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CREDIT OPINION
24 January 2022

Update

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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.*

Contacts

Jeffrey F. Cassella +1.212.553.1665
*VP-Sr Credit Officer*
jeffrey.cassella@moodys.com

Jayce Kim +1.212.553.6836
*Associate Analyst*
jayce.kim@moodys.com

Michael G. Haggarty +1.212.553.7172
*Associate Managing Director*
michael.haggarty@moodys.com

Jim Hempstead +1.212.553.4318
*MD - Global Infrastructure & Cyber Risk*
james.hempstead@moodys.com

# NextEra Energy, Inc.

Update to credit analysis

## Summary

NextEra Energy, Inc.'s (NEE) credit profile reflects its industry leading positions in the regulated utility and renewable energy sectors as well as a typically solid financial profile. Its principal utility subsidiary, Florida Power and Light Company (FPL), is the foundation of NEE's credit quality and is one of the largest and financially strongest regulated electric utilities in the US. FPL accounted for roughly 72% of NEE's consolidated EBITDA and is the majority of NEE's regulated business. Most of NEE's remaining EBITDA is generated by NextEra Energy Resources LLC (NEER), 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), an intermediate holding company of NEE and the principal debt financing vehicle for NEE's businesses outside of the Florida utility. NEER also owns a majority stake (57%) in NextEra Energy Partners, LP (NEP), a yieldco that acquires, manages and owns long-term contracted clean energy projects and gas pipelines with stable cash flow.

NEE's credit quality also considers the company's typically solid financial profile which has weakened more recently, however we expect this to be temporary. For the 12-months ended 30 September 2021, NEE's consolidated ratio of cash flow from operations pre-working capital changes (CFO pre-W/C) to debt was 15%; lower than historical levels where the ratio was in the high teens. NEE's weaker credit metrics are mainly attributed to substantial debt issuances in 2021 to fund elevated capital investments across the family and FPL's modestly weaker financial metrics compared to historical levels. This was largely due to FPL's extending its 2016 rate settlement agreement an additional year through 2021. When taking a forward view and pro forma for debt reduction using proceeds from future equity unit conversions, we estimate NEE's ratio of CFO pre-W/C to debt would be about 16.8%. With the benefits of rate revenue increases at FPL driven by the supportive outcome of its latest rate case, some debt reduction and increasing cash flow generation from NEER's project growth, we expect NEE's consolidated ratio of CFO pre-W/C to debt to again be in the 17% - 19% range over the next few years.

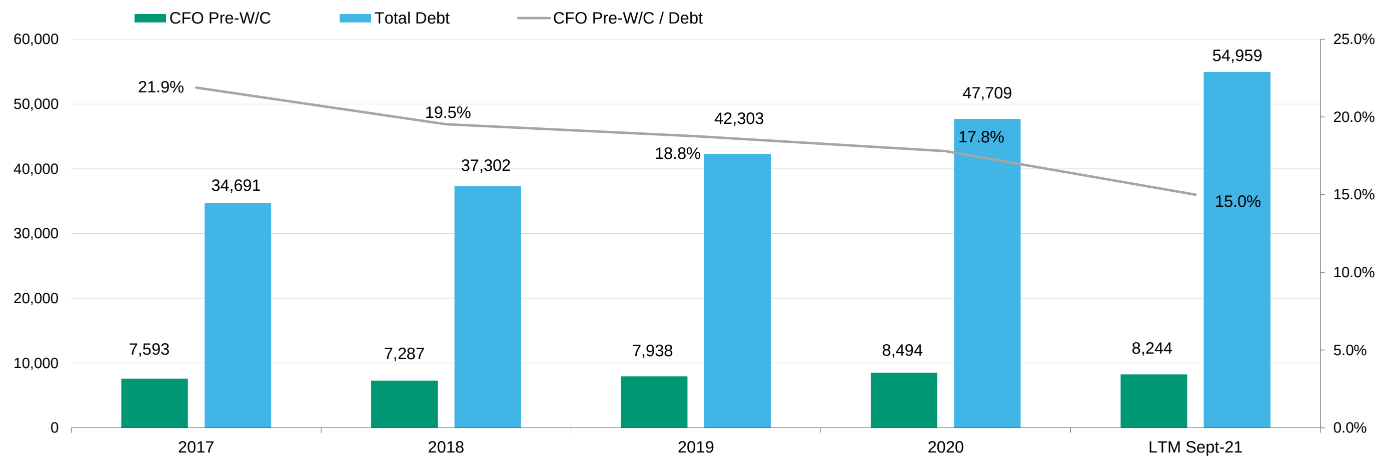
NEE's credit is constrained by an elevated level of holding company debt, approximately 52% of consolidated debt, which includes the proportional consolidation of NEP's debt (roughly 48% of consolidated debt when allocating some parent debt to certain unlevered operating assets). NEE's percentage of holding company debt is one of the highest among regulated utility holding company peers. NEE is also exposed to extreme weather events such as hurricanes and tropical storms that periodically affect FPL's service territory, however the Florida regulatory and legislative environments have a history of credit supportiveness during and in the aftermath of such events.

### Recent developments

In early January, four Democratic members of the FL House of Representatives wrote a letter to the FPSC requesting an audit of FPL's expenditures to determine whether ratepayer money was used inappropriately. The FPSC immediately responded to the request stating that an audit was not necessary since a full audit was recently performed with FPL's rate case in 2021. The group of Democratic representatives followed with another letter requesting again for an audit as they indicated that new information since the rate case has become available. Since then, the FPSC has responded further indicating that FPL was authorized to recover in rates only prudently incurred costs as verified by an audit during the utility's rate case proceeding last year.

Exhibit 1

**Historical CFO Pre-WC, Total Debt and ratio of CFO pre-W/C to Debt ($ MM)**




*Source: Moody's Financial Metrics*

## Credit strengths

» Large size and leading position in the regulated 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 higher risk profile mitigated by long-term power contracts largely with investment grade counterparties

» Financial metrics expected to improve to historical levels

## Credit challenges

» Holding company debt percentage is one of the highest in the sector, constraining the ratings of the corporate family

» Financial metrics, although expected to be temporary, are currently lower than historical levels

» Large annual negative free cash flow balances continue at NEECH due to ongoing elevated investment activities that require substantial debt financing

» Geographic concentration in Florida with high risk of storm events

» Aggressive acquisition appetite in pursuit of primarily regulated assets; however limited number of executed deals historically

» Project execution risk remains at NEER as it continues investing heavily through an elevated construction cycle

## Rating outlook

NEE's stable outlook reflects our expectation that FPL will continue to maintain a strong financial profile while operating within a highly supportive Florida regulatory environment; NEER's renewable asset portfolio will maintain its steady operating performance; major construction projects will be executed on time and within budget; and the company will continue to have strong access to the capital markets. The stable outlook reflects our expectation that NEE's financial profile will strengthen such that key credit metrics will improve to levels maintained historically, including a ratio of CFO pre-W/C to debt of 17% and CFO pre-W/C less dividends to debt of roughly 12%. The stable outlook also incorporates our view that any M&A activity, if executed, will be financed in a manner that maintains a financial profile that supports current credit quality.

## Factors that could lead to an upgrade

An upgrade of NEE is unlikely in the near future due to the high percentage of holding company debt, elevated capital project investments financed with substantial debt, single state concentration of its principal utility exposed to extreme weather events, and the company's aggressive M&A appetite. Longer term, NEE could be upgraded if there is substantial debt reduction at NEECH such that the percentage of holding company debt declines substantially as a percentage of total debt and consolidated financial metrics improve such that NEE's ratio of CFO pre-W/C to debt is sustained above 20%.

## Factors that could lead to a downgrade

NEE could be downgraded if we expect its ratio of CFO pre-W/C to debt to be sustained below 17% for an extended period. NEE could also be downgraded if the regulatory environment deteriorates in Florida, such that there delays in cost recovery; or there are adverse tax or environmental policy developments that negatively affect NEER's renewable energy business. A downgrade could occur if NEE's business risk profile deteriorates meaningfully or if its holding company level debt increases from current levels. A downgrade of FPL could lead to a downgrade of NEE, due to the importance of the utility to the parent.

## Key indicators

Exhibit 2

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

| | Dec-17 | Dec-18 | Dec-19 | Dec-20 | LTM Sept-21 |
|---|---|---|---|---|---|
| CFO Pre-W/C + Interest / Interest | 5.7x | 5.7x | 4.4x | 5.1x | 7.1x |
| CFO Pre-W/C / Debt | 21.9% | 19.5% | 18.8% | 17.8% | 15.0% |
| CFO Pre-W/C – Dividends / Debt | 16.2% | 13.8% | 12.9% | 12.0% | 9.6% |
| Debt / Capitalization | 49.3% | 44.9% | 45.4% | 47.0% | 50.6% |

[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*

## Profile

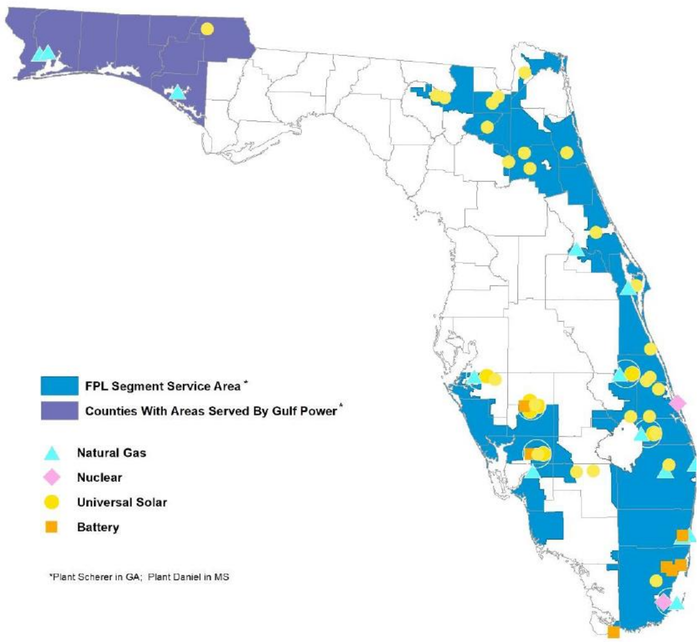
Headquartered in Juno Beach, Florida, NextEra Energy, Inc. is one of the largest holding companies in our global regulated utility rated universe. NEE's principal operating utility, Florida Power & Light Company (FPL, A1 stable) is one of the largest vertically integrated regulated utilities in the US and serves 5.7 million customer accounts or more than 11 million residents across more than half of the state of Florida. FPL accounts for about 72% of NEE's consolidated EBITDA.

In January 2022, FPL completed its integration of Gulf Power, one year after the two companies legally merged into FPL after the Federal Energy Regulatory Commission (FERC) approved their merger application on 15 October 2020. In addition, within the recently approved settlement agreement, rates for FPL and legacy Gulf Power became unified. FPL continues as the surviving entity as Gulf Power will conduct business as FPL in its service territory. NEE acquired Gulf Power from The Southern Company (Southern, Baa2 stable) in January 2019 for approximately $5.75 billion, which included $4.35 billion in cash plus the assumption of approximately $1.4 billion of debt.

NEE is also the holding company of NextEra Energy Capital Holdings, Inc. (NEECH, Baa1 stable), which is the principal debt financing vehicle for the businesses outside of the Florida utility 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 its ownership interests in natural gas pipelines, and through a subsidiary also has majority ownership interest (currently 57%) in the yieldco, NextEra Energy Partners, LP

(NEP, Ba1 stable). NEER's other subsidiaries include NextEra Energy Transmission (NEET, unrated), which holds FERC regulated electric transmission assets. NEE has no debt of its own but provides an unconditional guarantee of debt that resides at NEECH.

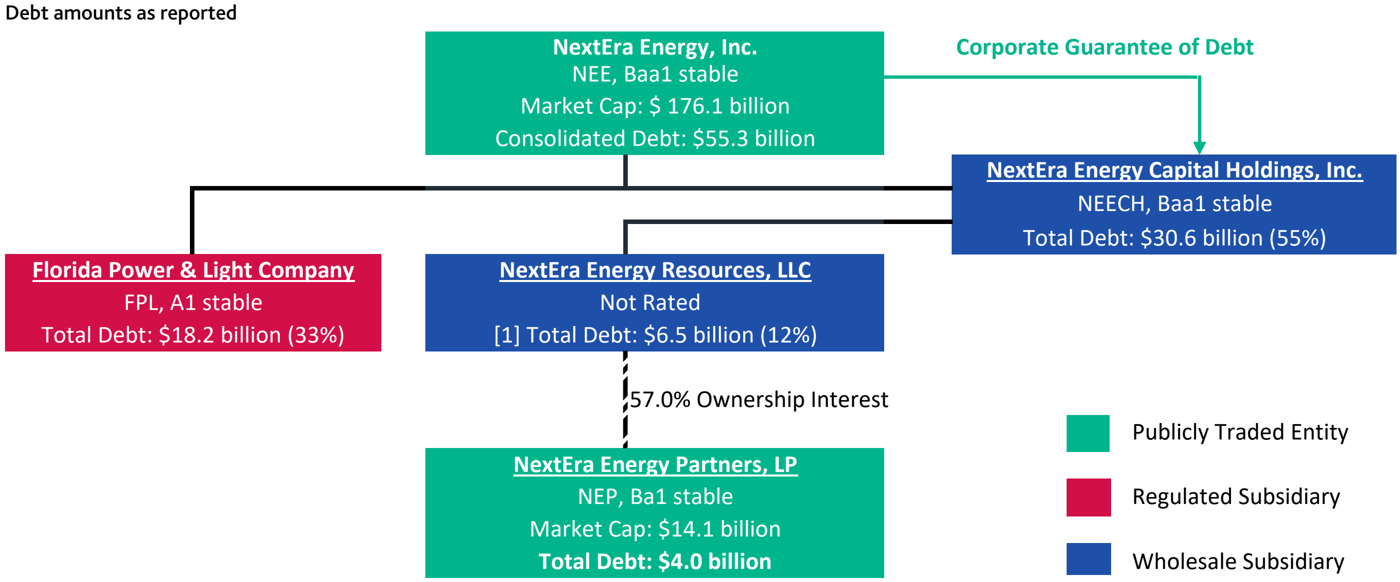
Exhibit 3
**Map of NEE's regulated utility service area**




*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 2021; NEE Market Capitalization as of 5 January 2022; Gulf Power was legally merged into FPL on 1 January 2021 and is included in the FPL entity box.
*Source: Company Filings, Company Website*

### FPL'S strong credit quality remains the foundation of NEE's credit profile

FPL is NEE's principal subsidiary and "crown jewel" as it is one of the financially strongest regulated electric utilities in the US, forming the foundation of NEE's credit quality. At the same time, FPL's 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.

On 26 October, the Florida Public Service Commission (FPSC) unanimously approved FPL's multiyear rate settlement agreement, based on a forward test year, approving an up to $1.5 billion base rate revenue increase over the four-year period 2022-25. The increase was premised on an allowed return on equity (ROE) of 10.6%, up from 10.55% previously, and the continuation of an equity ratio that FPL has consistently maintained at about 60%. The allowed ROE range is 9.7%-11.7%, which allows FPL to effectively earn up to an 11.7% return. The company has been able to achieve earned ROE's towards the upper end of its authorized ROE range through strong customer and sales growth as well as continued improvements in operating efficiency. The settlement included key intervening parties including the state's consumer advocacy group, Florida Office of Public Counsel, the Florida Retail Federation, the Florida Industrial Power Users Group and the Southern Alliance for Clean Energy.

The multiyear base revenue increase included a $692 million increase on 1 January 2022 and a $560 million increase on 1 January 2023. FPL is also eligible to receive base rate increases for the addition of up to 894 megawatts annually of new solar generation through a solar base rate adjustment mechanism in each of 2024 and 2025, up to $140 million each year. The multistep nature of the rate increase mitigates some of the immediate rate effect on customers. The authorized revenue increase includes the majority of FPL's initial request filed by the company on 12 March 2021 for up to approximately $2 billion based on an allowed ROE of 11.5% and maintenance of its 60% equity ratio. The revenue increase supports FPL's long-term investments to upgrade its infrastructure, including for resiliency and grid hardening, in response to increasing occurrences of climate change related extreme weather events, such as hurricanes.

The regulatory environment for investor-owned utilities in Florida remains highly credit supportive. In its last several rate proceedings, FPL has been able to achieve multiyear rate settlements which provide a high degree of rate certainty and have supported the company's credit quality. They have included timely recovery of rate base investments, including generation, and grid hardening to combat extreme weather events, while also addressing the impacts of federal tax reform and storm restoration costs.

FPL earns the vast majority of its net income through its base rates but several clauses provide for adequate and timely cost recovery and returns on certain other investments. The company has experienced few disallowances and little regulatory lag in cost recovery. For example, its fuel and capacity clauses are adjusted annually based on expected fuel and purchased power prices and for prior period differences between projected and actual costs. FPL may also recover pre-construction costs and carrying charges for construction work-in-progress for capital expenditures. Additionally, FPL has an environmental cost recovery clause that is adjusted annually for capital spending and operating expenses related to emission controls.

The 2021 rate settlement retained the cost recovery mechanisms that have allowed FPL to produce consistently above-average credit metrics. An example includes the utility's storm cost recovery provisions, which are important in Florida where hurricanes are prevalent. A SoBRA mechanism was also 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. The revenue rate adjustment mechanism is similar to the Generation Base Rate Adjustment that allows for timely recovery of generation rate base investments like FPL's approximately $900 million Dania Beach power generation facility modernization project that is currently underway and is expected to be in service in 2022.

### Support from Florida's regulatory framework during severe storms is critical to credit quality

Since utilities in Florida are vulnerable to storm and hurricane activity, the regulatory framework to address costs related to extreme weather events has been an important factor supporting FPL's credit quality during storm affected years. The company can and has petitioned for recovery of storm damage costs in excess of its storm reserve that would be collected through a storm surcharge. Securitization legislation for the recovery of storm-related costs is also in place in Florida, if necessary.

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 law is credit positive for the state's utilities because it allows them to grow rate base through increased investments and obtain timely recovery, all in an effort to maintain customer reliability.

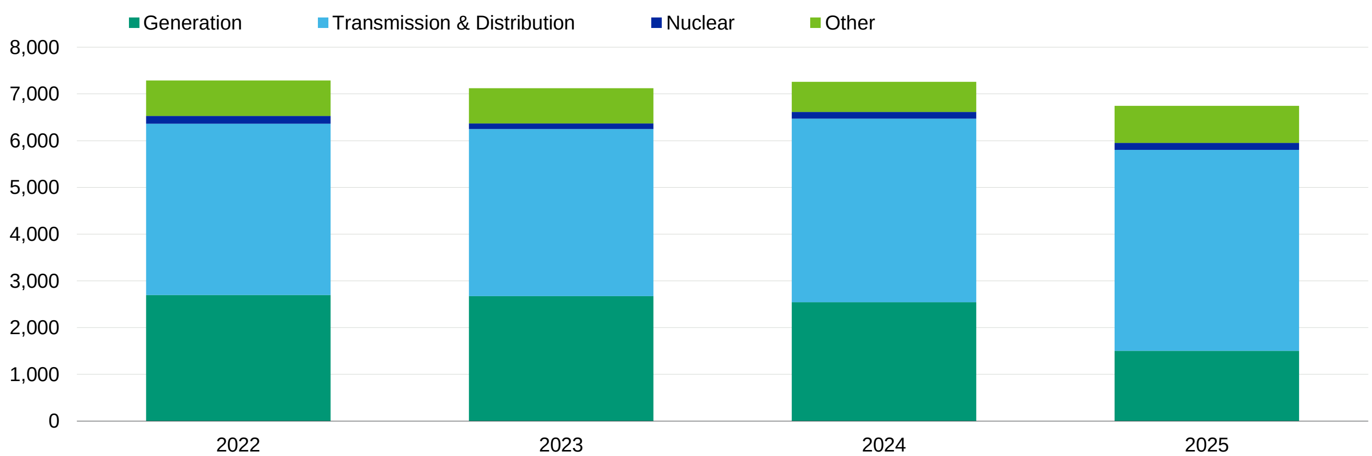
Following the legislation, in October 2019, the FPSC issued a rule to implement a Storm Protection Plan (SPP) Cost Recovery Clause. The mechanism allows for recovery of new transmission and distribution storm hardening investments not already included in base rates. This signaled that Florida regulators support proactive management of physical risks arising from climate change, which is expected to cause storms to be more frequent and more powerful over the long term.

In August 2020, the FPSC approved FPL's storm protection plan, consisting of investments of about $10.2 billion to upgrade its grid infrastructure from 2020-2029, including about $5.1 billion for undergrounding power lines. FPL is spending approximately $3-4 billion in transmission and distribution storm hardening investments from 2020 - 2022 and obtaining timely recovery through the SPP recovery mechanism.

FPL expects to invest approximately $28.4 billion of new capital from 2022 - 2025. About half of the $7-$8 billion spent annually over the next few years will be used towards continuing to update its transmission and distribution network including grid hardening and reliability investments. About 15% of the projected spending is earmarked for modernizing its existing generation portfolio by increasing its cleaner, more fuel-efficient power generation. Almost 20% of the investments will go towards new generation capacity which will mainly be solar power.

Exhibit 5

**FPL's elevated capital expenditures continue to grow rate base and cash flow**
**($ millions)**




*Source: Company Filings*

### Holding company leverage remains elevated and constrains the credit profile of the entire corporate family

We estimate NEE's holdco debt as a percentage of consolidated debt to be currently about 52%, including the proportional consolidation of its ownership in NEP. When allocating some parent debt to certain unlevered nuclear generation assets, NEE's holdco debt percentage would be roughly 48% of consolidated debt. NEE's percentage of holding company debt is one of the highest within the regulated utility sector, and is a constraint on the credit quality of the entire corporate family. The holding company debt includes $6 billion of debentures related to equity units issued in 2019 and 2020. These securities trigger the mandatory issuance of new equity in three years from the time of issuance. We expect NEE to use the proceeds from the new equity in the same manner as it has done historically which is to pay down holding company debt. When taking a forward view on the conversion of these equity units and assuming the company pays off debt with the proceeds as it has done historically with previous equity units, NEE's holdco debt would fall to approximately 41% of consolidated debt. We expect NEE's percentage of holding company debt to modestly and gradually decline over time.

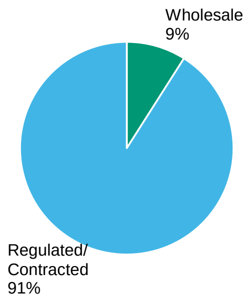
Since the Gulf Power acquisition in 2019, NEE has continued to pursue utility acquisitions but has not made any material acquisitions. NEE was one of 9 bidders for the Jacksonville Electric Authority (JEA, Aa3 stable), which has since terminated the bidding process for the sale of its electric and water/wastewater assets. In addition, NEE was one of a select list of bidders for the South Carolina Public Service Authority (Santee Cooper, A2 stable), which is no longer for sale. NEE withdrew its bid and the pursuit of Santee Cooper in early 2021 prior to the company ending its sale process.

### NEER has a higher risk profile, although mitigated by long term contracts, and maintains strong growth potential

NEER, which accounts for about 25% of NEE's EBITDA, continues to increase the contracted portion, currently about 85%, of its large portfolio of renewable assets and expects to be about 90% by 2022. At the same time, NEE's regulated and contracted assets combined to account for about 91% of adjusted EBITDA in 2021.

Exhibit 6

**NextEra's 2021 business mix based on adjusted EBITDA**




Regulated assets include FPL, FERC regulated transmission assets and pipelines.
*Source: Company Presentations*

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 power under long-term contracts, primarily to investment grade counterparties that are attracted to the generally low cost of renewable power, seeking to satisfy environmental mandates, make progress on carbon transition as well as meet customer preferences. Additionally, as the US, like other countries globally, continues to progress towards carbon free generation, renewable energy will continue to be in high demand. The long term revenue visibility from contracted, predominantly renewable assets, 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 wholesale merchant power sales as well as challenged coal and nuclear plants. Although NEER continues to invest heavily in development and project execution risk remains, NEER has a strong track record of completing projects on time and within budget.

Exhibit 7
**NEER generation capacity by region**


*Source: Company filings*

Although many utilities have met or are close to meeting 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, further diversifying its customer base.

In late December 2020, the federal government passed a second stimulus package in response to the coronavirus pandemic. Among other things, the legislation extended tax credits related to solar and wind investment projects. The production tax credit (PTC) and investment tax credit (ITC) for onshore wind was extended one year to 2021 at 60% of the project's full value, the solar ITC at 26% was extended two years through 2025 while offshore wind projects were given a 30% ITC for projects through 31 December 2025. The new law followed previous legislation passed in December 2019 in which the federal government extended onshore and offshore wind tax credits. The extension of tax credits for both wind and solar, continuous technological improvements and reduced costs, as well as overall strong renewable demand, should continue to be positive for NEER's future business growth. If the Build Back Better Act, as currently proposed by the administration, is passed, we expect it would accelerate the development and growth of renewable energy while also providing additional tax credit extension and opportunities which will further add to NEER's revenue and cash flow growth initiatives.

NEER's cash flow continues to increase as new generation capacity is constructed and long-term contracts are added. NEER generally manages the construction of renewable projects to make the most of the federal tax credits available. The company's capital expenditures remain elevated due to continued high demand for renewables. As such, NEER has grown its renewable capacity from approximately 16 GW in 2016 to approximately 21 GW in 2021.

Exhibit 8

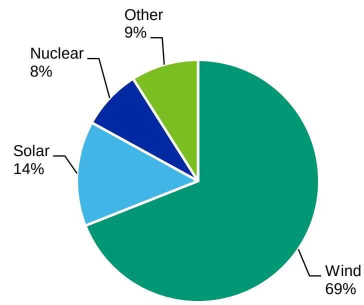
**NEER's development program remains elevated with over 18,000 MW in its backlog of signed contracts (MW)**

| | 2019-2020 in Service | 2021-2022 Signed Contracts | 2021-2022 Expectations | 2023-2024 Signed Contracts | 2023-2024 Expectations | 2021-2024 Expectations |
|---|---|---|---|---|---|---|
| Wind | 3,805 | 5,093 | 3,700 - 4,400 | 1,010 | 2,250 - 3,500 | 5,950 - 7,900 |
| Solar | 1,466 | 4,321 | 4,800 - 5,600 | 5,164 | 7,000 - 8,800 | 11,800 - 14,400 |
| Energy Storage | 20 | 1,639 | 1,650 - 2,000 | 1,514 | 2,700 - 4,300 | 4,350 - 6,300 |
| Wind Repowering | 2,611 | 549 | 375 - 700 | - | 200 - 700 | 575 - 1,400 |
| Total | 7,902 | 11,602 | 10,525 - 12,700 | 7,688 | 12,150 - 17,300 | 22,675 - 30,000 |
| Build-Own-Transfer | 674 | 110 | | 690 | | |

*Source: Company Presentations*

Exhibit 9

**NEER's 2021 generation fuel mix based on MW (Includes NEP)**




As of September 30, 2021
*Source: Company Presentations*

Gas pipelines and energy storage also contribute to the increase in NEER's capital investments. The company continues to make relatively modest but growing investments in energy storage, which is an emerging technology growth area in the renewable sector and continues to 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. NEE has a 32% ownership interest in the approximately $6.2 billion Mountain Valley Pipeline (MVP), which continues to be delayed due to the pending receipt of certain state and federal permits. Similar to other gas pipeline construction projects, the MVP had experienced cost overruns and delays largely related to permitting and environmental concerns. The project is currently 94% constructed and there is a chance for additional costs to be incurred due to judicial decisions and regulatory changes. In January 2021, NEE announced a $1.2 billion after-tax write down in the value of its investment in MVP due to the current legal and regulatory challenges involved with the pipeline construction, as well as the substantial delays in reaching commercial operation. MVP's in-service date is expected in the summer of 2022, however, given the ongoing challenges, Moody's expects it could be delayed further. On 30 December 2021, the pipeline did receive a water quality certification from the West Virginia Department of Environmental Protection. MVP, if completed, and other FERC regulated pipelines in operation are expected to generate stable cash flow under long-term contracts and will help support NEE's overall credit metrics.

## Financial profile expected to improve and return to historical levels supporting credit quality

For the 12-month period ended 30 September 2021, NEE's ratio of CFO pre-W/C to debt was 15.0% which is lower than its 3-year historical average for the same period of about 17%. NEE's weaker financial profile, which we expect to be temporary, is mainly attributed to substantial debt issuances in 2021 to fund elevated capital investments across the family and modestly weaker credit metrics compared to historical levels at FPL. While FPL's financial profile is still considered strong, the utility's financial metric deterioration was largely due to FPL's extending its 2016 rate settlement an additional year through 2021.

Included in parent debt is $6 billion of debentures related to equity units issued in September 2019, February 2020 and September 2020. These securities trigger the mandatory issuance of equity three years from issuance and NEE has historically used the proceeds from this new equity to reduce a like amount of holding company debt. When taking a forward view and pro forma for debt reduction using proceeds received from future equity unit conversions, we estimate NEE's ratio of CFO pre-W/C to debt would be about 16.8%. When factoring in the additional revenue and cash flow from FPL's recent rate case as well as increasing cash flow generation from NEER project growth, we expect NEE's consolidated ratio of CFO pre-W/C to debt to be in the 17% - 19% range over the next few years. In addition, we expect that NEE will continue to manage its balance sheet in a manner that maintains its current financial profile and supports its credit quality.

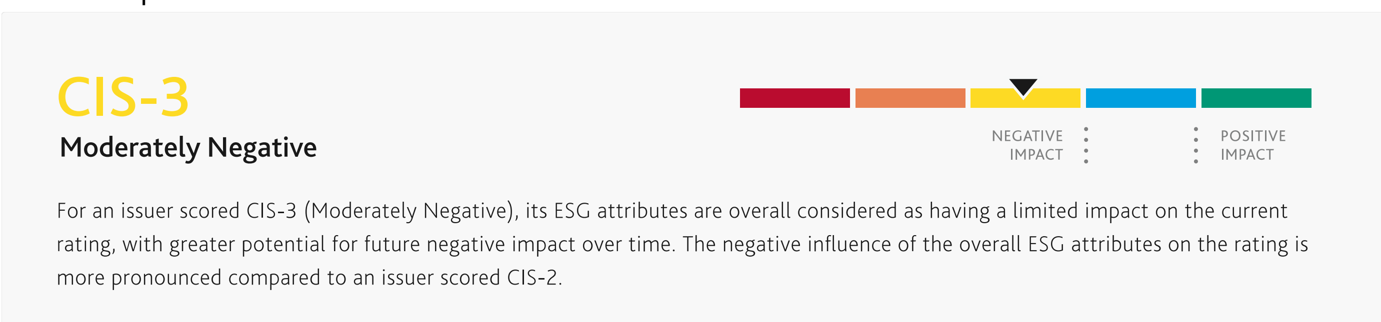
Beginning in 2018, NEE deconsolidated NEP based on US GAAP accounting rules. When proportionally consolidating NEP's results based on NEE's 57% ownership interest, we estimate that NEE's consolidated ratio of CFO pre-W/C to debt ratio for the 12-months ended 30 September 2021 would be roughly 14.7%, which is in line with the company's stand alone financial metrics.

NEE's relatively high percentage of holding company debt, approximately 52% of consolidated debt including the proportional consolidation of NEP's debt, and its higher risk, albeit heavily contracted, unregulated business are incorporated into our credit analysis. When allocating some parent debt to certain unlevered nuclear operating assets, holding company debt is still high at about 49% of consolidated debt. These factors constrain the credit profile of the entire corporate family and this is reflected in the relatively wide, three notch differential between the ratings of NEE and its principal utility subsidiary, FPL.

## ESG considerations

### NEE's ESG Credit Impact Score is CIS-3 (Moderately Negative)

Exhibit 10
**ESG Credit Impact Score**




*Source: Moody's Investors Service*

NEE's ESG Credit Impact Score is moderately negative (**CIS-3**) because its ESG attributes are considered as having an overall limited impact on the current rating, with potential for future negative impact over time. NextEra's credit impact score reflects high environmental risk, along with moderately negative social risk and neutral-to-low governance risk.

Exhibit 11
**ESG Issuer Profile Scores**


*Source: Moody's Investors Service*

### Environmental

NEE's high environmental risk (**E-4** issuer profile score) largely reflects high physical climate risks resulting from hurricanes and tropical storms in its core Florida market. The company's carbon transition risk is neutral-to-low as it has a diverse portfolio of generation including minimal coal and growing renewable energy resources. The company's nuclear generation fleet adds risks of waste management and pollution. While NEE has not had any problems with its nuclear fleet or nuclear waste to date, it remains an inherent risk for nuclear operators in the industry. The fossil fuel generation is balanced by NEER's ownership of the largest portfolio of renewable power projects in North America.

### Social

NEE's exposure to social risks is moderately negative (**S-3** issuer profile score) as the operator of nuclear generation heightens risk of responsible production, while demographics and societal trends may increase public concern over environmental, social, or affordability issues that could lead to adverse regulatory or political intervention. NEE's social risks are somewhat offset by FPL's low customer rates that are approximately 30% below the national average, strong customer and load growth as well as the robust and independent regulatory framework in which it operates. The regulatory framework provides strong assurance that the company will be able to recover storm costs from customers, even where these can be politically controversial.

### Governance

NEE's governance is broadly in line with other utilities and does not pose particular risk (**G-2** issuer profile). This is supported by neutral-to-low risk scores on financial strategy and risk management, management credibility and track record, and compliance and reporting; despite a relatively low number of independent directors and additional organizational complexity with its majority-owned affiliate, NEP.

ESG Issuer Profile Scores and Credit Impact Scores for NEE are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for NEE on MDC and view the ESG Scores section.

## Additional ESG considerations

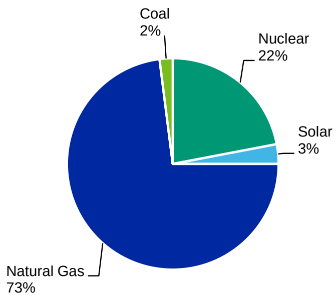
NEE is strongly positioned for carbon transition within the utility sector because of its minimal coal exposure and substantial ownership of modernized and efficient natural gas-fired generation assets. NEE's limited coal exposure relates to Gulf Power's 25% share of Scherer Unit 3 (215 MW); and 50% ownership of the Daniel coal plant in Mississippi (500 MW), expected to be retired by January 2024. FPL previously owned approximately 75% of Unit 4 (634 MW) of Plant Scherer coal facility in Georgia but that unit was retired in December 2021.

NEE, including FPL and proportional consolidation of NEP, owns approximately 25 GW of natural gas generation out of a total owned generation capacity of approximately 55 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.

As of 30 September 2021, approximately 10% of FPL's (combined with Gulf Power) approximately 31,500 MW of generation capacity was solar. FPL is projecting to have over 11,700 MW of installed solar power capacity by 2030, which equates to adding roughly 1000 MW of solar per year. In its 2021 rate case settlement, FPL is authorized to implement solar base rate adjustments with the commercial operation of up to 1,788 megawatts of solar generation projects to be constructed in 2024 and 2025, subject to a cap on installed costs of $1,250 per kilowatt.

FPL plans to grow its portfolio of solar power plants as part of the company's “30-by-30” plan to install 30 million solar panels by 2030. As of May 2021, approximately 12 million panels were in service. In addition, in March 2020, the FPSC unanimously approved FPL's “SolarTogether” initiative, which allows customers to source up to 100% of their energy from solar and receive monthly bill credits, net of subscription fees. Nearly 1,500 MW of solar capacity was included in this program, all of which has completed construction.

Exhibit 12
**FPL electricity generation by fuel mix (based on MWh)**




As of December 31, 2020
*Source: Company Filings*

As mentioned above, NEE's regulated utility service territories are along the coasts of Florida, making them vulnerable to storm related event risk. As such, regulatory treatment to address storm costs has and will continue to be an important factor supporting the credit quality of FPL, particularly since climate change is expected to make storms more severe and more frequent. Securitization legislation for the recovery of excessive storm-related costs is also in place in Florida, although FPL has not pursued securitization financing for storm costs in recent years. We expect FPL will have to deal with severe storm activity periodically going forward and continued favorable regulatory treatment will be critical to support credit quality.

## Liquidity analysis

NEE's corporate family of companies have sufficient liquidity, with FPL maintaining the strongest liquidity profile, primarily due to robust cash flow generation and strong access to the capital markets. As has been the case historically, NEECH's liquidity is somewhat constrained as NEER continues a significant capital investment program, the need to repay/refinance a substantial amount of maturing debt periodically, and the potential to provide for material contingent calls related to its hedging and marketing activities. However, NEECH has demonstrated an ability to manage its liquidity profile effectively, primarily through strong access to bank and debt capital markets.

For the 12-months ended 30 September 2021, FPL's cash flow from operations was $5.4 billion compared to capital expenditures of $6.4 billion, largely driven by spending on transmission and distribution infrastructure, existing generation asset upgrades, and new 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 largely 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 2021, FPL had net available liquidity of about $4.9 billion, which included $5.8 billion of bank revolving line of credit facilities that also backstop its commercial paper (CP) program which had $899 million of borrowings outstanding. The utility had full availability of its $2 billion of bilateral revolving credit facilities and $71 million of cash and cash equivalents on hand. Owing to its strong credit profile, FPL maintains good access to the 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 2026. FPL's credit facilities do not contain a material adverse change clause for new borrowings. The next largest debt maturity at FPL is $500 million of first mortgage bonds maturing in June 2023.

NEECH's liquidity profile is impacted by NEER's elevated capital investment program, particularly strong growth and development of new renewable power projects, which typically results in substantial negative free cash flow balances. Its negative free cash flow position has ranged from roughly $3 billion to more than $8 billion over the last five years. For the LTM 30 September 2021, NEECH's cash flow from operations was $2.2 billion compared to capital expenditures of $10.2 billion and dividends of $2.1 billion. As has been the case, NEECH managed to finance the resulting negative free cash flow of about $10.0 billion through a combination of project finance debt, tax equity, recycling of capital through asset sales and long-term debt issuances.

As of 30 September 2021, NEECH had $2.6 billion of net available liquidity, which included $618 million of cash; $5.7 billion of availability on its revolving credit facilities, net of about $3.4 billion of commercial paper borrowings; and full availability on $1.4 billion of bilateral revolving credit facilities. NEECH's nearly $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 2026. This facility does not contain a material adverse change clause on new borrowings. NextEra's next significant debt maturity is a $2 billion debenture at NEECH that will mature in March 2023.

## Rating methodology and scorecard factors

Exhibit 13
**Methodology Scorecard Factors**
**NextEra Energy, Inc.**

| Regulated Electric and Gas Utilities Industry [1][2] | Current LTM 9/30/2021 | | Moody's 12-18 Month Forward View As of Date Published [3] | |
|---|---|---|---|---|
| **Factor 1 : Regulatory Framework (25%)** | **Measure** | **Score** | **Measure** | **Score** |
| a) Legislative and Judicial Underpinnings of the Regulatory Framework | A | A | A | A |
| 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 | A | A | A | A |
| b) Sufficiency of Rates and Returns | A | A | A | A |
| **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) | 4.8x | A | 4.8x - 5.1x | A |
| b) CFO pre-WC / Debt (3 Year Avg) | 16.9% | Baa | 16% - 18% | Baa |
| c) CFO pre-WC – Dividends / Debt (3 Year Avg) | 11.3% | Baa | 10% - 12% | Baa |
| d) Debt / Capitalization (3 Year Avg) | 48.4% | Baa | 48% - 51% | Baa |
| **Rating:** | | | | |
| Scorecard-Indicated Outcome Before Notching Adjustment | | A3 | | A2 |
| HoldCo Structural Subordination Notching | -2 | -2 | -2 | -2 |
| a) Scorecard-Indicated Outcome | | Baa2 | | 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 9/30/2021(L)
[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 14

### Cash Flow and Credit Metrics [1]

| CF Metrics | Dec-17 | Dec-18 | Dec-19 | Dec-20 | LTM Sept-21 |
|---|---|---|---|---|---|
| As Adjusted | | | | | |
| **FFO** | **7,672** | **7,424** | **7,800** | **8,728** | **8,610** |
| +/- Other | -79 | -137 | 138 | -234 | -366 |
| **CFO Pre-WC** | **7,593** | **7,287** | **7,938** | **8,494** | **8,244** |
| +/- ΔWC | -965 | -693 | 214 | -560 | -718 |
| **CFO** | **6,628** | **6,594** | **8,152** | **7,934** | **7,526** |
| - Div | 1,967 | 2,144 | 2,468 | 2,787 | 2,986 |
| - Capex | 10,626 | 12,910 | 12,234 | 13,504 | 16,528 |
| **FCF** | **-5,965** | **-8,460** | **-6,550** | **-8,358** | **-11,988** |
| | | | | | |
| (CFO Pre-W/C) / Debt | 21.9% | 19.5% | 18.8% | 17.8% | 15.0% |
| (CFO Pre-W/C - Dividends) / Debt | 16.2% | 13.8% | 12.9% | 12.0% | 9.6% |
| FFO / Debt | 22.1% | 19.9% | 18.4% | 18.3% | 15.7% |
| RCF / Debt | 16.4% | 14.2% | 12.6% | 12.5% | 10.2% |
| | | | | | |
| Revenue | 17,173 | 16,727 | 19,204 | 17,997 | 16,418 |
| Interest Expense | 1,631 | 1,549 | 2,343 | 2,094 | 1,360 |
| Net Income | 4,789 | 3,122 | 3,084 | 2,397 | 2,016 |
| Total Assets | 97,849 | 103,608 | 117,556 | 127,516 | 138,995 |
| Total Liabilities | 69,203 | 68,987 | 79,892 | 90,212 | 101,555 |
| Total Equity | 28,646 | 34,621 | 37,664 | 37,304 | 37,440 |

[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 15

### Peer Comparison Table [1]

| | NextEra Energy, Inc. (P)Baa1 (Stable) | | | Berkshire Hathaway Energy Company A3 (Stable) | | | Duke Energy Corporation Baa2 (Stable) | | | Sempra Energy Baa2 (Stable) | | | Dominion Energy, Inc. Baa2 (Stable) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (In US millions) | FYE Dec-19 | FYE Dec-20 | LTM Sept-21 | FYE Dec-19 | FYE Dec-20 | LTM Sept-21 | FYE Dec-19 | FYE Dec-20 | LTM Sept-21 | FYE Dec-19 | FYE Dec-20 | LTM Sept-21 | FYE Dec-19 | FYE Dec-20 | LTM Sept-21 |
| Revenue | 19,204 | 17,997 | 16,418 | 19,844 | 20,952 | 24,733 | 25,079 | 23,868 | 24,636 | 10,829 | 11,370 | 12,184 | 14,401 | 14,172 | 13,605 |
| CFO Pre-W/C | 7,938 | 8,494 | 8,244 | 6,796 | 7,323 | 8,577 | 9,235 | 9,407 | 9,956 | 3,838 | 4,240 | 4,436 | 5,799 | 5,247 | 4,352 |
| Total Debt | 42,303 | 47,709 | 54,959 | 43,958 | 55,406 | 55,320 | 62,423 | 63,702 | 65,682 | 27,265 | 26,028 | 27,926 | 35,060 | 39,347 | 43,838 |
| CFO Pre-W/C + Interest / Interest | 4.4x | 5.1x | 7.1x | 4.6x | 4.7x | 5.0x | 4.7x | 5.1x | 5.3x | 4.2x | 4.2x | 4.6x | 4.5x | 4.3x | 4.1x |
| CFO Pre-W/C / Debt | 18.8% | 17.8% | 15.0% | 15.5% | 13.2% | 15.5% | 14.8% | 14.8% | 15.2% | 14.1% | 16.3% | 15.9% | 16.5% | 13.3% | 9.9% |
| CFO Pre-W/C – Dividends / Debt | 12.9% | 12.0% | 9.6% | 15.5% | 13.2% | 14.8% | 10.6% | 10.4% | 10.6% | 9.7% | 10.6% | 10.1% | 8.0% | 6.1% | 5.3% |
| Debt / Capitalization | 45.4% | 47.0% | 50.6% | 51.0% | 49.3% | 47.7% | 52.9% | 52.5% | 52.1% | 52.7% | 48.7% | 50.7% | 46.7% | 55.2% | 57.0% |

[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 16

| Category | Moody's Rating |
|---|---|
| **NEXTERA ENERGY, INC.** | |
| Outlook | Stable |
| Issuer Rating | Baa1 |
| Senior Unsecured Shelf | (P)Baa1 |
| Jr Subordinate Shelf | (P)Baa2 |
| Pref. Shelf | (P)Baa3 |
| **TRANS BAY CABLE LLC** | |
| Outlook | Stable |
| Issuer Rating | Baa2 |
| **NEXTERA ENERGY CAPITAL HOLDINGS, INC.** | |
| Outlook | Stable |
| Senior Unsecured | Baa1 |
| Bkd Jr Subordinate | Baa2 |
| BACKED Pref. Shelf | (P)Baa3 |
| Commercial Paper | P-2 |
| **FLORIDA POWER & LIGHT COMPANY** | |
| Outlook | Stable |
| Issuer Rating | A1 |
| First Mortgage Bonds | Aa2 |
| Senior Secured | Aa2 |
| Senior Unsecured | A1 |
| Commercial Paper | P-1 |
| Other Short Term | VMIG 1 |
| **NEXTERA ENERGY OPERATING PARTNERS, LP** | |
| Outlook | Stable |
| Bkd Senior Unsecured | Ba1/LGD4 |
| **GULF POWER COMPANY** | |
| Outlook | No Outlook |
| Issuer Rating | A1 |
| Senior Unsecured | A1 |
| Commercial Paper | P-1 |
| **NEXTERA ENERGY PARTNERS, LP** | |
| Outlook | Stable |
| Corporate Family Rating | Ba1 |
| Speculative Grade Liquidity | SGL-2 |

*Source: Moody's Investors Service*

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