NextEra Energy Inc.

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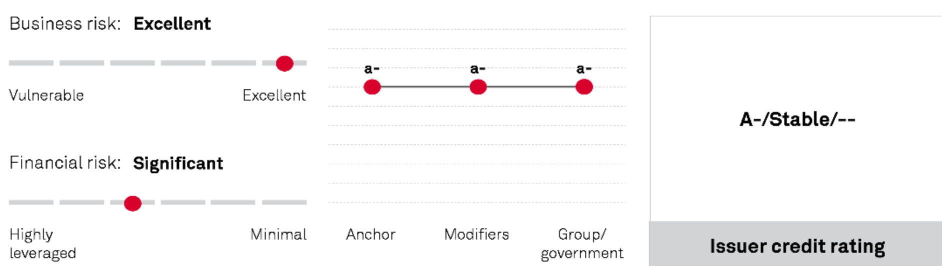
Ratings Score Snapshot



Credit Highlights

Overview

Key strengths	Key risks
Large, lower-risk, regulated electric utility operations account for about 70% of consolidated EBITDA.	Highest-risk businesses account for about 10% of consolidated EBITDA, feature low margins, expose it to significant liquidity needs, and require diligent risk management and hedging against fluctuating commodity prices.
Above-average utility growth and proactive system hardening that reduces physical risks.	High capital spending leads to negative discretionary cash flow, which necessitates consistent capital market access.
Majority of the competitive businesses employ long-term contracts, which decreases their associated risk.	Minimal financial cushion given our expectation for funds from operations (FFO) to debt of generally 100 basis points above our downgrade threshold.
Management of regulatory and environmental, social, and governance risks is typically better than that of its peers.	

We assess NextEra Energy Inc. (NEE) as being in the very low end of the range for its business risk profile category because of its higher risk non-utility businesses, which account for about 30% of its consolidated EBITDA. These include contracted competitive energy, nuclear merchant generation, proprietary trading, retail supply and wholesale full-requirement contracts, and natural gas exploration and production businesses. Some of these activities entail significant liquidity needs, low margins, and require diligent risk management and hedging against fluctuating commodity prices. Despite these higher risks, we assess the company's comparable rating analysis modifier as neutral because we believe its financial measures are at the higher-end of the range for its financial risk profile category, which offsets the elevated credit risks in its business risk profile.

We assess NEE's business risk profile as excellent. This is predicated on the company's lower risk regulated utilities businesses, which benefit from its large, mostly residential and growing customer base that provides some stability to its cash flow. We assess Florida's regulatory construct as constructive because NEE benefits from forward-looking test years and various constructive regulatory mechanisms that provide for the timely recovery of its investments and fuel costs. We view the company's 2021 rate case settlement and order increasing its electric rates by about $690 million in 2022 and $560 million in 2023 as constructive because it will provide it with stable cash flow to support its robust capital spending program.

We assess NEE's financial risk profile as significant. This is in line with our expectation for a generally consistent financial performance with only a minimal financial cushion relative to our downgrade threshold. Historically, the company has faced a gradual weakening in its financial performance. In 2020, 2021, and for of the 12 months ended June 2022, NEE's funds from operations (FFO) to debt was 24.4%, 21.8%, and 21.0%, respectively. We expect the company will maintain its financial performance and FFO to debt of 20%-22% through 2024. NEE's capital spending remains robust, averaging more than $20 billion annually through 2024, which has led it to generate negative average discretionary cash flow of about $15 billion over this same timeframe. We expect the company will fund its growth in a balanced manner such that it maintains its credit quality.

We expect the Inflation Reduction Act (IRA) will be credit supportive for NEE. The long-term extension of production tax credits (PTC) and investment tax credits (ITC) for wind and solar and the expansion of tax credits for other renewable technologies (e.g., clean hydrogen) will provide the company with material long-term future funding streams, which will be partly offset by its external funding needs. Furthermore, we expect that the utility will pass on some of the benefits from the tax credits to its customers, which will somewhat reduce its bill pressure. The tax credit transferability provides NEE with the opportunity to more quickly monetize the tax credits its generates and at a lower cost. Furthermore, we believe the new minimum 15% tax, starting in 2023, will not have a material negative effect on the company's cash flow because the accelerated depreciation and tax credits allowed under the IRA will likely offset any material negative effects on its financial performance.

Outlook

The stable outlook on NEE incorporates our view that it will continue to focus on expanding its regulated utility business and reducing the risks of its competitive businesses through the strategic augmentation of its lower-risk contracted assets. We expect the company's regulated utility business will consistently account for more than 70% of its consolidated EBITDA. We also forecast NEE's consolidated financial measures will be in the higher end of its financial risk profile category, including FFO to debt of 20%-22% through 2024.

Downside scenario

We could lower our rating on NEE over the next 24 months if we believe its management of regulatory risk has weakened, its lower-risk regulated utility businesses account for less than 70% of its consolidated EBITDA, or its FFO to debt declines and remains consistently below 20%. This could occur if the company unexpectedly increases its debt leverage to support a more aggressive growth strategy, higher-than-forecast shareholder rewards, or a large debt-financed acquisition.

Upside scenario

We could raise our rating on NEE over the next 24 months if its financial measures improve and consistently reflect FFO to debt of greater than 26%. This could occur if the company reduces its reliance on debt leverage or decides to finance a future large acquisition or capital project mostly with equity.

Our Base-Case Scenario

Assumptions

- Annual EBITDA increases on rising rates at Florida Power & Light Co. (FP&L) and the expansion of its contracted and merchant generation assets;
- Capital expenditure averaging about $20 billion per year through 2024;
- Negative discretionary cash flow averaging about $15 billion annually through 2024;
- NEE funds its growth in a balanced manner through equity issuances, hybrid securities, asset recycling, tax credits, tax equity, and the use of recourse and nonrecourse debt; and
- All debt maturities are refinanced.

Key metrics

NextEra Energy Inc.--Key Metrics*

	2021a	2022e	2023f
FFO to debt (%)	21.8	20-22	20-22
Debt to EBITDA (x)	4.0	3.8-4.3	3.8-4.3

*All figures adjusted by S&P Global Ratings. a--Actual. e--Estimate. f--Forecast. FFO--Funds from operations.

Company Description

NEE is a large electric power and energy infrastructure company that primarily comprises lower-risk regulated utility operations (about 70% of EBITDA), competitive generation (about 20% of EBITDA), proprietary trading (about 5% of EBITDA), and natural gas infrastructure businesses (about 5% of EBITDA). The company's regulated utility business serves more than 5.7 million customers in Florida and has about 31,000 megawatts (MW) of electric generation, of which natural gas comprises about 70%. NEE's nonregulated operations focus largely on contracted electric generation (generally hedged or under long-term contracts) with an emphasis on renewable energy projects, as well as some fossil fuel-based and nuclear generation.

Peer Comparison

NextEra Energy Inc.--Peer Comparisons

	NextEra Energy Inc.	Sempra Energy	Berkshire Hathaway Energy Co.	Avangrid Inc.	Public Service Enterprise Group Inc.
Foreign currency issuer credit rating	A-/Stable/--	BBB+/Negative/A-2	A/Stable/A-1	BBB+/Stable/A-2	BBB+/Stable/A-2
Local currency issuer credit rating	A-/Stable/--	BBB+/Negative/A-2	A/Stable/A-1	BBB+/Stable/A-2	BBB+/Stable/A-2
Period	Annual	Annual	Annual	Annual	Annual
Period ending	2021-12-31	2021-12-31	2021-12-31	2021-12-31	2021-12-31

NextEra Energy Inc.--Peer Comparisons

Mil.	$	$	$	$	$
Revenue	17,069	12,857	25,150	6,974	9,722
EBITDA	10,039	6,437	9,559	1,968	4,058
Funds from operations (FFO)	8,751	4,889	8,606	1,649	3,234
Interest	1,445	1,486	2,322	348	635
Cash interest paid	1,357	1,318	2,262	317	567
Operating cash flow (OCF)	6,865	3,863	8,632	1,537	1,766
Capital expenditure	15,921	4,972	6,547	2,943	2,808
Free operating cash flow (FOCF)	(9,056)	(1,109)	2,085	(1,406)	(1,042)
Discretionary cash flow (DCF)	(12,253)	(2,880)	(503)	(2,062)	(2,073)
Cash and short-term investments	639	559	1,096	1,474	818
Gross available cash	639	559	1,096	1,474	818
Debt	40,137	29,504	54,360	8,031	19,429
Equity	53,531	27,844	48,939	19,961	14,438
EBITDA margin (%)	58.8	50.1	38.0	28.2	41.7
Return on capital (%)	6.6	8.6	5.2	3.7	8.0
EBITDA interest coverage (x)	6.9	4.3	4.1	5.7	6.4
FFO cash interest coverage (x)	7.4	4.7	4.8	6.2	6.7
Debt/EBITDA (x)	4.0	4.6	5.7	4.1	4.8
FFO/debt (%)	21.8	16.6	15.8	20.5	16.6
OCF/debt (%)	17.1	13.1	15.9	19.1	9.1
FOCF/debt (%)	(22.6)	(3.8)	3.8	(17.5)	(5.4)
DCF/debt (%)	(30.5)	(9.8)	(0.9)	(25.7)	(10.7)

Business Risk

Our assessment of the company's business risk profile reflects our expectation that the EBITDA contribution from its lower risk regulated utilities businesses will consistently account for about 70% of its consolidated EBITDA. Through its utility operations, NEE provides electric services to nearly 5.7 million customers throughout most of the east and lower west coasts of Florida. Its large, mostly residential customer base provides additional stability to its cash flows. NEE operates under a constructive regulatory framework and benefits from forward-looking test years and various constructive regulatory mechanisms that provide for the timely recovery of its investments and fuel costs. Additionally, the company's proactive system hardening and effective storm management have decreased its exposure to physical risks. Despite the devastating effects of Hurricane Ian, which was the fifth strongest hurricane to make landfall in the continental U.S., the utility restored power to about two-thirds of its affected customers after the first day and to 100% of its customers in eight days. We view the company's management of regulatory risk as above average compared with its peers, which is demonstrated by its ability to consistently earn returns that are close to its authorized levels.

Furthermore, we expect that the company will continue to reduce the risks stemming from its competitive businesses by expanding its use of lower-risk, long-term contracted assets. However, we assess NEE as being at the very low end of the range for its business risk category because of its other higher-risk businesses. These include nuclear merchant generation, proprietary trading, retail supply and wholesale full-requirements contracts, as well as natural gas exploration and production businesses. These activities account for about 10% of its consolidated EBITDA, entail significant liquidity needs and low margins, and require diligent risk management and hedging against fluctuating commodity prices.

At the same time, we expect the company will continue to gradually reduce its risk by decreasing its carbon emissions, increasing its investment in lower-risk utility assets, and expanding its competitive businesses through long-term contracted assets. Currently, NEE is proactively expanding the regulated and competitive long-term contracted businesses that account for about 90% of its consolidated EBITDA. Furthermore, the company will continue to decrease its greenhouse gas (GHG) emissions, given its target of achieving real zero emissions by 2045. In addition, NEE’s recent acquisition of a large portfolio of landfill gas-to-electric facilities and its announcement that it is planning to build a renewable natural gas production plant in Alabama demonstrate its longer-term commitment to implementing its Real Zero goals, including implementing green hydrogen solutions to further reduce its GHG emissions.

Financial Risk

Our assessment of NEE's financial risk profile reflects our expectation for a modest weakening in its financial measures, primarily because of its robust capital spending. Specifically, we assume S&P Global Ratings-adjusted FFO to debt of about 20%-22% through 2024. The company's FFO to debt for 2021 was about 21%, which is in the higher end of the range for its financial risk profile category. NEE's capital spending remains robust, including about $16 billion in 2021, though we assume it will rise significantly and average about $20 billion annually through 2024.

We evaluate the company's financial measures using our medial-volatility benchmarks, which primarily reflect its low-risk utility operations and effective management of regulatory risk. We expect NEE's discretionary cash flow will remain negative and anticipate it will continue to depend on consistent access to the capital markets to fund its operations. Specifically, we expect its discretionary cash flow will average about -$15 billion annually through 2024 and assume it will fund its growth investments in a balanced manner. This includes the company’s use of equity issuances, hybrid securities, asset recycling, tax credits, tax equity, and nonrecourse debt to support its credit quality. Overall, we expect NEE will maintain its financial measures, including FFO to debt at about 21% or generally about 100 basis points above our 20% downgrade threshold.

NextEra Energy Inc.--Financial Summary

Period ending	Dec-31-2016	Dec-31-2017	Dec-31-2018	Dec-31-2019	Dec-31-2020	Dec-31-2021
Reporting period	2016a	2017a	2018a	2019a	2020a	2021a
Display currency (mil.)	$	$	$	$	$	$
Revenues	16,079	17,120	16,651	19,128	17,997	17,069
EBITDA	7,314	7,458	8,637	9,964	10,324	10,039
Funds from operations (FFO)	6,037	6,147	7,133	7,895	8,562	8,751
Interest expense	1,224	1,691	1,751	2,507	2,214	1,445
Cash interest paid	1,186	1,169	1,304	1,885	1,527	1,357
Operating cash flow (OCF)	5,906	5,861	5,811	7,765	7,664	6,865
Capital expenditure	9,514	10,637	12,804	17,275	14,391	15,921
Free operating cash flow (FOCF)	(3,608)	(4,776)	(6,992)	(9,510)	(6,727)	(9,056)
Discretionary cash flow (DCF)	(5,355)	(6,746)	(9,204)	(12,069)	(9,738)	(12,253)
Cash and short-term investments	1,292	1,714	638	600	1,105	639
Gross available cash	1,292	1,714	638	600	1,105	639
Debt	21,530	21,994	28,704	33,866	35,160	40,137
Common equity	29,261	33,426	41,109	45,669	52,776	53,531
Adjusted ratios						
EBITDA margin (%)	45.5	43.6	51.9	52.1	57.4	58.8

NextEra Energy Inc.--Financial Summary

Return on capital (%)	9.7	10.2	7.5	6.9	5.0	6.6
EBITDA interest coverage (x)	6.0	4.4	4.9	4.0	4.7	6.9
FFO cash interest coverage (x)	6.1	6.3	6.5	5.2	6.6	7.4
Debt/EBITDA (x)	2.9	2.9	3.3	3.4	3.4	4.0
FFO/debt (%)	28.0	27.9	24.9	23.3	24.4	21.8
OCF/debt (%)	27.4	26.6	20.2	22.9	21.8	17.1
FOCF/debt (%)	(16.8)	(21.7)	(24.4)	(28.1)	(19.1)	(22.6)
DCF/debt (%)	(24.9)	(30.7)	(32.1)	(35.6)	(27.7)	(30.5)

Reconciliation Of NextEra Energy Inc. Reported Amounts With S&P Global Adjusted Amounts (Mil. $)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Financial year	Dec-31-2021									
Company reported amounts	54,827	37,202	17,069	6,837	2,913	1,270	10,039	7,553	3,024	16,077
Cash taxes paid	-	-	-	-	-	-	69	-	-	-
Cash interest paid	-	-	-	-	-	-	(1,323)	-	-	-
Lease liabilities	755	-	-	-	-	-	-	-	-	-
Operating leases	-	-	-	92	20	20	(20)	72	-	-
Equity-like hybrids	(6,000)	6,000	-	-	-	(88)	88	88	88	-
Intermediate hybrids (debt)	(1,862)	1,862	-	-	-	(85)	85	85	85	-
Accessible cash and liquid investments	(639)	-	-	-	-	-	-	-	-	-
Capitalized interest	-	-	-	-	-	184	(184)	(184)	-	(184)
Share-based compensation expense	-	-	-	138	-	-	-	-	-	-
Dividends from equity investments	-	-	-	526	-	-	-	-	-	-
Power purchase agreements	81	-	-	31	3	3	(3)	28	-	28
Asset-retirement obligations	-	-	-	141	141	141	-	-	-	-

Reconciliation Of NextEra Energy Inc. Reported Amounts With S&P Global Adjusted Amounts (Mil. $)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Nonoperating income (expense)	-	-	-	-	938	-	-	-	-	-
Noncontrolling/ minority interest	-	8,467	-	-	-	-	-	-	-	-
U.S. decommissioning fund contributions	-	-	-	-	-	-	-	(315)	-	-
Debt: other	(7,026)	-	-	-	-	-	-	-	-	-
EBITDA - Gain/(loss) on disposals of PP&E	-	-	-	(77)	(77)	-	-	-	-	-
EBITDA: Valuation gains/(losses)	-	-	-	2,235	2,235	-	-	-	-	-
EBITDA: other	-	-	-	116	116	-	-	-	-	-
D&A: other	-	-	-	-	(290)	-	-	-	-	-
OCF: other	-	-	-	-	-	-	-	(462)	-	-
Total adjustments	(14,691)	16,329	-	3,202	3,085	175	(1,288)	(688)	172	(156)
S&P Global Ratings adjusted	**Debt**	**Equity**	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from Operations**	**Operating cash flow**	**Dividends**	**Capital expenditure**
	40,137	53,531	17,069	10,039	5,998	1,445	8,751	6,865	3,196	15,921

Liquidity

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

Principal liquidity sources

- Estimated cash FFO of about $10 billion;
- Credit facility availability of about $14 billion; and
- Cash and liquid investments of about $2.5 billion as of Sept. 30, 2022.

Principal liquidity uses

- Debt maturities, including outstanding commercial paper, of about $10 billion as of Sept. 30, 2022;
- Maintenance capital spending of less than $8 billion, which reflects its ability to scale back its planned capital expenditure, including its growth capital expenditure, in case of financial distress; and
- Dividends of about $3.4 billion.

Environmental, Social, And Governance

ESG Credit Indicators

E-1	E-2	E-3	E-4	E-5	S-1	S-2	S-3	S-4	S-5	G-1	G-2	G-3	G-4	G-5

Environmental	Social	Governance
- Climate transition risk	- N/A	- Risk management, culture, and oversight

N/A—Not applicable. ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicator Definitions And Applications," published Oct. 13, 2021.

Environmental and governance factors are positive considerations in our credit rating analysis of NEE. The company is increasing the proportion of renewable generation in its generation portfolio to about 45% (from about 27% currently) by 2025 while reducing its reliance on nuclear generation to about 18% (from about 23%) and natural gas to about 36% (from about 48%). The cumulative effect of these improvements will further strengthen its industry-leading CO_2 intensity (CO_2 emissions metric tons/gigawatts) score. Currently, the company's carbon intensity score is about 40% lower than that of its closest industry competitor. NEE's track record of effective strategic planning and its completion of its many infrastructure projects on time and on budget while also meeting or exceeding its financial performance targets lead us to anticipate it will successfully execute its strategic initiatives.

Issue Ratings--Subordination Risk Analysis

Capital structure

- NEE's capital structure comprises about $65 billion of total debt, of which about $37 billion is outstanding at NextEra Energy Capital Holdings Inc. (NEECH), about $21 billion is outstanding at FP&L, and about $7 billion is outstanding at NextEra Energy Resources LLC.

Analytical conclusions

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

Rating Component Scores

Foreign currency issuer credit rating	**A-/Stable/--**
Local currency issuer credit rating	**A-/Stable/--**
Business risk	**Excellent**
Country risk	Very Low
Industry risk	Low
Competitive position	Excellent
Financial risk	**Significant**
Cash flow/leverage	Significant
Anchor	**a-**
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Strong (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	**a-**

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- 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
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- Criteria | Corporates | Utilities: Collateral Coverage And Issue Notching Rules For '1+' And '1' Recovery Ratings On Senior Bonds Secured By Utility Real Property, Feb. 14, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings Detail (as of November 14, 2022)*

NextEra Energy Inc.

Ratings Detail (as of November 14, 2022)*

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/--
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
Preference Stock		BBB+
Preferred Stock		BBB+
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.