Fixed Income Investor Meetings

Project Debt and Tax Equity

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Agenda

- **Renewable Energy Project Value Drivers**
- Why is Project Debt Important to NextEra
- Tax Equity Overview
- Why is Tax Equity Important to NextEra
- Tax Equity Example and Accounting
- Conclusion

There are three main components of value that drive renewable energy investments

Renewable Energy Project Value Drivers

Revenues
(PPA or Merchant)

+

Tax Benefits
(Accelerated Depreciation and/or Bonus Depreciation)

+

Tax Credits
(Production Tax Credit (PTC) or Investment Tax Credit (ITC))

=

Total Cash Flow

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The following assumptions are typical of a wind energy project, and will be the basis for the examples shown today

Generic Project Assumptions – 100 MW PTC Wind Farm

• Capital Costs:	$170-$190 MM
• PPA Price:	$35-45/MWh, flat
• O&M	$10-12/MWh, with escalation
• Net Capacity Factor:	40-50%
• Tax Rate:	35% Federal, 6% State
• Useful Life:	30 years
• Unlevered IRR:	8-12%

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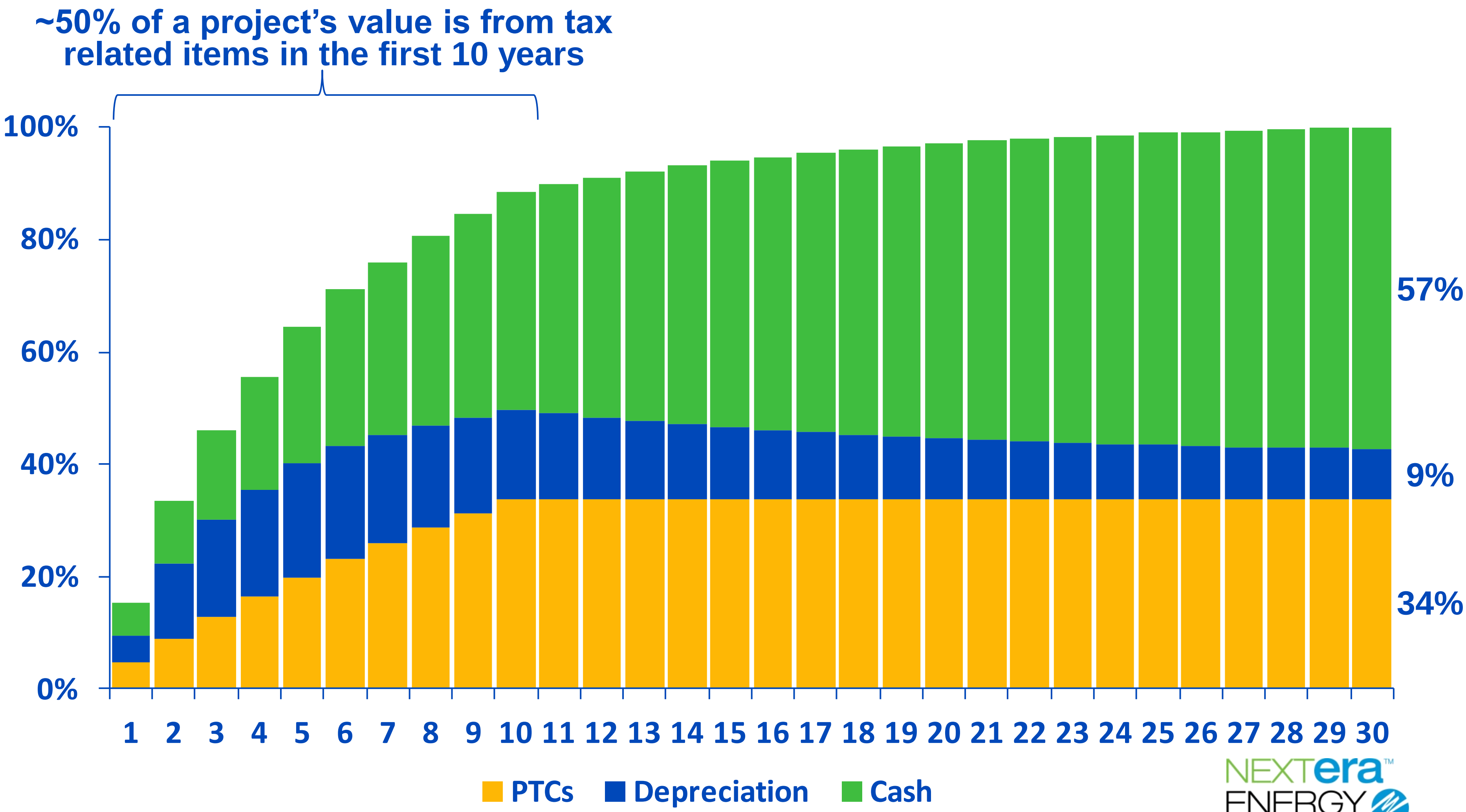
The majority of the early-year economics for wind projects are derived from tax benefits

100 MW PTC Wind Farm – Net Present Value Build-Up



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Project debt is a proven, low cost, and reliable tool to fund our investments while limiting our risk and preserving our corporate credit strength

Why is Project Debt Important to NextEra?

- **Limits stress to the corporate balance sheet**
  - Majority of proceeds are adjusted out of corporate credit metrics
  - Provides for attractive cost of capital comparisons
  - Allows for rapid “recycling” of corporate credit
- **Instills discipline in the development and investment process**
  - Independent confirmation of the viability of the project by being able to attract third-party funds
- **Reduces our equity investment, which leads to better returns**
  - Reduces our risk and provides flexibility
- **We retain long-term ownership and upside**
  - Additional cash flow available at the corporate level

Building upon our example from earlier, we will now add debt to the asset

Generic Project Debt Assumptions – 100 MW PTC Wind Farm

• Tenor:	20 years
• Interest Rate:	6%
• Debt Service Coverage Ratio:	1.45x (BBB- rated)
• Debt Service Period:	Semi-annual

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Project debt allows for overall equity returns that are three to four times better than an unlevered project, and a return of our capital in the first few years

Project Debt Impact on Total Return

	Unlevered	Project Debt
Initial Investment	$180 MM	$180 MM
-		
Debt Raised	-	($125 MM-$135 MM)
=		
Net Equity Position	$180 MM	$45 MM-$55 MM
+		
Total Cash Flow	$325 MM-$345 MM	$150 MM-$170 MM
=		
Total Return	8-12%	30-40%
Simple Payback	~7 years	~2.5 years

In addition, long-dated project debt reduces pressure on the corporate balance sheet and lowers our cost of capital after taking into consideration adjustments to the credit metrics

Generic Cost of Capital Comparison Example[1]

	50/50 Corporate	Project Debt
GAAP Calculation	Project Cost $100; Debt $50; Equity $50	Project Cost $100; Debt $80; Equity $20
Credit Adjustment		Debt ($80)
Adjusted GAAP	Debt $50; Equity $50	Debt $0; Equity $20
Cost of Capital	Cost of Debt 4%; Cost of Equity 12%; Weighted After-Tax Cost 7.23%	Cost of Debt 6%; Cost of Equity 12%; Weighted After-Tax Cost 5.35%

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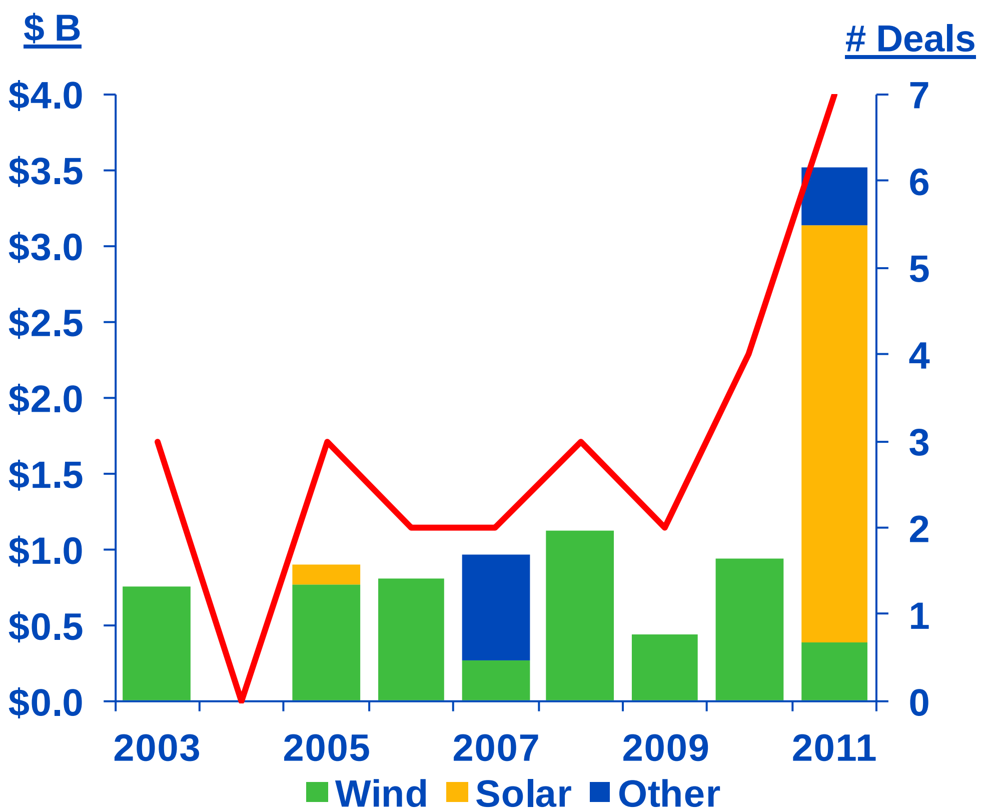
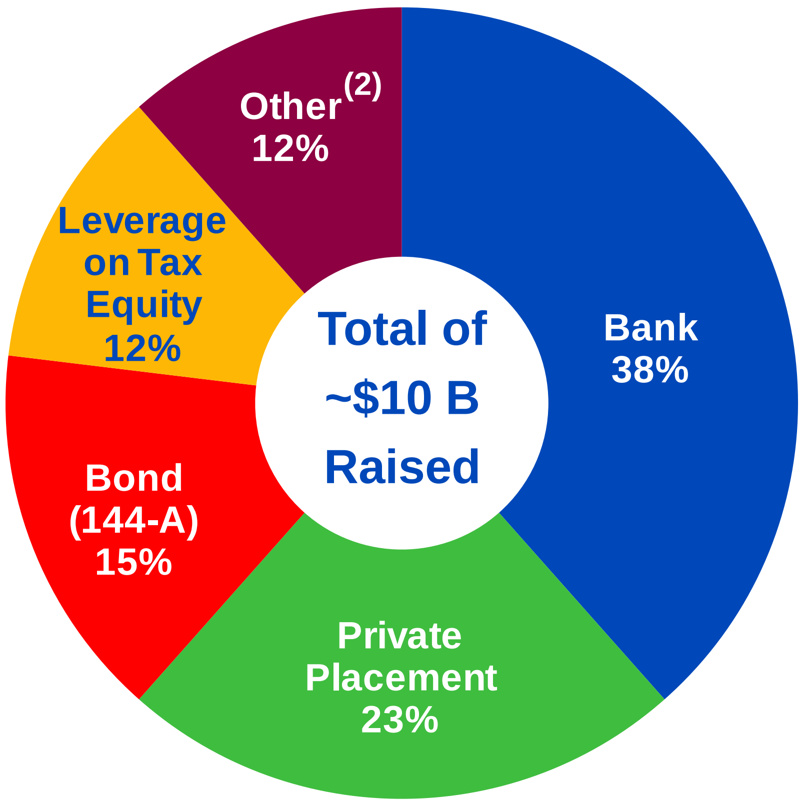
1) For example purposes only

We have been able to access the project debt market to raise close to $10 billion against our portfolio through a diverse offering of products in every economic environment

Deal History[1]



Deal Type



A strong track record gives us confidence that we will be able to continue access this market

1) Excludes tax equity transactions

 2) Includes DOE Loan Guaranty and Lone Star Transmission

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Differential membership interest structures, or as more commonly known tax equity, are the principal means of efficient tax benefit monetization for renewable energy developers

Tax Equity Overview

- **Renewable developers' capacity for tax benefits are often limited due to their net taxable operating loss position**
  - Creates a need for developers to partner with companies that can more readily utilize the tax benefits
- **Tax equity introduces a full tax-paying investor into the ownership structure of a renewable energy project**
  - Often utilize the Pre-Tax, After-Tax, Partnership Structure (PAPS)
  - Structure allows for different allocations of tax attributes and cash
- **Many investors have entered this market, reaping the benefits of owning a renewable project**
- **The IRS has given clear guidance on acceptable structures**

The timing of the investor's return is variable based on project performance

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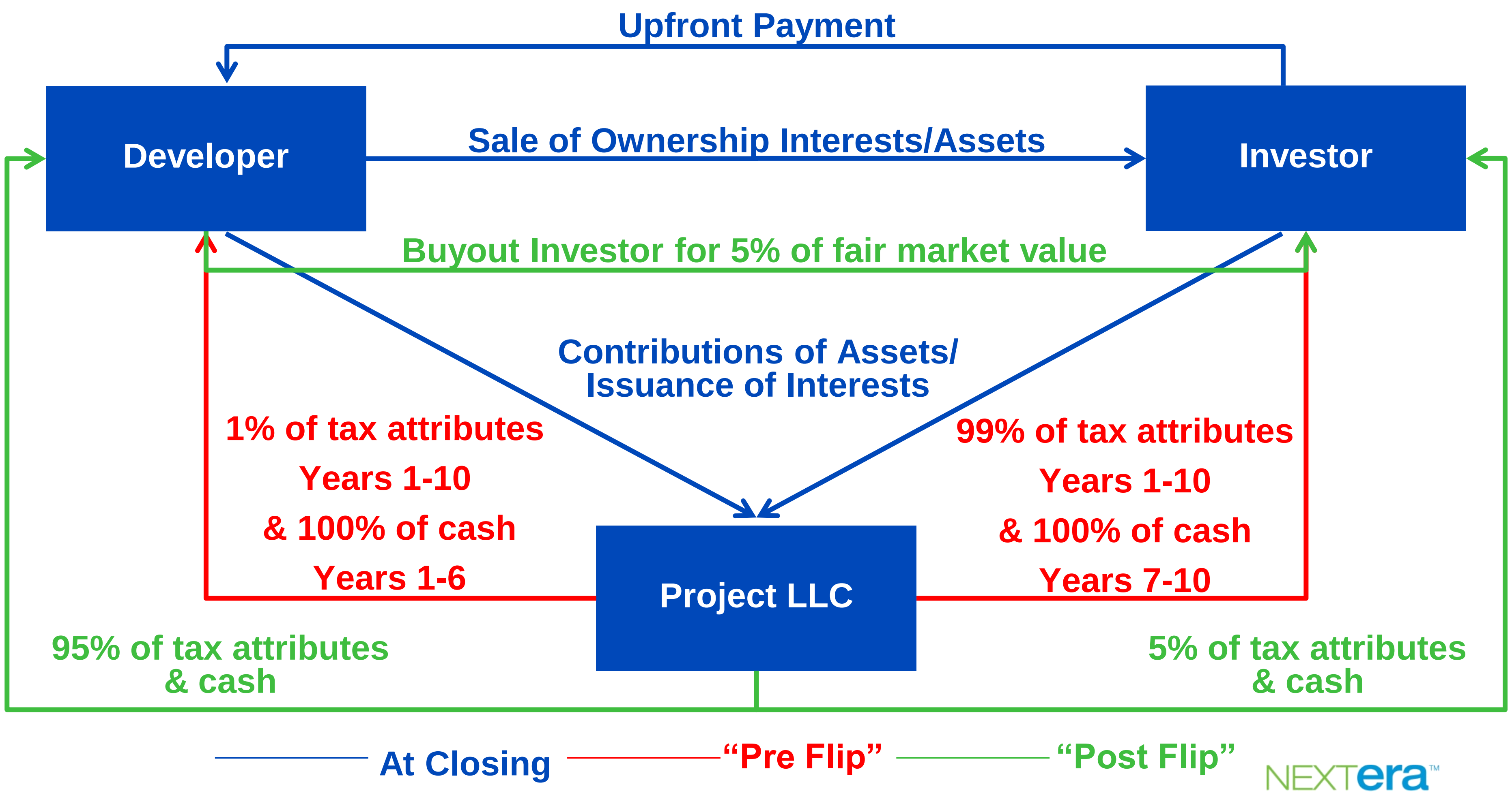
A typical partnership structure can be broken down into different periods of economic allocations, where the developer retains control and the investor is a passive investor

Tax Equity Overview – Example of a 10-Year PAPS Structure



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Currently, NextEra is not a cash tax payer at the Federal level

Why is Tax Equity Important to NextEra?

- **NextEra Energy Resources has become the nation's leading producer of renewable energy from the wind and sun**
  - Capital intensive businesses that invest in property with accelerated depreciation face a net operating loss (NOL) position
  - Rapid growth, as we have accomplished, compounds the issue
- **Hurricane losses at FPL caused NOL carry forward/backs**
- **Federal stimulus measures have exacerbated the issue**
  - Bonus tax depreciation provisions (100% in 2011, 50% in 2012)
  - FPL has undertaken a significant capital expenditures

Fast growing, capital intensive business + Storms + Bonus Depreciation = Non-Cash Tax Payer

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…so we must constantly assess the best way to finance our projects in order to capture the maximum value

Why is Tax Equity Important to NextEra?

- **Under current law, we expect to be a cash tax payer in 2014**
  - Uncertainty around further bonus depreciation exists
- **Fundamental trade-off**
  - Tax equity costs more than debt, but pulls in cash flows
- **Tax equity appetite at any point is a function of:**
  - Tax expectations
  - Financial forecast
  - Project characteristics

Relative Earnings Impact

Relative Value Created

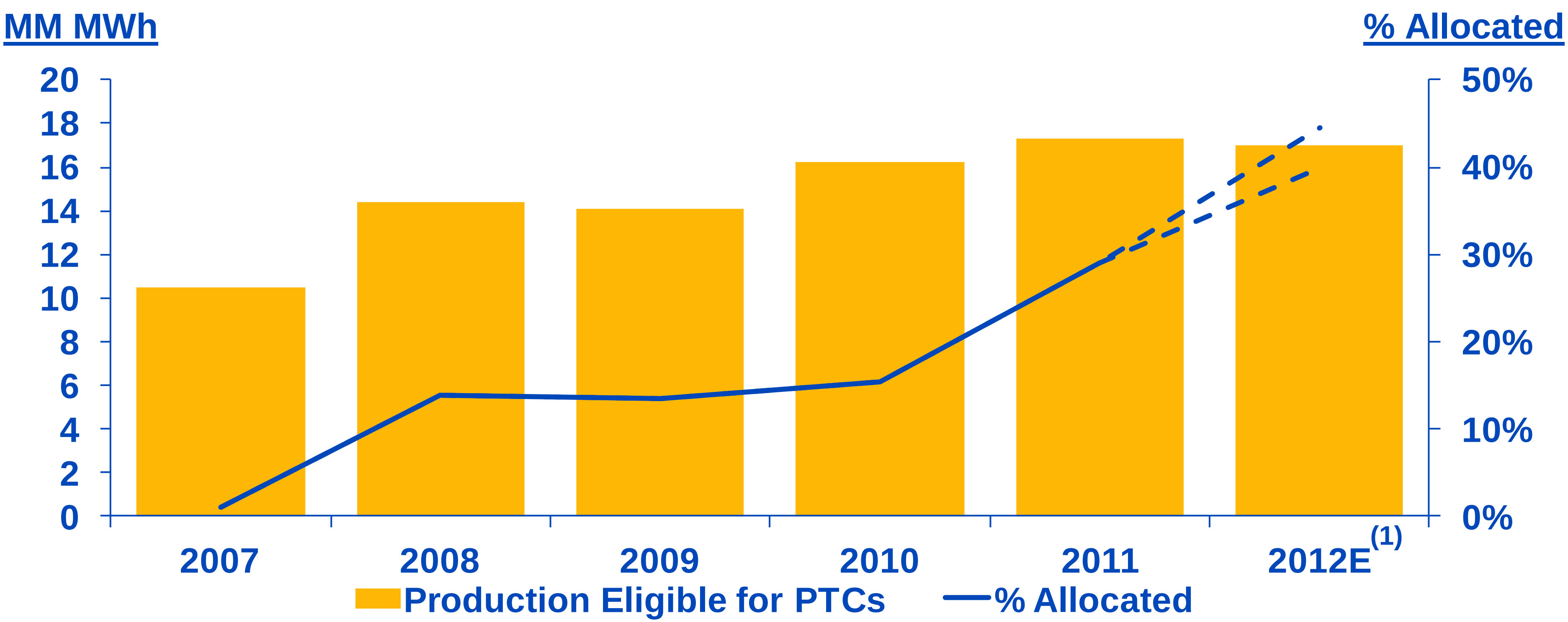
This had led to us becoming a leading sponsor in the tax equity market with transactions totaling ~$1.7 billion over 2,500+ MW

NextEra Energy Tax Equity Deal History

Northern Frontier 2007	• 598 MW among 4 facilities in 3 state • $705 MM invested by JP Morgan and Morgan Stanley
Peace Garden 2010	• 170 MW among 2 facilities in North Dakota • $190 MM invested by JP Morgan, Bank of America, Google, and State Street
Heartland I 2010	• 309 MW among 2 facilities in 2 states • $71 MM invested by JP Morgan at inception
Penta 2011	• 483 MW among 5 facilities in 5 states • $118 MM invested by JP Morgan and Wells Fargo at inception
White Oak 2011	• 150 MW from 1 facility in Illinois • $177 MM investment by Bank of America
Golden Winds 2011	• 206 MW among 3 facilities in California • $209 MM investment by JP Morgan
Capricorn Ridge 2012	• 662 MW from 1 facility in Texas • $225 MM investment by GE and JP Morgan

As a result, 40-45% of our 2012 production tax credits are expected to be allocated to investors

Production Tax Credits Allocated to Investors



Tax equity unlocks value that would otherwise be delayed, improving quality of earnings and cash flow

 1) Assumes approximately 450-500 MW of tax equity in 2012

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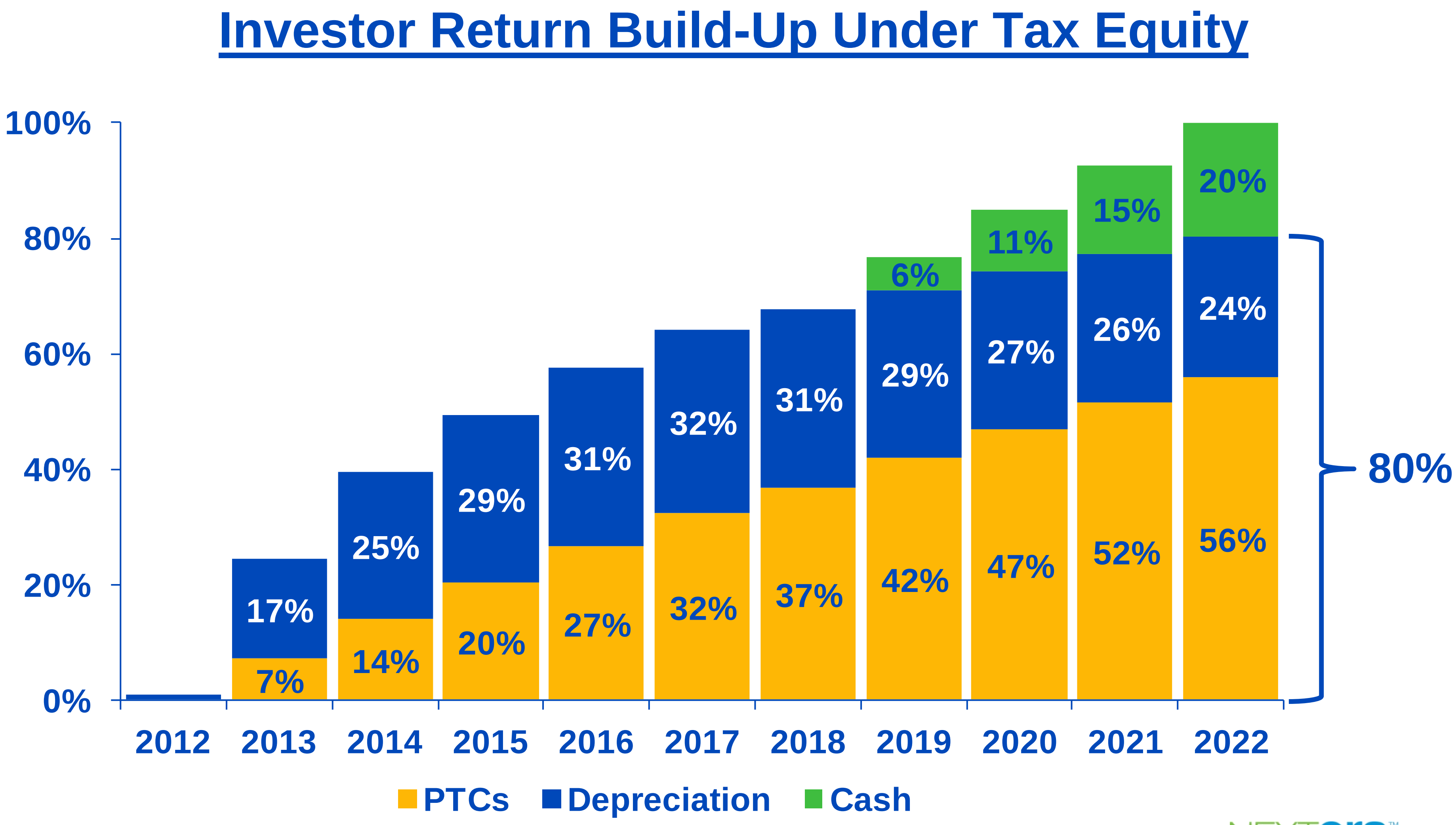
Our project example is now shown with a tax equity structure

Generic Tax Equity Assumptions for 100 MW PTC Wind Farm

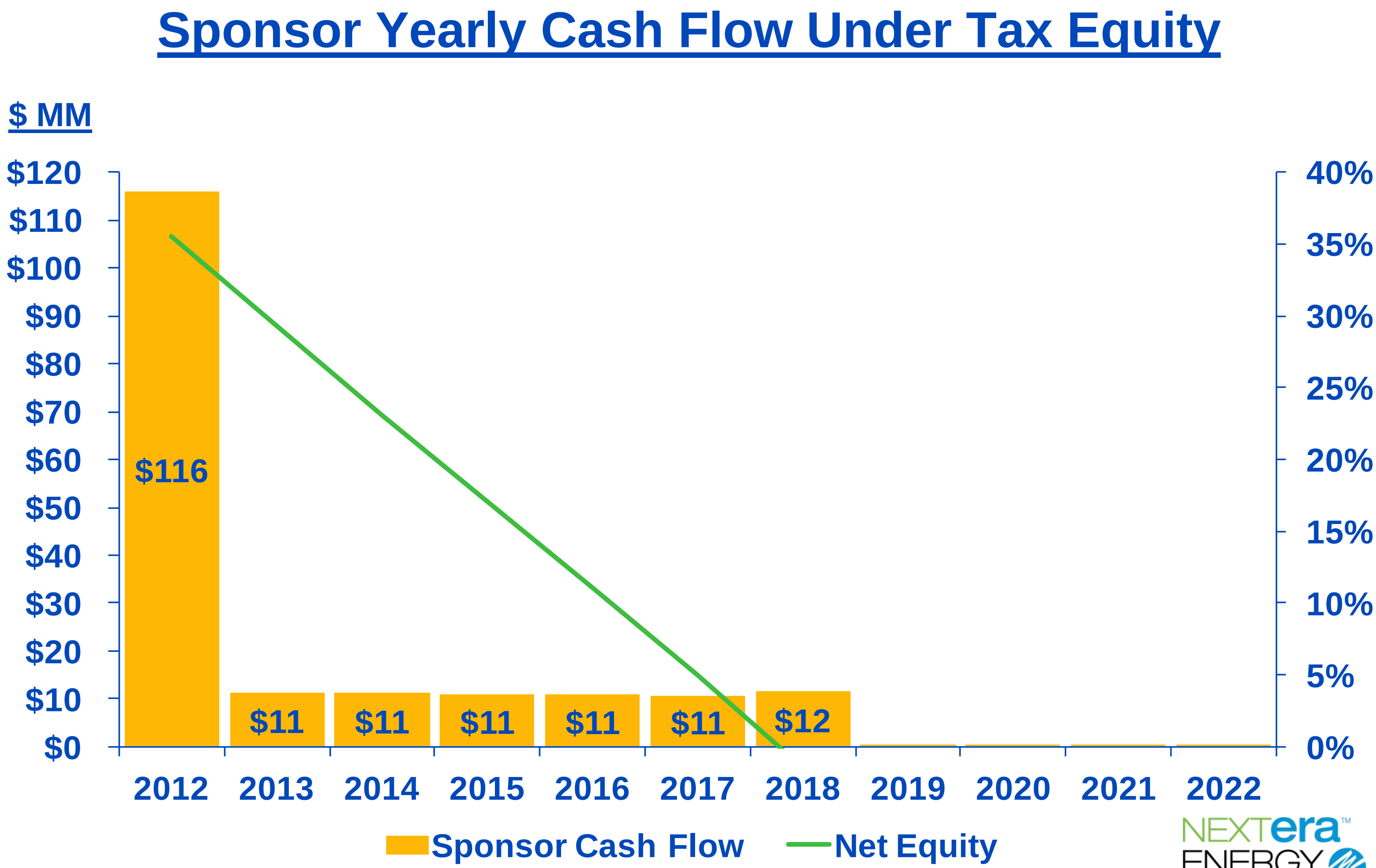
• **Tenor:**	**10 years (PTC period)**
• **After-Tax Return:**	**7%-8%**
• **Tax Attributes to Sponsor:**	**1% for 10 years**
• **Tax Attributes to Investor:**	**99% for 10 years**
• **Cash to Sponsor:**	**100% for years 1 through 6**
• **Cash to Investor:**	**100% for years 7 through 10**
• **Buyout Price:**	**5% of FMV at flip ($2-$4 MM)**
• **Federal Tax Rate:**	**35%**

 Note: Commercial operations date and closing date both are 12/31/12

We can raise roughly $110-$120 million under this structure, with 80% of the investor's return being derived from tax benefits…



…which keeps the majority of the cash in our hands, and a rapid return of our capital



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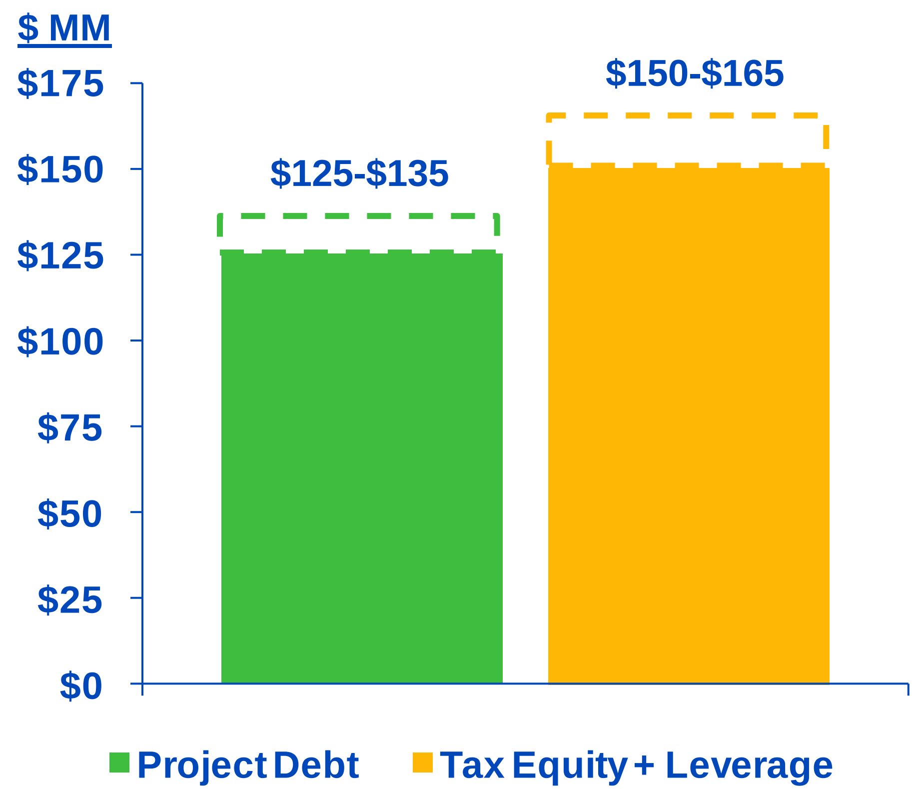
Not only do we efficiently monetize tax benefits, but we can also raise leverage against our future cash flow

Overview and Impact of Leverage on Tax Equity

- **Lenders are willing to lend against the years of sponsor cash flow**
  – Attractive short-term rates help to offset higher cost of tax equity
- **Key terms are similar to longer-term debt**
  – Debt service coverage ratio
  – Distribution test
- **Collateral is partnership interests vs. the asset**
  – Still considered limited-recourse to corporate credit

Total “Leverage” Raised



Tax equity plus leverage reduces our risk by limiting the amount of corporate investment in the project

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Tax equity transactions are accounted for as a sale for tax purposes, but we still fully consolidate for GAAP

Tax Equity Impact on the Financial Statements

- **Cash received is recorded as a liability on the balance sheet in "Other Liabilities and Deferred Credits"**
  - Line item: Deferral related to Differential Membership Interests
  - Tax equity balance was $1,479 million as of March 31, 2012[1]
- **Cash received is recorded on the cash flow statement under "Cash Flows from Financing Activities"**
  - Line item: Proceeds From Sale of Differential Membership Interests
  - Any payments/cash allocations to investors are shown in "Payments to Differential Membership Investors"
- **There is no day 1 impact on the income statement**
  - Future impacts go through "Taxes Other Than Income Taxes & Other"

The timing of the investor's return depends on the performance of the project, as compared to a set amount guaranteed by NextEra at a predetermined time

1) See 1Q 2012 10-Q

Going back to our example project, the impact of adding tax equity is clearly shown on our financial statements

Tax Equity Impact on Balance Sheet & Cash Flow Statement

Balance Sheet View

Property, Plant and Equipment	
Current Assets	
Cash And Cash Equivalents	$116
Other Assets	
Total Assets	$116
Capitalization	
Current Liabilities	
Other Liabilities And Deferred Credits	
Deferral Related To Differential	$116
Membership Interests - VIEs	
Commitments And Contingencies	
Total Capitalization And Liabilities	$116

Cash Flow Statement View

Cash Flow From Operating Activities	
Cash Flow From Investing Activities	
Cash Flow From Financing Activities	
Proceeds From Sale of Differential Membership Interests	$116
Net Increase/(Decrease) in Cash	$116

Throughout the life of the transaction, income is recognized as we reduce the liability through the allocation of tax attributes, while the cash allocations that reduce the liability are shown as a cash outflow

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Project debt and tax equity are valuable structures that we employ to finance our investments

Conclusion

- Gives us access to multiple markets for capital in today's volatile environment
- Provides independent confirmation of the viability of the project by being able to attract third-party funds
- Reduces risk on our corporate balance sheet
- Lowers the cost of capital
- Recycles capital for improved cash flow
- Provides options to tailor structures to specific project characteristics
- Allows us to keep the long-term ownership and upside

With approximately 1,300 MW of wind being put into the ground in 2012, we expect to be active participants in both markets going forward

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