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Ratings

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Florida Power & Light Co.

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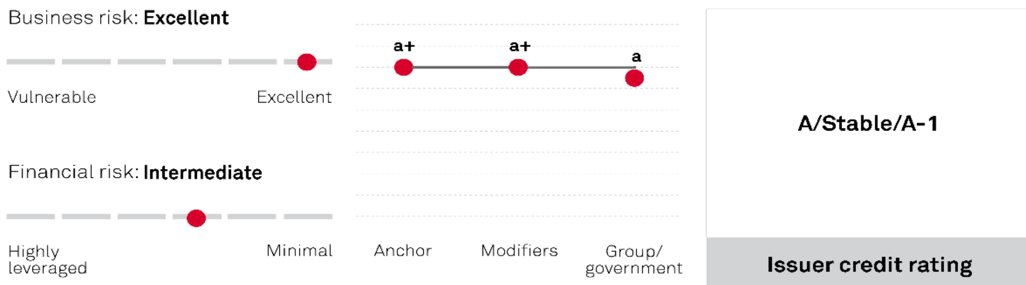
Ratings Score Snapshot



Credit Highlights

Overview

Key strengths	Key risks
Lower-risk regulated electric utility operating under a largely constructive regulatory environment in Florida.	Single-state utility, with limited geographic and regulatory diversity.
Above-average management of regulatory risk compared with peers.	Robust capital spending on grid hardening and renewable energy investment requires credit-supportive financing, despite supportive regulatory environment and cost recovery mechanisms.
Large utility serving approximately six million customers.	
Increasing solar and other renewable generation adds to the company's fuel diversity.	

Florida Power & Light Co.'s (FPL) fuel cost recovery refund does not have a material impact on the utility's financial metrics. In April 2024, the Florida Public Service Commission (FPSC) approved a customer refund of about $660 million of fuel costs over eight months beginning May 2024. Despite this refund and the company's robust average annual capital spending of more than $8 billion, we expect FPL's financial measures to be about 31%-33%, the upper end of the range of its intermediate financial risk profile category.

We expect FPL's capital spending to remain robust through 2026, in the $7.5 billion-$9.9 billion range. Despite the elevated capital spending, we forecast debt to EBITDA to remain in the lower end of the of 2.5x-3x range. We expect FPL's discretionary cash flow (DCF) to remain negative, indicating an external funding need, which we believe will include debt issuances in the capital markets.

Outlook

S&P Global Ratings' stable outlook on FPL is consistent with its stable outlook on parent NextEra Energy Inc. (NEE) and its expectation that FPL's stand-alone financial measures will not materially weaken. Under our base-case scenario, we expect FPL's funds from operations (FFO) to debt will remain in the middle of the range for its financial risk profile category at 31%-33%.

Downside scenario

We could lower ratings on FPL if we downgrade NEE or if FPL's stand-alone financial measures materially weaken, such that FFO to debt is consistently below 19%.

Upside scenario

We could raise our rating on FPL by one notch if we upgrade NEE and FPL's financial measures continue to reflect the middle of the range for its financial risk profile category, reflecting FFO to debt consistently above 25%.

Our Base-Case Scenario

Assumptions

- Cost recovery consistent with the rate case settlement and use of existing regulatory mechanisms;
- Increased solar generation investment through Florida's SolarTogether program;
- Solar investments will also be recovered through timely regulatory mechanisms (solar base rate adjustment);
- Capital spending averaging about $8 billion annually;
- Dividend payments or contributions consistent with the company's regulated capital structure;
- Discretionary cash flow deficits indicate external funding needs, which may be funded with debt issuances; and
- All debt maturities refinanced.

Key metrics

Florida Power & Light Co.--Forecast summary

Period ending	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026
	2023a	2024e	2025f	2026f
Adjusted ratios				
Debt/EBITDA (x)	2.7	2.5-3	2.5-3	2.5-3
FFO/debt (%)	29.3	31-33	31-33	31-33

Florida Power & Light Co.--Forecast summary

CFO/debt (%)	29.6	35-40	30-35	30-35

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. $--U.S. dollar.

Company Description

FPL is a wholly owned electric utility of NEE and is regulated by the FPSC. FPL has generating capacity of approximately 34,925 megawatts (MW) and serves more than 5.9 million customers throughout Florida. As of Dec. 31, 2023, the company's generating capacity consist of natural gas (73%), solar (14%), nuclear (11%), and coal (2%).

Peer Comparison

Florida Power & Light Co.--Peer Comparisons

	Florida Power & Light Co.	Virginia Electric & Power Co.	Georgia Power Co.	Alabama Power Co.	Duke Energy Carolinas LLC
Foreign currency issuer credit rating	A/Stable/A-1	BBB+/Stable/A-2	A/Stable/A-1	A/Stable/A-1	BBB+/Stable/A-2
Local currency issuer credit rating	A/Stable/A-1	BBB+/Stable/A-2	A/Stable/A-1	A/Stable/A-1	BBB+/Stable/A-2
Period	Annual	Annual	Annual	Annual	Annual
Period ending	2023-12-31	2023-12-31	2023-12-31	2023-12-31	2023-12-31
Mil.	$	$	$	$	$
Revenue	18,365	9,573	10,118	7,050	8,273
EBITDA	10,221	4,659	5,087	3,361	4,233
Funds from operations (FFO)	8,171	3,896	4,146	2,620	3,494
Interest	1,233	1,021	978	610	1,001
Cash interest paid	1,069	810	721	426	589
Operating cash flow (OCF)	8,237	4,757	2,795	2,065	2,750
Capital expenditure	9,365	7,085	4,700	1,995	3,671
Free operating cash flow (FOCF)	(1,128)	(2,328)	(1,905)	70	(921)
Discretionary cash flow (DCF)	(5,673)	(2,328)	(3,760)	(1,071)	(921)
Cash and short-term investments	57	90	9	324	9
Gross available cash	57	90	9	324	9
Debt	27,846	19,037	22,317	11,525	18,169
Equity	38,835	21,657	21,518	12,333	16,907
EBITDA margin (%)	55.7	48.7	50.3	47.7	51.2
Return on capital (%)	10.1	7.2	7.6	8.1	7.4
EBITDA interest coverage (x)	8.3	4.6	5.2	5.5	4.2
FFO cash interest coverage (x)	8.6	5.8	6.8	7.1	6.9
Debt/EBITDA (x)	2.7	4.1	4.4	3.4	4.3
FFO/debt (%)	29.3	20.5	18.6	22.7	19.2

Florida Power & Light Co.--Peer Comparisons					
OCF/debt (%)	29.6	25.0	12.5	17.9	15.1
FOCF/debt (%)	(4.1)	(12.2)	(8.5)	0.6	(5.1)
DCF/debt (%)	(20.4)	(12.2)	(16.8)	(9.3)	(5.1)

Business Risk

Supporting FPL's business risk profile are its largely residential customer base, which accounts for about 58% of its operating revenue, its effective management of regulatory risk, and its above-average economic and customer growth, demonstrated by Florida outperforming the national GDP growth rate in the past seven consecutive years and, consequently, strong energy demand.

The FPSC regulates FPL. We view the regulatory environment in Florida as constructive and supportive of credit quality. FPL benefits from forecast test years, above-average authorized returns on equity (ROEs), multiyear rate settlements, and various regulatory mechanisms that enable the company to reduce its regulatory lag and reduce cash flow volatility. Further supporting our assessment of the company's business risk profile is the company's ability to consistently recover storm-related costs, financially protecting the company from hurricanes that are common in its service territory, and significantly reducing a key risk for the company. As such, our assessment of FPL's business risk is at the higher half of the range compared with peers.

The company is further enhancing its renewable energy footprint, focusing on solar generation. FPL’s SolarTogether program is authorized to construct an additional approximate 2,235 MW through 2025, bringing total solar capacity to about 6,440 MW. We expect FPL will continue reducing its greenhouse gas emission and environmental risks more quickly than peers, considering the utility’s declining use of coal, with two out of three FPL’s jointly owned coal units retired in January 2024, SolarTogether program, battery storage development efforts, and Okeechobee green hydrogen pilot.

Financial Risk

Our stand-alone financial measures include our base-case scenario that assumes that the company will maintain its regulatory capital structure, reflecting an equity ratio of about 60%, a robust capital spending program, and timely recovery of costs using constructive regulatory mechanisms. Overall, we expect the company's stand-alone FFO to debt to reflect 31%-33%, over the next three years, which is consistent with the middle of the range for the company's financial risk profile category. We expect FPL’s leverage (current S&P Global Ratings-adjusted debt to EBITDA in the 2.5x-3x area) will be intermediate through 2026 despite elevated capital spending of $8 billion annually on average. Our projection that the company’s cashflow from operations to debt will be in the 30%-40% range through 2026 supports our financial risk assessment.

To assess FPL’s financial risk profile, we use our medial volatility table benchmarks, which are more relaxed than the benchmarks we use for typical corporate issuers. This reflects the company's stable cash flows, low-risk, rate-regulated utility operations, and effective management of regulatory risk.

Florida Power & Light Co.--Financial Summary

Period ending	Dec-31-2018	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022	Dec-31-2023
Reporting period	2018a	2019a	2020a	2021a	2022a	2023a
Display currency (mil.)	$	$	$	$	$	$
Revenues	11,786	12,115	11,662	14,102	17,282	18,365
EBITDA	5,968	6,037	6,315	7,039	8,247	10,221
Funds from operations (FFO)	5,011	4,913	5,588	6,451	7,487	8,171
Interest expense	664	720	721	696	880	1,233
Cash interest paid	542	580	601	589	738	1,069
Operating cash flow (OCF)	4,166	4,966	5,284	5,274	4,693	8,237
Capital expenditure	5,119	5,739	6,664	7,572	9,154	9,365
Free operating cash flow (FOCF)	(953)	(773)	(1,380)	(2,298)	(4,461)	(1,128)
Discretionary cash flow (DCF)	(1,453)	(2,973)	(3,590)	(2,838)	(6,461)	(5,673)
Cash and short-term investments	112	77	20	55	25	57
Gross available cash	112	77	20	55	25	57
Debt	12,907	15,611	17,227	20,082	22,886	27,846
Common equity	21,014	21,398	23,740	33,594	38,920	38,835
Adjusted ratios						
EBITDA margin (%)	50.6	49.8	54.2	49.9	47.7	55.7
Return on capital (%)	10.4	9.8	10.2	10.0	9.5	10.1
EBITDA interest coverage (x)	9.0	8.4	8.8	10.1	9.4	8.3
FFO cash interest coverage (x)	10.2	9.5	10.3	11.9	11.1	8.6
Debt/EBITDA (x)	2.2	2.6	2.7	2.9	2.8	2.7
FFO/debt (%)	38.8	31.5	32.4	32.1	32.7	29.3
OCF/debt (%)	32.3	31.8	30.7	26.3	20.5	29.6
FOCF/debt (%)	(7.4)	(5.0)	(8.0)	(11.4)	(19.5)	(4.1)
DCF/debt (%)	(11.3)	(19.0)	(20.8)	(14.1)	(28.2)	(20.4)

Reconciliation Of Florida Power & Light Co. 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-31-2023									
Company reported amounts	27,903	38,835	18,365	10,386	6,597	1,114	10,221	8,296	4,545	9,400
Cash taxes paid	-	-	-	-	-	-	(981)	-	-	-
Cash interest paid	-	-	-	-	-	-	(1,034)	-	-	-
Accessible cash and liquid investments	(57)	-	-	-	-	-	-	-	-	-
Capitalized interest	-	-	-	-	-	35	(35)	(35)	-	(35)
Asset-retirement obligations	-	-	-	84	84	84	-	-	-	-

Reconciliation Of Florida Power & Light Co. 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)	-	-	-	-	192	-	-	-	-	-
U.S. decommissioning fund contributions	-	-	-	-	-	-	-	(24)	-	-
EBITDA - Gain/(loss) on disposals of PP&E	-	-	-	(407)	(407)	-	-	-	-	-
EBITDA: other income/ (expense)	-	-	-	158	158	-	-	-	-	-
D&A: other	-	-	-	-	(158)	-	-	-	-	-
Total adjustments	(57)	-	-	(165)	(131)	119	(2,050)	(59)	-	(35)
S&P Global Ratings adjusted	**Debt**	**Equity**	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from Operations**	**Operating cash flow**	**Dividends**	**Capital expenditure**
	27,846	38,835	18,365	10,221	6,466	1,233	8,171	8,237	4,545	9,365

Liquidity

We base our 'A-1' short-term rating on our 'A' long-term issuer credit rating on FPL. As of March 31, 2024, we assess the company's liquidity as adequate, which reflects our expectation that its sources of cash will be more than 1.1x its uses over the next 12 months even if EBITDA declines 10%. We believe FPL's predictable regulatory framework provides it with a manageable level of cash flow stability, even in times of economic stress, which supports our use of slightly lower thresholds to assess its liquidity. In addition, we believe the company has the ability to absorb high-impact, low-probability events, which reflects its maintenance of about $4.5 billion of committed credit facilities through 2024 to 2029, as well as our belief it could reduce its high capital spending (averaging about $8 billion) during stressful periods. Therefore, we anticipate it would have a limited need for refinancing under such conditions.

Furthermore, our assessment reflects FPL's generally risk prudent risk management, sound relationships with its banking group (which includes over thirty well-established banks), and satisfactory standing in the credit markets (credit default swap spreads are in line with those of its investment-grade peers). Overall, we believe that the company will likely be able to withstand adverse market circumstances over the next 12 months while maintaining sufficient liquidity to meet its obligations. FPL's next big long-term debt maturity is in September, when $67 million comes due, which we expect it will proactively address well in advance of its due date.

Principal liquidity sources

- Credit facility availability of about $3.7 billion;
- Estimated cash FFO of about $9.1 billion;
- Working capital inflows of about $165 million; and
- Cash and liquid investments of about $20 million.

Principal liquidity uses

- Debt maturities, including outstanding commercial paper, of about $1.2 billion;
- Capital spending of about $7.6 billion; and
- Dividends of about $785 million.

Environmental, Social, And Governance

Governance factors are a positive consideration in our credit ratings analysis of FPL. Parent NEE's track record of effective strategic planning and the completion of its many infrastructure projects on time and on budget while also meeting or exceeding financial performance are consistent with the company successfully executing its strategic initiatives.

Environmental factors are a moderately negative consideration in our credit ratings analysis of FPL. FPL's service territory is prone to physical risks, including hurricanes and wildfires. While FPL has a history of managing hurricanes in its service territory, to date there is no history of significant damages of wildfires. Climate change is increasing the frequency of wildfires, and we believe the utility could face significant litigation if it is found to have caused, or been negligent in preventing, a damaging wildfire. While FPL's region is prone to these physical risks, we believe the company minimizes these risks through storm hardening and effectively managing regulatory risk that provides for the timely recovery of storm costs. Furthermore, FPL has made strides to harden its assets, particularly its distribution assets of which while approximately 48% are underground, and 12% are hardened overhead lines. For transmission poles and structures, 95% are steel or concrete.

Group Influence

Under our group rating methodology, we assess FPL as a core subsidiary of its parent NEE, reflecting our view that it is highly unlikely to be sold, is integral to the group's overall strategy, possesses a strong long-term commitment from senior management, is a significant contributor to the group (roughly 70% of consolidated EBITDA), and is closely linked to the parent's reputation.

We assess the insulating measures as sufficient to insulate FPL one notch higher than NEE's group credit profile. This reflects our assessment of FPL's stand-alone credit profile and our view that the insulating measures that reflect the following:

- FPL is a separate stand-alone legal entity that functions independently, both financially and operationally, files its own rate cases, and is independently regulated by the FPSC.
- FPL has its own books and records, including its stand-alone audited financial statements.
- The utility has its own funding arrangements, including issuing its own long-term debt, and has a separate committed credit facility to cover its short-term funding needs.
- FPL does not commingle funds, assets, or cash flows with NEE or its other subsidiaries. Also, NEE does not have a money pool.

- We believe there is a strong economic basis for NEE to preserve FPL's credit strength, reflecting FPL's low-risk, profitable, and regulated utility business model. FPL is also a significant portion of NEE.
- FPL does not have any obligation of cross-default in the event of a default at parent NEE or its other subsidiaries that could directly lead to a default at FPL.

Issue Ratings--Subordination Risk Analysis

Capital structure

FPL's capital structure consists of long-term debt of about $25 billion of which about $22 billion is senior secured debt.

Analytical conclusions

We rate PL's senior unsecured debt at the same level as out long-term issuer credit rating because it is the debt of a qualified investment-grade utility.

Issue Ratings--Recovery Analysis

Key analytical factors

FPL's first-mortgage bonds benefit from a first-priority lien on substantially all of the utility's real property owned or subsequently acquired. Collateral coverage of more than 1.5x supports a recovery rating of '1+' and an issue-level rating one notch above the issuer credit rating.

Rating Component Scores

Foreign currency issuer credit rating	**A/Stable/A-1**
Local currency issuer credit rating	**A/Stable/A-1**
Business risk	**Excellent**
Country risk	Very Low
Industry risk	Very Low
Competitive position	Excellent
Financial risk	**Intermediate**
Cash flow/leverage	Intermediate
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	Positive (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	**a+**

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- 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
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, 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: Principles Of Credit Ratings, Feb. 16, 2011

Ratings Detail (as of August 16, 2024)*		
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
Issuer Credit Ratings History		
24-Dec-2019	*Foreign Currency*	A/Stable/A-1
11-Mar-2010		A-/Stable/A-2
14-Jan-2010		A/Watch Neg/A-1
24-Dec-2019	*Local Currency*	A/Stable/A-1
11-Mar-2010		A-/Stable/A-2
14-Jan-2010		A/Watch Neg/A-1
Related Entities		
NextEra Energy Capital Holdings Inc.		

Ratings Detail (as of August 16, 2024)*

Issuer Credit Rating	A-/Stable/A-2
Commercial Paper	
Local Currency	A-2
Junior Subordinated	BBB
Senior Unsecured	BBB+
NextEra Energy Inc.	
Issuer Credit Rating	A-/Stable/--
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.