S&P Global
Ratings

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NextEra Energy Inc.

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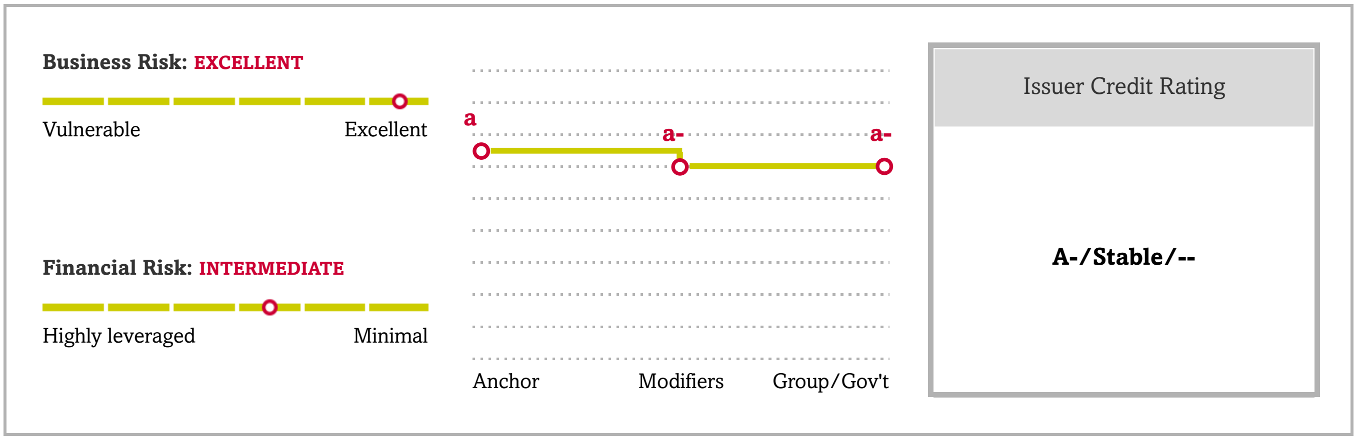

Credit Highlights

Overview

Key strengths	Key risks
Large, lower-risk regulated electric utility operations account for about 70% of consolidated EBITDA.	The company's higher-risk businesses, which account for about 10% of consolidated EBITDA, expose the company to significant liquidity needs and low margins, and require diligent risk management and hedging against fluctuating commodity prices.
Will likely continue to strategically decrease its risks by increasing its utility investments and decreasing the risks of its competitive business by growing through lower-risk, long-term contracted assets.	High capital spending resulting in negative discretionary cash flow necessitates consistent access and reasonably priced capital markets.
Management of regulatory risk and environmental, social, and governance risk factors is typically better than that of its peers.	Financial measures are consistently at the lower end of the range for its financial risk profile category, but with adequate cushion above the downside threshold.
Effectively manages the ongoing COVID-19-related risks.	

The company has managed the ongoing impacts of the COVID-19 pandemic well. Major capital projects, including renewable expansion, have remained on track during the pandemic, reflecting the company's long-term relationship with its many partners. NextEra Energy Inc.'s (NEE's) utility provides direct financial relief to customers in need and also leverages reserve amortization and hurricane cost deferral mechanisms to minimize volatility. Furthermore, the company benefits from Florida's above-average economic and customer growth. For the past six years, Florida has outperformed the national GDP growth rate, leading to above-average energy demand. Collectively, these benefits have supported the company throughout the pandemic, minimizing risk. More recently, Florida is beginning its economic recovery from COVID-19 as evidenced by improvements in the unemployment rate and consumer confidence, supporting our view that the company will continue to effectively manage the remaining risks of COVID-19.

Reduces risk by decreasing its carbon emissions, increasing its investments in lower-risk utility assets, and growing its competitive business through long-term contracted assets. NEE's regulated and competitive long-term contracted businesses account for about 90% of consolidated EBITDA. The company is proactively growing these relatively lower-risk businesses, which very gradually continues to lower credit risks. Recently, the Florida Public Service Commission approved a program to build 20 new solar projects with a cumulative capacity of about 1.5 gigawatts (GW) that it expects to be fully in service in 2021. We expect this will more than double the size of Florida Power &

Light Co.'s solar generation. Along with the planned retirement of its last remaining coal unit by early 2022 and ongoing solar and storage development efforts, the company's generation portfolio will continue to decrease greenhouse gas (GHG) emissions. In addition, with a green hydrogen project under development, the company has been actively exploring hydrogen solutions to further help reduce GHG emissions. Furthermore, NextEra Energy Resources LLC (NEER) has an approximate backlog of more than 15,000 MWs of renewable energy projects under development. With the U.S. Congress recently passing a two-year extension of the Investment Tax Credits for solar and a one-year extension of the Production Tax Credit for wind projects, we expect continued strong growth for the company's long-term contracted assets.

We assess the company at the very low end of the range for its business risk profile category. This reflects the company's nuclear merchant generation, proprietary trading, retail supply and wholesale full-requirements contracts, and natural gas infrastructure businesses, which account for about 10% of consolidated EBITDA and have significant liquidity needs, low margins, and require diligent risk management and hedging against fluctuating commodity prices.

We expect a gradual weakening of NEE's consolidated financial measures, resulting in funds from operations (FFO) to debt of 21%-24%. This incorporates the company's robust annual capital spending of about $14 billion, and dividends of more than $3 billion. We expect discretionary cash flow to remain negative and for the company to remain dependent on having consistent access to the capital markets. Nevertheless, we expect that the company will continue to strategically manage its credit measures, consistently maintaining sufficient financial cushion from its downgrade threshold.

Outlook

The stable rating outlook incorporates our view that the company will remain focused on growing its regulated utility businesses and will continue to reduce risk at its competitive businesses by strategically growing through contracted assets. We expect NEE's regulated utility business will consistently reflect about 70% of consolidated EBITDA. We expect consolidated financial measures will weaken, reflecting FFO to debt at 21%-24%.

Downside scenario

We could lower the rating over the next 24 months if the company's effective management of regulatory risk weakens or if the lower-risk regulated utility businesses account for less than 70% of consolidated EBITDA. We could also lower the ratings if FFO to debt consistently weakens to below 21%. This could occur if the company unexpectedly increases debt leverage to support more aggressive growth, shareholder rewards, or another debt-financed large acquisition.

Upside scenario

We could raise the rating over the next 24 months if financial measures consistently reflect the middle of the range for the financial risk profile category, reflecting FFO to debt consistently greater than 26%. This could occur if the company reduces reliance on debt leverage or decides to finance a future large acquisition or capital project with mostly equity.

Our Base-Case Scenario

Assumptions

- Robust cash flow generation at the company's regulated and nonregulated operations;
- Capital spending averaging about $14 billion annually;

- Dividend payments of about $3 billion annually;
- Benefits from monetization of tax benefits and asset sales;
- Company refinances debt maturities; and
- Negative discretionary cash flow.

Key Metrics

	2019a	2020e	2021f
FFO to debt (%)	23.3	21-23	21-23
Debt to EBITDA (x)	3.4	3.5-4	3.5-4
FFO cash interest coverage (x)	5.2	5-5.5	5-5.5

a--Actual. e--Estimate. f--Forecast. FFO--Funds from operations.

Company Description

NEE is a large electric power and energy infrastructure company that primarily consists of lower-risk regulated utilities (about 70% of EBITDA), competitive generation (about 20% of EBITDA), proprietary trading (about 5% of EBITDA), and natural gas infrastructure business (about 5% of EBITDA). The company's regulated utility serves more than 5.6 million customers in Florida and has about 30,000 MW of electric generation, of which about 70% is from natural gas. NEE's nonregulated operations focus largely on contracted electric generation, generally hedged or contracted long term, with an emphasis on renewable energy projects with some fossil and nuclear generation.

Peer comparison

Table 1

NextEra Energy Inc.--Peer Comparison

Industry Sector: Combo

	NextEra Energy Inc.	AVANGRID Inc.	Exelon Corp.	Dominion Energy Inc.	Public Service Enterprise Group Inc.
Ratings as of Jan. 19, 2021	A-/Stable/--	BBB+/Stable/A-2	BBB+/Negative/A-2	BBB+/Positive/A-2	BBB+/Stable/A-2
	--Fiscal year ended Dec. 31, 2019--				
(Mil. $)					
Revenue	19,128.1	6,338.0	34,418.5	16,572.0	10,076.0
EBITDA	9,963.6	1,970.0	10,549.5	7,336.4	3,896.0
Funds from operations (FFO)	7,894.5	1,644.2	8,775.0	5,523.8	3,303.5
Interest expense	2,507.1	375.8	2,243.4	2,010.5	621.5
Cash interest paid	1,885.1	323.8	1,509.4	1,706.5	551.5
Cash flow from operations	7,764.5	1,553.2	6,633.0	5,241.8	3,418.5
Capital expenditure	17,275.0	2,685.0	7,233.5	5,244.8	3,264.0

Table 1

NextEra Energy Inc.--Peer Comparison (cont.)

Industry Sector: Combo

	NextEra Energy Inc.	AVANGRID Inc.	Exelon Corp.	Dominion Energy Inc.	Public Service Enterprise Group Inc.
Free operating cash flow (FOCF)	(9,510.5)	(1,131.8)	(600.5)	(3.0)	154.5
Discretionary cash flow (DCF)	(12,069.1)	(1,739.8)	(2,008.5)	(3,035.4)	(795.5)
Cash and short-term investments	600.0	178.0	587.0	166.0	147.0
Debt	33,865.6	8,991.1	42,195.9	37,790.4	17,537.0
Equity	45,668.5	15,586.0	34,573.0	34,974.0	15,089.0
Adjusted ratios					
EBITDA margin (%)	52.1	31.1	30.7	44.3	38.7
Return on capital (%)	6.9	4.5	8.3	7.6	8.0
EBITDA interest coverage (x)	4.0	5.2	4.7	3.6	6.3
FFO cash interest coverage (x)	5.2	6.1	6.8	4.2	7.0
Debt/EBITDA (x)	3.4	4.6	4.0	5.2	4.5
FFO/debt (%)	23.3	18.3	20.8	14.6	18.8
Cash flow from operations/debt (%)	22.9	17.3	15.7	13.9	19.5
FOCF/debt (%)	(28.1)	(12.6)	(1.4)	(0.0)	0.9
DCF/debt (%)	(35.6)	(19.4)	(4.8)	(8.0)	(4.5)

Business Risk

Our rating on NextEra is based on our assessment of its excellent business risk profile, which is based on our expectations that NEE's EBITDA contribution from its lower-risk regulated utilities businesses will consistently reflect about 70% of consolidated EBITDA. Through its utility operations, NEE provides electric services to nearly 5.5 million customers throughout most of the east and lower west coasts of Florida. The large, mostly residential customer base provides additional cash flow stability. NEE has a constructive regulatory framework that benefits from forward-looking test years and various constructive regulatory mechanisms that provides for timely investment and fuel-cost recovery. We view the company's management of regulatory risk as above average compared to peers as demonstrated through its ability to consistently earn returns that are close to authorized levels.

Furthermore, we expect that the company will continue to reduce the risks of its competitive businesses by growing through lower-risk, long-term contracted assets. However, we assess the company at the very low end of the range for this category, incorporating the company's other higher-risk businesses. These include nuclear merchant generation, proprietary trading, retail supply and wholesale full-requirements contracts, and natural gas exploration and production businesses. These activities account for more than 10% of consolidated EBITDA and have significant liquidity needs, low margins, and require diligent risk management and hedging against fluctuating commodity prices.

To account for these risks, we assess the comparable ratings analysis modifier as negative.

Financial Risk

We assess NextEra's financial measures using our medial volatility table because the majority of the company's operating cash flows are from its lower-risk regulated utilities and reflecting its generally effective management of regulatory risk in Florida.

We assess NextEra Energy Partners LP (NEP) as an equity investment and deconsolidate NEP from our analysis of NEE. This reflects the governance changes, which collectively have led NEE to lose control over NEP, and the overall reduced significance that NEP holds for NEE.

We remove the nonrecourse project debt at NEER, reflecting our view that NEER has sufficient scale and diversity that no single project is critical to NEE. Furthermore, management's public statement that it would not support a failing project and the company's record of walking away from a failing project in the past support our assessment.

Under our base-case scenario, we expect a gradual weakening of NEE's consolidated financial measures, resulting in FFO to debt of 21%-24%. This incorporates robust annual capital spending of about $14 billion, annual dividends of about $3 billion, robust cash flow generation at the company's regulated and nonregulated operations, and benefits from monetization of tax benefits and asset sales. We expect discretionary cash flow to remain negative and for the company to remain dependent on having consistent access to the capital markets.

Financial summary

Table 2

NextEra Energy Inc.--Financial Summary					
Industry Sector: Combo					
	--Fiscal year ended Dec. 31--				
	2019	**2018**	**2017**	**2016**	**2015**
(Mil. $)					
Revenue	19,128.1	16,651.3	17,119.7	16,079.3	17,412.8
EBITDA	9,963.6	8,637.4	7,457.6	7,313.9	7,116.2
Funds from operations (FFO)	7,894.5	7,133.3	6,146.5	6,037.0	5,932.2
Interest expense	2,507.1	1,751.0	1,691.1	1,224.0	1,335.0
Cash interest paid	1,885.1	1,304.0	1,169.1	1,186.0	1,151.0
Cash flow from operations	7,764.5	5,811.3	5,860.5	5,906.0	5,458.2
Capital expenditure	17,275.0	12,803.5	10,637.0	9,514.2	8,334.0
Free operating cash flow (FOCF)	(9,510.5)	(6,992.2)	(4,776.5)	(3,608.2)	(2,875.8)
Discretionary cash flow (DCF)	(12,069.1)	(9,204.1)	(6,745.6)	(5,355.0)	(4,377.0)
Cash and short-term investments	600.0	638.0	1,714.0	1,292.0	571.0
Gross available cash	600.0	638.0	1,714.0	1,292.0	571.0
Debt	33,865.6	28,704.4	21,993.7	21,529.6	22,180.5
Equity	45,668.5	41,109.0	33,426.0	29,261.0	25,801.0

Table 2

NextEra Energy Inc.--Financial Summary (cont.)

Industry Sector: Combo

	--Fiscal year ended Dec. 31--				
	2019	**2018**	**2017**	**2016**	**2015**
Adjusted ratios					
EBITDA margin (%)	52.1	51.9	43.6	45.5	40.9
Return on capital (%)	6.9	7.5	10.2	9.7	10.4
EBITDA interest coverage (x)	4.0	4.9	4.4	6.0	5.3
FFO cash interest coverage (x)	5.2	6.5	6.3	6.1	6.2
Debt/EBITDA (x)	3.4	3.3	2.9	2.9	3.1
FFO/debt (%)	23.3	24.9	27.9	28.0	26.7
Cash flow from operations/debt (%)	22.9	20.2	26.6	27.4	24.6
FOCF/debt (%)	(28.1)	(24.4)	(21.7)	(16.8)	(13.0)
DCF/debt (%)	(35.6)	(32.1)	(30.7)	(24.9)	(19.7)

Reconciliation

Table 3

NextEra Energy Inc.--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts

	--Fiscal year ended Dec. 31, 2019--									
NextEra Energy Inc. reported amounts (mil. $)										
	Debt	**Shareholders' equity**	**Revenue**	**EBITDA**	**Operating income**	**Interest expense**	**S&P Global Ratings' adjusted EBITDA**	**Cash flow from operations**	**Dividends**	**Capital expenditure**
	42,583.0	37,005.0	19,204.0	9,641.0	5,353.0	2,249.0	9,963.6	8,155.0	2,408.0	17,462.0
S&P Global Ratings' adjustments										
Cash taxes paid	--	--	--	--	--	--	(184.0)	--	--	--
Cash interest paid	--	--	--	--	--	--	(1,799.0)	--	--	--
Reported lease liabilities	554.0	--	--	--	--	--	--	--	--	--
Operating leases	--	--	--	91.0	18.6	18.6	(18.6)	72.4	--	--
Equity-like hybrids	(1,500.0)	1,500.0	--	--	--	(31.5)	31.5	31.5	31.5	--
Intermediate hybrids reported as debt	(2,321.5)	2,321.5	--	--	--	(119.1)	119.1	119.1	119.1	--
Accessible cash and liquid investments	(600.0)	--	--	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	--	215.0	(215.0)	(215.0)	--	(215.0)
Share-based compensation expense	--	--	--	117.0	--	--	--	--	--	--
Dividends received from equity investments	--	--	--	438.0	--	--	--	--	--	--

Table 3

NextEra Energy Inc.--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts (cont.)										
Securitized stranded costs	--	--	(75.9)	(75.9)	(1.9)	(1.9)	1.9	(74.0)	--	--
Power purchase agreements	135.0	--	--	33.0	5.0	5.0	(5.0)	28.0	--	28.0
Asset-retirement obligations	--	--	--	172.0	172.0	172.0	--	--	--	--
Nonoperating income (expense)	--	--	--	--	254.0	--	--	--	--	--
Noncontrolling interest/minority interest	--	4,842.0	--	--	--	--	--	--	--	--
U.S. decommissioning fund contributions	--	--	--	--	--	--	--	(152.0)	--	--
Debt: Other	(4,984.9)	--	--	--	--	--	--	--	--	--
EBITDA: Gain/(loss) on disposals of PP&E	--	--	--	(406.0)	(406.0)	--	--	--	--	--
EBITDA: Valuation gains/(losses)	--	--	--	(108.0)	(108.0)	--	--	--	--	--
EBITDA: Other	--	--	--	61.5	61.5	--	--	--	--	--
Depreciation and amortization: Impairment charges/(reversals)	--	--	--	--	72.0	--	--	--	--	--
Depreciation and amortization: Other	--	--	--	--	(262.0)	--	--	--	--	--
Operating cash flow: Other	--	--	--	--	--	--	--	(200.5)	--	--
Total adjustments	(8,717.4)	8,663.5	(75.9)	322.6	(194.8)	258.1	(2,069.1)	(390.5)	150.6	(187.0)
S&P Global Ratings' adjusted amounts										
	Debt	**Equity**	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from operations**	**Cash flow from operations**	**Dividends paid**	**Capital expenditure**
	33,865.6	45,668.5	19,128.1	9,963.6	5,158.2	2,507.1	7,894.5	7,764.5	2,558.6	17,275.0

Liquidity

NEE has adequate liquidity, in our view, and can more than cover its needs for the next 12 months even if EBITDA declines by 10%. We expect the company's liquidity sources over the next 12 months will exceed uses by more than 1.1x. Under our stress scenario, we do not expect the company to require access to the capital markets during that period to meet liquidity needs. In addition, NEE has sound relationships with banks and a satisfactory standing in the credit markets. It could absorb a high-impact, low-probability event with limited need for refinancing.

Principal liquidity sources

- FFO of about $8 billion;

- Credit facility availability of about $13 billion; and
- Cash on hand of about $2 billion as of Sept. 30, 2020.

Principal liquidity uses

- Debt due within the next 12 months of about $5.5 billion;
- Maintenance annual capital spending of about $10 billion, which reflects NEE's capability of scaling back on its planned capital expenditures (capex), including its growth capex, in case of financial distress; and
- Annual dividends of about $3 billion.

Other Credit Considerations

We assess comparable rating analysis modifier as negative to capture the company's other higher-risk businesses. These include nuclear merchant generation, proprietary trading, retail supply and wholesale full-requirements contracts, and natural gas exploration and production businesses. These activities account for more than 10% of consolidated EBITDA and have significant liquidity needs, low margins, and require diligent risk management and hedging against fluctuating commodity prices.

Environmental, Social, And Governance

NextEra's credit quality is more enhanced than peers by its proactive management of its environmental and social risks, even though its assets are more exposed to hurricanes and physical climate change. The company has been proactively reducing its carbon emissions, even though Florida does not have a renewable portfolio standard.

NextEra owns about 52 GW of generation capacity through its regulated utility operations and competitive businesses. Although about 45% of the company's generation is from natural gas, the company has successfully built one of the largest renewable portfolios (about 35%). The remaining 11% of the company's generation mix stems from nuclear, which although carbon-free, exposes it to potentially higher operating risks and longer-term nuclear waste storage risks.

The company also operates its utilities in Florida, a region prone to frequent hurricanes, which could increase the company's risk exposure because climate change is intensifying the severity and frequency of these natural disasters globally. However, the company minimizes these risks through storm hardening and effectively managing regulatory risk by allowing for the timely recovery of storm costs.

We also believe NextEra's management of social risks is consistently better than that of peers because it delivers safe and reliable services to customers while maintaining customer bills at 30% less than the national average. Furthermore, the company's recent acquisition of Gulf Power and its intent to proactively lower customer bills while reducing its carbon footprint further demonstrates its commitment to local communities.

Issue Ratings - Subordination Risk Analysis

Capital structure

NEE's capital structure consists of about $48 billion total debt, of which about $26 billion is outstanding at NextEra Energy Capital Holdings Inc. (NEECH), about $17.6 billion outstanding at Florida Power & Light Co., and about $4.6 billion is outstanding at NextEra Energy Resources LLC.

Analytical conclusions

- We rate the hybrid equity units at NEE two notches below the issuer credit rating, one notch for deferability and one notch for subordination.
- We rate the unsecured debt at NEECH, guaranteed by NEE, one notch below the issuer credit rating because it ranks behind significant debt issued by subsidiaries in the capital structure.
- We rate junior subordinated notes and hybrid equity units at NEECH two notches below the issuer credit rating, one notch for deferability and one notch for subordination.
- We rate the commercial paper program at NEECH 'A-2' based on our issuer credit rating on the company.

Ratings Score Snapshot

Issuer Credit Rating

A-/Stable/--

Business risk: Excellent

- **Country risk:** Very low
- **Industry risk:** Low
- **Competitive position:** Excellent

Financial risk: Intermediate

- **Cash flow/leverage:** Intermediate

Anchor: a

Modifiers

- **Diversification/portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Adequate (no impact)
- **Management and governance:** Satisfactory (no impact)
- **Comparable rating analysis:** Negative (-1 notch)

Stand-alone credit profile : a-

- **Group credit profile:** a-

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | Industrials: Key Credit Factors For The Unregulated Power And Gas Industry, March 28, 2014
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Business And Financial Risk Matrix

	Financial Risk Profile					
Business Risk Profile	Minimal	Modest	**Intermediate**	Significant	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	**a+/a**	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of January 26, 2021)*

NextEra Energy Inc.		
Issuer Credit Rating		A-/Stable/--
Senior Unsecured		BBB
Issuer Credit Ratings History		
11-Mar-2010	*Foreign Currency*	A-/Stable/--
14-Jan-2010		A/Watch Neg/--
26-Oct-2006		A/Stable/--

Ratings Detail (As Of January 26, 2021)*(cont.)		
11-Mar-2010	*Local Currency*	A-/Stable/--
14-Jan-2010		A/Watch Neg/--
26-Oct-2006		A/Stable/--
Related Entities		
Florida Power & Light Co.		
Issuer Credit Rating		A/Stable/A-1
Commercial Paper		
Local Currency		A-1
Senior Secured		A+
Senior Unsecured		A
NextEra Energy Capital Holdings Inc.		
Issuer Credit Rating		A-/Stable/A-2
Commercial Paper		
Local Currency		A-2
Junior Subordinated		BBB
Senior Unsecured		BBB+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.