FitchRatings

Corporates
Electric-Corporate
United States

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

Ratings

Rating Type	Rating	Outlook	Last Rating Action
Long-Term IDR	A–	Stable	Review - No Action Oct. 15, 2020
Short-Term IDR	F2		Review - No Action Oct. 15, 2020
Long-Term Junior Subordinated	BBB		Review - No Action Oct. 15, 2020
Long-Term Senior Unsecured	A–		Review - No Action Oct. 15, 2020
Short-Term Senior Unsecured	F2		Review - No Action Oct. 15, 2020

Click here for full list of ratings

Applicable Criteria

Corporate Rating Criteria (December 2020)
Parent and Subsidiary Linkage Rating Criteria (August 2020)
Short-Term Ratings Criteria (March 2020)
Corporates Notching and Recovery Ratings Criteria (October 2019)

Related Research

Fitch Affirms Ratings for NextEra, FPL and Gulf Power; Outlook Stable (October 2020)

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On Oct. 9, 2020, Fitch Ratings affirmed NextEra Energy, Inc.'s Long-Term Issuer Default Rating (IDR) at 'A–'. Fitch also affirmed the IDRs of NextEra's subsidiaries, Florida Power & Light Co. (FPL) at 'A'/'F1', Gulf Power Company at 'A'/'F1' and NextEra Energy Capital Holdings, Inc. at 'A–'/'F2'. NextEra provides a full guarantee of Capital Holdings' debt and hybrids. Capital Holdings is the intermediate holding company that owns NextEra's nonregulated businesses. The Rating Outlook is Stable for all entities.

NextEra's ratings and Stable Outlook reflect ownership of two highly rated electric utility subsidiaries, which benefit from the constructive regulatory environment in Florida, and its strong competitive position as the largest renewable generation company in the U.S. Significant rate base growth at FPL, combined with regulated M&A, has outpaced the strong growth in nonregulated renewable operations, thereby tilting the business risk favorably toward an approximately 70%/30% regulated/nonregulated mix. Fitch expects NextEra's consolidated FFO leverage, including nonrecourse debt, to be approximately 4.5x over 2020–2022.

Key Rating Drivers

No Material Impact from Coronavirus: Fitch does not expect coronavirus to have a material impact on NextEra's operations and access to capital. Given its strong competitive position in renewables, NextEra enjoys significant clout with its supply chain vendors and tax equity investors, leading to minimal disruptions to its operations and large construction program. A vast majority of NextEra's wind and solar portfolio is under long-term power purchase agreements (PPAs) with minimal volumetric risk. NextEra's PPAs counterparties are typically highly creditworthy, consisting of regulated utilities and public power entities and only a small proportion is corporates.

At its utility operations, Fitch expects growth in the higher margin residential segment due to work-from-home policies to offset in part the impact from lower commercial sales. FPL derives approximately 60% of its MWh sales from residential customers, 38% from commercial and 2% from industrial. Gulf Power derives approximately 50% of its retail MWh sales from residential customers, 35% from commercial and 15% from industrial. A large military presence in Gulf Power's service territory, which currently represents approximately 39% of the total industrial sector sales, also provides stability against sales decline. The uncollectible expenses could rise, but should remain manageable. In the 2008–2009 financial crisis, Fitch estimates the uncollectibles as a percentage of revenues were approximately 0.2% and 0.1% for FPL and Gulf Power, respectively.

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 base rate increases at FPL following a constructive 2016 rate order, modernization plan at Gulf Power, planned investments in regulated solar generation projects, and the continued growth in contracted, nonregulated solar and wind investments. Fitch expects the proportion of regulated EBITDA in the overall business mix to be approximately 70%. Within the nonregulated businesses, management's emphasis remains on long-term contracted renewable generation.

Fitch expects the adjusted EBITDA contribution from both regulated and contracted businesses at NextEra to be approximately 90% over the next few years.

Leading Position in Renewables: Fitch considers NextEra to be strongly positioned to take advantage of the energy transition underway in the U.S., where technological developments and falling costs of wind, solar and battery storage have accelerated the shift in power generation mix away from fossil fuels. The company currently has more than 15 gigawatts (GW) of renewables backlog, which is the largest backlog in its development history and includes approximately 7.4GW of contracts for delivery beyond 2020. NextEra demonstrated strong origination in the first nine months of 2020 adding 4.7GW to its backlog. The recent extension of Production Tax Credits for wind projects that begin construction in 2020 at a rate of 60% is expected to support continued wind development until 2024. Accelerating trends in deployment of battery storage and pairing of batteries with intermittent renewables to offer a firm product open up additional growth opportunities.

Gulf Power Transformation: Fitch views management's ongoing efforts to modernize Gulf Power's generation fleet and lower operating costs as a positive. Earlier this year, Fitch upgraded Gulf Power's Long-Term IDR to 'A' from 'A–' and Short-Term IDR to 'F1' from 'F2', reflecting better than expected financial performance of the company driven by reduction in operating expenses that is tracking ahead of plan. In addition, NextEra injected $700 million of equity into Gulf Power in the first half of this year, which has strengthened Gulf Power's capital structure and made it less reliant on debt to fund its ongoing modernization plan.

Management is taking steps to merge Gulf Power with FPL with a target effective date of Jan. 1, 2021. Management plans to file a combined rate case filing in 2021 for new rates to be effective Jan. 1, 2022.

Resilient Credit Metrics: On a fully consolidated basis (including nonrecourse project debt), Fitch expects NextEra's FFO leverage to approximate 4.5x and FFO fixed-charge coverage to approximate 6.0x over 2020–2022. Credit metrics in 2023 should benefit from conversion of $4.5 billion equity units that were issued in 2020. The investors in equity units are obligated to purchase stock at the end of three years. Fitch does not allocate any equity credit to the underlying debentures issued to collateralize the investor's forward stock purchase obligation.

Parent Subsidiary Linkage: Fitch considers rating linkages between NextEra and its subsidiaries, FPL and Gulf Power to be weak to moderate. Legal ties are considered weak due to the absence of guarantees and cross-default provisions. Other weak linkage considerations include an authorized regulatory capital structure provision, a maximum debt-to-capitalization ratio in debt indentures, and access to own utility financing that provide some level of ring-fencing around FPL and Gulf Power. However, operational and strategic ties are expected to be strong. Gulf Power's reliance on parent equity infusions to support a heavy capex program over the forecast period supports the weak to moderate rating linkage.

Fitch has applied a bottom-up approach in rating FPL and Gulf Power. Fitch considers FPL and Gulf Power to be stronger entities than their parent due to low business risk nature of regulated operations, strength of their regulatory environment, and stronger credit metrics and leverage. Fitch has applied a consolidated approach to rate NextEra. Fitch would generally limit the notching between NextEra and its regulated subsidiaries to one to two notches.

NextEra and Capital Holdings' IDRs are the same due to strong legal rating linkages. NextEra guarantees all debt at Capital Holdings.

Financial Summary

($ Mil., as of Dec. 31)	2016	2017	2018	2019	LTM Sept. 2020
Gross Revenue	16,081	17,121	16,653	19,128	18,152
Operating EBITDAR	7,600	8,540	8,330	9,493	9,175
Cash Flow from Operations	6,273	7,845	6,575	8,305	8,724
Capital Intensity (Capex/Revenue) (%)	59.9	62.7	78.1	64.3	66.5
Total Debt with Equity Credit	29,650	33,539	36,224	40,645	46,370
FFO Fixed-Charge Coverage (x)	6.2	6.6	6.4	4.2	4.8
FFO Leverage (x)	4.0	3.9	4.2	4.0	4.3
Total Debt with Equity Credit/ Operating EBITDA (x)	3.9	3.9	4.4	4.1	4.9

Source: Fitch Ratings, Fitch Solutions.

Rating Derivation Relative to Peers

NextEra compares favorably with its peer parent holding companies, Southern Company (BBB+/Stable), Sempra Energy (BBB+/Stable) and Dominion Energy, Inc. (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 is approximately 70%, which is less favorable compared with Southern (80%), Sempra (80% pro forma for Cameron completion) and Dominion (85%–90%). NextEra's projected FFO leverage metrics at 4.5x are stronger than the projected metrics for Southern (5.0x) and Dominion (4.8x), and comparable with those of Sempra (4.5x).

Some of NextEra's peers face project execution risk due to the construction of large projects, which include the Cameron liquefied natural gas project at Sempra and Vogtle Units 3 and 4 nuclear units at Southern. NextEra is also facing headwinds to its Mountain Valley Pipeline project, but this project is relatively less material for NextEra. NextEra's ownership interest in NextEra Energy Partners (NEP) adds to complexity in organizational structure that its peers do not have.

Rating Sensitivities

Factors That Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

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

Factors That Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- FFO leverage above 4.5x on a sustainable basis;
- Any deterioration in credit measures that result from higher use of leverage, outsized return of capital to shareholders or leveraged M&A;
- 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 the 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: On a consolidated basis, NextEra had $14.4 billion of net available liquidity as of Sept. 30, 2020, excluding limited recourse or nonrecourse project financing arrangements. Similar to other Tier 2 CP issuers, NextEra's access to the CP markets was sporadic earlier this year due to coronavirus concerns. The company continues to have strong access to the capital markets and banks for both corporate credit and project finance.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity.

For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

Liquidity and Debt Maturity with No Refinancing

Liquidity Analysis

($ Mil.)	**12/31/19**	**9/30/20**
Total Cash and Cash Equivalents	1,108	1,961
Short-Term Investments	—	—
Less: Not Readily Available Cash and Cash Equivalents	508	0
Fitch-Defined Readily Available Cash and Cash Equivalents	600	1,961
Availability Under Committed Lines of Credit	7,871	12,450
Total Liquidity	**8,471**	**14,411**
LTM EBITDA After Associates and Minorities	9,892	9,547
LTM FCF	(6,400)	(6,009)

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

Scheduled Long-Term Debt Maturities

($ Mil.)	**9/30/20**
2020	68
2021	5,600
2022	3,231
2023	3,461
2024	3,530
Thereafter	32,802
Total	**48,691**

Note: May not add due to rounding.
Source: Fitch Ratings, Fitch Solutions, NextEra Energy, Inc.

Key Assumptions

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

- Annual retail sales growth of 0.5% at FPL over 2020–2022;
- Rate increases for FPL as per 2016 rate order and retention of tax savings over 2020–2021;
- Constructive outcome in the 2021 rate case at FPL that preserves ROE at the current authorized levels;
- O&M and other expenses growth at FPL relatively flat from 2020 to 2022;
- Capex at regulated utilities and Capital Holdings of approximately $53 billion over 2020–2022 split approximately 50/50 between the two businesses;
- Renewable projects growth toward the middle of management's 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;
- At Gulf Power, sales growth of 0.5% p.a., capex of $2.6 billion over 2020–2022 funded in a balanced manner, rate changes reflecting the last rate order and tax-reform settlement, and a significant reduction in corporate overhead and O&M expenses over 2019–2020.

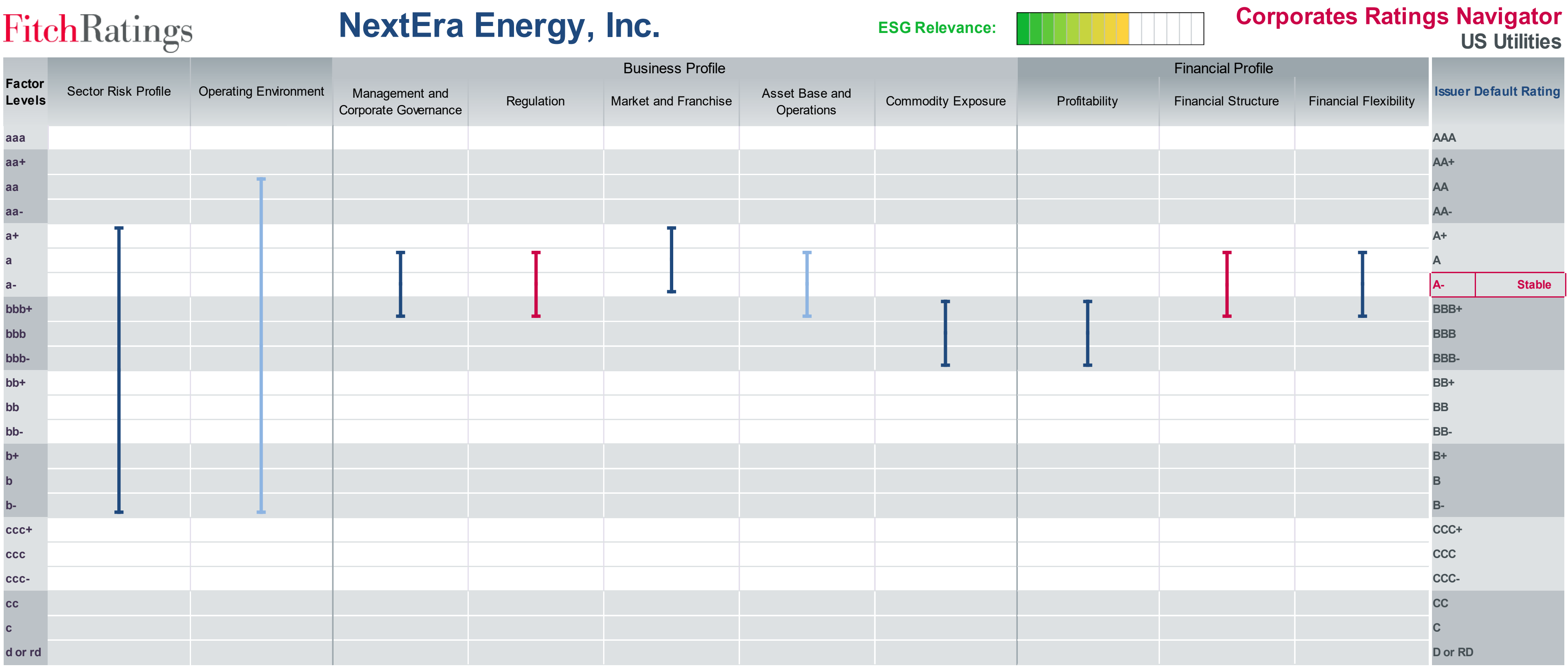
Financial Data

	Historical		
($ Mil., as of Dec. 31)	**2017**	**2018**	**2019**
Summary Income Statement			
Gross Revenue	17,121	16,653	19,128
Revenue Growth (%)	6.5	(2.7)	14.9
Operating EBITDA (Before Income from Associates)	8,540	8,316	9,454
Operating EBITDA Margin (%)	49.9	49.9	49.4
Operating EBITDAR	8,540	8,330	9,493
Operating EBITDAR Margin (%)	49.9	50.0	49.6
Operating EBIT	5,977	4,239	5,050
Operating EBIT Margin (%)	34.9	25.5	26.4
Gross Interest Expense	(1,664)	(1,608)	(2,401)
Pretax Income (Including Associate Income/Loss)	4,667	7,352	3,836
Summary Balance Sheet			
Readily Available Cash and Equivalents	1,714	638	600
Total Debt with Equity Credit	33,539	36,224	40,645
Total Adjusted Debt with Equity Credit	33,539	36,335	40,961
Net Debt	31,825	35,586	40,045
Summary Cash Flow Statement			
Operating EBITDA	8,540	8,316	9,454
Cash Interest Paid	(1,298)	(1,323)	(2,401)
Cash Tax	(142)	(200)	(184)
Dividends Received Less Dividends Paid to Minorities (Inflow/[Out]flow)	0	0	438
Other Items Before FFO	250	475	605
Funds Flow from Operations	7,350	7,268	7,911
FFO Margin (%)	42.9	43.6	41.4
Change in Working Capital	495	(693)	394
Cash Flow from Operations (Fitch Defined)	7,845	6,575	8,305
Total Non-Operating/Nonrecurring Cash Flow	0	0	0
Capex	(10,740)	(13,004)	(12,297)
Capital Intensity (Capex/Revenue) (%)	62.7	78.1	64.3
Common Dividends	(1,845)	(2,101)	(2,408)
FCF	(4,740)	(8,530)	(6,400)
Net Acquisitions and Divestitures	1,632	1,617	(4,002)
Other Investing and Financing Cash Flow Items	(514)	(2,450)	5,242
Net Debt Proceeds	3,441	7,569	3,628
Net Equity Proceeds	603	718	1,494
Total Change in Cash	422	(1,076)	(38)
Leverage Ratios (x)			
Total Net Debt with Equity Credit/Operating EBITDA	3.7	4.3	4.0
Total Adjusted Debt/Operating EBITDAR	3.9	4.4	4.1
Total Adjusted Net Debt/Operating EBITDAR	3.7	4.3	4.1
Total Debt with Equity Credit/Operating EBITDA	3.9	4.4	4.1
FFO-Adjusted Leverage	3.9	4.2	4.0
FFO-Adjusted Net Leverage	3.7	4.2	3.9
FFO Leverage	3.9	4.2	4.0

	Historical		
($ Mil., as of Dec. 31)	**2017**	**2018**	**2019**
FFO Net Leverage	3.7	4.2	3.9
Calculations for Forecast Publication			
Capex, Dividends, Acquisitions and Other Items Before FCF	(10,953)	(13,488)	(18,707)
FCF After Acquisitions and Divestitures	(3,108)	(6,913)	(10,402)
FCF Margin (After Net Acquisitions) (%)	(18.2)	(41.5)	(54.4)
Coverage Ratios (x)			
FFO Interest Coverage	6.6	6.5	4.3
FFO Fixed-Charge Coverage	6.6	6.4	4.2
Operating EBITDAR/Interest Paid + Rents	6.6	6.2	4.1
Operating EBITDA/Interest Paid	6.6	6.3	4.1
Additional Metrics (%)			
CFO – Capex/Total Debt with Equity Credit	(8.6)	(17.7)	(9.8)
CFO – Capex/Total Net Debt with Equity Credit	(9.1)	(18.1)	(10.0)

CFO – Cash flow from operations. F – Forecast.
Source: Fitch Ratings, Fitch Solutions.

Ratings Navigator



Bar Chart Legend:			
Vertical Bars = Range of Rating Factor		Bar Arrows = Rating Factor Outlook	
Bar Colors = Relative Importance		⇧	Positive
■	Higher Importance	⇩	Negative
■	Average Importance	⇳	Evolving
■	Lower Importance	□	Stable

FitchRatings

NextEra Energy, Inc.

Corporates Ratings Navigator
US Utilities

Operating Environment

aa+	Economic Environment	aa	Very strong combination of countries w here economic value is created and w here 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 w ith '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. Ow nership can be concentrated among several shareholders.
a-	Group Structure	a	Group structure show s 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 w ith 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 w ith strong sales grow th.
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 w ith creditw orthy 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 w ith utility peers.
bbb			
bbb-			
bb+			

Financial Structure

a+	FFO Leverage	bbb	5.0x
a	Total Debt With Equity Credit/Op. EBITDA	bbb	3.75x
a-			
bbb+			
bbb			

Financial Flexibility

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

Credit-Relevant ESG Derivation

NextEra Energy, Inc. has 12 ESG potential rating drivers

- Emissions from operations
- Fuel use to generate energy and serve load
- Impact of waste from operations
- Plants' and networks' exposure to extreme weather
- Product affordability and access
- Quality and safety of products and services; data security

Show ing top 6 issues

			Overall ESG
key driver	0	issues	5
driver	0	issues	4
potential driver	12	issues	3
not a rating driver	2	issues	2
	0	issues	1

For further details on Credit-Relevant ESG scoring, see page 3.

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.

FitchRatings

NextEra Energy, Inc.

Corporates Ratings Navigator
US Utilities

Credit-Relevant ESG Derivation

NextEra Energy, Inc. has 12 ESG potential rating drivers

- NextEra Energy, Inc. has exposure to emissions regulatory risk but this has very low impact on the rating.
- NextEra Energy, Inc. has exposure to energy productivity risk but this has very low impact on the rating.
- NextEra Energy, Inc. has exposure to waste & impact management risk but this has very low impact on the rating.
- NextEra Energy, Inc. has exposure to extreme weather events but this has very low impact on the rating.
- NextEra Energy, Inc. has exposure to access/affordability risk but this has very low impact on the rating.
- NextEra Energy, Inc. has exposure to customer accountability risk but this has very low impact on the rating.

Showing top 6 issues

			Overall ESG Scale
key driver	0	issues	5
driver	0	issues	4
potential driver	12	issues	3
not a rating driver	2	issues	2
	0	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	3	Emissions from operations	Asset Base and Operations; Commodity Exposure; Regulation; Profitability	5
Energy Management	3	Fuel use to generate energy and serve load	Asset Base and Operations; Commodity Exposure; Profitability	4
Water & Wastewater Management	2	Water used by hydro plants or by other generation plants, also effluent management	Asset Base and Operations; Regulation; Profitability	3
Waste & Hazardous Materials Management; Ecological Impacts	3	Impact of waste from operations	Asset Base and Operations; Regulation; Profitability	2
Exposure to Environmental Impacts	3	Plants' and networks' exposure to extreme weather	Asset Base and Operations; Regulation; Profitability	1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	3	Product affordability and access	Asset Base and Operations; Regulation; Profitability; Financial Structure	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Quality and safety of products and services; data security	Regulation; Profitability	4
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Asset Base and Operations; Profitability	3
Employee Wellbeing	2	Worker safety and accident prevention	Profitability; Asset Base and Operations	2
Exposure to Social Impacts	3	Social resistance to major projects that leads to delays and cost increases	Asset Base and Operations; Profitability	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance	5
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance	4
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance	3
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance	2
				1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Priniciples for Responsible Investing (PRI) and the Sustainability Accounting Standards Board(SASB).

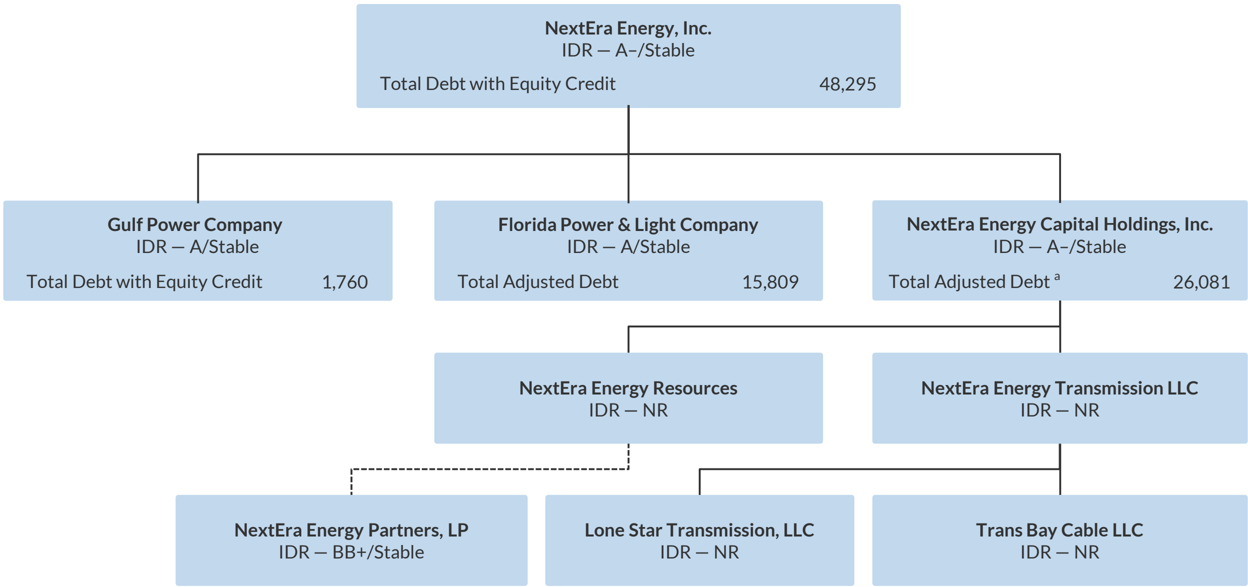
CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Simplified Group Structure Diagram

Organizational Structure — NextEra Energy, Inc.
($ Mil., as of Sept. 30, 2020)



[a]50% equity credit at NextEra Energy Capital Holdings for junior subordinated debt. Note: Fitch does not consolidate NextEra Energy Partners (simliar to the accounting treatment that NextEra Energy follows). As a result, Nextera Energy Partners debt is not included in NextEra Energy total debt. IDR – Issuer Default Rating. NR – Not rated.
Source: Fitch Ratings, Fitch Solutions, NextEra Energy, Inc.

Peer Financial Summary

Company	Issuer Default Rating	Financial Statement Date	Gross Revenue ($ Mil.)	Funds Flow From Operations ($ Mil.)	FFO Fixed-Charge Coverage (x)	FFO Leverage (x)	Total Debt with Equity Credit/Operating EBITDA (x)
NextEra Energy, Inc.	A–						
	A–	2019	19,128	8,066	4.2	4.0	4.1
	A–	2018	16,653	7,268	6.4	4.2	4.4
	A–	2017	17,121	7,350	6.6	3.9	3.9
Dominion Energy, Inc.	BBB+						
	BBB+	2019	16,572	5,678	4.1	5.3	5.7
	BBB+	2018	13,366	5,097	4.2	5.2	5.8
	BBB+	2017	12,586	4,795	4.5	6.0	5.7
Sempra Energy	BBB+						
	BBB+	2019	10,829	3,197	3.0	5.7	6.0
	BBB+	2018	11,687	3,280	3.8	5.8	6.1
	BBB+	2017	11,207	3,398	5.1	4.6	5.0
The Southern Company	BBB+						
	BBB+	2019	21,419	5,335	3.8	6.4	5.3
	BBB+	2018	23,495	6,516	4.1	5.4	6.0
	A–	2017	23,031	7,225	4.7	5.5	5.3

Source: Fitch Ratings, Fitch Solutions.

Fitch Adjusted Financials

($ Mil., as of Dec. 31, 2019)	Notes and Formulas	Reported Values	Sum of Adjustments	Cash Adjustment	Hybrid Adjustment	Fair Value and Other Debt Adjustments	CORP - Lease Treatment	Other Adjustments	Adjusted Values
Income Statement Summary									
Revenue		19,204	(76)					(76)	19,128
Operating EBITDAR		9,532	(39)				37	(76)	9,493
Operating EBITDAR After Associates and Minorities	(a)	9,970	(39)				37	(76)	9,931
Operating Lease Expense	(b)	0	40				40		40
Operating EBITDA	(c)	9,532	(78)				(2)	(76)	9,454
Operating EBITDA After Associates and Minorities	(d) = (a-b)	9,970	(78)				(2)	(76)	9,892
Operating EBIT	(e)	5,054	(4)				(2)	(2)	5,050
Debt and Cash Summary									
Total Debt with Equity Credit	(f)	42,966	(2,322)		2,322	(383)		(4,260)	40,645
Lease-Equivalent Debt	(g)	0	316				316		316
Other Off-Balance-Sheet Debt	(h)	0							0
Total Adjusted Debt with Equity Credit	(i) = (f+g+h)	42,966	(2,005)		2,322	(383)	316	(4,260)	40,961
Readily Available Cash and Equivalents	(j)	600							600
Not Readily Available Cash and Equivalents		0	508	508					508
Cash Flow Summary									
Operating EBITDA After Associates and Minorities	(d) = (a-b)	9,970	(78)				(2)	(76)	9,892
Preferred Dividends (Paid)	(k)	0							0
Interest Received	(l)	54							54
Interest (Paid)	(m)	(1,799)	(602)				2	(605)	(2,401)
Cash Tax (Paid)		(184)							(184)
Other Items Before FFO		(125)	831				(10)	840	706
Funds from Operations (FFO)	(n)	7,916	150				(10)	160	8,066
Change in Working Capital (Fitch-Defined)		239							239
Cash Flow from Operations (CFO)	(o)	8,155	150				(10)	160	8,305
Non-Operating/Nonrecurring Cash Flow		0							0
Capital (Expenditures)	(p)	(12,297)							(12,297)
Common Dividends (Paid)		(2,408)							(2,408)
Free Cash Flow (FCF)		(6,550)	150				(10)	160	(6,400)
Gross Leverage (x)									
Total Adjusted Debt/Operating EBITDAR[a]	(i/a)	4.3							4.1
FFO Adjusted Leverage	(i/(n-m-l-k+b))	4.4							3.9
FFO Leverage	(i-g)/ (n-m-l-k)	4.4							3.9
Total Debt with Equity Credit/ Operating EBITDA[a]	(i-g)/d	4.3							4.1
(CFO-Capex)/Total Debt with Equity Credit (%)	(o+p)/(i-g)	(9.6)							(9.8)
Net Leverage (x)									
Total Adjusted Net Debt/Operating EBITDAR[a]	(i-j)/a	4.2							4.1
FFO Adjusted Net Leverage	(i-j)/ (n-m-l-k+b)	4.4							3.9
FFO Net Leverage	(i-g-j)/ (n-m-l-k)	4.4							3.8
Total Net Debt with Equity Credit/ Operating EBITDA[a]	(i-g-j)/d	4.2							4.0
(CFO-Capex)/Total Net Debt with Equity Credit (%)	(o+p)/(i-g-j)	(9.8)							(10.0)
Coverage (x)									

($ Mil., as of Dec. 31, 2019)	Notes and Formulas	Reported Values	Sum of Adjustments	Cash Adjustment	Hybrid Adjustment	Fair Value and Other Debt Adjustments	CORP - Lease Treatment	Other Adjustments	Adjusted Values
Operating EBITDA/ (Interest Paid + Lease Expense)[a]	a/(-m+b)	5.5							4.1
Operating EBITDA/Interest Paid[a]	d/(-m)	5.5							4.1
FFO Fixed-Charge Coverage	(n-l-m-k+b)/ (-m-k+b)	5.4							4.3
FFO Interest Coverage	(n-l-m-k)/ (-m-k)	5.4							4.3

[a]EBITDA/R after dividends to associates and minorities.
Source: Fitch Ratings, Fitch Solutions, NextEra Energy, Inc.

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.