# NextEra Energy, Inc. and NextEra Energy Capital Holdings, Inc.

| Rating Type | Rating | Outlook | Last Rating Action |
|---|---|---|---|
| Long-Term IDR | A– | Stable | Affirmed 21 May 2018 |
| Short-Term IDR | F2 | | Affirmed 21 May 2018 |
| Senior Unsecured | A– | | Affirmed 21 May 2018 |
| Junior Subordinated Debt | BBB | | Affirmed 21 May 2018 |
| CP | F2 | | Affirmed 21 May 2018 |

## Financial Summary

| (USDm) | Dec 2014 | Dec 2015 | Dec 2016 | Dec 2017 |
|---|---|---|---|---|
| Gross Revenue | 16,945 | 17,414 | 16,081 | 17,121 |
| Operating EBITDAR | 7,215 | 7,791 | 7,600 | 8,540 |
| Cash Flow from Operations | 5,445 | 6,058 | 6,273 | 7,845 |
| Capital Intensity (Capex/Revenue) (%) | 41.4 | 48.1 | 59.9 | 62.7 |
| Total Adjusted Debt With Equity Credit | 27,204 | 28,878 | 29,273 | 33,209 |
| FFO Fixed-Charge Coverage (x) | 5.9 | 6.5 | 6.2 | 6.6 |
| FFO-Adjusted Leverage (x) | 3.9 | 3.9 | 3.9 | 3.9 |
| Total Adjusted Debt/Operating EBITDAR (x) | 3.8 | 3.7 | 3.9 | 3.9 |

Source: Fitch Ratings, Fitch Solutions.

NextEra Energy Inc.'s (Nextera) continued shift from merchant businesses toward regulated investments and contracted nonregulated renewable assets is supportive of its credit profile. Driving the favorable shift in cash flow mix are significant base rate increases at Florida Power & Light Co. (FPL), planned investments in regulated solar generation projects, planned acquisition of Gulf Power Company, and the continued growth in contracted nonregulated solar and wind investments. On a fully consolidated basis, Fitch Ratings expects NextEra's adjusted debt/EBITDAR and FFO-adjusted leverage to be 3.6x–4.1x over 2018–2021. Fitch also expects FFO fixed-charge coverage to be between 5.5x and 6.0x over 2018–2021.

## Key Rating Drivers

**Continued Pivot to Regulated and Contracted Assets:** NextEra's continued shift from merchant businesses toward regulated investments and contracted nonregulated renewable assets is supportive of its credit profile. Driving the favorable shift in cash flow mix are significant base rate increases at FPL, proposed acquisition of Gulf Power Company (A-/Stable) and recently closed acquisition of Florida City Gas, planned investments in regulated solar generation projects, and the continued growth in contracted, nonregulated solar and wind investments. The acquisition of Gulf Power and Florida City Gas extends NextEra's regulated presence in Florida, which Fitch regards as a favorable regulatory jurisdiction and where FPL has established a successful track record of securing constructive regulatory outcomes. Pro forma for the acquisition of Florida assets, regulated EBITDA increases to approximately 70% by 2020, from the prior 68% forecast by Fitch. Within the nonregulated businesses, management's emphasis remains on long-term contracted renewable generation, specifically solar and wind. The adjusted EBITDA contribution from both regulated and contracted businesses at NextEra was approximately 90% in 2017, and Fitch expects no material deviation from these levels over the next few years.

**Growth of Renewables Portfolio:** Fitch views positively the growth in NextEra's contracted renewable portfolio as it poses limited technology and construction risks while delivering a long stream of stable cash flows. NextEra expects to develop 4.9GW–8.0GW of wind and solar projects in 2017–2018, which includes repowering of the existing fleet of wind projects of 2.1GW–2.6GW. Against this target, the company has executed approximately 5.3GW of signed contracts as of June 30, 2018. The company has further outlined additional 5.2GW–8.5GW of wind and solar development opportunities, including 1.2GW–1.7GW of wind repowering, over 2019–2020. NextEra sees continued strong access to tax equity post tax reform and could gain market share at the expense of smaller developers.

**Resilient Credit Metrics:** On a fully consolidated basis and pro forma for the acquisition of Florida assets, Fitch expects NextEra's FFO-adjusted leverage to be 3.6x–4.1x and FFO fixed-charge coverage to be between 5.5x and 6.0x over 2018–2021.

**Tax Reform Offsets Storm Cost Recovery:** FPL plans to use tax reform benefits to offset the surcharge it had proposed to levy on customers to recover approximately $1.3 billion in Hurricane Irma restoration costs. FPL expensed the $1.3 billion Hurricane Irma restoration costs in fourth-quarter 2017 and used all available reserve amortization to offset the expense. FPL will replenish the depreciation reserve through tax savings. FPL will be able to further use tax reform benefits to extend rate certainty by up to two more years beyond 2020.

**Rebound in Customer Growth at FPL:** Florida's economy is recovering well, with most key indicators, such as housing starts, employment statistics and consumer sentiment, on an upward trend. Growth in customer accounts, which averaged 1.5%, 1.3% and 0.6% in 2015, 2016 and 2017, respectively, has offset weakness in underlying usage. During the first and second quarters of 2018, FPL experienced customer growth of 0.9% and underlying usage increased by 0.7% and 1.0%, respectively. Fitch's financial forecasts for FPL are based on a 0.5% cumulative annual growth rate in retail sales over 2018–2021.

**High Capex:** Fitch expects consolidated capex to be approximately $41 billion over 2018–2021. Fitch expects FPL to spend approximately $19.5 billion in capex from 2018–2021. The remaining capex will be spent primarily for nonregulated renewable businesses. At FPL, a significant portion will be spent on maintaining and upgrading existing infrastructure, including investments for storm hardening and grid reliability. The balance is earmarked for new generation capacity, which includes both natural gas combined cycle and utility scale solar generation, among other investments. Fitch expects FPL to finance its capex and dividend distribution in a balanced manner to maintain its regulatory capital structure.

## Rating Derivation Relative to Peers

| Rating Derivation Versus Peers | |
|---|---|
| Peer Comparison | NextEra compares favorably with its peer parent holding companies, Southern Company (BBB+/Negative), Sempra Energy (BBB+/Stable) and Dominion Energy (BBB+/Stable) given its ownership of a strong regulated utility in Florida, dominant position in contracted renewable business and superior credit metrics, offset by a smaller proportion of regulated utility operations in the overall business mix. NextEra's proportion of consolidated EBITDA generated from regulated utility subsidiaries will be approximately 70% once Gulf Power acquisition is complete. This proportion is less favorable compared to Southern (88%) and Sempra (80% pro forma for Cameron completion) but more favorable than that of Dominion (60%–65%). NextEra's forecast FFO-adjusted leverage metrics at 3.6x–4.1x are stronger than the projected metrics for Southern (4.75x–5.0x), Sempra (4.1x–4.6x) and Dominion (5.0x). All of NextEra's peers face project execution risk due to construction of large projects, albeit this risk has declined for Dominion as its Cove Point liquefied natural gas (LNG) facility has become operational. Compared to Dominion's Cove Point LNG project, Sempra's Cameron project has stronger offtakers but is experiencing delay. The project construction risk has diminished at Southern Company due to the cancellation of the Kemper IGCC project, but those related to Vogtle units 3 and 4 still remain. NextEra's ownership of NextEra Energy Partners L.P. (NEP) adds to complexity in organizational structure that Southern, Dominion (pro forma for the roll up of Dominion Midstream) and Sempra do not have. |

| | |
|---|---|
| Parent/Subsidiary Linkage | NextEra and FPL have moderate rating linkage, in Fitch's opinion. Hence, Fitch would generally limit the notching between the one to two notches. NextEra and NextEra Energy Capital Holdings' Issuer Default Ratings are the same due to strong legal rating linkages. |
| Country Ceiling | No Country Ceiling constraint was in effect for these ratings. |
| Operating Environment | No operating environment influence was in effect for these ratings. |
| Other Factors | Not applicable. |

Source: Fitch Ratings.

## Rating Sensitivities

### Developments That May, Individually or Collectively, Lead to Positive Rating Action

- Positive rating actions for NextEra appear unlikely at this time.

### Developments That May, Individually or Collectively, Lead to Negative Rating Action

- Inability to achieve FFO-adjusted leverage of 4.0x–4.4x on a sustainable basis;
- Any deterioration in credit measures that result from higher use of leverage or outsized return of capital to shareholders;
- An aggressive acquisition or financial strategy at NEP, rising conflict of interest between NextEra and NEP, or predominantly shareholder focused use of proceeds from the sale of assets to NEP;
- A change in strategy to invest in noncontracted renewable/pipeline/electric transmission assets, more speculative assets, or a lower proportion of cash flow under long-term contracts;
- Any change in current regulatory policies at Florida Public Service Commission and/or any weakness in the current business climate in Florida;
- Changes in tax rules that reduce NextEra's ability to monetize its accumulated production tax credits, investment tax credits and accumulated tax losses carried forward.

## Liquidity and Debt Structure

**Strong Liquidity:** Liquidity is robust, with $8.6 billion of net available liquidity as of June 30, 2018, excluding limited recourse or nonrecourse project financing arrangements. NextEra's ratings reflect the company's strong access to the capital markets, CP market and to banks for both corporate credit and project finance.

## Debt Maturities and Liquidity at FYE

### Liquidity Summary

| (USD Mil.) | 12/31/2017 | 6/30/2018 |
|---|---|---|
| Total Cash & Cash Equivalents | 1,714 | 478 |
| Short-Term Investments | 0 | 0 |
| Less: Not Readily Available Cash and Cash Equivalents | 0 | 0 |
| **Fitch-defined Readily Available Cash and Cash Equivalents** | **1,714** | **478** |
| Availability under Committed Lines of Credit | 8,366 | 8,164 |
| **Total Liquidity** | **10,080** | **8,642** |
| | | |
| **LTM EBITDA** | **8,540** | **8,254** |
| **LTM FCF** | **(4,740)** | **(4,087)** |

Source: Fitch Ratings, Fitch Solutions, NextEra Energy Inc.

### Scheduled Debt Maturities

| (USD Mil.) | 6/30/2018 |
|---|---|
| Current Year | 1,819 |
| Plus 1 Year | 1,596 |
| Plus 2 Years | 2,327 |
| Plus 3 Years | 2,756 |
| Plus 4 Years | 121 |
| Thereafter | 21,677 |
| **Total Long-Term Debt Maturities** | **30,296** |

Source: Fitch Ratings, Fitch Solutions, NextEra Energy Inc.

## Key Rating Issues

| The Issue | Significant growth in renewables | | |
|---|---|---|---|
| Our View | The extension of renewable energy tax subsidies combined with technological and cost improvements are expected to drive significant growth in NextEra's renewables development program through to 2020. NEER, NextEra's nonregulated subsidiary, anticipates completing 4.9GW–8.0GW of additional renewable capacity in 2017–2018. This includes repowering of the existing fleet of wind projects of approximately 2.1GW–2.6GW. NEER expects to bring additional 5.2GW–8.5GW of renewable capacity online in 2019–2020.Wind projects continue to comprise a bulk of NEER's renewable growth over 2017–2020. Technological developments and falling costs of battery storage presents additional growth opportunities, since batteries can be paired with intermittent renewable sources to offer a firm product. Fitch views positively the expansion of this business line, as it poses limited technology and construction risks, while delivering a long stream of stable cash flows. | | |
| Timeline: | Medium term | Rating Impact: | Positive |

| The Issue | Governance changes at NEP | | |
|---|---|---|---|
| Our View | NextEra currently controls 100% of NEP's General Partner (GP) interest and approximately 65% of the Limited Partners (LP) interest. NextEra implemented certain corporate governance changes in August 2017 that have resulted in NextEra ceding control of NEP to the LP unit holders. Fitch views this as a positive development since it minimizes any potential conflict that can emerge with NextEra pursuing drop down of assets into NEP. | | |
| Timeline: | Short to medium term | Rating Impact: | Positive |

| The Issue | Constructive 2016 rate order | | |
|---|---|---|---|
| Our View | FPL secured a cumulative $811 million retail base rate increase over January 2017–December 2020, which includes a $200 million rate increase coinciding with the commercial operation date of the Okeechobee power plant (likely mid-2019). The rate increases are based on an authorized ROE of 10.55%, within a band of 9.6%–11.6%. In addition, FPL can implement base rate increases on investments associated with installation of up to 300MW of solar generation capacity annually over 2017–2020; the solar investments would be subject to a cost cap of $1,750/kW. The settlement also allows FPL to amortize up to $1 billion of depreciation reserve surplus and any excess depreciation reserve surplus remaining under the 2012 rate order to earn a regulatory ROE of 9.6%–11.6%. | | |
| Timeline: | Medium term | Rating Impact: | Positive |

| The Issue | High capex at FPL | | |
|---|---|---|---|
| Our View | FPL's capex has been high over the last few years, mostly driven by new generation additions. As part of its fleet modernization program, FPL constructed and placed into service the 1,210MW Cape Canaveral and 1,212MW Riviera Beach power plants in April 2013 and April 2014, respectively. The utility completed the modernization of its Port Everglades plant (1,240MW) in 2016. These projects have allowed FPL to lower its fuel and operating costs, improve the emissions profile of its fleet and keep customer bills low. FPL has also undertaken up rates at its nuclear facilities of St. Lucie and Turkey Point, which resulted in an incremental 522MW of capacity at these units. Through a generation base rate adjustment mechanism, FPL has been able to receive rate recovery of its modernization projects without filing for a rate case. The nuclear uprate costs are being recovered through the nuclear clause and base rates.<br>Capex peaked in 2012 and has been moderating since, but is going to pick up again. Fitch expects FPL to spend approximately $19.5 billion in capex in 2018–2021.A significant part of that capex will be spent on transmission and distribution investments, including for storm hardening and grid reliability. The balance is earmarked for new generation capacity, which includes the Okeechobee Energy Center to be operational in 2019. FPL is also seeking regulatory approval for the modernization of Dania Beach Energy Center, to be operational by 2022. In addition, FPL has placed into service 600MW of new utility scale solar and is finalizing sites for additional 600MW of utility scale solar to be operational over 2019–2020. Fitch expects FPL to finance its capex and dividend distribution in a balanced manner so as to maintain its regulatory capital structure | | |
| Timeline: | Short to medium term | Rating Impact: | Neutral |

## Key Assumptions

**Fitch's Key Assumptions Within Our Rating Case for the Issuer Include:**

- Annual retail sales growth of 0.5% at FPL over 2018–2021;
- Rate increases for FPL under 2016 rate order and retention of tax savings;
- O&M and other expenses growth at FPL relatively flat from 2018 to 2021;
- Capex at FPL and Capital Holdings of approximately $41 billion over 2018–2021, split approximately 45/55 between the two businesses;
- Renewable projects growth toward the middle of management forecasts;
- Balanced funding mix at FPL and reliance on project debt and tax equity at Capital Holdings;
- Limited commodity exposure based on existing hedge position;
- Issuance of $5.1 billion of debt at Capital Holdings to finance the acquisition of Florida assets;
- At Gulf Power, sales growth of 0.5% over 2019–2021, capex of $300 million–$400 million a year and rate changes reflecting the 2017 and 2018 rate orders.

## Financial Data

| (USDm) | Historical | | | |
|---|---|---|---|---|
| | Dec 2014 | Dec 2015 | Dec 2016 | Dec 2017 |
| **Summary Income Statement** | | | | |
| Gross Revenue | 16,945 | 17,414 | 16,081 | 17,121 |
| Revenue Growth (%) | 12.8 | 2.8 | -7.7 | 6.5 |
| Operating EBITDA (Before Income from Associates) | 7,215 | 7,791 | 7,600 | 8,540 |
| Operating EBITDA Margin (%) | 42.6 | 44.7 | 47.3 | 49.9 |
| Operating EBITDAR | 7,215 | 7,791 | 7,600 | 8,540 |
| Operating EBITDAR Margin (%) | 42.6 | 44.7 | 47.3 | 49.9 |
| Operating EBIT | 4,374 | 4,646 | 4,286 | 5,977 |
| Operating EBIT Margin (%) | 25.8 | 26.7 | 26.7 | 34.9 |
| Gross Interest Expense | -1,368 | -1,330 | -1,275 | -1,664 |
| Pretax Income (Including Associate Income/Loss) | 3,331 | 3,990 | 4,388 | 4,667 |
| | | | | |
| **Summary Balance Sheet** | | | | |
| Readily Available Cash and Equivalents | 577 | 571 | 1,292 | 1,714 |
| Total Debt with Equity Credit | 27,204 | 28,878 | 29,273 | 33,209 |
| Total Adjusted Debt with Equity Credit | 27,204 | 28,878 | 29,273 | 33,209 |
| Net Debt | 26,627 | 28,307 | 27,981 | 31,495 |
| | | | | |
| **Summary Cash Flow Statement** | | | | |
| Operating EBITDA | 7,215 | 7,791 | 7,600 | 8,540 |
| Cash Interest Paid | -1,181 | -1,143 | -1,204 | -1,298 |
| Cash Tax | -46 | -33 | -91 | -142 |
| Dividends Received Less Dividends Paid to Minorities (Inflow/(Out)flow) | 0 | 0 | 0 | 0 |
| Other Items Before FFO | -170 | -349 | 18 | 250 |
| Funds Flow from Operations | 5,818 | 6,266 | 6,323 | 7,350 |
| FFO Margin (%) | 34.3 | 36.0 | 39.3 | 42.9 |
| Change in Working Capital | -373 | -208 | -50 | 495 |
| Cash Flow from Operations (Fitch Defined) | 5,445 | 6,058 | 6,273 | 7,845 |
| Total Non-Operating/Nonrecurring Cash Flow | 0 | 0 | 0 | 0 |
| Capex | -7,017 | -8,377 | -9,636 | -10,740 |
| Capital Intensity (Capex/Revenue) % | 41.4 | 48.1 | 59.9 | 62.7 |
| Common Dividends | -1,261 | -1,385 | -1,612 | -1,845 |
| FCF | -2,833 | -3,704 | -4,975 | -4,740 |
| Net Acquisitions and Divestitures | 0 | 0 | 658 | 1,632 |
| Other Investing and Financing Cash Flow Items | 606 | 195 | 2,422 | -514 |
| Net Debt Proceeds | 755 | 1,444 | 2,079 | 3,441 |
| Net Equity Proceeds | 1,611 | 2,059 | 537 | 603 |
| Total Change in Cash | 139 | -6 | 721 | 422 |
| | | | | |
| **Calculations for Forecast Publication** | | | | |
| Capex, Dividends, Acquisitions and Other Items Before FCF | -8,278 | -9,762 | -10,590 | -10,953 |
| FCF After Acquisitions and Divestitures | -2,833 | -3,704 | -4,317 | -3,108 |
| FCF Margin (After Net Acquisitions) (%) | -16.7 | -21.3 | -26.8 | -18.2 |
| | | | | |
| **Coverage Ratios** | | | | |
| FFO Interest Coverage (x) | 5.9 | 6.5 | 6.2 | 6.6 |
| FFO Fixed Charge Coverage (x) | 5.9 | 6.5 | 6.2 | 6.6 |
| Operating EBITDAR/Interest Paid + Rents (x) | 6.1 | 6.8 | 6.3 | 6.6 |
| Operating EBITDA/Interest Paid (x) | 6.1 | 6.8 | 6.3 | 6.6 |
| | | | | |
| **Leverage Ratios** | | | | |
| Total Adjusted Debt/Operating EBITDAR (x) | 3.8 | 3.7 | 3.9 | 3.9 |
| Total Adjusted Net Debt/Operating EBITDAR (x) | 3.7 | 3.6 | 3.7 | 3.7 |
| Total Debt with Equity Credit/Operating EBITDA (x) | 3.8 | 3.7 | 3.9 | 3.9 |
| FFO-Adjusted Leverage (x) | 3.9 | 3.9 | 3.9 | 3.9 |
| FFO-Adjusted Net Leverage (x) | 3.8 | 3.8 | 3.8 | 3.7 |

Source: Fitch Ratings, Fitch Solutions.

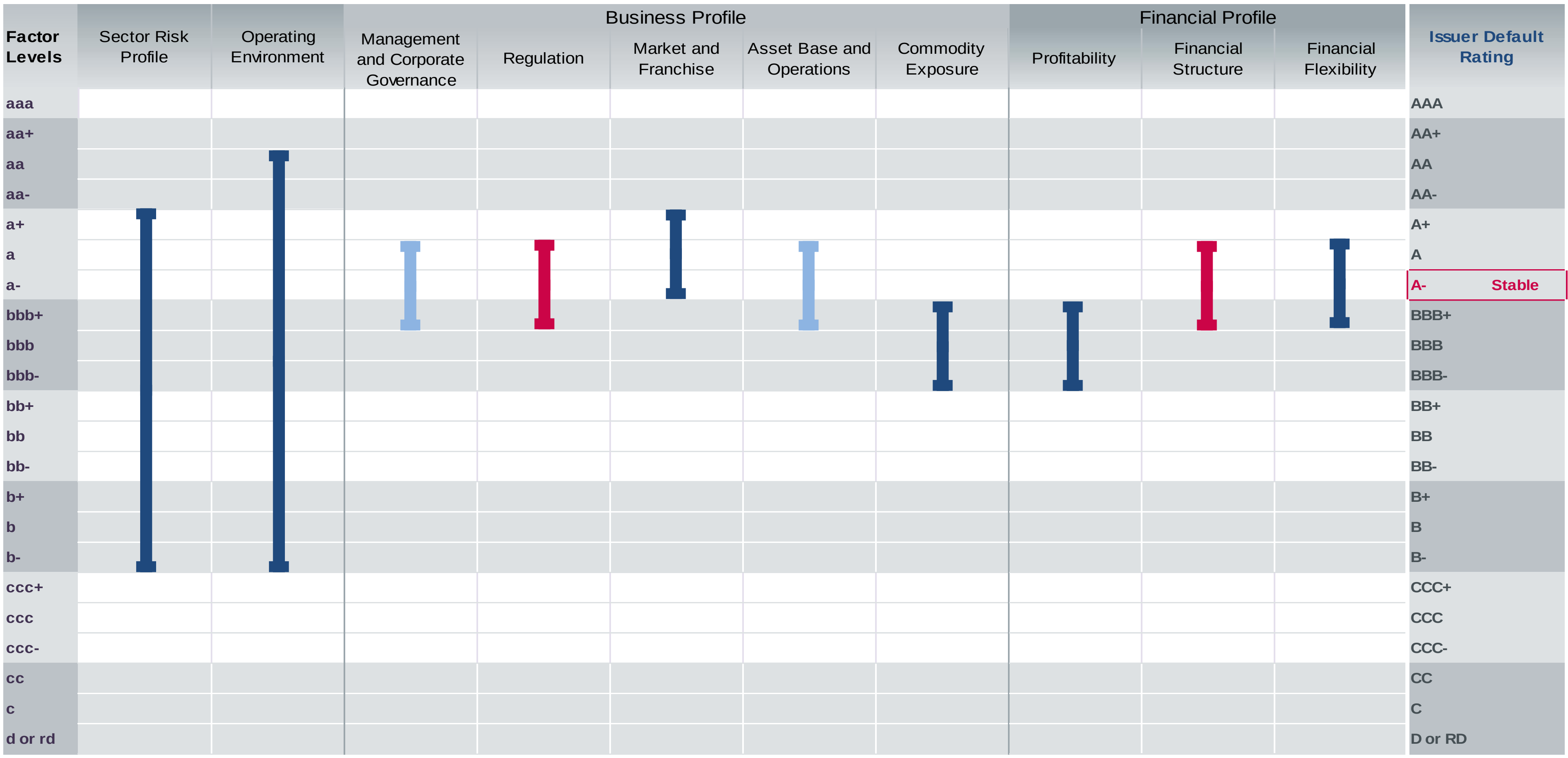
**How to Interpret the Forecast Presented**

The forecast presented is based on the agency's internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch's rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch's forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch's own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch's own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch's own internal deliberations, where Fitch, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch may update the forecast in future reports but assumes no responsibility to do so.

## Rating Navigator

# NextEra Energy, Inc.

**Corporates Ratings Navigator**
**US Utilities**



FitchRatings **NextEra Energy, Inc.**

**Corporates Ratings Navigator**
**US Utilities**

### Operating Environment

| | | | |
|---|---|---|---|
| aa+ | Economic Environment | aa | Very strong combination of countries where economic value is created and where assets are located. |
| aa | Financial Access | aa | Very strong combination of issuer specific funding characteristics and of the strength of the relevant local financial market. |
| | Systemic Governance | aa | Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'aa'. |
| b- | | | |
| ccc+ | | | |

### Management and Corporate Governance

| | | | |
|---|---|---|---|
| a+ | Management Strategy | bbb | Strategy may include opportunistic elements but soundly implemented. |
| a | Governance Structure | a | Experienced board exercising effective check and balances. Ownership can be concentrated among several shareholders. |
| a- | Group Structure | a | Group structure shows some complexity but mitigated by transparent reporting. |
| bbb+ | Financial Transparency | a | High quality and timely financial reporting. |
| bbb | | | |

### Regulation

| | | | |
|---|---|---|---|
| a+ | Degree of Transparency and Predictability | bbb | Generally transparent and predictable regulation with limited political interference. |
| a | Timeliness of Cost Recovery | a | Minimal lag to recover capital and operating costs. |
| a- | Trend in Authorized ROEs | a | Above-average authorized ROE. |
| bbb+ | Mechanisms Available to Stabilize Cash Flows | bbb | Revenues partially insulated from variability in consumption. |
| bbb | Mechanisms Supportive of Creditworthiness | | n.a. |

### Market and Franchise

| | | | |
|---|---|---|---|
| aa- | Market Structure | bbb | Established market structure but some level of uncertainty in price-setting mechanisms. |
| a+ | Consumption Growth Trend | a | Economically vibrant market or service territory with strong sales growth. |
| a | Customer Mix | a | Favorable customer mix. |
| a- | Geographic Location | a | Favorable location or high geographic diversity. |
| bbb+ | Supply Demand Dynamics | a | Beneficial outlook for prices/rates. |

### Asset Base and Operations

| | | | |
|---|---|---|---|
| a+ | Diversity of Assets | a | High-quality and/or large-scale diversified assets. |
| a | Operations Reliability and Cost Competitiveness | a | Track record of reliable, low-cost operations. |
| a- | Exposure to Environmental Regulations | a | No exposure to environmental regulations. |
| bbb+ | Capital and Technological Intensity of Capex | bbb | Moderate reinvestments requirements in established technologies. |
| bbb | | | |

### Commodity Exposure

| | | | |
|---|---|---|---|
| a- | Ability to Pass Through Changes in Fuel | bbb | Limited exposure to changes in commodity costs. |
| bbb+ | Underlying Supply Mix | bbb | Low variable costs and moderate flexibility of supply. |
| bbb | Hedging Strategy | bbb | Long-term supply and sales contracts with creditworthy counterparties. |
| bbb- | | | |
| bb+ | | | |

### Profitability

| | | | |
|---|---|---|---|
| a- | Free Cash Flow | bbb | Structurally neutral to negative FCF across the investment cycle. |
| bbb+ | Volatility of Profitability | bbb | Stability and predictability of profits in line with utility peers. |
| bbb | | | |
| bbb- | | | |
| bb+ | | | |

### Financial Structure

| | | | |
|---|---|---|---|
| a+ | Lease Adjusted FFO Gross Leverage | a | 3.5x |
| a | Total Adjusted Debt/Operating | bbb | 3.75x |
| a- | | | |
| bbb+ | | | |
| bbb | | | |

### Financial Flexibility

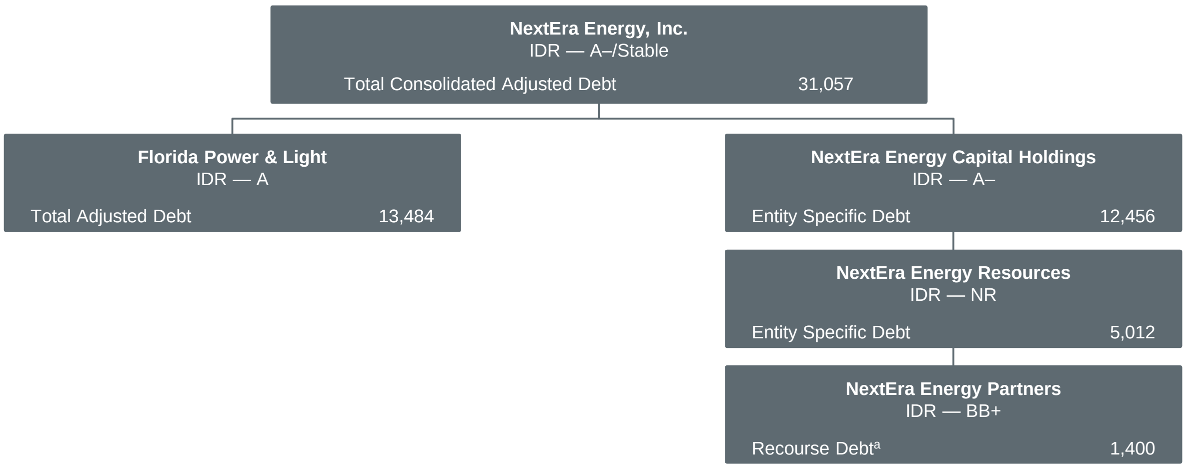
| | | | |
|---|---|---|---|
| a+ | Financial Discipline | bbb | Less conservative policy, but generally applied consistently. |
| a | Liquidity | a | Very comfortable liquidity. Well-spread maturity schedule of debt. Diversified sources of funding. |
| a- | FFO Fixed Charge Cover | a | 5.0x |
| bbb+ | | | |
| bbb | | | |

**How to Read This Page:** The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

Navigator Version: RN 1.44.3.0

## Simplified Group Structure Diagram

**Organizational Structure**
($ Mil., As of June 30, 2018)




[a]NEP Recourse Debt is not consolidated at the NextEra Energy level. IDR – Issuer Default Rating. Note: 50% Equity Credit at NextEra Energy Capital Holdings for Junior Subordinated Debt.
Source: Fitch Ratings, Fitch Solutions, NextEra Energy Inc.

## Peer Financial Summary

| Company | IDR | Financial Statement Date | Gross Revenue | Funds Flow From Operations | FFO Fixed Charge Coverage (x) | FFO Adjusted Leverage (x) | Total Adjusted Debt/Operating EBITDAR (x) |
|---|---|---|---|---|---|---|---|
| NextEra Energy, Inc. | A– | | | | | | |
| | A– | 2017 | 17,121 | 7,350 | 6.6 | 3.9 | 3.9 |
| | A– | 2016 | 16,081 | 6,323 | 6.2 | 3.9 | 3.9 |
| | A– | 2015 | 17,414 | 6,266 | 6.5 | 3.9 | 3.7 |
| Sempra Energy | BBB+ | | | | | | |
| | BBB+ | 2017 | 11,207 | 3,398 | 4.4 | 4.5 | 5.1 |
| | BBB+ | 2016 | 10,183 | 2,595 | 4.5 | 5.3 | 5.9 |
| | BBB+ | 2015 | 10,231 | 2,457 | 4.5 | 4.7 | 4.7 |
| Dominion Energy, Inc. | BBB+ | | | | | | |
| | BBB+ | 2017 | 12,586 | 4,795 | 4.5 | 6.1 | 5.8 |
| | BBB+ | 2016 | 11,737 | 4,212 | 4.3 | 6.4 | 6.3 |
| | BBB+ | 2015 | 11,683 | 4,152 | 4.8 | 5.5 | 5.5 |
| Southern Company | BBB+ | | | | | | |
| | A– | 2017 | 23,031 | 7,225 | 4.8 | 5.5 | 5.4 |
| | A– | 2016 | 19,896 | 4,395 | 3.7 | 8.0 | 5.6 |
| | A– | 2015 | 17,489 | 5,979 | 6.8 | 4.3 | 4.4 |

Source: Fitch Ratings, Fitch Solutions.

## Reconciliation of Key Financial Metrics

| (USD Millions, As reported) | 31 Dec 2017 |
|---|---|
| **Income Statement Summary** | |
| Operating EBITDA | 8,540 |
| + Recurring Dividends Paid to Non-controlling Interest | 0 |
| + Recurring Dividends Received from Associates | 0 |
| + Additional Analyst Adjustment for Recurring I/S Minorities and Associates | 0 |
| **= Operating EBITDA After Associates and Minorities (k)** | **8,540** |
| **+ Operating Lease Expense Treated as Capitalised (h)** | **0** |
| **= Operating EBITDAR after Associates and Minorities (j)** | **8,540** |
| | |
| **Debt & Cash Summary** | |
| **Total Debt with Equity Credit (l)** | **33,209** |
| + Lease-Equivalent Debt | 0 |
| + Other Off-Balance-Sheet Debt | 0 |
| **= Total Adjusted Debt with Equity Credit (a)** | **33,209** |
| Readily Available Cash [Fitch-Defined] | 1,714 |
| + Readily Available Marketable Securities [Fitch-Defined] | 0 |
| **= Readily Available Cash & Equivalents (o)** | **1,714** |
| **Total Adjusted Net Debt (b)** | **31,495** |
| | |
| **Cash-Flow Summary** | |
| **Preferred Dividends (Paid) (f)** | **0** |
| Interest Received | 81 |
| **+ Interest (Paid) (d)** | **(1,298)** |
| **= Net Finance Charge (e)** | **(1,217)** |
| **Funds From Operations [FFO] ( c)** | **7,350** |
| + Change in Working Capital [Fitch-Defined] | 495 |
| **= Cash Flow from Operations [CFO] (n)** | **7,845** |
| **Capital Expenditures (m)** | **(10,740)** |
| **Multiple applied to Capitalised Leases** | **8.0** |
| | |
| **Gross Leverage** | |
| **Total Adjusted Debt / Op. EBITDAR* [x] (a/j)** | **3.9** |
| **FFO Adjusted Gross Leverage [x] (a/(c-e+h-f))** | **3.9** |
| *Total Adjusted Debt/(FFO - Net Finance Charge + Capitalised Leases - Pref. Div. Paid)* | |
| **Total Debt With Equity Credit / Op. EBITDA* [x] (l/k)** | **3.9** |
| | |
| **Net Leverage** | |
| **Total Adjusted Net Debt / Op. EBITDAR* [x] (b/j)** | **3.7** |
| **FFO Adjusted Net Leverage [x] (b/(c-e+h-f))** | **3.7** |
| *Total Adjusted Net Debt/(FFO - Net Finance Charge + Capitalised Leases - Pref. Div. Paid)* | |
| **Total Net Debt / (CFO - Capex) [x] ((l-o)/(n+m))** | **-10.9** |
| | |
| **Coverage** | |
| **Op. EBITDAR / (Interest Paid + Lease Expense)* [x] (j/-d+h)** | **6.6** |
| **Op. EBITDA / Interest Paid* [x] (k/(-d))** | **6.6** |
| **FFO Fixed Charge Cover [x] ((c+e+h-f)/(-d+h-f))** | **6.6** |
| *(FFO + Net Finance Charge + Capit. Leases - Pref. Div Paid) / (Gross Int. Paid + Capit. Leases - Pref. Div. Paid)* | |
| **FFO Gross Interest Coverage [x] ((c+e-f)/(-d-f))** | **6.6** |
| *(FFO + Net Finance Charge - Pref. Div Paid) / (Gross Int. Paid - Pref. Div. Paid)* | |

* EBITDA/R after Dividends to Associates and Minorities

Source: Fitch, based on information from company reports.

## Fitch Adjustment Reconciliation

| | Reported Values 31 Dec 17 | Sum of Fitch Adjustments | Adjusted Values |
|---|---|---|---|
| **Income Statement Summary** | | | |
| Revenue | 17,195 | (74) | 17,121 |
| Operating EBITDAR | 7,359 | 1,181 | 8,540 |
| Operating EBITDAR after Associates and Minorities | 7,359 | 1,181 | 8,540 |
| Operating Lease Expense | 0 | 0 | 0 |
| Operating EBITDA | 7,359 | 1,181 | 8,540 |
| Operating EBITDA after Associates and Minorities | 7,359 | 1,181 | 8,540 |
| Operating EBIT | 4,730 | 1,247 | 5,977 |
| **Debt & Cash Summary** | | | |
| Total Debt With Equity Credit | 35,081 | (1,872) | 33,209 |
| Total Adjusted Debt With Equity Credit | 35,081 | (1,872) | 33,209 |
| Lease-Equivalent Debt | 0 | 0 | 0 |
| Other Off-Balance Sheet Debt | 0 | 0 | 0 |
| Readily Available Cash & Equivalents | 1,714 | 0 | 1,714 |
| Not Readily Available Cash & Equivalents | 0 | 0 | 0 |
| **Cash-Flow Summary** | | | |
| Preferred Dividends (Paid) | 0 | 0 | 0 |
| Interest Received | 81 | 0 | 81 |
| Interest (Paid) | (1,184) | (114) | (1,298) |
| Funds From Operations [FFO] | 5,918 | 1,432 | 7,350 |
| Change in Working Capital [Fitch-Defined] | 495 | 0 | 495 |
| Cash Flow from Operations [CFO] | 6,413 | 1,432 | 7,845 |
| Non-Operating/Non-Recurring Cash Flow | 0 | 0 | 0 |
| Capital (Expenditures) | (10,740) | 0 | (10,740) |
| Common Dividends (Paid) | (1,845) | 0 | (1,845) |
| Free Cash Flow [FCF] | (6,172) | 1,432 | (4,740) |
| **Gross Leverage** | | | |
| Total Adjusted Debt / Op. EBITDAR* [x] | 4.8 | | 3.9 |
| FFO Adjusted Leverage [x] | 5.0 | | 3.9 |
| Total Debt With Equity Credit / Op. EBITDA* [x] | 4.8 | | 3.9 |
| **Net Leverage** | | | |
| Total Adjusted Net Debt / Op. EBITDAR* [x] | 4.5 | | 3.7 |
| FFO Adjusted Net Leverage [x] | 4.8 | | 3.7 |
| Total Net Debt / (CFO - Capex) [x] | -7.7 | | -10.9 |
| **Coverage** | | | |
| Op. EBITDAR / (Interest Paid + Lease Expense)* [x] | 6.2 | | 6.6 |
| Op. EBITDA / Interest Paid* [x] | 6.2 | | 6.6 |
| FFO Fixed Charge Coverage [x] | 5.9 | | 6.6 |
| FFO Interest Coverage [x] | 5.9 | | 6.6 |

*EBITDA/R after Dividends to Associates and Minorities

Source: Fitch, based on information from company reports.

## Related Research & Criteria

| |
|---|
| Parent and Subsidiary Rating Linkage (July 2018) |
| Corporate Rating Criteria (March 2018) |
| Corporates Notching and Recovery Ratings Criteria (March 2018) |

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The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.