounting impacts related to the 2017 Act. The relief is limited to accounting for income taxes associated with the 2017 Act only. The SEC has acknowledged the accounting for certain income tax effects of the 2017 Act may be incomplete for Form 10-K purposes. The guidance was provided for "situations where a registrant does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete the accounting". The relief is similar to the accounting for business combinations whereby provisional amounts are recorded based on reasonable estimates until information is finalized. Measurement period ends when amounts are finalized and cannot extend beyond one year from enactment date (i.e., December 22, 2018).

The accounting impacts will be presented in the financial statements when a reasonable estimate is determinable

	Characteristics	Tax Accounting Implications
Information Incomplete	Necessary information is not available, prepared or analyzed Impacts unknown	Continue to present tax accounting based on provisions in effect prior to Act being enacted (i.e., 35% rate)

41 November 2017 Actuals + December 2017 Forecast

Provisional Amount	Sufficient information is known and has been analyzed to calculate a reasonable estimate of the impact	Impacts reported as "provisional amounts" in financial statements Estimates can be subsequently adjusted in future reporting periods until amounts are finalized
Finalized Amount	All necessary information is available, has been prepared and analyzed Impacts determined	Record completed amounts in financial statements Any subsequent adjustments would represent an error

The Company determined the amounts recorded in the Form 10-K will be provisional and will be finalized during 2018.

SAB 118 includes the following disclosure items:

- Qualitative disclosures of the income tax effects of the 2017 Act for which the accounting is incomplete
- Disclosures of items reported as provisional amounts
- Disclosures of existing current or deferred tax amounts for which the income tax effects of the 2017 Act have not been completed
- The reason why the initial accounting is incomplete
- The additional information that is needed to be obtained, prepared or analyzed in order to complete the accounting
- The nature and amount of any measurement period adjustments recognized during the reporting period
- The effect of measurement period adjustments on the effective tax rate
- When the accounting for the income tax effects of the 2017 Act has been completed

Additionally, SEC registrants should consider disclosure in Management's Discussion & Analysis of known trends or uncertainties that are reasonably likely to have a material impact on financial conditions or results of operations. For SEC registrants, current guidance requires disclosure in the effective tax rate reconciliation footnote of individual reconciling items that are more than 5% of the amount computed by multiplying pre-tax income by the statutory tax rate. A US-based entity subject to a 35% statutory tax rate would disclose any item that increases or decreases the tax rate by 1.75% or more. This decreases to approximately 1% with a 21% statutory rate. As a result, more items in the effective tax rate reconciliation will need to be separately disclosed in 2018.

The following has been included in the Form 10-K Footnote 5 which meets the disclosure requirements of ASC 740 and SAB118:

"On December 22, 2017, tax reform legislation was signed into law which, among other things, reduced the federal corporate income tax rate from 35% to 21% effective January 1, 2018. As a result, NEE, including FPL, performed an analysis to preliminarily revalue its deferred income taxes and included an estimate of changes in the balances in NEE's and FPL's December 31, 2017 financial statements. At December 31, 2017, the revaluation reduced NEE's deferred income tax liability by approximately $6.5 billion, of which $4.5 billion related to deferred income tax liabilities at FPL and the remaining $2 billion related to deferred income tax liabilities at NEER. The $2 billion reduction in NEER's deferred income tax liabilities increased NEER's 2017 net income. The $4.5 billion reduction in FPL's deferred income tax liabilities was recorded as a regulatory liability. While NEE and FPL believe that the provisional tax reform adjustments are reasonable estimates of the effects on its existing deferred taxes, additional analysis and detailed reviews are still being performed to finalize the accounting for the remeasurement of deferred tax assets and liabilities as a result of the enactment of tax reform. "

APPENDIX A:

TAX ACCOUNTING POLICY AND ANALYSIS: ACCOUNTING FOR CHANGE IN TAX RATE RELATED TO REGULATED ENTITIES

ACCOUNTING FOR
CHANGE IN TAX RATI