PUBLIC UTILITY COMMISSION OF TEXAS
LONE STAR TRANSMISSION, LLC
WEIGHTED AVERAGE COST OF PREFERRED TRUST SECURITIES - FINAL
FOR THE FINAL RATE PERIOD ENDING MARCH 31, 2014
DOCKET NO. 40020

Line	(a) Description	(b) Issuance Date	(c) Maturity Date	(d) Interest Rate	(e) Par Value at Issuance	(f) Premium or (Discount)	(g) Underwriting Fees and Issuance Expenses	(h) Gain or (Loss) on Redeemed Stock	(i) Original Net Proceeds	(j) Net Proceeds As % of Par	(k) Par Value Currently Outstanding	(l) Current Net Proceeds	(m) Issue As % of Total Net Proceeds	(n) Cost of Money (see note)	(o) Weighted Average Cost
1	XX	XX/XX/XX	X	0.000%	$0	$0	$0	$0	$0	0.000%	$0	$0	0.000%	0.000%	0.000%
2	XX	XX/XX/XX	X	0.000%	$0	$0	$0	$0	$0	0.000%	$0	$0	0.000%	0.000%	0.000%
3	XX	XX/XX/XX	X	0.000%	$0	$0	$0	$0	$0	0.000%	$0	$0	0.000%	0.000%	0.000%
4	XX	XX/XX/XX	X	0.000%	$0	$0	$0	$0	$0	0.000%	$0	$0	0.000%	0.000%	0.000%
5	XX	XX/XX/XX	X	0.000%	$0	$0	$0	$0	$0	0.000%	$0	$0	0.000%	0.000%	0.000%
6	XX	XX/XX/XX	X	0.000%	$0	$0	$0	$0	$0	0.000%	$0	$0	0.000%	0.000%	0.000%
7	XX	XX/XX/XX	X	0.000%	$0	$0	$0	$0	$0	0.000%	$0	$0	0.000%	0.000%	0.000%
8	XX	XX/XX/XX	X	0.000%	$0	$0	$0	$0	$0	0.000%	$0	$0	0.000%	0.000%	0.000%
9	XX	XX/XX/XX	X	0.000%	$0	$0	$0	$0	$0	0.000%	$0	$0	0.000%	0.000%	0.000%
10	XX	XX/XX/XX	X	0.000%	$0	$0	This Schedule is Not Applicable.				$0	$0	0.000%	0.000%	0.000%
11	XX	XX/XX/XX	X	0.000%	$0	$0	$0	$0	$0	0.000%	$0	$0	0.000%	0.000%	0.000%
12	XX	XX/XX/XX	X	0.000%	$0	$0	$0	$0	$0	0.000%	$0	$0	0.000%	0.000%	0.000%
13	XX	XX/XX/XX	X	0.000%	$0	$0	$0	$0	$0	0.000%	$0	$0	0.000%	0.000%	0.000%
14	XX	XX/XX/XX	X	0.000%	$0	$0	$0	$0	$0	0.000%	$0	$0	0.000%	0.000%	0.000%
15	XX	XX/XX/XX	X	0.000%	$0	$0	$0	$0	$0	0.000%	$0	$0	0.000%	0.000%	0.000%
16	XX	XX/XX/XX	X	0.000%	$0	$0	$0	$0	$0	0.000%	$0	$0	0.000%	0.000%	0.000%
17	XX	XX/XX/XX	X	0.000%	$0	$0	$0	$0	$0	0.000%	$0	$0	0.000%	0.000%	0.000%
18	XX	XX/XX/XX	X	0.000%	$0	$0	$0	$0	$0	0.000%	$0	$0	0.000%	0.000%	0.000%
19	XX	XX/XX/XX	X	0.000%	$0	$0	$0	$0	$0	0.000%	$0	$0	0.000%	0.000%	0.000%
20	XX	XX/XX/XX	X	0.000%	$0	$0	$0	$0	$0	0.000%	$0	$0	0.000%	0.000%	0.000%
21	XX	XX/XX/XX	X	0.000%	$0	$0	$0	$0	$0	0.000%	$0	$0	0.000%	0.000%	0.000%
22	XX	XX/XX/XX	X	0.000%	$0	$0	$0	$0	$0	0.000%	$0	$0	0.000%	0.000%	0.000%
23	XX	XX/XX/XX	X	0.000%	$0	$0	$0	$0	$0	0.000%	$0	$0	0.000%	0.000%	0.000%
24	XX	XX/XX/XX	X	0.000%	$0	$0	$0	$0	$0	0.000%	$0	$0	0.000%	0.000%	0.000%
								Total			$0	$0	0.000%		0.000%

Plus:	Unamortized Premium (Discount)	$0
Less:	Unamortized Fees and Issuance Expenses	$0
Plus:	Unamort. Gains (Losses) on Redeemed Securities	$0
	Net Balance of Preferred Trust Securities	$0

PUBLIC UTILITY COMMISSION OF TEXAS
LONE STAR TRANSMISSION, LLC.
ADJUSTED COST OF PREFERRED TRUST SECURITIES - FINAL
FOR THE FINAL RATE PERIOD ENDING MARCH 31, 2014
DOCKET NO. 40020

LINE		
1	Balance of Unamortized Gains (Losses) on	**This Schedule is Not Applicable.**
2	Redeemed Securities (Sched.II-C-2.3)	
3	- Balance Related to Gains (Losses) Identified	
4	in Col.(h) of Schedule II-C-2.3	
5		
6	Net Balance of Unamortized Gains (Losses) Not	
7	Accounted for in Col.(h) of Schedule II-C-2 3	
8		
9		
10	Annual Amortization of Gains (Losses) on	
11	Redeemed Securities	
12	- Annual Amortization Related to Gains (Losses)	
13	Identified in Col (h) of Schedule II-C-2.3	
14		
15	Net Annual Amortization of Gains (Losses) Not	
16	Accounted for in Col.(h) of Schedule II-C-2.3	
17		
18		
19	Net Balance of Preferred Trust Securities (Sched.II-C-2.3)	
20	- Net Balance of Unamortized Gains (Losses) from Line 6	
21		
22	Preferred Trust Securities Balance Excluding Net Gains (Losses)	
23		
24	x Weighted Average Cost of Preferred Trust Securities (Sched.II-C-2.3)	
25		
26	Annual Preferred Trust Securities Requirement	
27		
28	- Net Amortization of Gains (Losses) from Line 15	
29		
30	Adjusted Annual Preferred Trust Securities Requirement	
31		
32	Adjusted Cost of Preferred Trust Securities (Line 30/Line 19)	

PUBLIC UTILITY COMMISSION OF TEXAS
LONE STAR TRANSMISSION, LLC.
WEIGHTED AVERAGE COST OF LONG_TERM DEBT - FINAL
FOR THE FINAL RATE PERIOD ENDING MARCH 31, 2014
DOCKET NO. 40020

Line	(a) Description	(b) Issuance Date	(c) Maturity Date	(d) Interest Rate[1]	(e) Principal Amount at Issuance[2]	(f) Premium or (Discount)	(g) Underwriting Fees and Issuance Expenses[3]	(h) Gain or (Loss) on Reacquired Debt	(i) Original Net Proceeds	(j) Net Proceeds As % of Par	(k) Principal Currently Outstanding[4]	(l) Current Net Proceeds	(m) Issue As % of Total Net Proceeds	(n) Cost of Debt[5]	(o) Weighted Average Cost
1	Sr Secured Notes	4/1/2013	4/1/2043	6.008%	$384,485,000	$0	$3,985,000	$0	$380,500,000	98.964%	$384,485,000	$380,500,000	100.000%	6.106%	6.106%
2															
3								Total			$384,485,000	$380,500,000	100.000%		6.106%
4															
5						Plus:	Unamortized Premium (Discount)				$0				
6						Less:	Unamortized Fees and Issuance Expenses				$3,985,000				
7						Plus:	Unamortized Gains (Losses) on Reacq. Debt				$0				
8															
9								Net Balance of Debt			$380,500,000				

(1) - Refer to Line 6 of WP / II-C-2.4 - FINAL: based upon lowest coupon rate of indicative proposals received
(2) - Refer to Line 30 of WP / II-C-2.4 - FINAL
(3) - Refer to Line 20 of WP / II-C-2.4 - FINAL
(4) - Principal amount expected to be outstanding at the beginning of the Rate Period; principal repayments are expected to occur through the Rate Period in order to maintain Lone Star's capital structure, however, such repayment amounts cannot be determined at this time
(5) - Refer to Line 38 of WP / II-C-2.4 - FINAL

PUBLIC UTILITY COMMISSION OF TEXAS
LONE STAR TRANSMISSION, LLC.
ADJUSTED COST OF LONG-TERM DEBT - FINAL
FOR THE FINAL RATE PERIOD ENDING MARCH 31, 2014
DOCKET NO. 40020

LINE		
1	Balance of Unamortized Gains (Losses) on	**This Schedule is Not Applicable.**
2	Reacquired Debt (Sched.II-C-2.4)	
3	- Balance Related to Gains (Losses) Identified	
4	in Col.(h) of Schedule II-C-2.4	
5		
6	Net Balance of Unamortized Gains (Losses) Not	
7	Accounted for in Col.(h) of Schedule II-C-2.4	
8		
9		
10	Annual Amortization of Gains (Losses) on	
11	Reacquired Debt	
12	- Annual Amortization Related to Gains (Losses)	
13	Identified in Col.(h) of Schedule II-C-2.4	
14		
15	Net Annual Amortization of Gains (Losses) Not	
16	Accounted for in Col.(h) of Schedule II-C-2.4	
17		
18		
19	Net Balance of Debt (Sched.II-C-2.4)	
20	- Net Balance of Unamortized Gains (Losses) from Line 6	
21		
22	Debt Balance Excluding Net Gains (Losses)	
23		
24	x Weighted Average Cost of Debt (Sched.II-C-2.4)	
25		
26	Annual Debt Requirement	
27		
28	- Net Amortization of Gains (Losses) from Line 15	
29		
30	Adjusted Annual Debt Requirement	
31		
32	Adjusted Cost of Debt (Line 30/Line 19)	

PUBLIC UTILITY COMMISSION OF TEXAS
LONE STAR TRANSMISSION, LLC.
WEIGHTED AVERAGE COST OF
SHORT-TERM DEBT - FINAL
FOR THE FINAL RATE PERIOD ENDING MARCH 31, 2014
DOCKET NO. 40020

					End of Monitoring Period 12 Months Ended ______,			
Line		Balance at end of [Year]	Balance at end of [Year]	Balance at end of [Year]	(a) Balance Outstanding	(b) Balance As a % of Total	(c) Average Cost	(d) Weighted Average Cost
1	Commercial Paper	$0	$0	$0	$0	0.00%	0.00%	0.00%
2	Bank Loans	0	0	This Schedule is Not Applicable.		0.00%	0.00%	0.00%
3	Other	0	0	0	0	0.00%	0.00%	0.00%
4								
5	Total Notes Payable	$0	$0	$0	$0	0.00%	0.00%	0.00%

PUBLIC UTILITY COMMISSION OF TEXAS
LONE STAR TRANSMISSION, LLC.
SECURITY ISSUANCE RESTRICTIONS - FINAL
FOR THE FINAL RATE PERIOD ENDING MARCH 31, 2014
DOCKET NO. 40020

This Schedule is Not Applicable.

PUBLIC UTILITY COMMISSION OF TEXAS
LONE STAR TRANSMISSION, LLC.
CAPITAL REQUIREMENTS AND ACQUISITION PLAN - FINAL
FOR THE FINAL RATE PERIOD ENDING MARCH 31, 2014
DOCKET NO. 40020

LINE	CAPITAL REQUIREMENTS	Most Recent Fiscal Year (2012)	2013	2014	2015	2016
1	Transmission	$473,605,684	$33,152,424	$0	$0	$0
2						
3	Distribution	0	0	0	0	0
4						
5	General	0	0	0	0	0
6						
7	Other (Specify)	0	0	0	0	0
8						
9						
10	TOTAL CAPITAL REQUIREMENTS	$473,605,684	$33,152,424	$0	$0	$0
11						
12						
13	SOURCES OF CAPITAL					
14						
15	Internal	0	0	0	0	0
16						
17	External:					
18	Long-Term Debt	227,330,728	15,913,163	0	0	0
19	Preferred Stock	0	0	0	0	0
20	Common Equity	246,274,956	17,239,260	0	0	0
21						
22	Other (Specify)	0	0	0	0	0
23						
24	TOTAL CAPITAL SOURCES	$473,605,684	$33,152,424	$0	$0	$0

PUBLIC UTILITY COMMISSION OF TEXAS
LONE STAR TRANSMISSION, LLC.
Historical Financial Statistics - FINAL
(Total Company Basis)
FOR THE FINAL RATE PERIOD ENDING MARCH 31, 2014
DOCKET NO. 40020

Line	Fiscal Year:	[Year-4]	[Year-3]	[Year-2]	[Year-1]	Monitoring Period Year
1	Total Debt as a Percent					
2	of Total Capital					
3						
4	CWIP as a Percent of Net Plant					
5						
6	Construction Expenditures as a					
7	Percent of Total Capital					
8						
9	Pre-Tax Interest Coverage					
10						
11	Funds From Operations / Total Debt					
12		This Schedule is Not Applicable.				
13						
14	Fixed Charge Coverage					
15						
16	Fixed Charge Coverage (Including					
17	Distributions on Pref Trust Securities)					
18						
19	Funds From Operations Interest Coverage					
20						
21	Net Cash Flow / Capital Outlays					
22						
23						
24	Cash Coverage of Common Dividends					
25						
26						
27	Return on Average Common Equity					

PUBLIC UTILITY COMMISSION OF TEXAS
LONE STAR TRANSMISSION, LLC.
GROWTH IN EARNINGS, DIVIDENDS, AND BOOK VALUE - FINAL
FOR THE FINAL RATE PERIOD ENDING MARCH 31, 2014
DOCKET NO. 40028

(A) YEAR	(B) BEGINNING COMMON EQUITY	+	(C) NET INCOME FOR COMMON	-	(D) COMMON DIVIDENDS	+	(E) ADDTL. EQUITY (NET) F-(B+C-D)	=	(F) ENDING COMMON EQUITY	(G) AVERAGE COMMON EQUITY (B+F)/2	(H) ROE C/G	(I) PERCENT EARNINGS RETAINED (C-D)/C	(J) IMPLIED GROWTH H x I	(K) WTD. AVG. SHARES (FOR EPS)	(L) WTD. AVG. SHARES (FOR DPS)	(M) YEAR END SHARES (FOR BVPS)	(N) EPS C/K	(O) DPS D/L	(P) BVPS F/M

This Schedule is Not Applicable.

PUBLIC UTILITY COMMISSION OF TEXAS
LONE STAR TRANSMISSION, LLC.
RATING AGENCY REPORTS - FINAL
FOR THE FINAL RATE PERIOD ENDING MARCH 31, 2014
DOCKET NO. 40020

SEE SCHEDULE II-C-2.10 - ATTACHMENT - RATING AGENCY REPORTS - FINAL

MOODY'S
INVESTORS SERVICE

Credit Opinion: NextEra Energy, Inc.

Global Credit Research - 07 Dec 2011

Juno Beach, Florida, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	Baa1
Senior Unsecured Shelf	(P)Baa1
Subordinate Shelf	(P)Baa2
Pref. Shelf	(P)Baa3
NextEra Energy Capital Holdings, Inc.	
Outlook	Stable
Senior Unsecured	Baa1
Jr Subordinate	Baa2
BACKED Pref. Shelf	(P)Baa3
Commercial Paper	P-2
Florida Power & Light Company	
Outlook	Stable
Issuer Rating	A2
First Mortgage Bonds	Aa3
Senior Secured Shelf	(P)Aa3
Senior Unsecured Shelf	(P)A2
Subordinate Shelf	(P)A3
Pref. Shelf	(P)Baa1
Commercial Paper	P-1
FPL Group Capital Trust I	
Outlook	Stable
BACKED Pref. Stock	Baa2

Contacts

Analyst	Phone
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Key Indicators

[1]NextEra Energy, Inc.

	LTM 9/30/2011	2010	2009	2008
(CFO Pre-W/C + Interest) / Interest	5.1x	4.5x	6.3x	5.1x
(CFO Pre-W/C) / Debt	20%	18%	26%	21%
RCF / Debt	17%	13%	21%	17%
FCF / Debt	(13%)	(14%)	(13%)	(16%)

[1] All ratios calculated in accordance with the Unregulated Utilities and Power Companies Rating Methodology using Moody's standard adjustments.

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

- Diverse, low carbon, mostly contracted or hedged generating portfolio at NextEra Energy Resources

- High debt levels at its unregulated subsidiaries, much of which is either directly guaranteed by NextEra Energy or has significant recourse characteristics

- Consolidated cash flow coverage ratios that are weak for a Baa1 rated hybrid power company, particularly as its non-utility businesses have grown and diversified

- Energy marketing and trading, shale gas drilling, Texas retail, and Spanish solar businesses have increased risk profile

- Stabilized Florida utility political and regulatory environment with two year rate settlement in place through 2012

Corporate Profile

NextEra Energy, Inc. (NextEra, Baa1 Issuer Rating, stable outlook) is one of the largest power and utility companies in the U.S. with annual revenues of over $15 billion. NextEra Energy Capital Holdings, Inc. (Capital Holdings, Baa1 senior unsecured, stable outlook) finances the company's unregulated operations, which include wind, solar, and other independent power projects, as well as several diversified energy businesses, through its wholly owned subsidiary, NextEra Energy Resources (unrated). NextEra Energy is also the parent of Florida Power and Light Company (FPL, A2 Issuer Rating, stable outlook), a vertically integrated utility with a service territory that includes many of the Florida coastal communities, and Lonestar Transmission LLC (unrated), a regulated transmission company in Texas.

SUMMARY RATING RATIONALE

NextEra Energy's rating reflects its position as the parent of both one of the largest unregulated wholesale generating and diversified energy companies in the U.S. and a fully regulated vertically integrated Florida utility. Over the last decade, NextEra Energy has evolved from being solely a regulated Florida utility into a major, international energy company with its Florida regulated utility declining in importance as a credit driver for the consolidated entity. As a result, as its non-utility unregulated operations have become the primary credit driver of the company's consolidated credit profile, and issues associated with some of these businesses have weakened its relative position at the Baa1 rating category. Because of its status as a hybrid power company with both unregulated and regulated utility operations, NextEra Energy is analyzed under both Moody's Unregulated Power Company and Regulated Electric and Gas Utility rating methodologies, with the Unregulated Power Company Methodology increasingly applicable.

DETAILED RATING CONSIDERATIONS

- Diverse, low carbon, mostly contracted or hedged generating portfolio at NextEra Energy Resources

The company's unregulated generating portfolio at NextEra Energy Resources will consist of 16,522 MW of generating capacity in 22 states and Canada following the sale of five of its natural gas plants. Near-term growth in 2012 is expected to come primarily from wind and solar project development. Long-term growth of its U.S. wind portfolio beyond 2012 could be challenging due to the potential termination of government tax incentives for the sector, but also because of low power prices, increased competition, and ongoing uncertainty over renewable portfolio standards and the timing of carbon regulation. The company plans to add approximately 1,400 MW to 2,000 MW of new wind generation in 2011 and 2012, including 150 MW that has been added as of September 30, 2011. It is also planning to add a total of 660 MW of new solar generation from 2011 through 2014 and approximately 280 MW between 2015 and 2016. It is in the process of constructing the Genesis project, a 250 MW solar thermal facility in California, as well as a 99.8 MW solar thermal facility in Spain. It is also a 50% owner of Desert Sunlight, a 550 MW solar PV facility under construction in California.

NextEra has also diversified into regulated transmission in Texas through its Lone Star subsidiary, which is constructing and will operate approximately 300 miles of 345 kv transmission lines in the state. At December 31, 2010, the company's investment in Lone Star totaled $20 million and it plans to invest a total of $780 million, including AFUDC, from 2011 through 2014 for the construction of the transmission line. Moody's views this fully regulated transmission company as a small but positive contributor to the company's overall credit profile.

On September 1, 2011, subsidiary NextEra Energy Resources announced the sale of four of its contracted natural gas-fired generating assets to an affiliate of LS Power for $1.05 billion, subject to working capital and other adjustments. The company is also in the process of selling one of its merchant natural gas generating assets to Entergy Corporation for $346 million, subject to working capital and other adjustments. Moody's views the sale of the contracted assets as modestly negative to overall credit quality in that it reduces the generation portfolio's diversity, as well as the percentage of contracted assets within the portfolio. The company's natural gas generating portfolio now consists predominantly of merchant generation in Texas, where it had only 42% of its 2012 gross margin hedged as of June 30, 2011, by far the lowest of any of its generating assets. The sale also increases the proportion of energy trading and marketing, shale gas drilling, and retail energy marketing in the company's overall business mix compared to its more traditional, lower risk contracted generating assets, which Moody's views as having a lower business risk profile.

- High, growing debt levels at both Capital Holdings and NextEra Energy Resources that is either guaranteed by NextEra or has significant recourse characteristics

As NextEra Energy has emphasized the growth of its non-utility operations in recent years, debt levels at both Capital Holdings and NextEra Energy Resources have increased significantly and now together total $14.2 billion as of September 30, 2011 (on a Moody's adjusted basis), up from $11 billion at December 31, 2009, or 65% of the debt of the consolidated organization. This considerable growth has diluted the guarantee of the parent company over the years, as it now directly guarantees over $9 billion of Capital Holdings debt, in addition to various counterparty obligations.

An additional $5 billion of debt is characterized as "limited recourse" debt under subsidiary NextEra Energy Resources on the company's financial statements. Though this debt may not be directly guaranteed, much of it is tied to NextEra Energy and/or Capital Holdings in some way, either through sponsorship of the underlying projects; tax interrelationships including guarantees of production tax credits on wind projects; cash traps at some projects that are tied to rating levels of NextEra Energy or Capital Holdings, or through financial covenants at NextEra Energy itself. As a result, the long-term debt to capitalization of Capital Holdings, including all of the NextEra Energy Resources debt, was a high 77% at September 30, 2011.

Moody's notes that this $14.2 billion of debt has been incurred at Capital Holdings and Energy Resources, two major entities that do not file separate audited SEC financial statements, which are filed only on a consolidated basis at NextEra Energy, Inc. Moody's believes the level of financial and operational transparency at Capital Holdings and Energy Resources has not increased commensurately with their business risk profiles over the last several years. In addition to the lack of audited financials, these companies do not file or otherwise disclose their bank credit facilities, financial covenant requirement, or the level of cushion they may have under such covenants.

- Consolidated cash flow coverage metrics are weak for a Baa1 rated hybrid power company, particularly as non-utility operations have grown and diversified

As a hybrid power company with both unregulated generation and regulated utility operations, NextEra Energy is analyzed using guidelines in both Moody's Unregulated Power Company and Moody's Regulated Electric and Gas Utility rating methodologies. The company's consolidated financial performance and cash flow coverage metrics have historically been relatively stable and adequate for a company with a balanced mix of businesses, but have not strengthened as it has relied more on unregulated cash flows to service its growing debt obligations.

As the company has become more of a wholesale generating company, diversified into other energy related businesses, and expanded internationally, Moody's would expect cash flow coverage metrics to strengthen to offset and mitigate the higher risk associated with the growth of these businesses. Over the last two years, the company has generated consolidated CFO pre-working capital interest coverage of 4.5x in 2010 and 5.1x for the twelve months ending September 30, 2011, at the low end of the 3.6x to 6.9x rating range guidelines for a Baa rating under our Unregulated Power Company rating methodology. The ratio of consolidated CFO pre-working capital to debt of 17.6% in 2010 and 19.7% for the twelve months ending September 30, 2011 were below the Baa rating range of 21% to 35% under that methodology. Moody's notes that utility FPL's metrics are well above the parameters outlined for its A2 Issuer Rating under our Regulated Utility rating methodology, which offsets to some degree the consolidated company's weak metrics under our Unregulated Power Company rating methodology.

These coverage metrics include all of the debt issued at both Capital Holdings and Energy Resources that is consolidated on NextEra Energy's balance sheet. Some of the debt at Energy Resources is at the individual project level and is characterized as "limited recourse" on the company's financial statements. Although not directly guaranteed, Moody's believes there are significant recourse characteristics in much of this debt despite its "limited recourse" classification and, as a result, we include it in our analytical approach and in our published financial ratios.

- Energy trading and marketing, shale gas well drilling, Texas retail, and Spanish solar businesses increase risk profile

Over the last few years, NextEra Energy Resources has diversified away from being a predominantly domestic, asset focused wholesale power company with expansions into several non-asset based and international businesses. The company expanded its Houston based trading operations significantly over the last few years with the gross margin contribution from this business fluctuating widely from $52 million in 2010, $205 million in 2009, and $76 million in 2008. The company has cited results from these activities as a more material driver of its overall financial performance in recent years. The contribution of the trading business in 2010 and 2011 was significantly lower than in 2009 because of unfavorable market conditions. In November 2011, the company announced that it was relocating its gas trading operations from Houston to its corporate headquarters in Florida and that it had lowered expectations for this business in 2012. Moody's would view any movement away from energy trading and marketing as credit supportive for NextEra Energy and Capital Holdings.

Energy Resources has also begun to invest in natural gas, including shale drilling projects, with capital expenditures in this sector increasing from $115 million in 2008 to $140 million in 2010, with an additional $400 to $600 million planned through 2014. While this level of investment is modest compared to the company's $3 billion of total capital expenditures in 2010, Moody's views shale gas drilling and related businesses as having a higher risk profile than the company's wholesale generation business. Moody's believes the involvement of one of the leading "clean energy" companies in what is currently one of the most environmentally controversial drilling practices, "fracking", even to a limited degree, entails reputational and other intangible risks.

- Stabilization of utility subsidiary FPL's political and regulatory environment with new Florida commissioners and a two year rate settlement in place, although regulatory risk could increase again with new rate case filing expected in 2012

The political and regulatory environment for investor-owned utilities in the state of Florida has stabilized since highly politicized rate proceedings in 2009 and early 2010 resulted in a rate outcome calling for a $75 million base rate increase for utility subsidiary FPL, a small fraction of the $1 billion requested by the company. Since these rate proceedings concluded, however, there has been an almost complete change in the composition of the Florida Public Service Commission (FPSC) with the turnover of four of the five commissioners. A new governor has also been elected in the state. Because of the political and regulatory developments that unfolded during the 2009 and 2010 rate proceedings, Moody's lowered FPL's score on Factor 1 in our Regulated Utility rating methodology grid, Regulatory Framework, to a "Baa" or average score from the "A" or above average score.

Despite the adverse rate case outcome, FPL continues to operate under traditional rate of return regulation with strong cost recovery provisions in place. These include fuel and capacity clauses which are adjusted annually based on expected fuel and power prices and for prior period differences between projected and actual costs. FPL may also recover pre-construction and construction work in progress for nuclear capital expenditures and since 2009 has been able to recover costs associated with the utility's three new solar generating facilities. Additionally, FPL has an environmental cost recovery clause that is adjusted annually for capital spending and operating expenses related to emission controls.

In December 2010, the FPSC approved a settlement agreement between FPL and most interveners that freezes base rates through 2012. It also permits the company to reduce its depreciation reserve by up to $267 million in 2010, and again by $267 million in 2011 and 2012 (plus any amounts not used in prior years), up to a total of $776 million over the term of the settlement. FPL must use at least enough of its depreciation reserve to maintain a 9% earned regulatory ROE but may not use any that would result in an earned regulatory ROE of over 11%. The company had indicated that the use of its surplus depreciation reserve should allow it to realize a retail regulatory ROE at or near 11% in 2011 and 2012.

Although the settlement freezes base rates and utilizes its depreciation reserve in lieu of higher rates, both negatives from a cash flow and credit standpoint, it does provide regulatory clarity through 2012 and should avoid the need for additional base rate proceedings at least until the newly constituted FPSC has been in place for a period of time and has exhibited a meaningful track record. However, regulatory risk could again surface as Moody's expects the company to file a new rate case in 2012.

Liquidity Profile

NextEra Energy maintains no bank credit facilities or other liquidity facilities at the parent company level, but benefits from large, mostly unused bank revolving credit facilities at both of its major subsidiaries ($4.4 billion at Capital Holdings and $3.2 billion at FPL). Of these bank facilities, $17 million of FPL's and $40 million of Capital Holdings' expire in 2012, with most of the facilities expiring in 2013. FPL maintains a significantly stronger liquidity profile than Capital Holdings, where liquidity is constrained by high levels of commercial paper outstanding, significant credit rating related collateral calls, substantial letters of credit and guarantees outstanding, and an energy trading and marketing business that could suddenly require additional liquidity.

Capital Holdings and Energy Resources have $2.0 billion of debt due over the 12 months ending September 30, 2012, including $1.4 billion of outstanding commercial paper and $550 million of long-term debt. Commercial paper outstanding at Capital Holdings increased significantly during the third quarter to $1.4 billion at September 30, 2011 from $395 million at June 30, 2011. The company expects to materially reduce the level of commercial paper outstanding from the proceeds of its natural gas plant sales.

At September 30, 2011, Capital Holdings and Energy Resources had approximately $1.1 billion of standby letters of credit outstanding (and $10 million at the utility, FPL); $99 million of surety bonds outstanding ($53 million at FPL); and approximately $12.6 billion notional amount of guarantees outstanding ($23 million at FPL), of which $8.1 billion ($15 million for FPL) have expiration dates over the next five years. The company's notional amount of guarantees outstanding increased significantly during the third quarter to $12.6 billion at September 30, 2011 from $10.3 billion at June 30, 2011.

Approximately $970 million of the NextEra Energy's standby letters of credit outstanding at September 30, 2011 were issued under Capital Holdings' credit facilities which, when combined with its currently outstanding commercial paper, utilizes over half of the company's $4.4 billion bank revolving credit facilities. Capital Holdings had $810 million of cash on hand as of September 30, 2011, up from $246 million at June 30, 2011.

NextEra Energy also has substantial exposure to collateral calls in the event of credit rating downgrades. If NextEra Energy and Capital Holdings' credit ratings were downgraded to BBB/Baa2, NextEra Energy would be required to post collateral of approximately $350 million ($100 million at FPL). If FPL and Capital Holdings' credit ratings were downgraded below investment grade, the company would be required to post collateral of approximately $2.3 billion ($0.8 billion at FPL). This level of downgrade related collateral calls is well above industry peers such as Constellation Energy and Exelon Generation, both of which would have additional collateral obligations in the range of $1 billion if downgraded below investment grade (as of September 30, 2011). Moreover, additional NextEra Energy contracts that do not have rating triggers but require the maintenance of certain financial measures or have other credit-related cross default triggers could require additional collateral of up to approximately $600 million ($150 million at FPL).

FPL's $3 billion of bank credit facilities support more manageable outstanding obligations, including $408 million of commercial paper as of September 30, 2011, down from $655 million at June 30, 2011. In addition, the utility had a minimal $3 million of letters of credit supported by the facility. FPL's bank revolving credit facilities are also available to support the purchase of $633 million of pollution control, solid waste disposal, and industrial development bonds in the event they are tendered and not remarketed. FPL has a very manageable $49 million of long-term debt due over the twelve months ending September 30, 2012, with its next significant maturity in 2013.

Neither FPL nor Capital Holdings have a material adverse change clause in their bank credit facilities, although both have a 65% debt to capitalization covenant, the calculation of which management does not make public. The company reported that it was in compliance with these covenants at September 30, 2011.

Rating Outlook

The stable rating outlook reflects Moody's expectation that the growth of the company's unregulated businesses will moderate beyond 2012; that debt levels at Capital Holdings and Energy Resources will stabilize and not increase beyond current levels; that it will maintain a high level of long-term contracts and hedges in place on its remaining wholesale generating assets; and that it will strictly limit its energy marketing and trading, shale gas drilling, Texas retail, and Spanish solar businesses to current levels. Expansion of any of these businesses or the addition of other diversified businesses would likely negatively affect its credit ratings or rating outlook. The stable outlook also reflects the regulatory clarity provided by the utility's two year rate settlement and Moody's expectation that the utility's next rate case will result in a less politicized and more credit supportive rate case outcome.

What Could Change the Rating - Up

A higher rating could be considered if the company materially reduces debt levels at Capital Holdings and/or Energy Resources; if it reduces or eliminates any or all of its diversified businesses; if cash flow coverage metrics increase to levels more in line with our parameters for a high Baa rated unregulated power company, including consolidated CFO pre-working capital to debt of 30% or higher and CFO pre-working capital to interest of 6.0x or higher.

What Could Change the Rating - Down

A downgrade could be considered if leverage continues to increase at Capital Holdings and/or Energy Resources; if there is any further expansion into diversified, higher risk businesses; if there is a significant energy trading loss; if liquidity at Capital Holdings is further constrained by the demands of the trading business or any of its other businesses; if there is a further decline in the regulatory or political environment in Florida; or if consolidated cash flow coverage metrics remain weak for its current rating and risk profile, including CFO pre-working capital to debt below 20% or CFO pre-working capital interest coverage below 5.0x.

Rating Factors

NextEra Energy, Inc.

Power Companies [1][2]	Current 12/31/2010		Moody's 12-18 month Forward View* As of December 2011	
Factor 1: Market Assessment, Scale and Competitive Position (20%)	Measure	Score	Measure	Score
a) Market and Competitive Position (15%)		Baa		Baa
b) Geographic Diversity (5%)		Aa		Aa
Factor 2: Cash Flow Predictability of Business Model (20%)				
a) Hedging strategy (10%)		A		A

b) Fuel Strategy and mix (5%)		A		A
c) Capital requirements and operatinal performance (5%)		A		A
Factor 3: Financial policy (10%)		Baa		Baa
Factor 4: Financial Strength - Key Financial Metrics (50%)				
a) CFO pre-WC + Interest / Interest (15%) (3yr Avg)	5.3x	Baa	4.5 - 5.5x	Baa
b) CFO pre-WC / Debt (20%) (3yr Avg)	21.1%	Baa	18 - 22%	Ba
c) RCF / Debt (7.5%) (3yr Avg)	17.4%	Baa	14 - 18%	Baa
d) FCF / Debt (7.5%) (3yr Avg)	(14.3)%	B	(20) - (10)%	B
Rating:				
a) Indicated Rating from Grid		Baa2		Baa2
b) Actual Rating Assigned		Baa1		Baa1

Regulated Electric and Gas Utilities Industry [1][2]	Current 12/31/2010		Moody's 12-18 month Forward View* As of December 2011	
Factor 1: Regulatory Framework (25%)	Measure	Score	Measure	Score
a) Regulatory Framework		Baa		Baa
Factor 2: Ability To Recover Costs And Earn Returns (25%)				
a) Ability To Recover Costs And Earn Returns		Baa		Baa
Factor 3: Diversification (10%)				
a) Market Position (5%)		A		A
b) Generation and Fuel Diversity (5%)		A		A
Factor 4: Financial Strength, Liquidity And Key Financial Metrics (40%)				
a) Liquidity (10%)		A		A
b) CFO pre-WC + Interest/ Interest (3 Year Avg) (7.5%)	5.3x	A	4.5 - 5.5x	A
c) CFO pre-WC / Debt (3 Year Avg) (7.5%)	21.1%	Baa	18 - 22%	Baa
d) CFO pre-WC - Dividends / Debt (3 Year Avg) (7.5%)	16.5%	Baa	14 - 18%	Baa
e) Debt/Capitalization (3 Year Avg) (7.5%)	49.2%	Baa	48 - 51%	Baa
Rating:				
a) Indicated Rating from Grid		Baa1		Baa1
b) Actual Rating Assigned		Baa1		Baa1

* THIS REPRESENTS MOODY'S FORWARD VIEW; NOT THE VIEW OF THE ISSUER; AND UNLESS NOTED IN THE TEXT DOES NOT INCORPORATE SIGNIFICANT ACQUISITIONS OR DIVESTITURES

[1] All ratios are calculated using Moody's Standard Adjustments. [2] As of 12/31/2010(L); Source: Moody's Financial Metrics

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Credit Opinion: NextEra Energy, Inc.

Global Credit Research - 11 Apr 2011

Juno Beach, Florida, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	Baa1
Senior Unsecured Shelf	(P)Baa1
Subordinate Shelf	(P)Baa2
Preferred Shelf	(P)Baa3
NextEra Energy Capital Holdings, Inc.	
Outlook	Stable
Senior Unsecured	Baa1
Jr Subordinate	Baa2
Bkd Preferred Shelf	(P)Baa3
Commercial Paper	P-2
Florida Power & Light Company	
Outlook	Stable
Issuer Rating	A2
First Mortgage Bonds	Aa3
Senior Secured Shelf	(P)Aa3
Senior Unsecured Shelf	(P)A2
Subordinate Shelf	(P)A3
Preferred Shelf	(P)Baa1
Commercial Paper	P-1
FPL Group Capital Trust I	
Outlook	Stable
Bkd Preferred Stock	Baa2

Contacts

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Key Indicators

[1]NextEra Energy, Inc.

	2010	2009	2008	2007
(CFO Pre-W/C + Interest) / Interest Expense	4.7x	6.3x	5.1x	6.2x
(CFO Pre-W/C) / Debt	18%	26%	21%	29%
(CFO Pre-W/C - Dividends) / Debt	14%	21%	16%	23%
Debt / Book Capitalization	48%	48%	49%	44%

[1] All ratios calculated in accordance with the Global Regulated Electric Utilities Rating Methodology using Moody's standard adjustments.

Note: For definitions of Moody's most common ratio terms please see the accompanying *User's Guide.*

Opinion

Rating Drivers

- Diverse, low carbon, highly contracted generating portfolio at NextEra Energy Resources

- Consolidated cash flow coverage ratios that are adequate for a Baa rated hybrid power company

- Energy marketing and trading and natural gas infrastructure businesses increase risk profile

- High, growing debt levels at unregulated subsidiaries

- Stabilized Florida utility's political and regulatory environment with two year rate settlement

Corporate Profile

NextEra Energy, Inc. (Baa1 Issuer Rating, stable outlook), is one of the largest providers of electricity-related services in North America with annual revenues of over $15 billion. NextEra Energy Capital Holdings, Inc. (Capital Holdings, Baa1 senior unsecured, stable outlook) finances the company's unregulated operations, primarily wind and other independent power projects through its wholly owned subsidiary, NextEra Energy Resources (unrated). NextEra Energy is also the parent of Florida Power and Light Company (FPL, A2 Issuer Rating, stable outlook), a vertically integrated utility with a service territory that includes many of the Florida coastal communities.

SUMMARY RATING RATIONALE

NextEra Energy's rating reflects its position as the parent of both one of the largest unregulated wholesale generating companies in the U.S. and a fully regulated vertically integrated Florida utility. Over the last decade, NextEra Energy has transformed itself from being solely a regulated Florida utility into a national wholesale power company with its Florida utility declining in importance as a credit driver for the consolidated entity. Moody's believes that its unregulated wholesale power operations will continue to be an increasingly important part of the company's consolidated credit profile going forward. Because of its status as a hybrid power company with both regulated and unregulated operations, the company is analyzed under both Moody's Regulated Electric and Gas Utility and Unregulated Power Company rating methodologies.

DETAILED RATING CONSIDERATIONS

- Diverse, low carbon, highly contracted generating portfolio at NextEra Energy Resources

The company's unregulated generating portfolio at NextEra Energy Resources consists of 18,866 MW of generating capacity across 26 states and Canada with most of its growth in recent years coming from wind. Its portfolio is national in scope and consists of generating capacity that is currently 44% wind, 35% natural gas, 14% nuclear, and 7% other, making it particularly well positioned to benefit from costs associated with carbon or other environmental requirements. Although large, diverse, and highly contracted, the portfolio has not been completely immune to the recessionary economic environment and poor power market conditions that have characterized much of the country over the last several years, which has increased the volatility of the portfolio's earnings and cash flows. Power generated from the wind portfolio fell short of expectations in late 2009 and early 2010, which the company attributed to an El Nino influenced weather pattern, reducing wind resources in both Texas and throughout the midwest, although more recent wind results have been stronger. Lower power prices and unfavorable market conditions have also negatively affected results for the company's Texas fossil generating units.

Future growth of NextEra Energy Resources wind portfolio, a key strategic goal of the company, will continue to be challenging due to low power prices, increased competition, higher costs, and ongoing uncertainty over renewable portfolio standards and carbon regulation. The company plans to add approximately 3,500 MW to 5,000 MW of new wind generation in the years 2010 to 2014, including between 700 MW and 1,000 MW in 2011. It is also planning to add between 400 MW and 600 MW of new solar generation from 2010 to 2014, which includes a major investment in a solar energy project in Spain.

The company has also diversified into regulated transmission in Texas through its Lone Star subsidiary, which will construct and operate approximately 300 miles of 345 kv transmission lines in the state. At December 31, 2010, the company's investment in Lone Star totaled $20 million and it plans to invest a total of $780 million, including AFUDC, from 2011 through 2014 for the construction of the transmission line.

- Consolidated cash flow coverage metrics that are adequate for a Baa rated hybrid power company

As a hybrid power company with both regulated utility and unregulated power company operations, NextEra Energy is analyzed using guidelines in both Moody's Regulated Electric and Gas Utility and Unregulated Power Company rating methodologies. The company's consolidated financial performance and cash flow coverage metrics have historically been strong, relatively stable, and adequate for a company with a balanced mix of regulated utility and unregulated generation businesses. However, as the company has become more of an unregulated wholesale power generator, and continues to grow its energy trading and marketing and natural gas infrastructure businesses while also diversifying internationally, Moody's would expect cash flow coverage metrics to increase proportionally to mitigate the growth of these unregulated businesses. These metrics include a consolidated CFO pre-working capital interest coverage ratio of 4.7x in 2010, which is within the 3.6x to 6.9x rating range guidelines for a Baa rated unregulated wholesale power company. However, consolidated CFO pre-working capital to debt of 18.4% in 2010 was below the Baa rating range of 21% to 35% under our Unregulated Power Company rating methodology.

These coverage metrics include all of the debt issued at both Capital Holdings and NextEra Energy Resources that is consolidated on NextEra Energy's balance sheet, although some of the debt at NextEra Energy Resources is at individual project levels and is characterized as "limited recourse" on the company's financial statements. Because this debt is consolidated on NextEra's financial statements, Moody's includes it in our analytical approach and in our published financial ratios. However, Moody's also considers the potential improvement in financial ratios if the limited recourse debt and associated project cash flows were excluded from these calculations. In this scenario, NextEra Energy's consolidated CFO pre-working capital interest coverage for 2010 improves to 6.0x and CFO pre-working capital to debt improves to 23%. Although these ratios appear relatively low under our Unregulated Power Company methodology ratio range guidelines, this is offset by the strong financial metrics of utility subsidiary FPL, which is strongly positioned under our Regulated Electric and Gas Utility rating methodology.

- Growing energy trading and marketing along with natural gas infrastructure businesses increase risk profile

For much of its history, NextEra Energy Resources was predominantly an asset focused wholesale power company, although the company has in recent years begun growing its non-asset based business including power and gas marketing and trading operations. The company has expanded its Houston based trading operations significantly over the last several years and has indicated its intention to continue to grow this business. The gross margin contribution from the business has been volatile at $205 million in 2009 and $76 million in 2008 and the company has cited results from these activities as a more material driver of overall financial performance in recent years. The company no longer discloses the gross margin contribution from this business, but has indicated that results in 2010 were lower than 2009 as a result of unfavorable market conditions. Moody's views this increased emphasis on energy trading and marketing at NextEra Energy as a change in the company's previously wholesale asset focused business strategy and one that has increased the company's business risk profile, cash flow and earnings volatility, and liquidity needs.

NextEra Energy Resources has also begun to invest in natural gas infrastructure and plans to add natural gas infrastructure projects totaling approximately $400 to $600 million in 2010 through 2014. While this level of investment is modest compared to the company's $3 billion in total capital expenditures in 2010, Moody's views natural gas drilling and related businesses as having a higher risk profile than the company's wholesale generation business.

- High, growing debt levels at both Capital Holdings and NextEra Energy Resources has diluted the value of the NextEra Energy parent company guarantee and resulted in wider ratings notching between the NextEra Energy/Capital Holdings rating and the Florida utility rating

As NextEra Energy has emphasized the growth of its unregulated operations, debt levels at both Capital Holdings and NextEra Energy Resources have increased significantly, and now together total $12.6 billion as of December 31, 2010 (up from $11 billion at December 31, 2009), or 65% of the debt of the consolidated organization (up from 62% last year). This considerable growth has diluted the guarantee of the parent company over the years, as it now directly guarantees approximately $9 billion of Capital Holdings debt, in addition to various counterparty obligations. An additional $5 billion of debt is characterized as "limited recourse" debt under NextEra Energy Resources on the company's financial statements. Though this debt may not be directly guaranteed, much of it is tied to NextEra Energy and Capital Holdings in some way, either through sponsorship of the underlying projects; a guarantee of production tax credits on wind projects; or through cash traps at some projects that are tied to rating levels of NextEra Energy or Capital Holdings. As a result, the long-term debt to capitalization of Capital Holdings, including all of the NextEra Energy Resources debt, was a high 71% at December 31, 2010.

Moody's expects debt at the company's unregulated wholesale generating subsidiaries to continue to increase as a percentage of total consolidated debt. Because of these trends, in April 2010, Moody's widened the notching between the ratings of NextEra Energy/NextEra Energy Resources and the rating of the utility FPL from one to two notches to reflect the higher debt levels and diverging risk profile.

- Stabilization of utility subsidiary FPL's political and regulatory environment with new Florida commissioners in place and the execution of a two year rate settlement

The political and regulatory environment for investor-owned utilities in the state of Florida has stabilized since highly politicized rate proceedings in 2009 and early 2010 resulted in a rate outcome calling for a $75 million base rate increase for utility subsidiary FPL, a small fraction of the $1 billion requested by the company. Since these rate proceedings, however, there has been an almost complete change in the composition of the Florida Public Service Commission (FPSC) with the turnover of four of the five commissioner seats. There is also a new governor in place in the state. Because of the political and regulatory developments that unfolded during the 2009 and 2010 rate proceedings, Moody's lowered FPL's score on Factor 1 in our Regulated Electric and Gas Utility rating methodology grid, Regulatory Framework, to the "Baa" or average category from the "A" or above average category.

Despite the adverse rate case outcome, FPL continues to operate under traditional rate of return regulation with strong cost recovery provisions in place in Florida. These include fuel and capacity clauses which are adjusted annually based on expected fuel and power prices and for prior period differences between projected and actual costs. FPL may also recover pre-construction and construction work in progress for nuclear capital expenditures and since 2009 has been able to recover costs associated with the utility's three new solar generating facilities. Additionally, FPL has an environmental cost recovery clause that is adjusted annually for capital spending and operating expenses related to emissions.

In December 2010, the FPSC approved a settlement agreement between FPL and most interveners that freezes base rates through 2012. It also permits the company to reduce its depreciation reserve by up to $267 million in 2010, and again by $267 million in 2011 and 2012 (plus any amounts not used in prior years), up to a total of $776 million over the term of the settlement. FPL must use at least enough of its depreciation reserve to maintain a 9% earned regulatory ROE but may not use any that would result in an earned regulatory ROE of over 11%. The rate freeze does not apply to the company's cost recovery clauses and the company's midpoint for return on equity is the same as mandated in its rate case outcome at 10%. If the company's earned ROE falls below 9% at any time before December 31, 2012, the company can seek a rate adjustment. The settlement also includes a provision that caps the size of the surcharge that can be implemented to recover storm costs at $4 per 1,000 kHz of usage on residential bills, with the remainder to be recovered in later years. However, if storm costs exceed $800 million, FPL may request a higher customer surcharge.

Although the settlement freezes base rates and utilizes its depreciation reserve in lieu of higher rates, both are negatives from a cash flow and credit standpoint, although the settlement does provide regulatory clarity through 2012 and should avoid the need for additional base rate proceedings at least until the newly constituted FPSC has been in place for a period of time and has exhibited a meaningful track record.

Liquidity Profile

NextEra Energy maintains no bank credit facilities or other liquidity facilities at the parent company level, but benefits from a strong liquidity profile at both FPL and Capital Holdings. Although both subsidiaries maintain large, mostly unused bank credit facilities ($3.3 billion at FPL and $4.4 billion at Capital Holdings), Capital Holdings also has a substantial $2.7 billion of long-term debt due in 2011, significant amounts of commercial paper and letters of credit outstanding, and an energy marketing and trading business that requires additional liquidity support.

FPL's $3.3 billion of credit facilities mostly expire in 2013 and support limited outstanding obligations, including $101 million of commercial paper as of December 31, 2010, down from $818 million at December 31, 2009. In addition, the utility had $8 million of letters of credit outstanding. FPL's bank revolving credit facilities are also available to support the purchase of $633 million of pollution control, solid waste disposal, and industrial development bonds in the event they are tendered and not remarketed. FPL has a very manageable $45 million of long-term debt due over the next twelve months with its next significant maturity in 2013.

Capital Holdings and NextEra Energy Resources have $2.7 billion of debt due over the next 12 months, including $788 of outstanding commercial paper, $850 million of Capital Holdings debentures, $627 million of Capital Holdings term loans, and $390 million of NextEra Energy Resources debt. At December 31, 2010, Capital Holdings and NextEra Energy Resources had approximately $960 million of standby letters of credit outstanding (and $17 million at the utility, FPL); $36 million of surety bonds outstanding ($51 million at FPL); and approximately $9.5 billion notional amount of guarantees outstanding ($43 million at FPL), of which $6.1 billion ($34 million for FPL) have expiration dates over the next five years. Approximately $771 million of the standby letters of credit outstanding at December 31, 2010 were issued under Capital Holdings' credit facilities. Capital Holdings had $282 million of cash on hand as of December 31, 2010, up from $156 million at December 31, 2009.

Neither FPL or Capital Holdings have a material adverse change clause in their bank credit facilities, although both have a 65% debt to capitalization covenant, the calculation of which it does not make public. The company was in compliance with this covenant at December 31, 2010.

Rating Outlook

The stable rating outlook reflects Moody's expectation that cash flows from the company's diverse, low carbon emission, wholesale generating fleet will continue to support consolidated coverage metrics that are adequate for a Baa rating; that the company will maintain a high level of long-term contracts and hedges in place; and that the company will limit the growth of its energy marketing and trading, natural gas infrastructure, and international businesses. The stable outlook also reflects the regulatory clarity provided by the utility's two year rate settlement and Moody's expectation that the political and regulatory environment in Florida will not deteriorate further and may improve over time.

What Could Change the Rating - Up

A higher rating could be considered if the company materially reduces debt levels at Capital Holdings and NextEra Energy Resources; if cash flow coverage metrics increase to offset the growth in leverage at these businesses, including consolidated CFO pre-working capital to debt of 35% or higher and CFO pre-working capital to interest of 7.0x or higher.

What Could Change the Rating - Down

A downgrade could be considered if leverage continues to increase at Capital Holdings and/or NextEra Energy Resources; if there is more reliance on short-term debt to finance growth; if there is a significant energy trading and marketing loss or its liquidity is constrained by the demands of this business; if there is a further decline in the regulatory or political environment in Florida; or if there is a sustained decline in consolidated cash flow coverage metrics, including CFO pre-working capital interest coverage below 5.0x and CFO pre-working capital to debt below 20%.

Rating Factors

NextEra Energy, Inc.

Power Companies [1][2]	Current 12/31/2010		Moody's 12-18 month Forward View* As of April 2011	
Factor 1: Market Assessment, Scale and Competitive Position (20%)	**Measure**	**Score**	**Measure**	**Score**
a) Market and Competitive Position (15%)		Baa		Baa
b) Geographic Diversity (5%)		A		A
Factor 2: Cash Flow Predictability of Business Model (20%)				
a) Hedging strategy (10%)		A		A
b) Fuel Strategy and mix (5%)		A		A
c) Capital requirements and operatinal performance (5%)		A		A
Factor 3: Financial policy (10%)		A		A
Factor 4: Financial Strength - Key Financial Metrics (50%)				
a) CFO pre-WC + Interest / Interest (15%) (3yr Avg)	5.4x	Baa	4.5 - 5.5x	Baa
b) CFO pre-WC / Debt (20%) (3yr Avg)	21.6%	Baa	17 - 20%	Baa
c) RCF / Debt (7.5%) (3yr Avg)	16.8%	Baa	13 - 16%	Baa
d) FCF / Debt (7.5%) (3yr Avg)	(14.43)%	B	(12) - (15)%	B
Rating:				
a) Indicated Rating from Grid		Baa1		Baa1
b) Actual Rating Assigned		Baa1		Baa1

Regulated Electric and Gas Utilities Industry [1][2]	Current 12/31/2010		Moody's 12-18 month Forward View* As of April 2011	
Factor 1: Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Regulatory Framework		Baa		Baa
Factor 2: Ability To Recover Costs And Earn Returns (25%)				
a) Ability To Recover Costs And Earn Returns		A		A
Factor 3: Diversification (10%)				
a) Market Position (5%)		Baa		Baa
b) Generation and Fuel Diversity (5%)		Baa		Baa
Factor 4: Financial Strength, Liquidity And Key Financial Metrics (40%)				
a) Liquidity (10%)		A		A
b) CFO pre-WC + Interest/ Interest (3 Year Avg) (7.5%)	5.4x	A	4.5 - 5.5x	A
c) CFO pre-WC / Debt (3 Year Avg) (7.5%)	21.6%	Baa	17 - 20%	Ba

d) CFO pre-WC - Dividends / Debt (3 Year Avg) (7.5%)	16.8%	Baa	13 - 16%	Baa / Ba
e) Debt/Capitalization (3 Year Avg) (7.5%)	48.6%	Baa	48 - 51%	Baa
Rating:				
a) Indicated Rating from Grid		A3		A3
b) Actual Rating Assigned		Baa1		Baa1

* THIS REPRESENTS MOODY'S FORWARD VIEW; NOT THE VIEW
OF THE ISSUER; AND UNLESS NOTED IN THE TEXT DOES NOT INCORPORATE SIGNIFICANT ACQUISITIONS OR DIVESTITURES

[1] All ratios are calculated using Moody's Standard Adjustments. [2] As of 12/31/2010(L); Source: Moody's Financial Metrics

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www.moodys.com under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

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MOODY'S
INVESTORS SERVICE

Credit Opinion: NextEra Energy Capital Holdings, Inc.

Global Credit Research - 11 Apr 2011

Juno Beach, Florida, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Senior Unsecured	Baa1
Jr Subordinate	Baa2
Bkd Preferred Shelf	(P)Baa3
Commercial Paper	P-2
Parent: NextEra Energy, Inc.	
Outlook	Stable
Issuer Rating	Baa1
Senior Unsecured Shelf	(P)Baa1
Subordinate Shelf	(P)Baa2
Preferred Shelf	(P)Baa3

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Opinion

Rating Drivers

- Diverse, low carbon, highly contracted generating portfolio

- Consolidated cash flow coverage metrics that are adequate for its Baa rating

- Energy marketing and trading and natural gas infrastructure businesses increase risk profile

- High, growing debt levels dilutes the value of parent guarantee

- Strong liquidity but substantial $2.7 billion of debt due in 2011

Corporate Profile

NextEra Energy Capital Holdings, Inc. (Capital Holdings, Baa1 senior unsecured, stable outlook), is a wholly owned subsidiary of NextEra Energy, Inc. (Baa1 Issuer Rating, stable outlook), one of the largest providers of electricity-related services in North America with annual revenues of over $15 billion. Capital Holdings finances the unregulated operations of the company, primarily independent power projects, through its wholly owned subsidiary, NextEra Energy Resources (unrated). NextEra Energy is also the parent of Florida Power and Light Company (FP&L, A2 Issuer Rating, stable outlook), a vertically integrated utility with a service territory that includes many of the Florida coastal communities.

SUMMARY RATING RATIONALE

Capital Holdings' Baa1 senior unsecured rating reflects the support of NextEra Energy (Baa1 Issuer Rating), which unconditionally guarantees all of its debt and payment obligations. Consequently, Capital Holding's rating partially reflects the consolidated financial strength of the entire NextEra Energy organization, which includes a large and growing portfolio of unregulated wholesale generating assets at its NextEra Energy Resources subsidiary, growing energy marketing and trading and natural gas infrastructure businesses, a pending investment in a Spanish solar project, and a Florida utility operating under a two year rate settlement in a stabilized Florida political and regulatory environment. Over the last decade, NextEra Energy has transformed itself from primarily a regulated Florida utility into a national wholesale power company with the utility declining in importance as a credit driver for the consolidated entity. Because of its status as a hybrid power company with both regulated and unregulated operations, NextEra Energy is analyzed under both Moody's Regulated Electric and Gas Utility and Unregulated Power Company rating methodologies.

DETAILED RATING CONSIDERATIONS

- Diverse, low carbon, highly contracted generating portfolio

The company's unregulated generating portfolio at NextEra Energy Resources consists of 18,866 MW of generating capacity across 26 states and Canada with most of its growth in recent years coming from wind. Its portfolio is national in scope and consists of generating capacity that is currently 44% wind, 35% natural gas, 14% nuclear, and 7% other, making it particularly well positioned to benefit from costs associated with carbon or other environmental requirements. Although large, diverse, and highly contracted, the portfolio has not been completely immune to the recessionary economic environment and poor power market conditions that have characterized much of the country over the last several years, which has increased the volatility of the portfolio's earnings and cash flows. Power generated from the wind portfolio fell short of expectations in late 2009 and early 2010, which the company attributed to an El Nino influenced weather pattern, reducing wind resources in both Texas and throughout the midwest, although more recent wind results have been stronger. Lower power prices and unfavorable market conditions have also negatively affected results for the company's Texas fossil generating units.

Future growth of NextEra Energy Resources' wind portfolio, a key strategic goal of the company, will continue to be challenging due to low power prices, increased competition, higher costs, and ongoing uncertainty over renewable portfolio standards and carbon regulation. The company plans to add approximately 3,500 MW to 5,000 MW of new wind generation in the years 2010 to 2014, including between 700 MW and 1,000 MW in 2011. It is also planning to add between 400 MW and 600 MW of new solar generation from 2010 to 2014, which includes a major investment in a solar energy project in Spain.

The company has also diversified into regulated transmission in Texas through its Lone Star subsidiary, which will construct and operate approximately 300 miles of 345 kv transmission lines in the state. At December 31, 2010, the company's investment in Lone Star totaled $20 million and it plans to invest a total of $780 million, including AFUDC, from 2011 through 2014 for the construction of the transmission line.

- Consolidated NextEra Energy cash flow coverage metrics that are adequate for a Baa rated hybrid power company

Capital Holdings does not file SEC financial statements, which are filed by NextEra Energy on a consolidated basis. As a hybrid power company with both regulated utility and unregulated power company operations, NextEra Energy is analyzed using guidelines in both Moody's Regulated Utility and Unregulated Power Company rating methodologies. The company's consolidated financial performance and cash flow coverage metrics have historically been strong, relatively stable, and adequate for a company with a balanced mix of regulated utility and unregulated generation businesses. However, as the company has become more of an unregulated wholesale power generator, continues to grow its energy trading and marketing and natural gas infrastructure businesses, and diversifies internationally, Moody's would expect cash flow coverage metrics to increase proportionally to mitigate the growth of these unregulated businesses. These metrics include a consolidated CFO pre-working capital interest coverage ratio of 4.7x in 2010, which is within the 3.6x to 6.9x rating range guidelines for a Baa rated unregulated wholesale power company. However, consolidated CFO pre-working capital to debt of 18.4% in 2010 was below the Baa rating range of 21% to 35% under our Unregulated Power Company rating methodology, although this ratio would have been higher after adjusting for the volatility caused by utility fuel recoveries.

These coverage metrics include all of the debt issued at both Capital Holdings and NextEra Energy Resources that is consolidated on NextEra Energy's balance sheet, although some of the debt at NextEra Energy Resources is at the individual project level and is characterized as "limited recourse" on the company's financial statements. Because this debt is consolidated on NextEra's financial statements, Moody's includes it in our analytical approach and in our published financial ratios. However, Moody's also considers the potential improvement in financial ratios if the limited recourse debt and associated project cash flows were excluded from these calculations. In this scenario, NextEra's consolidated CFO pre-working capital interest coverage for 2010 improve to 6.0x and CFO pre-working capital to debt improves to 23%.

Although these ratios still appear relatively low under our Unregulated Power Company methodology ratio range guidelines, this is largely offset by the strong financial metrics of utility subsidiary FPL, which are well positioned under our Regulated Electric and Gas Utility rating methodology.

- Growing energy trading and marketing and natural gas infrastructure businesses increase risk profile

For much of its history, NextEra Energy Resources was predominantly an asset focused wholesale power company, although the company has in recent years expanded its non-asset based business including power and gas marketing and trading operations. The company has expanded its Houston based trading operations significantly over the last several years and has indicated its intention to continue to grow this business. The gross margin contribution from the business has been volatile at $205 million in 2009 and $76 million in 2008 and the company has cited results from these activities as a more material driver of overall financial performance. The company no longer discloses the gross margin contribution from this business, but has indicated that results in 2010 were lower than in 2009 as a result of unfavorable market conditions. Moody's views this increased emphasis on energy trading and marketing at NextEra Energy as a change in the company's previous wholesale asset focused business strategy and one that has increased the company's business risk profile, cash flow and earnings volatility, and liquidity needs.

NextEra Energy Resources has also begun to invest in natural gas infrastructure and plans to add natural gas infrastructure projects totaling approximately $400 to $600 million in 2010 through 2014. While this level of investment is modest compared to the company's $3 billion in total capital expenditures in 2010, Moody's views natural gas drilling and related businesses as having a higher risk profile than the company's wholesale generation business.

- High, growing debt levels at both Capital Holdings and NextEra Energy Resources has diluted the value of the NextEra Energy parent company guarantee and resulted in wider ratings notching between the NextEra Energy/Capital Holdings rating and the Florida utility rating

As NextEra Energy has emphasized the growth of its unregulated operations, debt levels at both Capital Holdings and NextEra Energy Resources have increased significantly, and now together total $12.6 billion as of December 31, 2010 (up from $11 billion at December 31, 2009), or 65% of the debt of the consolidated organization (up from 62% last year). This considerable growth has diluted the guarantee of the parent company over the years, as it now directly guarantees approximately $9 billion of Capital Holdings debt, in addition to various counterparty obligations. An additional $5 billion of debt is characterized as "limited recourse" debt under NextEra Energy Resources on the company's financial statements. Though not directly guaranteed, much of this debt is tied to NextEra Energy and Capital Holdings in some way, either through sponsorship of the underlying projects; a guarantee of production tax credits on wind projects; or through cash traps at some projects that are tied to rating levels of NextEra Energy or Capital Holdings. As a result, the long-term debt to capitalization of Capital Holdings, including all of the NextEra Energy Resources debt, was a high 71% at December 31, 2010.

Moody's expects debt at the company's unregulated wholesale generating subsidiaries to continue to increase as a percentage of total consolidated debt. Because of these trends, in April 2010, Moody's widened the notching between the ratings of NextEra Energy/NextEra Energy Resources and the rating of the utility FPL from one to two notches to reflect the higher debt levels and diverging risk profile.

Liquidity Profile

Capital Holdings maintains a strong liquidity profile, although it has a substantial $2.7 billion of debt due in 2011 and an energy marketing and trading business that will continue to require substantial liquidity support. The company's liquidity position relies primarily on $4.4 billion of bank credit facilities that expire in 2013 (with the exception of $40 million that expires in 2012). The company also had $282 million of cash on hand as of December 31, 2010, up from $156 million as of December 31, 2009. The company continues to utilize commercial paper to finance much of its wind and other generation development before refinancing it with long-term debt, and had $788 million of commercial paper outstanding at December 31, 2010, down from $1.2 billion at December 31, 2009. Capital Holdings had $282 million of cash on hand as of December 31, 2010, up from $156 million as of December 31, 2009.

At December 31, 2010, Capital Holdings and NextEra Energy Resources had approximately $960 million of standby letters of credit outstanding (and $17 million at the utility, FPL); $36 million of surety bonds outstanding ($51 million at FPL); and approximately $9.5 billion notional amount of guarantees ($43 million at FPL), of which $6.1 billion ($34 million for FPL) have expiration dates over the next five years. Approximately $771 million of the standby letters of credit at December 31, 2010 were issued under Capital Holdings' bank credit facilities.

Capital Holdings consolidated cash flow from operations of $1.9 billion in 2010 was insufficient to cover capital expenditures, independent power investments, and nuclear fuel purchases of $3.1 billion, causing the company to rely on a significant amount of external financing to support its growth. With 2011 and 2012 capital expenditures expected to be over $3.0 billion annually, the company will continue to require substantial external financing. The $2.7 billion of long-term that debt due in 2011 includes its outstanding commercial paper, $850 million of Capital Holdings debentures, $627 million of Capital Holdings bank term loans, and $390 million of NextEra Energy Resources debt.

Capital Holdings has no material adverse change clause and a 65% debt to capitalization covenant in its bank credit agreements, the calculation of which it does not make public. The company was in compliance with this covenant at December 31, 2010.

Rating Outlook

The stable rating outlook reflects Moody's expectation that cash flows from the company's diverse, low carbon emission wholesale generating fleet will continue to support consolidated coverage metrics that are adequate for a Baa rating, that the company will maintain a high level of long-term contracts and hedges in place, and that it will limit the growth of its energy marketing and trading, natural gas infrastructure, and international businesses.

What Could Change the Rating - Up

A higher rating could be considered if the company materially reduces debt levels at Capital Holdings and NextEra Energy Resources; or if cash flow coverage metrics increase to offset the growth in leverage at these businesses, including consolidated CFO pre-working capital to debt of 35% or higher and consolidated CFO pre-working capital to interest of 7.0x or higher.

What Could Change the Rating - Down

A downgrade could be considered if leverage continues to increase at Capital Holdings and/or NextEra Energy Resources; if there is more reliance on short-term debt to finance growth; if there is a significant energy trading and marketing loss or liquidity is constrained by the demands of this business; or if there is a sustained decline in consolidated cash flow coverage metrics, including CFO pre-working capital interest coverage below 5.0x and CFO pre-working capital to debt below 20%. A downgrade would also likely occur if there was a downgrade of the utility FPL or any change to the status of the unconditional guarantee from NextEra Energy.

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April 18, 2011

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NextEra Energy Inc.

Major Rating Factors

Corporate Credit Rating

A-/Stable/--

Strengths:

- High-quality electric utility that generates steady earnings and cash flows;
- Active efforts to sustainably reduce commodity price risk exposure in unregulated activities;
- Low regulatory risk in Florida; and
- Relatively strong service territory with good customer growth prospects and a predominantly residential and commercial base.

Weaknesses:

- Aggressive capital spending plans that stress financial metrics;
- Dependence on natural gas to generate electricity in Florida; and
- Higher-risk operations and less dependable cash flows from subsidiary NextEra's merchant generation, energy trading, and other unregulated activities.

Rationale

Diversified energy holding company NextEra Energy Inc.'s credit fundamentals on its regulated utility side have been among the strongest in the U.S., due primarily to low regulatory risk and an attractive service territory with healthy economic growth and a sound business environment. Both of those pillars have been shaken in recent years as Florida, and Florida Power & Light's (FP&L) service territory in particular, suffered during the recession, and regulators have responded in ways that reflect greater political influence over regulatory decisions. Maintaining financial strength despite regulatory setbacks and a moribund economy in Florida has been challenging, although the utility's actions to rebuild its regulatory risk profile have been effective. More importantly, the proportion of NextEra's unregulated businesses--the riskier merchant generation, marketing, and trading activities--could increase, which could further erode its consolidated business risk profile.

The ratings on NextEra reflect the strength of the regulated cash flows from integrated electric utility FP&L, and the diverse and substantial cash generation capabilities of its unregulated operations at subsidiary NextEra Energy Resources (NER). FP&L represents about half of the consolidated credit profile and has better business fundamentals than most of its integrated electric peers, with a better-than-average service territory, sound operations, and a credit-supportive regulatory environment in which the company has been able to manage its regulatory risk very well. A willingness to expand through acquisitions, fluctuating cash flows from NER's rapidly expanding portfolio of merchant generation assets and growing marketing and trading activities, and significant exposure at the utility to natural gas detract from credit quality. Standard & Poor's characterizes NextEra's business risk profile as strong and its financial risk profile as intermediate. (Our methodology applies the terms excellent, strong, satisfactory, fair, weak, and vulnerable to characterize business risk and minimal, modest, intermediate, significant, aggressive, and highly leveraged to characterize financial risk. See "Criteria Methodology: Business Risk/Financial Risk Matrix Expanded," published May 27, 2009.)

NextEra's business risk is anchored by the company's core electric utility operations in Florida, which exhibit proficiency in almost every area of analysis: the service territory has historically fared better than most of the rest of the country despite its lagging performance in the Great Recession, the customer mix is mostly residential and commercial, costs and rates are low, and reliability and customer satisfaction are high. While it is not immune to overall economic trends, we expect Florida to attract new residents and jobs over the long term. NextEra's large and growing reliance on natural gas to fuel utility generation could, over time, turn from an advantage (because of its favorable environmental status and current low prices) to a weakness if gas prices are erratic over time. Regulatory risk, the most important risk a utility faces, has been well managed at FP&L but rose as regulators reacted to weak economic conditions and keener attention in the political arena with a series of decisions for FP&L that fell short of the very sound record of past support for credit quality. In December 2010 the Florida Public Service Commission (PSC) approved the company's settlement with the state attorney general and other crucial parties that will freeze base rates through 2012 and begin the cost recovery for a large new gas-fired plant coming into service in 2011. The settlement provides a stable base for NextEra to maintain financial performance and credit metrics consistent with ratings. The settlement and PSC approval also suggests that regulatory risk has stabilized, too.

NER, the main subsidiary under unregulated NextEra Energy Capital Holdings Inc. (Holdings), engages in electric generation, marketing, and trading throughout the U.S. NER's focus is on geographic and fuel diversity and on developing environmentally advantageous facilities that benefit from public policy trends. The merchant generator's capacity of almost 19,000 megawatts (MW) consists of more than 40% wind turbines, a little more than one-third natural-gas–fired stations, and the rest mainly nuclear facilities. Three-quarters of the wind projects, one-third of the natural gas capacity, and three of the four nuclear units operate under largely fixed-price, long-term contracts. The rest of the portfolio, including one nuclear plant, is merchant capacity that is exposed to market prices for its output. While a policy of actively hedging the commodity price risk of plant inputs and outputs helps to dampen the risks associated with energy merchant activities, there is an inherent level of commodity price risk that NER cannot avoid. In addition, NER's extensive use (approximately 40% of installed capacity) of project financing of its assets diminishes its cash flow quality, which is offset by lower financial risk. NER's risks permanently hinder its credit quality, especially in light of the influence that marketing and high-risk proprietary trading results have on NER's earnings and cash flows.

We believe the governance and financial policies for managing risk are adequate. NextEra's financial profile is characterized by very healthy credit metrics, adequate liquidity, and a management attitude toward credit quality that supports ratings. Importantly, sophisticated but complex financial structures employed at the project level substantiate significant off-credit treatment of largely non-recourse debt at NextEra. Any indication that management is using or is willing to use its own financial resources to aid a troubled project in support of strategic objectives could lead Standard & Poor's to reevaluate the adjustments made to NextEra's reported debt. Large adjustments are also factored into the credit analysis regarding hybrid debt instruments and power purchase agreements at FP&L. Adjusted credit metrics in current economic and market conditions support the intermediate financial profile. We expect the metrics to remain steady, including funds from operations (FFO) to debt of around 25% and debt to capitalization below 50%.

Liquidity

The short-term rating on NextEra is 'A-2' and largely reflects the company's long-term issuer credit rating (ICR) and the stable regulated utility operations that substantially contribute to cash flows. Liquidity is adequate under Standard & Poor's corporate liquidity methodology, which categorizes liquidity in five standard descriptors. (See "Standard & Poor's Standardizes Liquidity Descriptors for Global Corporate Issuers," published July 2, 2010.)

Adequate liquidity supports our 'A-' ICR on NextEra. The company's projected sources of liquidity, mostly operating cash flow and available bank lines, exceed its projected uses, mainly necessary capital expenditures, debt maturities, and common dividends, by more than 1.2x. NextEra's ability to absorb high-impact, low-probability events with limited need for refinancing, its flexibility to lower capital spending or sell assets, its sound bank relationships, its solid standing in credit markets, and its generally prudent risk management further support our assessment of its liquidity as adequate.

Outlook

Our outlook on the ratings for NextEra and its subsidiaries is stable and reflects a business profile that is increasingly dominated by higher-risk merchant energy activities and a utility that still presents a better credit profile than its peers. We would consider a lower rating if regulatory risk worsens, operational efficiency at NER deteriorates, investment decisions at NER demonstrate a bigger risk appetite, or financial performance declines due to permanent changes in the Florida economy or merchant energy markets. We would consider a higher rating if a dramatic, sustainable shift in Florida's economic, political, and regulatory environment is accompanied by affirmative steps to reduce risk at NER.

We also base the stable outlook in part on Standard & Poor's baseline forecast that NextEra will attain adjusted FFO to debt metrics above 20% and adjusted debt to capital metrics below 50% over the near to intermediate term. Year-to-year fluctuations in weather (including hurricanes), fuel cost recovery, and burdensome spending on large solar projects may temporarily affect metrics, but Standard & Poor's expects the company to adapt its financial risk management and the pace of its capital spending to account for these and other factors and preserve its ability to achieve the stated metrics. We could lower the ratings if the company falls short of these expectations.

Accounting

NextEra's and FP&L's financial statements are prepared under U.S. generally accepted accounting principles and audited by independent auditors Deloitte & Touche LLP, which issued an unqualified opinion. NextEra employs regulatory accounting under Statement of Financial Accounting Standards No. 71 for regulated utility FP&L, which permits the company to defer recognition of certain revenues and expenses in accordance with future probable regulatory decisions. As of Dec. 31, 2010, NextEra had about $1.6 billion of regulatory assets and $4.3 billion of regulatory liabilities on a balance sheet that contained $53 billion of total assets. It is uncommon for a utility to have greater regulatory liabilities than assets.

NextEra relies on tax incentives, including direct tax credits, in NER's project development efforts. Tax credits underpin the economics of the projects, and NextEra guarantees the payment of production tax credits to projects that have been funded by third parties in project financings. Deferred tax assets, in the form of carryforwards of tax credits and net operating losses, have been growing at an accelerated rate on NextEra's balance sheet, totaling about $2.5 billion in 2010. To realize these tax benefits, the company must, among other things, continue to produce growing taxable income to use the carryforwards. If the deferred tax asset grows unabated, we could make an analytical adjustment to reported financial results if we eventually conclude that the company is unlikely to fully realize the tax benefit.

In analyzing the company's financial profile, Standard & Poor's makes several off-balance-sheet adjustments that are shown in the reconciliation table below. We treat NER's fossil-fuel-based projects as nonessential to the company's strategy. We consolidate the nonrecourse debt associated with the projects in the financial statements, but we remove the debt and related interest in our adjusted numbers. However, we consider the renewables portfolio to be an integral part of its growth strategy, so we deconsolidate only 75% of related nonrecourse project debt and interest in our adjustments. In addition, we remove associated effects on the reported income and cash flow statements and replace them with the pro rata share of actual distributions received from the projects. Credit metrics fully reflect debt related to projects under construction and subject to completion guarantees. As of year-end 2010, we removed approximately $4.3 billion of nonrecourse debt from the balance sheet.

Other adjustments include a reduction in debt and interest expense for storm recovery bonds issued to securitize hurricane damage costs (which the company services through a separate, non-bypassable, legislatively mandated rate mechanism) and adjustments to reflect the equity treatment on hybrid debt securities in accordance with our criteria on hybrid capital. Also, we regard purchased-power agreements as fixed obligations and assign a portion of the value of the payments based on the risk factor as debt and impute an associated interest charge in calculating the adjusted coverage ratios. We use a 25% risk factor, reflecting the recovery of these costs through an adjustment clause, and apply a discount rate equal to the utility's average cost of debt to the fixed capacity payments. We impute a debt-like obligation of approximately $950 million to the balance sheet.

Rating Methodology

We base our ICRs on NextEra, FP&L, and Holdings on the consolidated credit profile of the entire NextEra family of companies, which is equally influenced by the utility and the unregulated merchant energy operations. We rate the unsecured debt at Holdings, which is unconditionally guaranteed by the parent and is effectively holding company debt, one notch below the ICR because of structural subordination. Although Holdings' debtholders would have access to assets apart from the utility in liquidation, we apply strict notching guidelines because of the extensive use of project-level debt and the complexity of the financing arrangements throughout Holdings. We rate the first mortgage bonds at FP&L one notch above the ICR in accordance with the recovery analysis below.

Recovery Rating

We assign recovery ratings to FMBs issued by investment-grade U.S. utilities, which can result in issue ratings being notched above a utility's ICR depending on the rating category and the extent of the collateral coverage. We base our investment-grade FMB recovery methodology on the ample historical record of 100% recovery for secured bondholders in utility bankruptcies and on our view that the factors that supported those recoveries (the limited size of the creditor class, and the durable value of utility rate-based assets during and after a reorganization, given the essential service provided and the high replacement cost) will persist in the future. Under our recovery criteria, when assigning issue ratings to utility FMBs, we consider our calculation of the maximum amount of FMB issuance under the utility's indenture or other legally binding limitations relative to our estimate of the value of the collateral pledged to bondholders, management's stated intentions on future FMB issuance, as well as any regulatory limitations on bond issuance. FMB ratings can exceed a utility's ICR by up to one notch in the 'A' category, two notches in the 'BBB' category, and three notches in speculative-grade categories. (See "Criteria: Changes To Collateral Requirements For '1+' Recovery Ratings On U.S. Utility First Mortgage Bonds," published Sept. 6, 2007.)

FP&L's FMBs 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+', which indicates our expectation for 100% recovery in a default scenario, and an issue rating one notch above the ICR.

Related Criteria And Research

- Standard & Poor's Updates Its U.S. Utility Regulatory Assessments, March 12, 2010
- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, May 27, 2009
- Assessing U.S. Utility Regulatory Environments, Nov. 7, 2008

Table 1

NextEra Energy Inc. -- Peer Comparison*

Industry Sector: Energy

	NextEra Energy Inc.	Entergy Corp.	Dominion Resources Inc.	Public Service Enterprise Group Inc.	Exelon Corp.
Rating as of April 18, 2011	A-/Stable/--	BBB/Stable/--	A-/Stable/A-2	BBB/Positive/A-2	BBB/Stable/A-2
	--Average of the past three fiscal years--				
(Mil. $)					
Revenues	15,471.9	11,727.7	15,539.3	11,995.5	17,690.3
Net income from continuing operations	1,669.4	1,247.3	2,028.7	1,466.6	2,662.0
Funds from operations (FFO)	3,697.3	3,411.6	3,160.3	2,494.4	5,422.6
Capital expenditures	2,653.7	2,486.0	3,568.4	1,874.5	3,208.1
Cash and short-term investments	358.3	1,641.5	58.7	290.2	1,641.0
Debt	14,505.6	13,703.7	18,353.2	8,875.7	19,052.0
Preferred stock	1,119.3	155.5	887.5	53.3	247.7
Equity	14,523.3	8,514.3	12,034.3	8,533.8	12,664.3
Debt and equity	29,028.9	22,218.0	30,387.5	17,409.5	31,716.3
Adjusted ratios					
EBIT interest coverage (x)	3.8	3.2	3.4	6.2	5.7
FFO interest coverage (X)	6.4	4.6	3.9	6.0	6.5
FFO/debt (%)	25.5	24.9	17.2	28.1	28.5
Discretionary cash flow/debt (%)	2.0	1.7	(8.9)	1.0	5.4
Net cash flow/capital expenditures (%)	107.8	113.3	58.6	97.1	126.0
Total debt/debt plus equity (%)	50.0	61.7	60.4	51.0	60.1
Return on common equity (%)	12.5	13.8	18.0	17.5	22.0
Common dividend payout ratio (unadjusted) (%)	46.2	47.6	50.2	46.0	51.5

*Fully adjusted (including postretirement obligations).

Table 2

NextEra Energy Inc. -- Financial Summary*

Industry Sector: Energy

	--Fiscal year ended Dec. 31--				
	2010	**2009**	**2008**	**2007**	**2006**
Rating history	A-/Stable/--	A/Stable/--	A/Stable/--	A/Stable/--	A/Stable/--
(Mil. $)					
Revenues	15,009.0	15,423.4	15,983.2	14,861.5	15,225.5

Table 2

NextEra Energy Inc. -- Financial Summary* (cont.)					
Net income from continuing operations	1,957.0	1,615.0	1,436.2	1,263.3	1,181.6
Funds from operations (FFO)	3,626.8	4,279.6	3,185.5	3,558.6	3,728.7
Capital expenditures	2,897.0	2,864.0	2,200.0	1,802.7	1,794.0
Cash and short-term investments	302.0	238.0	535.0	290.0	620.0
Debt	15,214.5	14,503.5	13,798.8	10,770.2	11,636.9
Preferred stock	1,176.5	1,176.5	1,005.0	1,004.5	504.5
Equity	16,390.5	14,493.5	12,686.0	11,739.5	10,434.5
Debt and equity	31,605.0	28,997.0	26,484.8	22,509.7	22,071.4
Adjusted ratios					
EBIT interest coverage (x)	4.4	3.5	3.5	3.2	3.0
FFO interest coverage (x)	6.3	7.3	5.8	6.3	6.0
FFO/debt (%)	23.8	29.5	23.1	33.0	32.0
Discretionary cash flow/debt (%)	0.5	3.5	1.9	9.9	0.4
Net cash flow/capital expenditures (%)	94.0	120.3	109.7	158.6	174.6
Debt/debt and equity (%)	48.1	50.0	52.1	47.8	52.7
Return on common equity (%)	13.6	12.1	11.7	11.5	11.9
Common dividend payout ratio (unadjusted) (%)	42.1	47.4	50.3	51.8	50.2

*Fully adjusted (including postretirement obligations).

Table 3

Reconciliation Of NextEra Energy Inc. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)*

--Fiscal year ended Dec. 31, 2010--

NextEra Energy Inc. reported amounts

	Debt	Shareholders' equity	Revenues	Operating income (before D&A)	Operating income (before D&A)	Operating income (after D&A)	Interest expense	Cash flow from operations	Cash flow from operations	Dividends paid	Capital expenditures
Reported	20,822.0	14,461.0	15,317.0	5,050.0	5,050.0	3,243.0	979.0	3,834.0	3,834.0	823.0	2,947.0
Standard & Poor's adjustments											
Intermediate hybrids reported as debt	(1,176.5)	1,176.5	--	--	--	--	(82.0)	82.0	82.0	82.0	--
Postretirement benefit obligations	--	--	--	(117.0)	(117.0)	(117.0)	--	54.6	54.6	--	--
Accrued interest not included in reported debt	210.0	--	--	--	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	--	--	50.0	(50.0)	(50.0)	--	(50.0)
Share-based compensation expense	--	--	--	--	57.0	--	--	--	--	--	--
Nonrecourse debt	(4,306.0)	--	(280.0)	(280.0)	(280.0)	(280.0)	(280.0)	--	--	--	--
Securitized utility cost recovery	(531.0)	--	(28.0)	(28.0)	(28.0)	(28.0)	(28.0)	--	--	--	--

Table 3

Reconciliation Of NextEra Energy Inc. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)* (cont.)

Power purchase agreements	949.0	--	--	122.3	122.3	49.2	49.2	73.2	73.2	--	--
Reclassification of nonoperating income (expenses)	--	--	--	--	--	158.0	--	--	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	--	--	(258.0)	--	--
US decommissioning fund contributions	--	--	--	--	--	--	--	(109.0)	(109.0)	--	--
Other	(753.0)	753.0	--	--	--	--	--	--	--	--	--
Total adjustments	(5,607.5)	1,929.5	(308.0)	(302.7)	(245.7)	(217.8)	(290.8)	50.8	(207.2)	82.0	(50.0)

Standard & Poor's adjusted amounts

	Debt	Equity	Revenues	Operating income (before D&A)	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Dividends paid	Capital expenditures
Adjusted	15,214.5	16,390.5	15,009.0	4,747.3	4,804.3	3,025.2	688.2	3,884.8	3,626.8	905.0	2,897.0

*NextEra Energy Inc. reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts. D&A--Depreciation and amortization.

Ratings Detail (As Of April 18, 2011)*

NextEra Energy Inc.	
Corporate Credit Rating	A-/Stable/--
Junior Subordinated (5 Issues)	BBB
Senior Unsecured (9 Issues)	BBB+
Corporate Credit Ratings History	
11-Mar-2010	A-/Stable/--
14-Jan-2010	A/Watch Neg/--
26-Oct-2006	A/Stable/--
Business Risk Profile	Strong
Financial Risk Profile	Intermediate
Debt Maturities	
2011: $1.9 bil. 2012: $816 mil. 2013: $1.8 bil. 2014: $940 mil. 2015: $1.8 bil.	
Related Entities	
Florida Power & Light Co.	
Issuer Credit Rating	A-/Stable/A-2

Ratings Detail (As Of April 18, 2011) (cont.)	
Commercial Paper	
Local Currency	A-2
Preferred Stock (2 Issues)	BBB
Senior Secured (28 Issues)	A
Senior Secured (9 Issues)	A/A-2
FPL Energy American Wind LLC	
Senior Secured (1 Issue)	BBB-/Negative
FPL Energy National Wind LLC	
Senior Secured (1 Issue)	BBB-/Negative
FPL Energy National Wind Portfolio LLC	
Senior Secured (1 Issue)	B+/Negative
FPL Energy Wind Funding LLC	
Senior Secured (1 Issue)	B+/Negative
FPL Group Capital Trust I	
Preferred Stock (1 Issue)	BBB
NextEra Energy Capital Holdings, Inc.	
Issuer Credit Rating	A-/Stable/A-2
Commercial Paper	
Local Currency	A-2
Junior Subordinated (1 Issue)	BBB
Senior Unsecured (1 Issue)	BBB+

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

NextEra Energy, Inc.

and NextEra Capital Holdings, Inc.

Full Rating Report

Ratings

NextEra Energy, Inc.

Long-Term IDR	A–

NextEra Energy Capital Holdings, Inc.

Long-Term IDR	A–
Commercial Paper	F1
Senior Unsecured	A–
Junior Subordinated	BBB

IDR – Issuer default rating

Rating Outlook

Long-Term IDR	Stable

Financial Data

NextEra Energy, Inc.

	LTM Ended 6/30/11	6/30/11
Revenue ($ Mil.)	15,131	15,306
Net Revenues ($ Mil.)	8,732	8,705
Operating EBITDA ($ Mil.)	4,659	4,767
FFO ($ Mil.)	3,892	3,931
FFO/Interest Coverage (x)	4.7	5.0
FFO/Debt (%)	19.7	19.5
Capital Spending ($ Mil.)	5,949	4,225
Capex/Depreciation(x)	3.5	2.5

Related Research

Florida Power & Light Co, Sept. 7, 2011

Analysts

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Key Rating Drivers

Return to Stable Outlook: The ratings of NextEra Energy, Inc. (NEE); NextEra Capital Holdings, Inc. (Capital Holdings); and Florida Power & Light Co. (FPL) were affirmed and the Rating Outlook was changed to Stable in May 2011. The actions reflected the return to a more stable political and regulatory environment for FPL in Florida.

Utility and Contractual Cash Flow: In 2011–2014, NEE's cash flows from stable utility-type sources are expected to grow. At FPL, future rate cases will incorporate new rate base investments to produce more tariff revenues. At Capital Holdings, completion of new Texas electric transmission assets will result in predictable tariff revenues. Fitch forecasts that regulated utility businesses will contribute approximately 50% of NEE's EBITDA for the next several years, and contractual sources another 25%–30%.

Reliance on Tax Incentives: NEE's cash flow has been buoyed by significant tax incentives (production and investment tax credits and carryforwards). NEE has accumulated tax incentives that it can continue to monetize against taxable income from FPL or via tax-oriented partnerships. FPL's profitability is key to ongoing cash flow from accumulated tax incentives.

High Capex: Fitch projects NEE's capital expenditures to continue their recent trend at around triple annual depreciation, or approximately $5.5 billion annually, with major multiyear projects ongoing at both FPL and at Capital Holdings. Therefore, external financing will be required.

Debt Leverage and Mitigants: NEE's credit metrics, as reported, show more leverage than 'A–' peers. However, Fitch considers several factors that mitigate debt leverage. First, non-utility generation is concentrated in renewable and nuclear resources with favorable environmental characteristics Also, sales of the competitive power subsidiary are supported by off-take contracts for a longer term than most other peers at favorable prices (over 60% hedged for more than 10 years). Finally, about $5.3 billion of consolidated debt is made up of project finance loans that have limited or no corporate recourse.

Credit Support for Capital Holdings: NEE provides a full guarantee of Capital Holdings' debt and hybrids. Thus, Capital Holdings' ratings and Rating Outlook are identical to those of NEE.

What Could Trigger a Rating Action

Change in Florida Regulation: Changes in current Florida regulatory policies regarding the timely recovery of utility capital investments, fuel and purchased power costs, and storm-related costs would adversely affect NEE's and FPL's ratings.

Change in Tax Laws or Regulations: Changes in tax rules that reduce NEE's ability to monetize its accumulated production tax credits, investment tax credits, and accumulated tax losses carried forward would be adverse to NEE's cash flow credit measures.

Business Mix, Risk Profile: A change in strategy to invest in more speculative assets or a lower proportion of cash flow under long-term contracts would increase business risk and could result in lower ratings for NEE. The high level of capital expenditures at both FPL and Capital Holdings creates completion risks, as well as funding risk.

External Funding and Debt Structure

NEE's strategy focuses on growth through ongoing capital investment, like many utility and competitive power entities. Thus, NEE has negative FCF after dividends and capex. Consolidated capital expenditures average approximately $5 0 billion–$5.5 billion annually, with high rates of investment at both the FPL utility and in Capital Holdings

There is no debt at NEE. Capital Holdings is a financing vehicle that issues corporate recourse debt on behalf of its parent, NEE, to fund investments in the operating subsidiaries. All Capital Holdings' debt obligations are guaranteed by NEE, which is the credit basis for Capital Holdings' issuer default rating (IDR).

FPL independently funds short-term and long-term debt, while 100% of FPL's equity is invested by NEE. FPL's long-term debt-financing vehicles are primarily taxable secured first-mortgage bonds and tax-exempt revenue bonds. FPL has its own credit facilities separate from the NEE group to provide liquidity back up for commercial paper funding and variable-rate tax-exempt revenue notes, as well as for issuance of letters of credit.

NEE issued new equity for proceeds of $548 million and $711 million in 2009 and 2010, respectively, to keep its debt leverage in line. In addition, NEE issued equity hybrids for $375 million in 2009 through Capital Holdings.

Asset Sale

NextEra Energy Resources, LLC (NEER) has announced an agreement to sell its ownership interests in four natural gas-fired generating assets to a subsidiary of LS Power for approximately $1.05 billion. The plants are Blythe Energy Center (California), Calhourn Energy Center (Alabama), Cherokee Energy Center (South Carolina), and Doswell Energy Center (Virginia). NEER's net capacity interest in these units aggregates 2,152 MW. Management has deemed these assets to be outside of its core strategy. Net proceeds from the sale after retiring or transferring associated debt are expected to be about $500 million. The use of deferred tax assets will largely offset the expected taxable gain. NEE has announced a book loss of approximately $97 million associated with the sale, which in Fitch's view is not material.

One other power facility in Rhode Island may be sold in the future. Also, going forward, NEE may engage in additional sales of tax-oriented differential membership interests. *(See the "Sales of Differential Membership Interests" section on page 5.)*

Liquidity Facilities

Committed corporate credit facilities of the NEE group of companies aggregate approximately $7.95 billion, excluding limited recourse or nonrecourse project financing arrangements. Included in that total is approximately $3.2 billion in unsecured facilities available to FPL and $4.7 billion available to Capital Holdings and its subsidiary, NEER. NEE has strong access to the capital markets and commercial paper market and to banks for both corporate credit and project finance.

Related Criteria

Corporate Rating Methodology, Aug 12, 2011

Recovery Ratings and Notching Criteria for Utilities, Aug. 12, 2011

Rating North American Utilities, Power, Gas, and Water Companies, May 16, 2011

NextEra Energy Group Credit Facilities

Credit Facility	Borrowers	Amount ($ Mil.)	Expires	Comment
Unsecured RC	Capital Holdings	3,916	April 2013	$40 Million Expiring in April 2012
Unsecured RC	Capital Holdings	500	December 2013 Plus One-Year Term Out	—
Unsecured RC Bilaterals	Energy Resources	CAD300	December 2013	Used to Fund Canadian Project Development
Unsecured RC	FPL	2,473	April 2013	$17 Million Expiring in April 2012
Unsecured RC, Global Banks	FPL	500	May 2013	—
Unsecured Bilateral RC	FPL	250	May 2014	—

RC – Revolving credit. CAD – Canadian dollar. FPL – Florida Power & Light, Co.
Source: Company financial reports and Fitch Ratings

NextEra Energy, Inc. Business Segment Summary

($ Mil., Years Ended Dec. 31)

	FPL	Total (%)	NEER	Total (%)	Corp. and Other	Total (%)	Total Consolidated
EBITDA 2010	2,857	57	2,128	42	65	1	5,050
EBITDA 2009	2,678	61	1,624	37	57	1	4,359
EBITDA 2008	2,389	56	1,830	43	48	1	4,267
Capital Spending 2010	2,706	46	3,072	53	68	1	5,846
Capital Spending 2009	2,717	45	3,235	54	54	1	6,006
Capital Spending 2008	2,367	45	2,829	54	40	1	5,236
Total Assets 2010	28,698	54	22,389	42	1,907	4	52,994

FPL – Florida Power & Light, Co. NEER – NextEra Energy Resources. Note: Capital spending includes nuclear fuel.
Source: Company 2010 annual report form 10-K and Fitch Ratings

Competitive Electricity Generation and Retail Power Supply

NEER is a direct subsidiary of Capital Holdings and contributes nearly all the revenues and income of Capital Holdings. NEER's power generation portfolio consists of an estimated 19,000 net MW, all located in the U.S. and Canada. None of NEER's power output is sold to FPL.

At Dec. 31, 2010, 60% of NEER's capacity was sold under long-term contracts with an estimated contract life of 14–15 years. Additionally, 10% was hedged for shorter terms of 1–3 years, and 30% was marketed on a merchant basis. NEER's contracts are priced favorably relative to current wholesale market prices, and the unusually long tenor of its contracts provides a cushion against market price risk. Wind capacity under long-term contracts is compensated based on the volume of production, and production varies with the wind availability, a risk that is not hedged.

NEER Generating Capacity by Fuel Type

(%, As of Dec. 31, 2010)

Wind	44
Natural Gas	35
Nuclear	14
Oil	4
Hydro	2
Solar, Other	1
Total	100

Source: Company 2010 annual report form 10-K.

At the end of 2010, the fuel sources for NEER power generating, based on nominal capacity, were as indicated in the table on the left, "NEE Generating Capacity by Fuel Type."

Solar sources account for less than 1% of NEER's nominal capacity. However, this energy source is a major focus for new capital investment in 2011–2013.

Two other areas of diversification investment for NEER and Capital Holdings are electric and gas transmission assets.

Less than 5% of NEER's power capacity consumes oil or coal. Consequently, NEER will have virtually no adverse effect from recent Environmental Protection Agency (EPA) rules regarding emissions of oxides of nitrogen or sulfur, particulate matter, mercury and hazardous air products, or coal residues. In the future, its nuclear portfolio may be affected by rules regarding cooling water and by changes in nuclear safety regulations, if any. On balance, NEER is among those generators that are least exposed to incremental capital expenditures due to environmental effects, and NEER could benefit from the anticipated retirement of coal-fired capacity in the markets it serves.

The majority of NEER's income and cash flow is derived from physical assets. However, NEER also has a related business of competitive customer supply and proprietary power and gas trading. According to NEE's disclosure, this business is expected to contribute an estimated 7%–10% of NEER's 2011 gross margin and 5%–9% of NEER's EBITDA. The market, credit, and liquidity risks of the customer supply and trading activities appear to be adequately controlled at current levels of transaction activity and with the current risk-management policies.

Tax Incentives Boost Consolidated Cash Flow

In recent years, NEE's cash flow has been boosted by a low effective tax rate, 21% in 2010 and 12% in the first half of 2011, versus the statutory tax rate of 35%. Contributing to a lower effective tax rate for NEE are renewable energy production tax credits (PTCs) for wind facilities and investment tax credits (ITCs) for solar facilities, or ITC cash grants in lieu of PTCs for wind renewables.

New PTCs for wind generation are only available for wind facilities that enter service by Dec. 31, 2012, unless the U.S. Congress extends or replaces the current law. The cash grant ITCs in lieu of PTCs for renewables are available only for systems that begin construction prior to Dec. 31, 2011. NEE has significant discretion over its future investments in wind and solar facilities. As such, it may, in future years, choose to reduce or eliminate discretionary investments if changes in available tax incentives made such investments less attractive.

NEE Consolidated Tax Return Utilization of Tax Credits

($ Mil.)

	Six Months Ended 6/30/11	Year Ended 12/31/10
PTCs	163	307
ITCs	8	68

PTCs – Production tax credits. ITC – Investment tax credits.
Source: Company financial reports.

Accumulated Tax Assets

Expiration of the laws that authorize the current PTCs and ITCs would not automatically increase NEE's consolidated tax payments and reduce cash flow. This is because NEE has access to substantial amounts of deferred PTCs, ITCs, and net operating tax losses carried forward (NOLs) as deferred tax assets.

At the end of 2010, NEE reported $1.8 billion of tax credits carried forward (both PTCs and ITCs) and $663 million of NOLs. Regarding the use of these credits, Fitch's base case forecasts assume NEE will be able to use its accumulated NOLs and tax credits, even if renewable assets placed in service in the future are not eligible for new PTCs and ITCs. NEE's future use of tax credits and NOLs would be vulnerable to materially lower taxable income at FPL or to a change in tax laws or regulations affecting the ability to apply tax incentives to reduce income tax payments.

Sales of Differential Membership Interests

In 2007 and 2010, subsidiaries of NEER that own wind facilities sold class B partnership interests to investors who received, in return for their cash investment, a portion of the economic attributes (including tax attributes) of the facilities for a variable period. This type of transaction represents an alternate way for the company to monetize tax credits. NEER received cash proceeds of $705 million in 2007 and $265 million in 2010.

Utility Business

NEE's utility subsidiary, FPL, serves electricity to 4.5 million customer accounts in Florida. Fitch affirmed the ratings of FPL and changed the Rating Outlook to Stable in May 2011. These actions reflected a more orderly political and regulatory environment for FPL in Florida after a period of political strife and commission turnover. Four of the five current Florida Public Service Commission (FPSC) commissioners were appointed by new Florida Governor Rick Scott and confirmed in 2011 by the state's Senate.

Weak Florida Economy Reduces Growth

FPL's southern Florida service territory still has above-average unemployment and a weak housing market. However, employment statistics have modestly improved. FPL's inactive accounts and low usage accounts are gradually waning.

FPL sales were adversely affected by loss of load in 2008–2009. Nonetheless, FPL has very high capital investment projects underway to reduce reliance on oil for power-generation, replace inefficient natural gas-fired generation, expand the capacity of its Turkey Point and Saint Lucie nuclear power plants, improve the transmission and distribution systems, and upgrade customer meters. FPL's capital spending is currently running at approximately $3 billion annually, or about 2.8x–3x depreciation, and will require future rate increases to recover incremental investment.

Rate Orders and Regulatory Matters

FPL received an unfavorable rate decision in a contentious general rate case decided on March 17, 2010. The decision lowered return on equity from 11.75% to 10.00% and ordered the utility to credit to income amounts deemed to be surplus depreciation. The March 2010 order eliminated the prior generation base rate adjustment mechanism and did not provide any means for recovery of incremental cost to complete the West County 3 (WC3) power plant project.

FPL challenged parts of the March 2010 order. On Dec. 14, 2010, the FPSC approved a settlement agreement (rate stipulation) that resolved contested issues from the March 17, 2010, rate order. It allowed FPL to collect the cost of its investment in WC3 via fuel savings when the unit entered commercial operation, starting in June 2011. FPL accepted a base rate freeze until Jan. 1, 2013. However, numerous fuel, capacity, storm cost recovery, and environmental rate adjustments are allowed.

FPL can recover investment in nuclear plant capacity upgrades without a base rate case. Recovery of other new utility capital spending in 2011–2013 is subject to FPL's next base rate case, which Fitch anticipates FPL will likely file in 2012 for effect in January 2013.

Financial Summary — NextEra Energy, Inc.

($ Mil. Years Ending Dec. 31)	June 2011 LTM	2010	2009	2008	2007
Fundamental Ratios (x)					
FFO/Interest Expense	4.7	4.4	5.8	4.9	5.6
CFFO/Interest Expense	4.8	4.6	5.8	4.9	5.6
FFO/Debt (%)	19.7	18.5	27.2	22.1	31.1
Operating EBIT/Interest Expense	2.8	3.1	2.8	3.3	2.9
Operating EBITDA/Interest Expense	4.4	4.8	4.6	4.8	4.5
Operating EBITDAR/(Interest Expense + Rent)	4.4	4.8	4.6	4.8	4.5
Debt/Operating EBITDA	4.2	3.8	3.9	3.6	3.3
Common Dividend Payout (%)	47.6	42.1	47.4	43.6	49.8
Internal Cash/Capital Expenditure (%)	53.2	50.8	60.9	50.6	58.6
Capital Expenditure/Depreciation (%)	348.9	331.0	348.0	391.6	398.0
Profitability					
Adjusted Revenues	15,131	15,249	15,575	16,339	15,229
Net Revenues	8,732	9,007	8,170	7,927	7,037
Operating and Maintenance Expense	2,930	2,877	2,649	2,527	2,314
Operating EBITDA	4,659	4,982	4,291	4,132	3,510
Depreciation and Amortization Expenditure	1,705	1,766	1,726	1,337	1,261
Operating EBIT	2,954	3,216	2,565	2,795	2,249
Gross Interest Expense	1,061	1,041	930	856	782
Net Income for Common	1,832	1,957	1,615	1,639	1,312
Operating Maintenance Expenditure % of Net	33.6	31.9	32.4	31.9	32.9
Operating EBIT % of Net Revenues	33.8	35.7	31.4	35.3	32.0
Cash Flow					
Cash Flow from Operations	4,036	3,793	4,424	3,362	3,593
Change in Working Capital	144	258	(74)	54	7
Funds from Operations	3,892	3,535	4,498	3,308	3,586
Dividends	(872)	(823)	(766)	(714)	(654)
Capital Expenditures	(5,949)	(5,846)	(6,006)	(5,236)	(5,019)
FCF	**(2,785)**	**(2,876)**	**(2,348)**	**(2,588)**	**(2,080)**
Net Other Investment Cash Flow	568	562	183	(461)	(23)
Net Change in Debt	1,185	1,825	1,739	3,317	1,253
Net Equity Proceeds	343	569	198	41	46
Capital Structure					
Short-Term Debt	1,050	889	2,020	1,865	1,017
Long-Term Debt	18,719	18,225	14,532	13,103	10,522
Total Debt	**19,769**	**19,114**	**16,552**	**14,968**	**11,539**
Total Hybrid Equity and Minority Interest	1,177	1,177	1,765	1,507	1,507
Common Equity	14,906	14,461	12,967	11,681	10,735
Total Capital	**35,852**	**34,752**	**31,284**	**28,156**	**23,781**
Total Debt/Total Capital (%)	55.1	55.0	52.9	53.2	48.5
Total Hybrid Equity and Minority Interest/Total Capital	3.3	3.4	5.6	5.4	6.3
Common Equity/Total Capital (%)	41.6	41.6	41.4	41.5	45.1

LTM – Latest 12 months. Operating EBIT – Operating income before total reported state and federal income tax expense. Operating EBITDA – Operating income before total reported state and federal income tax expense plus. Note: Numbers may not add due to rounding
Source: Company reports and Fitch Ratings

PUBLIC UTILITY COMMISSION OF TEXAS
LONE STAR TRANSMISSION, LLC.
II-D-1 OPERATIONS AND MAINTENANCE EXPENSE - FINAL
FOR THE FINAL RATE PERIOD ENDING MARCH 31, 2014
DOCKET NO. 40020

Line No.	Account Number	Description	Reference Schedule	Total Company	Non-Regulated or Non-Electric	Known Change	Company Total Electric	FF #	Funct Factor Name	Allocation to Texas	TRAN	DIST	MET	TBILL	ABILL	TDCS	Total
				1	2	3	4	5	6	7	8	9	10	11	12	13	14
1		**Transmission Expense**															
2																	
3		**Operation**	II-D-1														
4	A560	Operation Super. & Engin.		$887,000	$0	$13,000	$900,000			$900,000	$900,000	$0	$0	$0	$0	$0	$900,000
5	A561	Load Dispatching		1,852,000	0	70,000	1,922,000			1,922,000	1,922,000	0	0	0	0	0	$1,922,000
6	A562	Station Equipment		768,000	0	69,000	837,000			837,000	837,000	0	0	0	0	0	$837,000
7	A563	Overhead Line Expense		193,000	0	8,000	201,000			201,000	201,000	0	0	0	0	0	$201,000
8	A564	Underground Line Expense		0	0	0	0			0	0	0	0	0	0	0	$0
9	A565	Transmission of Electricity by Others		0	0	0	0			0	0	0	0	0	0	0	$0
10	A566	Misc. Transmission Expense		0	0	0	0			0	0	0	0	0	0	0	$0
11	A567	Rents		236,000	0	103,000	339,000			339,000	339,000	0	0	0	0	0	$339,000
12	A567 1	Operation Supplies and Expenses		178,000	0	42,000	220,000			220,000	220,000	0	0	0	0	0	$220,000
13		**Subtotal**		$4,114,000	$0	$305,000	$4,419,000			$4,419,000	$4,419,000	$0	$0	$0	$0	$0	$4,419,000
14																	
15		**Maintenance**	II-D-1														
16	A568	Maintenance Super. & Engin.		$397,000	$0	$297,000	$694,000			$694,000	$694,000	$0	$0	$0	$0	$0	$694,000
17	A569	Maint. of Structures		1,724,000	0	62,000	1,786,000			1,786,000	1,786,000	0	0	0	0	0	$1,786,000
18	A570	Maint. of Station Equipment		94,000	0	86,000	180,000			180,000	180,000	0	0	0	0	0	$180,000
19	A571	Maint. of Overhead Lines		45,000	0	559,000	604,000			604,000	604,000	0	0	0	0	0	$604,000
20	A572	Maint. of Underground Lines		0	0	0	0			0	0	0	0	0	0	0	$0
21	A573	Maint. of Misc. Trans. Plant		0	0	0	0			0	0	0	0	0	0	0	$0
22		**Subtotal**		$2,260,000	$0	$1,004,000	$3,264,000			$3,264,000	$3,264,000	$0	$0	$0	$0	$0	$3,264,000
23																	
24		**TOTAL TRANSMISSION EXPENSE**	II-D-1	$6,374,000	$0	$1,309,000	$7,683,000			$7,683,000	$7,683,000	$0	$0	$0	$0	$0	$7,683,000
25																	
26		**TOTAL O&M EXPENSE**	II-D-1	$6,374,000	$0	$1,309,000	$7,683,000			$7,683,000	$7,683,000	$0	$0	$0	$0	$0	$7,683,000

PUBLIC UTILITY COMMISSION OF TEXAS
LONE STAR TRANSMISSION, LLC
II-D-1.1 MONTHLY OPERATIONS AND MAINTENANCE EXPENSE - FINAL
FOR THE FINAL RATE PERIOD ENDING MARCH 31, 2014
DOCKET NO. 40020

Line No.	Account Number	Description	2012 April Activity	May Activity	June Activity	July Activity	August Activity	September Activity	October Activity	November Activity	December Activity	2013 January Activity	February Activity	March Activity	April 2012 - March 2013 Total	Adjustments (Non-Electric)	Known Change	Total
1		**Transmission Expense**																
2		**Operation**																
3	A560	Oper Supervision & Engineering	$75,000	$75,000	$75,000	$75,000	$75,000	$75,000	$75,000	$75,000	$75,000	$75,000	$75,000	$75,000	$900,000	$0	$0	$900,000
4	A561	Load Dispatching	160,167	160,167	160,167	160,167	160,167	160,167	160,167	160,167	160,167	160,167	160,167	160,167	$1,922,000	$0	$0	$1,922,000
5	A562	Station Expenses - Nonassoc	69,750	69,750	69,750	69,750	69,750	69,750	69,750	69,750	69,750	69,750	69,750	69,750	$837,000	$0	$0	$837,000
6	A563	Overhead Line Expenses	16,750	16,750	16,750	16,750	16,750	16,750	16,750	16,750	16,750	16,750	16,750	16,750	$201,000	$0	$0	$201,000
7	A564	Underground Line Expenses	0	0	0	0	0	0	0	0	0	0	0	0	$0	$0	$0	$0
8	A565	Transmssn Elec by Others	0	0	0	0	0	0	0	0	0	0	0	0	$0	$0	$0	$0
9	A566	Misc Transmission Expenses	0	0	0	0	0	0	0	0	0	0	0	0	$0	$0	$0	$0
10	A567	Rents	28,250	28,250	28,250	28,250	28,250	28,250	28,250	28,250	28,250	28,250	28,250	28,250	$339,000	$0	$0	$339,000
11	A567.1	Operation Supplies and Expenses	$18,333	$18,333	$18,333	$18,333	$18,333	$18,333	$18,333	$18,333	$18,333	$18,333	$18,333	$18,333	$220,000	$0	$0	$220,000
12		**Subtotal**	$368,250	$368,250	$368,250	$368,250	$368,250	$368,250	$368,250	$368,250	$368,250	$368,250	$368,250	$368,250	$4,419,000	$0	$0	$4,419,000
13																		
14		**Maintenance**																
15	A568	Maint Supv & Engineering	$57,833	$57,833	$57,833	$57,833	$57,833	$57,833	$57,833	$57,833	$57,833	$57,833	$57,833	$57,833	$694,000	$0	$0	$694,000
16	A569	Maintenance of Structures	148,833	148,833	148,833	148,833	148,833	148,833	148,833	148,833	148,833	148,833	148,833	148,833	$1,786,000	$0	$0	$1,786,000
17	A570	Maint of Station Equipment	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	$180,000	$0	$0	$180,000
18	A571	Maintenance of Overhead Lines	50,333	50,333	50,333	50,333	50,333	50,333	50,333	50,333	50,333	50,333	50,333	50,333	$604,000	$0	$0	$604,000
19	A572	Maint of Underground Lines	0	0	0	0	0	0	0	0	0	0	0	0	$0	$0	$0	$0
20	A573	Maint of Misc Transmission Plt	0	0	0	0	0	0	0	0	0	0	0	0	$0	$0	$0	$0
21																		
22		**Subtotal**	$272,000	$272,000	$272,000	$272,000	$272,000	$272,000	$272,000	$272,000	$272,000	$272,000	$272,000	$272,000	$3,264,000	$0	$0	$3,264,000
23																		
24		TOTAL TRANSMISSION EXPENSE	$640,250	$640,250	$640,250	$640,250	$640,250	$640,250	$640,250	$640,250	$640,250	$640,250	$640,250	$640,250	$7,683,000	$0	$0	$7,683,000
25																		
26		TOTAL O&M EXPENSE	$640,250	$640,250	$640,250	$640,250	$640,250	$640,250	$640,250	$640,250	$640,250	$640,250	$640,250	$640,250	$7,683,000	$0	$0	$7,683,000

PUBLIC UTILITY COMMISSION OF TEXAS
LONE STAR TRANSMISSION, LLC.
II-D-2 ADMINISRATIVE & GENERAL EXPENSE - FINAL
FOR THE FINAL RATE PERIOD ENDING MARCH 31, 2014
DOCKET NO. 40020

				1	2	3	4	5	6	7	8	9	10	11	12	13	14
Line No.	Account Number	Description	Reference Schedule	Total Company	Non-Regulated or Non-Electric	Known Change	Company Total Electric	FF #	Funct Factor Name	Allocation to Texas	TRAN	DIST	MET	TBILL	ABILL	TDCS	Total
1	Administrative & General Expenses		II-D-2														
2	A920	Admin. & General Salaries		$137,000	$0	$1,626,000	$1,763,000			$1,763,000	$1,763,000	$0	$0	$0	$0	$0	$1,763,000
3	A921	Office Supplies		13,000	0	146,000	159,000			159,000	159,000	0	0	0	0	0	$159,000
4	A922	Admin Expense Transferred		(2,000)	0	(13,000)	(15,000)			(15,000)	(15,000)	0	0	0	0	0	($15,000)
5	A923	Outside Services		217,000	0	3,105,000	3,322,000			3,322,000	3,322,000	0	0	0	0	0	$3,322,000
6	A924	Property Insurance Exp.		1,740,000	0	2,956,000	4,696,000			4,696,000	4,696,000	0	0	0	0	0	$4,696,000
7	A925	Injuries & Damages		8,000	0	30,000	38,000			38,000	38,000	0	0	0	0	0	$38,000
8	A926	Pensions & Benefits		10,000	0	132,000	142,000			142,000	142,000	0	0	0	0	0	$142,000
9	A928	Regulatory Commission		0	0	0	0			0	0	0	0	0	0	0	$0
10	A930.1	Misc. General Expense		0	0	0	0			0	0	0	0	0	0	0	$0
11	A930.2	Misc General Expense		11,000	0	373,000	384,000			384,000	384,000	0	0	0	0	0	$384,000
12	A931	Rents		22,000	0	254,000	276,000			276,000	276,000	0	0	0	0	0	$276,000
13	A935	Maint. of General Plant		0	0	0	0			0	0	0	0	0	0	0	$0
14																	
15	TOTAL A&G EXPENSE		II-D-2	$2,156,000	$0	$8,609,000	$10,765,000			$10,765,000	$10,765,000	$0	$0	$0	$0	$0	$10,765,000
16																	
17	TOTAL O&M & A&G EXPENSE		II-D-1-2	$8,530,000	$0	$9,918,000	$18,448,000			$18,448,000	$18,448,000	$0	$0	$0	$0	$0	$18,448,000
18																	
19	TOTAL O&M EXP. EXCL. FUEL & PUR. POWER		II-D-1-2	$8,530,000	$0	$9,918,000	$18,448,000			$18,448,000	$18,448,000	$0	$0	$0	$0	$0	$18,448,000

PUBLIC UTILITY COMMISSION OF TEXAS
LONE STAR TRANSMISSION, LLC.
II-D-2.1 TOTAL MONTHLY A & G EXPENSE - FINAL
FOR THE FINAL RATE PERIOD ENDING MARCH 31, 2014
DOCKET NO. 40020

Line No.	Account Number	Description	April Activity	May Activity	June Activity	July Activity	2012 August Activity	September Activity	October Activity	November Activity	December Activity	January Activity	2013 February Activity	March Activity	April 2012 - March 2013 Total	Adjustments (Non-Electric)	Known Change	Total
1		Administrative & General Expenses																
2	920	Administrative & Gen Salaries	$146,917	$146,917	$146,917	$146,917	$146,917	$146,917	$146,917	$146,917	$146,917	$146,917	$146,917	$146,917	$1,763,000	$0	$0	$1,763,000
3	921	Off Supl & Exp	13,250	13,250	13,250	13,250	13,250	13,250	13,250	13,250	13,250	13,250	13,250	13,250	$159,000	$0	$0	$159,000
4	922	Administrative Exp Trnsf	(1,250)	(1,250)	(1,250)	(1,250)	(1,250)	(1,250)	(1,250)	(1,250)	(1,250)	(1,250)	(1,250)	(1,250)	($15,000)	$0	$0	($15,000)
5	923	Outside Svcs Empl	276,833	276,833	276,833	276,833	276,833	276,833	276,833	276,833	276,833	276,833	276,833	276,833	$3,322,000	$0	$0	$3,322,000
6	924	Property Insurance	391,333	391,333	391,333	391,333	391,333	391,333	391,333	391,333	391,333	391,333	391,333	391,333	$4,696,000	$0	$0	$4,696,000
7	925	Injuries and Damages	3,167	3,167	3,167	3,167	3,167	3,167	3,167	3,167	3,167	3,167	3,167	3,167	$38,000	$0	$0	$38,000
8	926	Employee Pensions & Benefits	11,833	11,833	11,833	11,833	11,833	11,833	11,833	11,833	11,833	11,833	11,833	11,833	$142,000	$0	$0	$142,000
9	927	Franchise Requirements	0	0	0	0	0	0	0	0	0	0	0	0	$0	$0	$0	$0
10	928	Regulatory Commission Exp	0	0	0	0	0	0	0	0	0	0	0	0	$0	$0	$0	$0
11	930.2	Advertising and Miscellaneous General Expense	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	$384,000	$0	$0	$384,000
12	931	Rents	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	$276,000	$0	$0	$276,000
13	935	Maintenance of General Plant	0	0	0	0	0	0	0	0	0	0	0	0	$0	$0	$0	$0
14																		
15		TOTAL A&G EXPENSE	$897,083	$897,083	$897,083	$897,083	$897,083	$897,083	$897,083	$897,083	$897,083	$897,083	$897,083	$897,083	$10,765,000	$0	$0	$10,765,000

PUBLIC UTILITY COMMISSION OF TEXAS
LONE STAR TRANSMISSION, LLC.
II-D 2.2 BAD DEBT EXPENSE - FINAL
FOR THE FINAL RATE PERIOD ENDING MARCH 31, 2014
DOCKET NO. 40020

				1	2	3	4	5	6	7	8	9	10	11	12	13
Line No.	Account Number	Description	Reference Schedule	Total Company	Non-Regulated or Non-Electric	Known Change	Company Total Electric	Texas Retail Allocation Factor	Allocation to Texas	FF #	Funct Factor Name	TRAN	DIST	MET	TDCS	Total
1																
2					This Schedule is Not Applicable.											
3																
4	TOTAL BAD DEBT EXPENSE															

PUBLIC UTILITY COMMISSION OF TEXAS
LONE STAR TRANSMISSION, LLC.
II-D-2.3 Summary of Advertising, Contributions, & Dues - FINAL
FOR THE FINAL RATE PERIOD ENDING MARCH 31, 2014
DOCKET NO. 40020

				1	2	3	4	5	6	7	8	9	10	11	12	13
Line No.	Account Number	Description	Reference Schedule	Total Company	Non-Regulated or Non-Electric	Known Change	Company Total Electric	Texas Retail Allocation Factor	Allocation to Texas	FF #	Funct Factor Name	TRAN	DIST	MET	TDCS	Total
1		Advertising	II-D-2.4	$0	$0	$0	$0		$0			$0	$0	$0	$0	$0
2		Contribution/Donations	II-D-2.5	10,000	0	373,000	$383,000		383,000			383,000	0	0	0	$383,000
3		Organizational Memberships & Dues	II-D-2.6	884	0	10,475	$11,359		11,359			11,359	0	0	0	$11,359
4																
5																
6		**Total Expenses Subject to 0.3% Limitation**		$10,884	$0	$383,475	$394,359		$394,359			$394,359	$0	$0	$0	$394,359
7																
8																
9																

Line No.		
10	**TEST OF SUBT. RULE 25.231(b)(1)(E):**	
11	**Advertising, Contribution & Dues Limitation**	
12	Applicable Rate Period Revenue Requirement	140,104,460
13	% Limitation	0.300%
14	**Dollar Limitation (A)**	$420,313
15		
16	Total Rate Period Expense, Above	394,359
17	Less Organizational Memberships & Dues	11,359
18	**Subtotal (B)**	$383,000
19		
20	**(Over)/Under Limit (A-B)**	$37,313

PUBLIC UTILITY COMMISSION OF TEXAS
LONE STAR TRANSMISSION, LLC.
II-D-2.4 Summary of Advertising Expenses - FINAL
FOR THE FINAL RATE PERIOD ENDING MARCH 31, 2014
DOCKET NO. 40020

				1	2	3	4	5	6	7	8	9	10	11	12	13
Line No.	Account Number	Description	Reference Schedule	Total Company	Non-Regulated or Non-Electric	Known Change	Company Total Electric	Texas Retail Allocation Factor	Allocation to Texas	FF #	Funct Factor Name	TRAN	DIST	MET	TDCS	Total
1																
2																
3				This Schedule is Not Applicable.												
4																
5																
6																
7		Total Advertising Expenses	II-D-2.4	-	-	-	-		-			-	-	-	-	-