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Moody's Investors Service

Global Credit Research
Issuer Comment
13 AUG 2008

Issuer Comment: Oncor Electric Delivery Company

Moody's comments on Oncor Electric Delivery Company

Moody's Investors Service said that Energy Future Holdings Corp.'s (EFH, B2 Corporate Family Rating / stable outlook) announcement that it has reached an agreement to sell a 20% stake in its wholly-owned subsidiary, Oncor Electric Delivery Company LLC (Oncor, Ba1 Corporate Family Rating / stable outlook) is generally positive for the credit profile of Oncor but is not sufficient to change the rating or rating outlook at this time. Moody's observes that the new minority investors are led by Borealis Infrastructure Management (Borealis) and GIC Special Investments (GIC).

As noted in our Credit Summary for Oncor dated October 10, 2007, Moody's will continue to assess the credit implications and ring fence provisions associated with this transaction, which will include the disclosure in Oncor's June 30, 2008 Securities and Exchange Commission Form 10-Q, which is expected to be filed on Thursday, August 14th, and, most importantly, the revised and amended Limited Liability Company Agreements for both Oncor Electric Delivery Holdings Company LLC (Oncor HoldCo) and Oncor and the special governance rights provided to the new equity investors along with the governance rights provided to the existing independent directors. Our review and assessment will primarily focus on the regulatory, economic and governance factors that are incorporated into the ring fence structure that creates credit separation.

Moody's observes that, in most corporate ring fence type structures, the ring-fenced entity typically is a completely different business from the primary activities of the family. In the case of Oncor, the transmission and distribution business activities are core elements to the generation and retail supply business activities of its affiliates. This fact pattern is our primary concern that makes a true ring fence type insulation more challenging in the presence of Oncor's more risky and highly leveraged affiliates and parent. In addition, we observe that these concerns are reflected, in part, in various provisions of Oncor's and Oncor HoldCo's respective LLC agreements which incorporate provisions for the prospect of additional shared services, asset transfers and joint investments, among others, with its affiliates.

The sale of the minority stake is occurring at the utility Oncor, not Oncor HoldCo, and the investors will be given two (out of an expanded total of 11) board seats at the Oncor level, but not at the Oncor HoldCo level. These board members will be provided special governance rights on the Oncor board which will be incorporated into the Oncor LLC agreement and include veto rights regarding: changes in dividend policy and block distributions; budget revisions in capital expenditures and O&M; certain acquisitions, and; material transactions with any EFH affiliate. In our opinion, these special governance rights strengthen an already strong set of governance provisions associated with Oncor's existing independent directors, which include a unanimous vote of the independent directors regarding amendments of certain provisions of the Oncor LLC agreement (e.g., purpose and powers of the company, provisions relating to the Board, most "separateness undertakings") and material actions (e.g., mergers and substantial asset transfers, initiation of insolvency proceedings, liquidation without providing for payment of all creditors).

As a condition precedent to closing, Borealis cannot have a direct or indirect interest in EFH. In addition, under the Oncor LLC Agreement, the investment vehicle's parent entity which appoints the two new board members cannot have any direct or indirect interest in EFH. However, the new minority investors also have the right to appoint one non-voting board "observer" who may participate in meetings, and appointment of the non-voting board "observer" is not restricted to a parent entity in the investment vehicle that does not have a direct or indirect interest in EFH. From a credit perspective, Moody's will consider these board seats as independent.

In summary, Moody's continues to view the ring fencing provisions to be strong, from a technical and legal perspective and we view the introduction of the minority investors (and their special governance rights) positively. However, we can not ignore the substantial interrelationships that Oncor maintains with its affiliate, Texas Competitive Electric Holdings (TCEH) and its parent, EFH, which, in our opinion, are primarily derived from the fact that EFH's assets are essentially the same assets of its legacy, vertically integrated electric utility, Texas Utilities Electric Company.

Oncor is a regulated transmission and distribution utility headquartered in Dallas, Texas.

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Covenant Quality Assessment
Preliminary
March 13, 2007

TXU Electric Delivery Company
Dallas, Texas

Reference Securities & Ratings

Category	Rating Information
Reference Securities:	$800 mill'on Floating Rate Senior Notes due 2008
Source Document:	Indenture*; Preliminary Offering Memorandum
Date of Source Document:	August 1, 2002; March _, 2007
Issuer Rating:	**Baa2**
Ratings Outlook:	**Rating(s) Under Review**
Peer Group:	Energy

Contacts

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Lead Analyst

James Hempstead/New York

* The August 1, 2002 indenture also governs the following debt securities: $200 million 5% Debentures due 2007 and $800 million 7% Debentures due 2022. Unlike the Reference Securities, the terms of these securities do not include a change of control provision.

Covenant Quality Assessment Matrix

Key Covenants	CQ-1 Strong	CQ-2 Moderate	CQ-3 Minimal	None	Rationale Under Matrix Criteria
Restricted Payments				X	
Change of Control	X				Put at par upon a change of control, defined as > 50% share acquisition by any "person" or "group" or effective date of merger
Merger Restrictions			X		Merger subject to assumption of obligations under Reference Securities and no default; but no financial ratio tests imposed
Asset Sales/Conveyance			X		Incorporated in merger covenant; no timing or reinvestment restrictions
Limitation on Debt Incurrence				X	
Negative Pledge/Limitation on Liens		X			Carve-outs are less than Moody's threshold of 15% of net tangible assets
Limitation on Sales/Leaseback				X	
Limitation on Subsidiary Debt				X	

Other Important Provisions

Provisions	Present	Not Present	Summary of Provision
Fall-away		X	
Coupon step-up	X		0.25% increment step-ups, capped at 0.50% cumulatively, depending on downgrades to non-IG by each of the two rating agencies
Financial reporting	X		The issuer is an Exchange Act reporting company, but has no separate reporting obligation, with negative implications if it de-registers

Moody's Investors Service
Global Credit Research

Commentary

TXU Electric Delivery Company's (TXU Electric) senior unsecured covenant package for the Reference Securities is more characteristic of an investment-grade than a non-investment grade indenture. We note that TXU Electric's parent company, TXU Corp., recently announced that its board of directors had approved and recommended to its shareholders that they approve a merger involving a consortium of private equity investors in a transaction which is expected to be highly levered. On February 26, 2007, Moody's placed the ratings for TXU Corp. and all its subsidiary entities, including TXU Electric Delivery and TXU Energy Company LLC, on review for possible downgrade. Moody's believes the transaction financing will include a significant amount of incremental debt, which will, in turn, dramatically impact TXU Corp.'s otherwise strong key financial credit metrics.[1]

Moody's acknowledges that the potential new owners of TXU Corp. have stated their intention to not utilize TXU Electric as a vehicle to raise additional debt to finance the transaction and has further stated their intention to maintain investment-grade characteristics at TXU Electric.

In the context of this transaction, the following implications of the indenture governing the Reference Securities should be noted:

- The practical effect of the strengths and weaknesses of the various covenant protections is limited in view of the short maturity of the Reference Securities (September 2008) and their role as providing short-term liquidity between signing and closing in connection with the above-mentioned transaction.
- The covenants are based on an indenture dated August 1, 2002. In addition to the covenants in that indenture, a change of control provision was added for the benefit of the holders of the Reference Securities. Moody's considers it to provide strong protection under its assessment criteria. Upon a change of control, the put is mandatory, unlike many other change of control provisions that are optional.
- The covenants otherwise are not unique in comparison to other "investment-grade" covenant packages.

TXU Electric includes a majority consent condition in the liens covenant. It is ordinarily difficult to obtain noteholder consent to exceptions in covenants. For purposes of the covenant assessment, Moody's does not consider the consent provision to provide an exception to these covenants.

Please see Appendix A for indenture ratio calculations and Moody's assessment matrix ratio calculations and Appendix B for Moody's covenant quality assessment criteria for assigning CQ-1, -2, and -3 scores for the eight key covenants. All calculations are based on publicly available information.

Commentary on Key Covenants

1. Limitation on Restricted Payments (Not Present)

2. Change of Control (CQ-1)

TXU Electric's mandatory put is not conditioned on a negative rating action. Under the terms of the covenant, TXU Electric will purchase the Reference Securities upon the consummation of the transaction contemplated by the merger agreement entered into by TXU Corp. and a consortium of private equity investors on February 25, 2007. The third bullet below will have the same effect. The first and second bullet below would apply as well to any change of control in the future, after the transaction is consummated. This is of no practical effect, however, since the Reference Securities will mature in September 2008.

[1] Credit Opinion: TXU Corp. (February 27, 2007).

Covenant Synopsis

The Reference Securities are subject to mandatory redemption at 100% of the principal amount plus accrued interest to, but excluding, the date of redemption, upon a change of control.

A "Change of Control" will be deemed to have occurred upon the occurrence of the earliest of the following events:

- a "person" or "group" within the meaning of Section 13(d) or 14(d) of the Exchange Act other than TXU Corp., its subsidiaries or their respective employee benefit plans, files a schedule, form or report under the Exchange Act disclosing that such person or group has become the direct or indirect ultimate "beneficial owner," as defined in Rule 13d-3 under the Exchange Act, of TXU Corp.'s common stock representing more than 50% of the voting power of TXU Corp.'s common stock entitled to vote generally in the election of directors, or
- consummation of any share exchange, consolidation or merger of TXU Corp. pursuant to which TXU Corp.'s common stock will be converted into cash, securities or other property or any sale, lease or other transfer in one transaction or a series of transactions of all or substantially all of the consolidated assets of TXU Corp. and its subsidiaries, taken as a whole, to any person; provided, however, that a transaction where the holders of TXU Corp.'s common stock immediately prior to such transaction have directly or indirectly, more than 50% of the aggregate voting power of all classes of common equity of the continuing or surviving corporation or transferee entitled to vote generally in the election of directors immediately after such event shall not be a change of control, or
- Effective Time, as defined in the Merger Agreement, which is the time that the acquisition contemplated by the Merger Agreement is consummated.

3. Merger Restrictions (CQ-3)

This covenant affords minimal protection since there are no financial ratio tests imposed, as set forth in Moody's covenant quality assessment criteria. The covenant also includes exceptions from the obligation of the successor to assume obligations under the Reference Securities if certain properties are not sold as an entirety.

Covenant Synopsis

No merger into another entity or conveyance, transfer, or lease of TXU Electric's "electric utility property" (defined as the tangible property of TXU Electric located in Texas used or useful or to be used in connection with the transmission and distribution of electric energy) unless:

- the successor entity or the entity which acquires the electric utility property as an entirety or substantially as an entirety expressly assumes TXU Electric's obligations under the Reference Securities and under the indenture for the Reference Securities;
- in the case of a lease such lease is made expressly subject to termination by TXU Electric or by the trustee and by the purchaser of the property so leased at any sale thereof at any time during the continuance of an event of default under the indenture; and
- no default exists.

Carve-outs:

The indenture does not prevent or restrict:

- any conveyance, transfer or lease of any of TXU Electric's properties where TXU Electric retains electric utility property with a fair value in excess of 143% of the aggregate principal amount of all outstanding Reference Securities, and any other outstanding debt securities ranking equally with, or senior to, the Reference Securities.

4. Assets Sales/Conveyance (CQ-3)

The asset sales covenant exists by virtue of the merger restriction covenant, which governs the sale of the company's electric utility property. It is therefore considered a separate covenant for purposes of the covenant quality assessment scoring. This covenant is scored CQ-3, since the merger restrictions covenant does not include timing or reinvestment criteria that would merit a higher ranking. Given the absence of a separate asset sale covenant, the transfer of assets that do not rise to the level of substantial asset sales would not be restricted. In fact, this is made explicit in the exceptions to the merger restrictions.

Covenant Synopsis

No conveyance, transfer, or lease of TXU Electric's "electric utility property" unless the acquirer assumes the obligations under the Reference Securities and no default exists

Carve-outs:

See the carve-out in Section 3 governing merger restrictions.

5. Limitation on Debt Incurrence (Not Present)

6. Negative Pledge/Limitation on Liens (CQ-2)

Carve-out are less than Moody's criterion of 15% of net tangible assets (as defined by Moody's). See Appendix A. Although not specifically stated, the purchase money exception appears to relate to ordinary-course transactions, and recourse is limited to acquired assets. The Reference Securities must be equally and ratably secured with any other secured debt. The indenture also allows the company, for administrative reasons, to deliver secured bonds to the trustee for the Reference Securities in an amount equal to the principal amount of the Reference Securities, which would effectively secure the Reference Securities on an equal and ratable basis with the secured debt.

Covenant Synopsis

TXU Electric or its subsidiaries may not incur any liens on any of their property or assets to secure debt without the consent of the holders of a majority in principal amount of the outstanding debt securities of all series with respect to which this covenant is made.

Otherwise, liens on such property or assets are permitted if:

- TXU Electric secures the Reference Securities equally and ratably with such secured debt, or
- TXU Electric delivers to the trustee for the Reference Securities evidence of indebtedness in an amount secured equally and ratably with such debt with a lien on the same property and assets and equal to the then outstanding amount of the Reference Securities

Carve-outs:

- Purchase money liens placed on property at the time of its acquisition or within 180 days thereafter;
- in addition to the "permitted secured debt" described above, secured debt not otherwise so permitted in an aggregate principal amount not exceeding the greater of 10% of TXU Electric's "net tangible assets" or 10% of TXU Electric's "capitalization."

Definitions:

"Net tangible assets" means the amount shown as total assets on TXU Electric's unconsolidated balance sheet, less (i) intangible assets including, but without limitation, such items as goodwill, trademarks, trade names, patents, unamortized debt discount and expense and other regulatory assets carried as assets on TXU Electric's unconsolidated balance sheet and (ii) appropriate adjustments, if any, on account of minority interests.

"Capitalization" means the total of all the following items appearing on, or included in, TXU Electric's unconsolidated balance sheet: (i) liabilities for indebtedness maturing more than 12 months from the date of determination and (ii) common stock, common stock expense, accumulated other comprehensive income or loss, preferred stock, preference stock, premium on common stock and retained earnings (however the foregoing may be designated), less, to the extent not otherwise deducted, the cost of shares of TXU Electric's capital stock held in TXU Electric's treasury, if any.

7. Limitations on Sale & Leaseback Transaction (Not Present)

8. Limitation on Subsidiary Debt (Not Present)

Other Important Provisions

1. **Fall-away Provision (Not Present)**

2. **Step-up Coupon(Present)**

   The coupon on the Reference Securities will:

   - not increase if they are rated investment grade by the two rating agencies;
   - increase by 0.25% if the Reference Securities are rated below investment grade, or not rated, by one rating agency and above investment grade by the other rating agency; and
   - increase by 0.50%, if the Reference Securities are rated below investment grade by both rating agencies, below investment grade by one rating agency and not rated by the other rating agency or if the Reference Securities are not rated by both rating agencies.

3. **Financial Reporting(Present)**

   The company is an Exchange Act reporting issuer but has not separate obligation under the indenture to provide reports and other information to holders of the Reference Securities.

Appendix A

COVENANT & MATRIX RATIO CALCULATIONS[2]

Source: 10-K for period ended December 31, 2006

(Figures in $ millions unless otherwise indicated)

To assess whether a covenant's quantitative carve-outs are less than or exceed the financial ratio scoring criteria in Moody's covenant quality assessment matrix, we perform the following steps:

- First, we calculate the covenant's carve-outs by applying the indenture's own financial ratios and definitions and adding any numerical covenant carve-outs to arrive at an aggregate amount.
- Second, we apply our own financial ratio criteria from the assessment matrix in calculating a threshold amount.
- Third, the two amounts are then compared to determine whether the aggregate covenant carve-outs are less than or exceed the matrix threshold criteria specified for a CQ-1, -2, or -3.

LIMITATION ON LIENS

COVENANT CALCULATION

Greater of 10% of TXU Electric Delivery's "Net Tangible Assets" or 10% of TXU Electric's "Capitalization."

10% of Net Tangible Assets"

Balance Sheet Item	Amount
Total assets	10,709
Less:	
Intangible assets	(162)
Goodwill	(25)
Other regulatory assets	(2,028)
Net Tangible Assets	8,494
10% of Consolidated Net Tangible Assets	849

10% of Capitalization

Balance Sheet Item	Amount
Sum of:	
Liabilities maturing over 12 months	3,811
Shareholders' equity	2,975
Capitalization	6,786
10% of Capitalization	679

ASSESSMENT MATRIX CALCULATION

15% of net tangible assets

Net tangible assets = total assets – (goodwill + intangible assets)

Net tangible assets = 10,709 – (25 + 162) = 10,522

15% of net tangible assets = 1,578

Thus, indenture carve-outs are less than Moody's assessment threshold of 15% of net tangible assets.

[2] In certain cases, add-backs and other items may not have been publicly available or may not be quantifiable and are thus not reflected in the calculations made in this appendix. Therefore, the calculations are estimates only and are not intended to be a precise statement of the ratios as defined in the indenture.

In certain cases, add-backs and other items may not have been publicly available or may not be quantifiable and are thus not reflected in the calculations made in this appendix. Therefore, the calculations are estimates only and are not intended to be a precise statement of the ratios as defined in the indenture.

Appendix B

Covenant Quality Assessment Matrix

	Strong CQ-1	Moderate CQ-2	Minimal CQ-3
Restricted Payments	• LTM fixed charge coverage ratio test at least 2.0 times and not to exceed 50% consolidated net income (other ratio tests may apply) • All restricted payments and fixed charges covered by "restricted payments" definition • Carve-outs are less than 2% of total consolidated assets • Headroom under LTM Debt/EBITDA or under fixed charge coverage test is less than 0.5 times	• LTM fixed charge coverage ratio test at least 2.0 times and not to exceed 50% consolidated net income (other ratio tests may apply) • All restricted payments and fixed charges covered by "restricted payments" definition • Moderate carve-outs (equal to or greater than 2% of total consolidated assets) • Headroom under LTM Debt/EBITDA test is equal to or more than 0.5 times and less than 2.0 times or under fixed charge coverage test is less than 2.0 times	• LTM fixed charge coverage ratio test of 2.0 times or less and not to exceed 50% consolidated net income (other ratio tests may apply) • One or more restricted payments or fixed charges not covered by "restricted payments" definition • Excessive carve-outs (greater than 2% of total consolidated assets) • Headroom under LTM Debt/EBITDA test is equal to or greater than 2.0 times or under fixed charge coverage ratio test is equal to or greater than 2.0 times
Change of Control	• Cash put option @100 or better if change of control, defined as acquisition of 50% or more of voting rights • Permitted holder definition, if any, triggers change of control upon significant change in ownership	• Cash put option @100 or better if change of control, defined as acquisition of 50% or more of voting rights, and • Negative rating action on, and extending up to 60 days following, public notice of upcoming change of control • Permitted holder definition, if any, does not trigger change of control upon significant change in ownership	• Cash put option @100 or better if change of control, defined as acquisition of 50% or more of voting rights, and • Negative rating action on or up to 60 days following consummation of change of control
Limitation on Debt Incurrence	• LTM Debt/EBITDA, fixed charge coverage, or other ratio test • Debt defined broadly • Carve-outs are less than 2% of total consolidated assets • Headroom under LTM Debt/EBITDA or under fixed charge coverage test is less than 0.5 times	• LTM Debt/EBITDA, fixed charge coverage, or other ratio test • Debt defined less broadly • Moderate carve-outs (equal to or greater than 2% of total consolidated assets) • Headroom under LTM Debt/EBITDA test is equal to or more than 0.5 times and less than 2.0 times or under fixed charge coverage test is less than 2.0 times	• LTM Debt/EBITDA, fixed charge coverage, or other ratio test • Debt definition may have material exceptions and may exclude some subsidiaries of credit group • Excessive carve-outs (greater than 2% of total consolidated assets) • Headroom under LTM Debt/EBITDA test is equal to or greater than 2.0 times or under fixed charge coverage ratio test is equal to or greater than 2.0 times
Limitation on Subsidiary Borrowings	• Any borrowings by non-guarantor subsidiaries are limited and ordinary course	• Borrowings by non-guarantor subsidiaries permitted under LTM Debt/EBITDA or fixed charge coverage ratio test • Headroom under LTM Debt/EBITDA test is equal to or more than 0.5 times and less than 2.0 times or under fixed charge coverage test is less than 2.0 times	• Borrowings by non-guarantor subsidiaries permitted under LTM Debt/EBITDA or fixed charge coverage ratio test • Headroom under LTM Debt/EBITDA test is equal to or greater than 2.0 times or under fixed charge coverage ratio test is equal to or greater than 2.0 times
Merger Restrictions	• No merger unless liabilities assumed by surviving entity • Pro forma fixed charge coverage covenant of successor company represents 100%+ of predecessor company, and • Can incur another $1 of debt under the debt incurrence test	• No merger unless liabilities assumed by surviving entity • Pro forma fixed charge coverage covenant of successor company represents 100%+ of predecessor company, or • Can incur another $1 of debt under the debt incurrence test	• No merger unless liabilities assumed by surviving entity
Negative Pledge/Limitation on Liens (applies only to Senior Notes)	• If equally and ratably secured and guaranteed by restricted subsidiaries • Carve-outs are limited and ordinary course	• If equally and ratably secured and guaranteed by restricted subsidiaries • Carve-outs are less than 15% of net tangible assets or tangible net worth, or • Carve-outs limited to working capital and bank debt or subject to a leverage-based calculation	• If equally and ratably secured • Carve-outs equal to or greater than 15% of net tangible assets or tangible net worth, or • Negative pledge is limited to "traded debt."
Asset Sales/Conveyance	• 100% applied to debt reduction or reinvested in fixed assets • Within 12 months • At least 75% of proceeds in cash or marketable securities	• 100% applied to debt reduction or reinvested in fixed assets or asset acquisitions • Within 12 to 24 months • At least 50% of proceeds in cash or marketable securities	• 100% applied to debt reduction or reinvested in business, or • Less than 50% cash proceeds or marketable securities, or • No limitation on asset sales unless debt assumed by acquirer
Limitation on Sale/Leaseback	• 100% applied to debt reduction • Within 12 months	• For other than ordinary course of business, aggregate sale/leasebacks do not exceed 10% of consolidated stockholders equity unless fixed asset re-investment • Within 12 to 24 months	• For other than ordinary course of business, aggregate sale/leasebacks exceed 10% of consolidated stockholders equity; or • Long time frame for re-investment of proceeds

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Moody's Investors Service

LGD Assessment: Oncor Electric Delivery — Data as of: 3/31/2008

Corporate Family Data

Corporate Family Rating (CFR)	Ba1
Expected Loss Rate (EL)	2%
Expected Family Recovery Rate (RR)	65%
Standard Deviation of the Recovery Rate	26%
Probability of Default Rating (PDR)	Ba2
Probability of Default Rate (PD)	7%

Priority of Claim Data (Amounts in Millions of U.S. Dollars)

Oncor Electric Delivery (OpCo - 1B)

Instrument Name	Face Amount	Modeled Amount	Priority Rank	LGD Rate	LGD Assessment	Issue Rating
Trade Payables (20 Days)	89	89	1			
6.375% Fixed Senior Notes due January 15, 2015	500	500	2	34%	LGD3	Ba1
6.375% Fixed Senior Notes due May 1, 2012	700	700	2	34%	LGD3	Ba1
7.000% Fixed Debentures due September 1, 2022	800	800	2	34%	LGD3	Ba1
7.000% Fixed Senior Notes due May 1, 2032	500	500	2	34%	LGD3	Ba1
7.250% Fixed Senior Notes due January 15, 2033	350	350	2	34%	LGD3	Ba1
Sr. Secured Revolver	2,000	2,000	2	34%	LGD3	Ba1
1x Lease	5	5	3			
Trade Payables (Remainder)	0	0	3			
Underfunded Pension	172	172	3			

Contacts: — Model Produced: 5/16/2008

Jim Hempstead, Analyst
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For information on any issuer shelf ratings and debt instruments rated based on guarantees or credit support from an entity outside the issuer family, please see the 'Current Rating List' section of this issuer's page on Moodys.com.

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Moody's Investors Service

Global Credit Research
Issuer Comment
16 MAY 2008

Issuer Comment: Oncor Electric Delivery Company

MOODY'S COMMENTS ON ONCOR'S COLLATERAL PACKAGE

Moody's Investor's Service said that Oncor Electric Delivery Company LLC's (Oncor, Ba1 Corporate Family Rating / stable outlook) announcement that it has completed the delivery of a collateral / security package for the benefit of five bond issues will have no impact on the ratings or rating outlook. The five issues are: $700 million 6.375% Fixed Senior Notes due 2012; $500 million 7.00% Fixed Senior Notes due 2032; $500 million 6.375% Fixed Senior Notes due 2015; $350 million 7.25% Fixed Senior Notes due 2033, and; $800 million 7.00% Fixed Senior Notes due 2022.

These securities will now benefit from a first priority lien and deed of trust equally and ratably with a $2.0 billion bank credit facility (matures in 2013), effectively resulting in a single class of debt - senior secured. As a result, based on our Loss Given Default Methodology, Oncor's bank credit facility and senior notes will be rated Ba1.

In our opinion, the collateral / security package is reasonably similar to the May 2002 indenture provisions, essentially representing a first mortgage on the property. We observe that Oncor has raised the amount of property it can secure to 85% from 70% and that the collateral / security package can be removed upon the maturity or termination of the $2.0 billion bank credit facility, whichever is earlier.

With the exception of the $800 million 7.00% Fixed Senior Notes due 2022, which were originally issued in August 2002 as senior unsecured debt under the August 2002 indenture, all of the remaining bonds were originally issued as senior secured debt subject to a "fall away" provision under the May 2002 indenture. In October 2005, Oncor released the security under the provisions of the May 2002 indenture, and the bonds became senior unsecured obligations of the company.

In October 2007, Moody's assigned a Ba1 CFR to Oncor and Ba1 ratings to its $2.0 billion bank credit facility and to the five securities noted above. As noted in our press release dated October 9, 2007, Moody's expectations regarding the delivery of the collateral package to benefit the bondholder's was incorporated into our rating analysis at that time, and as a result, we incorporated a view that Oncor would always have a single class of debt.

Oncor is a rate regulated electric transmission and distribution business serving the greater Dallas/Ft. Worth and North Texas regions. The company's revenues are primarily regulated by the Public Utility Commission of Texas (PUCT). Oncor is a wholly-owned subsidiary of Oncor Electric Delivery Holding Company LLC which is a wholly-owned subsidiary of Energy Future Intermediate Holding Company which is a wholly-owned subsidiary of Energy Future Holdings Corp. (B2 CFR / stable outlook).

For the year ended December 2007, Oncor reported approximately $2.5 billion in revenues. Oncor is headquartered in Dallas, Texas.

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MOODY'S hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MOODY'S have, prior to assignment of any rating, agreed to pay to MOODY'S for appraisal and rating services rendered by it fees ranging from $1,500 to approximately $2,400,000. Moody's Corporation (MCO) and its wholly-owned credit rating agency subsidiary, Moody's Investors Service (MIS), also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually on Moody's website at www.moodys.com under the heading "Shareholder Relations - Corporate Governance - Director and Shareholder Affiliation Policy."

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Corporates

Global Power
U.S. and Canada
Credit Analysis

Oncor Electric Delivery Co., LLC

(Subsidiary of Energy Future Holdings Corp., formerly TXU)

Ratings

Security Class	Current Rating
IDR	BBB–
Senior Secured Notes	BBB
Senior Unsecured Notes	BBB–
Short-Term IDR	F3

Outlook

Stable

Financial Data

Oncor Electric Delivery Co., LLC
($ Mil.)

	LTM 9/30/07	2006
Gross Margin	2,330	2,303
Cash Flow from Operations	729	534
Operating EBITDA	1,107	1,097
Total Debt	3,990	3,731
Total Capitalization	6,987	6,706
ROE (%)	10.9	11.6
Capex/Depreciation (%)	187.3	219.7
Net Income	326	344

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Related Research

- *Credit Analysis, Texas Competitive Electric Holdings Company LLC, dated Jan. 28, 2008.*
- *Credit Analysis, Energy Future Holdings Corp. (formerly TXU Corp.), dated Oct. 19, 2007.*

Rating Rationale

- Fitch Ratings affirmed the 'BBB–' long-term issuer default rating (IDR) of Oncor Electric Delivery Company, LLC (Oncor), on Oct. 8, 2007, which was two days prior to the closing date of the leveraged buyout of parent company, Energy Future Holdings Corp (EFH, formerly TXU, rated 'B'). The Rating Outlook is Stable.
- The 'BBB–' IDR of Oncor reflects its investment-grade standalone credit metrics, low business risk, economically vibrant service territory and effective insulation from its more leveraged parent, EFH, and affiliate, Texas Competitive Electric holdings LLC (TCEH, rated 'B'), as a result of ring-fencing efforts.
- Oncor's ratio of funds from operations (FFO) plus interest expense, divided by interest expense, has consistently been approximately 4.0 times (x) since 2004. Management committed to Texas state regulators to maintain a capital structure with no more than its authorized debt-to-capital ratio (currently 60%), and the capital structure is well within the regulatory threshold. Oncor takes no commodity price risk. Recovery trackers enable timely recovery of a significant share of capital investments.
- In Fitch's view, Oncor's existing ring-fencing mechanisms effectively insulate Oncor from EFH. If EFH's plan to sell a 20% interest in Oncor reaches fruition, this would not change the existing ratings or Outlook of Oncor.
- Credit concerns center on the risk of adverse changes in law or regulatory orders from the Public Utility Commission of Texas (PUCT) and potential credit losses from retail electric provider (REP) customer defaults. Oncor's exposure to credit risk associated with accounts receivable from affiliate, TCEH, was $181 million. Oncor also had $250 million from unaffiliated, primarily below-investment-grade REPs, as of Sept. 30, 2007. In addition, there exists the risk that performance improvement initiatives may not result in the forecasted cost reductions
- The Stable Outlook assumes there will be a balanced outcome in Oncor's upcoming base rate case, which must be filed no later than July 1, 2008. The proposed stipulation in Oncor's public interest, 14.101 filing contemplates that Oncor's $85 million rate case filing that had been made in August 2007 will be dismissed in the near future. The prior filing had been made in April 2007 at the request of the PUCT and was based on a 2006 test year.

Key Rating Drivers

What could lead to a positive rating action?

- Significant improvement in EFH's leverage and credit ratings.
- Reduction in Oncor's individual debt leverage.

What could lead to a negative rating action?

- Adverse changes in the Texas electric market structure
- Unfavorable outcome in 2008 rate case.

Key Credit Strengths

- Regulated transmission and distribution (T&D) utility provides a stable source of cash flow.
- Effective ring-fencing mechanisms help mitigate rating linkage from Oncor's 'B' rated parent, EFH, and affiliates.
- Capital trackers enable timely recovery of a majority of capital investments.

Key Credit Concerns

- Risk of retail electric provider (REP) business customer loss.
- Risk of adverse legislative or regulatory changes in Texas.
- Residual rating linkage to highly leveraged EFH
- Accounts receivable-related credit exposure to below-investment-grade REP counterparties.

- If ring-fencing strategies do not work as intended, leading to greater linkage between Oncor and highly leveraged EFH affiliates.
- Economic weakness in the territory.

Profile

Oncor, an indirect subsidiary of Energy Future Holdings Corp., is the largest regulated transmission and distribution (T&D) utility in Texas. The company delivers electricity to approximately three million T&D points of delivery in and around the Dallas-Fort Worth metroplex.

Recent Events

Ring-Fencing Mechanisms

Fitch considers Oncor to be effectively ring-fenced from its highly leveraged parent and affiliates. Oncor and its owners implemented a number of ring-fencing mechanisms to insulate Oncor from the rest of the EFH group. EFH became highly levered as a result of a leverage buyout (LBO) completed on Oct. 10, 2007. However, there was no new debt issued at Oncor to finance the LBO, and standalone credit metrics remain consistent with investment-grade ratings. In Fitch's view, effective ring fences incorporate mechanisms stemming from a combination of regulatory orders, contractual limits in financing arrangements and management policies; Oncor's arrangements include mechanisms of all three types.

In terms of regulatory ring fencing, the PUCT reached an agreement on Oct. 5, 2007 that requires Oncor to limit the dividends to TXU to amounts no greater than net income through 2012 and also imposes other limits. The PUCT's new requirements were additive to previous commitments voluntarily made by Oncor in its 14.101 PUCT merger filing, as of April 25, 2007. In its 14.101 filing, Oncor committed to pay no common dividends if its ratio of long-term debt-to-capital exceeds its authorized ratio (currently 60%) as calculated for regulatory purposes, or if Oncor's board of directors determined the dividend payment would not be in Oncor's best interest. Oncor also agreed to maintain an independent board of directors and implement other separation mechanisms, such as maintaining separate books, records and corporate identity and to limit annual upstream dividends to annual net income.

Contractual ring-fencing provisions include a maximum 65% total debt-to-capital covenant in Oncor's new $2 billion, six-year revolving credit facility.

Finally, management of Oncor and EFH and the sponsors have communicated their intent to sell a 20% minority interest in Oncor.

While the Oncor ring fencing is sufficient to retain the lowest investment-grade ratings, it is imperfect, and rating linkage stems from shared tax filings, pension and operational linkage with the leveraged EFH group. If affiliate or parent credit quality deteriorates, the rating linkages could result in reduced or less-favorable capital market access for Oncor, leading to potential adverse changes in Oncor's ratings. Distribution revenues from affiliate, TCEH, represented 42% of Oncor's total revenues for the nine months ending Sept. 30, 2007. Fitch notes its positive outlook for wholesale power generators, as well as further tightening and favorable cash flow prospects for owners of coal-fired generation in the Texas competitive wholesale electric market over the next several years. However, the possibility of carbon costs is a caveat to otherwise positive market fundamentals.

Potential for Changes in Texas Energy Laws

While the 2007 Texas legislative session closed without any changes to law that would have adversely TXU, there is a future risk that this could happen. The legislature introduced legislation that would have required TXU Corp. to separate its subsidiaries into two or three standalone companies, which could have resulted in a significant tax cost to TXU Corp.; required divestiture of significant wholesale power generation assets, which also could have resulted in a significant tax cost to TXU Corp.; and given new authority to the PUCT to cap retail electric prices. The high power prices in Texas increase the likelihood that politicians may become pressured to pass laws to cap T&D or generation rates or change the market structure.

Management Change

On Jan. 8, 2008, Energy Future Holdings Corp. announced former chief financial officer (CFO) and executive vice president of Exelon Corp., John Young, will become EFH's new chief executive officer (CEO). Young will become the first CEO of EFH and will begin work on Jan. 29, 2008. Mr. Young has extensive industry experience, most recently as CFO of Exelon, and prior to that, in various positions at Southern Company.

Liquidity and Debt Structure

In Fitch's view, the company has ample liquidity and market access to satisfy cash needs. Oncor has a $2 billion, six-year secured revolving credit (R/C) facility maturing 2012 available for its expected external borrowing needs for debt retirement and system expansion. There were $1.3 billion of R/C borrowings outstanding as of Oct. 31, 2007. The R/C has a maximum 65% total debt-to-capital covenant. There was no outstanding commercial paper under the $1 billion commercial paper program at Sept 30, 2007.

Oncor has committed to the PUCT to make minimum capital investments of $3.6 billion over the five-year period ending Dec. 31, 2012, and the company forecasts approximately $700 million of this capital spending to be made in 2008.

Oncor has limited amounts of debt maturing in the next five years other than tariff bond principal payments. Tariff bonds are de-consolidated by Fitch. There are no maturities of long term debt until 2012. For additional information, please refer to the Debt Maturity Schedule table below.

Debt Maturity Schedule[a]

($ Mil)

	2008	2009	2010	2011	2012	Thereafter
6.375% Fixed Sr. Notes Due May 1, 2012	—	—	—	—	700	700
Other Oncor Debt	—	—	—	—	—	2,150
Total Oncor Electric Delivery	—	—	—	—	700	2,850

[a]Excludes securitization debt of approximately $1 billion.
Source: Fitch.

Financial Summary — Oncor Electric Delivery Co., LLC
($ Mil., Years Ended Dec. 31)

	LTM 9/30/07	2006	2005	2004	2003	2002
Fundamental Ratios (x)						
Funds from Operations/Interest Expense	3.6	4.1	4.1	3.8	3.3	2.8
Cash Flow from Operations/Interest Expense	3.8	3.2	4.5	3.7	3.2	1.9
Debt/Funds from Operations	5.7	5.0	4.6	4.8	5.6	9.3
Operating EBIT/Interest Expense	2.8	3.0	3.1	2.5	2.1	2.1
Operating EBITDA/Interest Expense	4.2	4.6	4.8	3.9	3.1	3.1
Debt/Operating EBITDA	3.6	3.4	3.0	3.4	4.1	5.3
Common Dividend Payout (%)	103.1	98.8	0.0	0.0	0.0	0.0
Internal Cash/Capital Expenditures (%)	56.1	23.1	106.2	107.3	118.6	45.4
Capital Expenditures/Depreciation (%)	187.3	219.7	205.8	175.9	186.4	194.3
Profitability						
Revenues	2,330	2,303	2,248	2,137	2,073	1,994
Net Revenues	2,330	2,303	2,248	2,137	2,073	1,994
Operating and Maintenance Expense	824	804	813	815	786	762
Operating EBITDA	1,107	1,097	1,048	942	911	841
Depreciation and Amortization Expense	374	382	356	341	291	264
Operating EBIT	733	715	692	601	620	577
Gross Interest Expense	265	240	220	242	296	270
Net Income for Common	326	344	351	273	258	122
Operating Maintenance Expense % of Net Revenues	35.4	34.9	36.2	38.1	37.9	38.2
Operating EBIT % of Net Revenues	31.4	31.0	30.8	28.1	29.9	28.9
Cash Flow						
Cash Flow from Operations	729	534	778	644	644	233
Change in Working Capital	30	(219)	97	(26)	(28)	(246)
Funds from Operations	699	753	681	670	672	479
Dividends	(336)	(340)	0	0	0	0
Capital Expenditures	(701)	(840)	(733)	(600)	(543)	(513)
Free Cash Flow	(308)	(646)	45	44	101	(280)
Net Other Investment Cash Flow	(23)	(42)	6	(50)	(35)	(46)
Net Change in Debt	212	531	(171)	183	(211)	621
Net Change in Equity	0	0	0	(450)	(50)	(150)
Capital Structure						
Short-Term Debt	356	697	74	63	25	60
Long-Term Debt	3,634	3,034	3,033	3,123	3,726	4,399
Total Debt	3,990	3,731	3,107	3,186	3,751	4,459
Preferred and Minority Equity	0	0	0	0	0	0
Common Equity	2,997	2,975	2,935	2,687	2,856	2,649
Total Capital	6,987	6,706	6,042	5,873	6,607	7,108
Total Debt/Total Capital (%)	57.1	55.6	51.4	54.3	56.8	62.7
Preferred and Minority Equity/Total Capital (%)	0.0	0.0	0.0	0.0	0.0	0.0
Common Equity/Total Capital (%)	42.9	44.4	48.6	45.7	43.2	37.3

LTM – Latest 12 months. Operating EBIT – Operating income plus total reported state and federal income tax expense. Operating EBITDA – Operating income plus total reported state and federal income tax expense plus depreciation and amortization expense. Note: Numbers may not add due to rounding. Numbers are adjusted for interest and principal payments on transition property securitization certificates. Long term debt includes trust preferred securities.
Source: Financial data obtained from SNL Energy Information System, provided under license by SNL Financial, LC of Charlottesville, VA.

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Credit Opinion: Oncor Electric Delivery Company

Oncor Electric Delivery Company

Texas, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Corporate Family Rating	Ba1
Sr Sec Bank Credit Facility	Ba1/LGD3
Senior Unsecured	Ba1/LGD3
Jr Subordinate	NR
Bkd Preferred Stock	Baa3
Speculative Grade Liquidity	SGL-2
Ult Parent: TXU Corp.	
Outlook	Stable
Corporate Family Rating	B2
Senior Unsecured	Caa1/LGD6
Speculative Grade Liquidity	SGL-3
Parent: TXU US Holdings Company	
Outlook	Stable
Senior Unsecured	Caa1/LGD6
Dallas Power & Light Co	
Preferred Stock	NR

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Key Indicators

[1]
Oncor Electric Delivery Company

	LTM 2Q 07	2006	2005	2004
(CFO Pre-W/C + Interest) / Interest Expense	3.1	3.2	3.9	3.7
(CFO Pre-W/C) / Debt	12%	13%	19%	17%
(CFO Pre-W/C - Dividends) / Debt	6%	6%	19%	17%
(CFO Pre-W/C - Dividends) / Capex	39%	37%	111%	118%
Debt / Book Capitalization	55%	54%	52%	53%
EBITA Margin %	29%	27%	27%	25%

[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

Company Profile

Oncor Electric Delivery Company LLC ("Oncor") is a rate regulated electric transmission and distribution business serving the greater Dallas/Ft. Worth and North Texas regions. The company's revenues are primarily regulated by the Public Utility Commission of Texas (PUCT). Oncor is a wholly-owned subsidiary of Oncor Electric Delivery

Holding Company LLC which is a wholly-owned subsidiary of Energy Future Intermediate Holding Company LLC (EFIHC) which is a wholly-owned subsidiary of TXU Corp. (TXU). For the latest twelve months ended June 2007, Oncor reported approximately $2.2 billion in revenue. Oncor is headquartered in Dallas, Texas.

Recent Developments

On Friday, October 5, 2007, TXU announced its expectation that the leveraged acquisition of TXU by a consortium of private equity investors would close on Wednesday, October 10, 2007. As part of the acquisition, Oncor has been restructured into a Delaware Limited Liability Corporation (LLC). In addition, TXU has implemented a number of legal and technical provisions that has the effect of ring-fencing Oncor as a separate entity from its affiliate, Texas Competitive Electric Holdings Company (TCEH) and its parent, TXU Corp, and their subsidiaries ("non-Oncor entities"). From a credit perspective, Moody's sees significant value associated with the ring-fencing provisions that are currently being contemplated.

On Tuesday, October 9th, 2007, Moody's concluded its review for possible downgrade for TXU and its rated subsidiaries. As a result of the proposed capital structure presented in the recent 8K filing by TXU in connection with the leveraged buyout by KKR and TPG, Moody's Investors Service has downgraded the ratings for TXU and its subsidiaries and has assigned new Corporate Family Ratings (CFR's), Probability of Default ratings (PDR's) and Loss Given Default (LGD) assessments at both the TXU and Oncor entities.

Rating Rationale

Oncor's Ba1 CFR primarily reflects the significant value associated with the proposed ring fencing provisions that have been announced by TXU, our relatively constructive view of the Public Utility Commission of Texas (PUCT) and the financial profile of the company. Moody's observes that on a stand-alone basis, Oncor is arguably a solid investment grade entity. In addition, Moody's rating methodology for global regulated electric utilities (which is currently being updated) produces a rating for Oncor well within the Baa-rating category. Nevertheless, taking into consideration EFIHC's upstream guarantee (which is not part of the ring fenced entities), to TXU and our view regarding how much value could be extracted from Oncor for the benefit of its parent, lead us to conclude that a Ba1 CFR is the most appropriate rating at this time. Essentially, we believe that TXU and TCEH's business and operating risk profiles, coupled with the new levels of leverage those businesses will incur, create a sufficient level of potential contagion risk that will negatively impact Oncor's otherwise investment grade status, regardless of the bankruptcy-remoteness and separateness provisions proposed with respect to the proposed ring-fencing.

The most important drivers of Oncor's Ba1 rating and stable outlook are as follows:

LOW BUSINESS AND OPERATING RISK WITHIN A SUPPORTIVE REGULATORY ENVIRONMENT

In our opinion, Oncor would be positioned well within the Baa-rating category based on its relatively low business and operating risks and its rate-regulated revenue, earnings and cash flow. We view the PUCT's relatively transparent decisions and rate case procedures favorably, and we incorporate a view that Oncor will maintain a reasonably constructive relationship with the PUCT and that the PUCT would prefer to regulate a financially healthy utility. In addition, Oncor's capital investments are benefited by certain accelerated recovery mechanisms (through trackers), and it has an authorized capital structure with 40% equity / 60% debt.

ONCOR'S FINANCIAL PROFILE POSITIONS THE COMPANY WITHIN Baa-RATING CATEGORY

With respect to Oncor's financial profile, we note that Oncor has produced, on average, CFO of approximately $0.6 billion per year over the past 5-years and $0.7 billion per year over the past 3-years which represented approximately 14% and 16% of Oncor's consolidated adjusted total debt, respectively. The adjusted total debt balances include the Aaa-rated securitization debt that was issued in 2004 as well as the other standard adjustments Moody's applies to financial statements. Over the next 3-years, Moody's believes Oncor will likely produce CFO as a percentage of adjusted total debt of approximately 15%, which will continue to position the company well within the investment grade Baa ratings category.

RING FENCING PROVISIONS ARE STRONG BUT NOT SUFFICIENT TO PROTECT AGAINST CONTAGION RISK

As we note below, Moody's views the currently proposed ring fencing provisions to be strong, from a technical and legal perspective. However, we can not ignore the substantial inter-relationships that Oncor maintains with its affiliate, TCEH and its parent, TXU. These inter-relationships, in our opinion, are primarily derived from the fact that TXU's assets are essentially the same assets of its legacy, vertically integrated electric utility, Texas Electric Utilities Company.

As a result, there are financial relationships between Oncor and its REP affiliate, such as a sizeable concentration of revenue (roughly 50% - 60% of Oncor's revenues are associated with TXU Energy (Retail)). There are interest and tax expense make-whole agreements associated with the collections of CTC charges to service the Aaa-rated securitization bonds, joint and severable pension exposures, nuclear decommissioning collection accounts (Oncor is a collection agent) and other corporate shared services. Most importantly, Oncor is expected to cover a majority of its parent holding company's expenses over the near-term, in the form of dividends and cash taxes. Taken as a whole, we believe Oncor is exposed to the significantly higher risks associated with its affiliate and parent, and we do not believe those entities contain a sufficient amount of cushion in their business plan to address unexpected events, given their extremely high leverage. In this respect, we note that whatever protections are in place against the bankruptcy of a solvent entity, as an entity approaches insolvency, the fiduciary obligations owed by its board of directors begins to shift to consider the interests of creditors. Therefore, we believe Oncor will potentially be exposed to contagion risks associated with its affiliates and parent, which raises its probability of default, regardless of the legal and other structural ring fencing provisions that are currently being contemplated and regardless of the likelihood for recovery.

SIGNIFICANT LEGAL PROTECTIONS IN PLACE TO RING-FENCE ONCOR ELECTRIC DELIVERY HOLDINGS COMPANY LLC AND ITS OPERATING SUBSIDIARY

Oncor's immediate parent, Oncor Electric Delivery Holding Company LLC (Oncor HoldCo), is the most important entity to evaluate when assessing the strength of the proposed ring fencing provisions. Both Oncor HoldCo and Oncor HoldCo's operating subsidiary, Oncor, constitute the ring-fenced entities. Like Oncor, Oncor HoldCo is a single member LLC established under Delaware law. The LLC agreement governing Oncor HoldCo's voting procedures (in particular, requiring unanimous agreement as to a voluntary bankruptcy petition and other important decisions), legal separateness from non-Oncor entities and independence of its board of directors provide a significant level of legal protection against: the potential consolidation of the ring-fenced entities with a bankruptcy of the non-Oncor entities, either through a voluntary filing or by a bankruptcy court order. Legal opinions expected to be received regarding both Oncor entities, on the enforceability in bankruptcy of Delaware law and on their non-consolidation with a bankruptcy of the non-Oncor entities, lend support to this conclusion.

INTENTION TO SELL MINORITY INTEREST TO AN INDEPENDENT THIRD PARTY

TXU has expressed its intention to sell a minority interest in Oncor (the T&D utility, not Oncor HoldCo) to an independent third party investor. We believe Oncor is worth approximately $11 billion on an enterprise value basis, which results in roughly $6 billion of equity value (assuming $5 billion of debt). While our assessment of the independence of the investor still needs to occur, in general, Moody's would view the presence of an independent third party investor favorably from a credit perspective. We believe such an equity interest could also strengthen the resilience of the Oncor entities against consolidation with a bankruptcy of the non-Oncor entities. The investor would most likely have board representation at Oncor (the T&D utility, not Oncor HoldCo) which will strengthen our corporate governance assessments for the utility. However, a minority investor may not, by itself, mitigate the increased risks of default at Oncor given the potential for contagion at TCEH and TXU, and therefore, may not result in a rating upgrade. Nevertheless, there are no material details beyond management's stated intention to sell a minority interest in Oncor, so Moody's will re-assess the credit implications based on the facts and circumstances of the proposed transaction when it materializes.

CAPITAL STRUCTURE LIMITATION AND DIVIDEND POLICY NEED TO BE MONITORED CAREFULLY

One of the main provisions of the proposed ring fence for Oncor is a limitation on the debt component to the capital structure. This limitation tracks Oncor's authorized capital structure at 60% debt. Over the recent past, Oncor has actually had a debt capitalization of between 50% - 55%, and was approximately 55% as of June 2007. TXU plans to extract 100% of the net income of Oncor in the form of a dividend over the near-term, until such time that the debt component of the capital structure reaches 60%. Moody's views a 100% dividend payout ratio negatively from a credit perspective, even for lower risk T&D utility. Our concerns with this arrangement are premised on the flexibility that GAAP reporting provides a management team, and we would be concerned if earnings are bolstered by non-cash items, while cash dividends are up-stream out of the company.

Liquidity

Oncor's Speculative Grade Liquidity rating is SGL-2. The company is expected to generate approximately $800 million of cash from operations over the next 12 months. Roughly $700 million is expected to be invested into the utility's infrastructure and rate base and another $300 - $350 million is expected to up-streamed as a dividend to its parent. Moody's views the 100% dividend payout ratio as a credit negative, and we observe that Oncor will have roughly $200 - $250 million of negative free cash flow after the dividend.

Oncor is expected to have a $2.0 billion secured revolver. At closing, the revolver is expected to have over $1.0 billion drawn, roughly $800 million of which will be associated with the mandatory early retirement of senior unsecured notes due in September 2008, as well as the drawings that are currently outstanding. In addition, it is our understanding that Oncor will be terminating its participation in TXU's accounts receivable program, which could be an additional $100 million of usage. Moody's does not view Oncor as having any meaningful sources of alternate liquidity.

Rating Outlook

The stable rating outlook reflects the strong business and operating position of Oncor as a rate-regulated T&D utility in Texas and its ability to generate cash flow credit metrics of approximately 3.5x interest and mid-to high teen's as a ratio of adjusted total debt.

What Could Change the Rating - Up

Ratings are unlikely to go up as long as Oncor remains a wholly-owned subsidiary of TXU and as long as TXU continues to exhibit the extremely high leverage and business risk profile that currently exists. In our opinion, the contagion risks associated with TXU and TCEH are sufficiently high enough to act as a limiting factor for Oncor's rating, despite its investment grade fundamentals and proposed ring fencing provisions.

What Could Change the Rating - Down

Oncor's ratings could be downgraded if its key financial credit ratios declined. This would include a cash flow interest ratio of less than 3x and a ratio of cash flows to adjusted total debt approaching the low-teen's. These ratios would include Moody's standard financial adjustments. In addition, ratings could be lowered if Oncor's liquidity profile began to exhibit any stress, which includes the working capital stress of maintaining a sizeable receivables position from its affiliate, TCEH. Although we are explicitedly recognizing the distinct credit characteristics of Oncor from its affiliate and parent by assigning a Ba1 CFR, ratings could also be downgraded through the potential for contagion risk associated with any rating downgrades incurred at TCEH and TXU. Finally, Oncor's ratings could be lowered if it experienced a more contentious regulatory environment, and we observe that a full rate case is expected to be filing in July 2008. If Oncor were to experience some materially adverse regulatory decisions that resulted in deterioration to cash flow, an issue could arise with respect to TXU's ability to service its holding company level debt, assuming the amount of up-stream dividends were also negatively affected. Given TXU's overall risks, we do not see a lot of flexibility to withstand unexpected events, such as a major storm, and Oncor could be forced to seek emergency rate relief if events such as these were to occur.

Rating Factors

TXU Electric Delivery Company

Select Key Ratios for Global Regulated Electric Utilities

Rating	Aa	Aa	A	A	Baa	Baa	Ba	Ba
Level of Business Risk	**Medium**	**Low**	**Medium**	**Low**	**Medium**	**Low**	**Medium**	**Low**
CFO pre-W/C to Interest (x) [1]	>6	>5	3.5-6.0	3.0-5.7	2.7-5.0	2-4.0	<2.5	<2
CFO pre-W/C to Debt (%) [1]	>30	>22	22-30	12-22	13-25	5-13	<13	<5
CFO pre-W/C - Dividends to Debt (%) [1]	>25	>20	13-25	9-20	8-20	3-10	<10	<3
Total Debt to Book Capitalization (%)	<40	<50	40-60	50-70	50-70	60-75	>60	>70

[1] CFO pre-W/C, which is also referred to as FFO in the Global Regulated Electric Utilities Rating Methodology, is equal to net cash flow from operations less net changes in working capital items

between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually on Moody's website at www.moodys.com under the heading "Shareholder Relations - Corporate Governance - Director and Shareholder Affiliation Policy."

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Global Power/North America
Credit Update

TXU Electric Delivery Company

Ratings

Security Class	Current Rating	Previous Rating	Date Changed
IDR	BBB	NR	12/6/05
Senior Unsecured	BBB+	BBB	8/6/04
Commercial Paper	F2	NR	5/10/02

IDR – Issuer default rating. NR – Not rated.

Rating Watch.. None
Rating Outlook......................................Stable

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Profile

Delivery is an indirect wholly owned subsidiary of TXU and is engaged in the transmission and distribution of electricity in Texas.

Related Research

- TXU Corp. and TXU U.S. Holdings Co., Credit Analysis, Jan. 5, 2007.
- TXU Energy Co. LLC, Credit Analysis, Feb. 1, 2007.

Key Credit Strengths

- Moderately low-risk business profile.
- Stable cash flows and earnings from regulated utility operations.
- No commodity price risk.

Key Credit Concerns

- Concentrated counterparty exposure.
- High parent company debt levels.

■ Rating Rationale

The ratings take into consideration TXU Electric Delivery Company's (Delivery) strong and stable earnings and cash flow as well as relatively low business risk as a transmission and distribution utility with no commodity price risk and rate certainty through mid-2009. Current ratings recognize the reduction in leverage following the company's use of approximately 50% of the proceeds of stranded asset securitizations to pay down first-mortgage debt. Fitch excludes the securitization bonds in its calculation of Delivery's debt, as the securitization bonds are nonrecourse to the utility and will be repaid from the proceeds of a nonbypassable transition charge applicable to all customers. The company also benefits from ample liquidity, which is obtained from $3.6 billion in bank facility capacity that is shared with its affiliate, TXU Energy Co. LLC (TXU Energy, 'BBB' issuer default rating by Fitch Ratings).

The concentration of customer receivables is a primary rating concern. Delivery's customers are not the end-users of the electricity, as is the case of distribution companies in other states, but rather, it is paid by the retail electric providers (REPs) that sell power directly to end-users. Affiliate TXU Energy is Delivery's largest customer, accounting for approximately 47% of revenues. The second-largest REP customer is Reliant Energy Inc. (senior unsecured rated 'B' by Fitch).

■ Recent Developments

On Dec 18, 2006, the Public Utility Commission of Texas (PUCT) issued its biennial report of the status of competition in the Texas electric market. In the report, the PUCT recommended a number of legislative actions, the most notable of which would require distribution companies to discontinue their affiliation with REPs. If legislators enact a law of this nature, TXU Corp. (TXU) will be forced to sell or spin off Delivery. It should be noted that TXU has been considering a strategic separation of Delivery for some time. The ratings implications for Delivery's outstanding debt will depend on Fitch's review of definitive terms and conditions of the asset disposal as well as the credit profile of any new owner.

In January 2006, the company reached an agreement with the steering committee of municipalities within Delivery's service territory to defer the systemwide rate relief filing to no later than June 30, 2008. As part of this agreement, the company agreed to make various payments to the cities, including beneficial use payments and increased franchise fee payments. Based on the final agreements and the participation of the nonlitigant cities, expected payments to the cities are estimated to total $70 million over the period January 2006 through mid-2009.

Delivery filed for an interim increase in its wholesale transmission rate of $19 million in February 2006. The PUCT approved the request on April 28, 2006, and the increase immediately went into effect. Additionally, Delivery is permitted twice every year to request a change in its retail transmission cost-recovery factor (TCRF) component of its delivery charges to the REP. In July 2006, the company requested a $24 million increase in the TCRF that went into effect on Sept. 1, 2006. However, the actual rise in net cash proceeds was only $17 million, as $7 million of the TCRF relates to the pass-through of intercompany revenues included in the aforementioned $19 million wholesale transmission rate increase.

In 2005, the Texas Legislature passed legislation that permits utilities to impose a monthly billing surcharge on customer bills to recover costs related to the installation of advanced metering systems. The company expects to install 370,000 automated meters by the end of 2006 at a cost of $70 million. The company expects to initiate an associated surcharge request filing in the near future.

■ Liquidity and Debt Structure

In 2005, TXU refinanced its major bank facilities. TXU, the parent, does not have any external short-term financing facilities. However, Delivery and TXU Energy are party to four revolving credit facilities with aggregate limits of $4.5 billion and maturities ranging from 2008–2010. TXU Energy can borrow without limitation, but Delivery can only borrow up to $3.6 billion. Each is severally liable for their respective obligations. Delivery had $615 million in commercial paper outstanding as of Sept. 30, 2006, and its availability to borrow was reduced by that amount. Additionally, TXU Energy had $360 million in commercial paper outstanding as of Sept. 30, 2006. TXU Energy also reduced its availability under the lines by an additional $1.236 billion for the issuance of letters of credit and direct borrowings. As previously described, $500 million in letters of credit have now been released due to utilizing the lien on the Big Brown generating facility. In addition to the joint facilities with Delivery, TXU Energy is the sole party to bilateral bank lines of $1.5 billion and $500 million, terminating May 2007 and December 2009, respectively. The $1.5 billion line is not drawn and is available to be utilized. TXU Energy has fully utilized the $500 million line with issuances of letters of credit and borrowings.

TXU's cash management includes a money pool in which funds are swept on a daily basis from all subsidiaries and lent to entities needing short-term funding. Delivery can borrow from the pool but cannot lend into the pool. As of Sept. 30, 2006, Delivery was a recipient of $35 million in intercompany advances.

Delivery's ratio of debt-to-EBITDA declined to 3.0 times (x) at the end of 2005 from 4.0x at the end of 2003 as a result of paying down approximately $500 million in recourse debt with a portion of the proceeds of a $1.1 billion stranded asset securitization issued in 2003 and 2004. In addition, EBITDA improved in 2005 and 2004 by 11.3% and 3.4%, respectively, due to increased electric usage in the region and rate relief for transmission capital expenditures.

The ratio of debt-to-EBITDA increased to 3.4x for the 12 months ended Sept. 30, 2006, due to a rise in overall debt levels of approximately $500 million to $3.6 billion from $3.1 billion at Dec 31, 2005. However, the ratio remains appropriate for the ratings category and business risk. Recent borrowings were in part used to finance the company's capital expenditure requirements for the 12 months ended Sept. 30, 2006, of $855 million and resumption of the payment of a common dividend to the parent of $170 million in 2006. Delivery did not pay any dividends to the parent in 2005 and paid only a special dividend of $450 million in 2004 with a portion of the proceeds of the securitization. Fitch's ratings and Stable Rating Outlook anticipate that parent dividend payments will be managed in a manner that maintains the existing capital structure. Delivery's recourse debt maturities over the next five years only include a $200 million issuance due September 2007.

Financial Summary — TXU Electric Delivery Company

($ Mil., Fiscal Years Ended Dec. 31)

	LTM 9/30/06	2005	2004	2003	2002
Fundamental Ratios (x)					
Funds from Operations/Interest Expense	3.9	4.1	3.8	3.3	2.8
Cash from Operations/Interest Expense	3.8	4.5	3.7	3.2	1.9
Debt/Funds from Operations	5.5	4.6	4.8	5.6	9.3
Operating EBIT/Interest Expense	3.0	3.1	2.5	2.1	2.1
Operating EBITDA/Interest Expense	4.6	4.8	3.9	3.1	3.1
Debt/Operating EBITDA	3.4	3.0	3.4	4.1	5.3
Common Dividend Payout (%)	77.0	0.0	0.0	0.0	0.0
Internal Cash/Capital Expenditures (%)	45.0	106.2	107.3	118.6	45.4
Capital Expenditures/Depreciation (%)	224.8	205.8	175.9	186.4	194.3
Profitability					
Revenues	2,302	2,248	2,137	2,073	1,994
Net Revenues	2,302	2,248	2,137	2,073	1,994
O&M Expense	833	813	815	786	762
Operating EBITDA	1,070	1,048	942	911	841
Depreciation and Amortization Expense	380	356	341	291	264
Operating EBIT	689	692	601	620	577
Interest Expense	230	220	242	296	270
Net Income for Common	331	351	273	258	122
O&M % of Net Revenues	36.2	36.2	38.1	37.9	38.2
Operating EBIT % of Net Revenues	30.0	30.8	28.1	29.9	28.9
Cash Flow					
Cash Flow from Operations	639	778	644	644	233
Change in Working Capital	(25)	97	(26)	(28)	(246)
Funds from Operations	664	681	670	672	479
Dividends	(255)	0	0	0	0
Capital Expenditures	(855)	(733)	(600)	(543)	(513)
Free Cash Flow	(471)	45	44	101	(280)
Net Other Investment Cash Flow	(19)	6	(50)	(35)	(42)
Net Change in Debt	354	(171)	183	(211)	621
Net Change in Equity	0	0	(450)	(50)	(150)
Capital Structure					
Short-Term Debt	945	167	245	268	379
Long-Term Debt	2,697	2,940	2,941	3,483	4,080
Total Debt	3,642	3,107	3,186	3,751	4,459
Preferred and Minority Equity	0	0	0	0	0
Common Equity	2,999	2,935	2,687	2,856	2,649
Total Capital	6,641	6,042	5,873	6,607	7,108
Total Debt/Total Capital (%)	54.8	51.4	54.3	56.8	62.7
Preferred and Minority Equity/Total Capital (%)	0.0	0.0	0.0	0.0	0.0
Common Equity/Total Capital (%)	45.2	48.6	45.7	43.2	37.3

LTM – Latest 12 months. Operating EBIT – Operating income before nonrecurring items. Operating EBITDA – Operating income before nonrecurring items plus depreciation and amortization expense. O&M – Operations and maintenance. Note: Numbers may not add due to rounding and are adjusted for interest and principal payments on transition property securitization certificates. Long-term debt includes trust preferred securities. Source: Financial data obtained from SNL Energy Information System, provided under license by SNL Financial, LC of Charlottesville, Va.

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RESEARCH

TXU Electric Delivery Co

Publication date: 20-Jan-2006
Primary Credit Analyst: Tobias Hsieh, New York (1) 212-438-2023; toby_hsieh@standardandpoors.com

Corporate Credit Rating

BBB-/Stable/NR

Business risk profile

1 $\boxed{2}$ 3 4 5 6 7 8 9 10

Financial risk profile:
Moderate (consolidated financial risk profile of parent TXU Corp.)
Debt maturities:
Below excludes securitization debt.
2006: none
2007: $800 million
2008: none
Collateralization:
No secured debt outstanding. In October 2005, the company invoked the fall-away provision of its senior secured notes and, as a result, these senior secured notes have become unsecured obligations of the company.
Total rated debt:
As of Sept. 30, 2005, the company has $13.1 billion of debt, including $1.197 billion of securitization bonds.

Outstanding Rating(s)	
TXU Electric Delivery Co	
Sr unsecd debt	
Local currency	BBB-
Sr secd debt	
Local currency	BBB-
TXU Corp.	
Corporate Credit Rating	BBB-/Stable/NR
Sr unsecd debt	
Local currency	BB+
TXU Energy Co. LLC	
Corporate Credit Rating	BBB-/Stable/NR
Sr unsecd debt	
Local currency	BBB-
TXU U.S. Holdings Co	
Corporate Credit Rating	BBB-/Stable/NR
Sr unsecd debt	
Local currency	BB+
Sub debt	
Local currency	BB
Pfd stk	
Local currency	BB

Corporate Credit Rating History	
Jan. 10, 2002	BBB+

May 8, 2002	BBB+/A-2
Oct. 14, 2002	BBB/A-2
May 2, 2003	BBB/NR
June 14, 2005	BBB-/NR

Major Rating Factors

Strengths:

- Fully regulated transmission and distribution business,
- No energy procurement obligations, and
- Growing customer base.

Weaknesses:

- Mixed quality of the regulatory environment in Texas, and
- High level of capital expenditure.

Rationale

TXU Electric Delivery Co. is rated on a consolidated basis with parent TXU Corp. and its other subsidiaries. The rating on consolidated TXU is weighted down by the company's evolving and unproven growth plans and a somewhat aggressive financial policy. The existing business, however, is performing well with a highly profitable generation and marketing operation and a lower-risk transmission and distribution (T&D) operation.

Dallas, Texas-based TXU had $11.9 billion of debt (excluding securitization debt) as of Sept. 30, 2005.

TXU Delivery provides T&D services to municipalities, electric cooperatives, and retail electric providers and does not serve or bill end-users directly. TXU Delivery is regulated by the Public Utility Commission of Texas (PUCT). When the PUCT was formed in 1975, many of the cities (204 out of 400) served by TXU Delivery retained their original regulatory jurisdiction, but the PUCT has the exclusive appellate jurisdiction over them. To maintain consistency across all cities served, almost all issues raised by the cities with original jurisdiction are appealed by TXU and processed simultaneously with the PUCT.

As a stand-alone entity, the electricity delivery business has a '2' (excellent) business risk profile. (Business profiles are categorized from '1' (excellent) to '10' (vulnerable)). This business risk profile is lower than most other electric T&D operations because it has an expanding customer base and no energy procurement obligations to its customers, and therefore does not have commodity-related disallowance risk.

The regulatory environment in Texas, however, has a mixed quality. In its last rate case, which occurred in 2000, TXU was granted an ROE of 11.25% and a 60%/40% debt to equity capital structure. The company is not required to file periodic rate cases and its transmission infrastructure investments are rolled into the rate base on a yearly basis. On the downside, the company has to contend with issues raised by cities with original jurisdiction.

The stand-alone financial profile of TXU Delivery is strong. For 2004, the company recorded an adjusted funds from operations (FFO) to interest coverage of 3.8x and an adjusted FFO to total debt of 18.9%. For the rolling 12-month period ending Sept. 30, 2005, the adjusted FFO to interest coverage was 4.6x, while the adjusted FFO to total debt was 24%. However, the company has generated a relatively small amount of cash flow after capital expenditures ($92 million in 2004 and $23 million of rolling 12-month ending Sept. 30, 2005) because of heavy capital spending on reliability improvements.

Short-term rating factors

TXU Delivery's short-term rating factors reflect that of consolidated TXU Corp.

Based on the existing set of business operations, consolidated TXU's liquidity position is very strong and its short-term outlook is very stable. However, the current conditions may not hold, as management is very active in exploring and pursuing growth opportunities. The company has experienced a drastic transformation over the past two years, and it would not be surprising if further changes take place as the company follows through on its vision of growth.

TXU's strong liquidity position is based on the company having $3.5 billion in available credit lines as of Sept. 30, 2005, while the most significant potential liquidity demand from its current business operations arise from the need to post collateral in the event of a ratings downgrade, which can be several hundred million dollars. The most damaging event from a operational perspective would be a nuclear plant outage. Assuming both nuclear generating units experienced an outage, Standard & Poor's estimates that the negative effect on gross margins to be about $4 million per day based on a gas price of $10 per million Btu.

TXU has generated $2.1 billion of cash flow from operating activities through three quarters of 2005, significantly more than the amount expended on capital expenditures ($792 million) and dividends ($408 million). Due to the current high gas price environment, TXU is expected to generate significantly more cash flow in 2006.

Outlook

The outlook for TXU Delivery reflects that of consolidated TXU, which is stable. TXU's rating may be reevaluated if its growth initiatives materially weaken consolidated TXU's business risk profile or if its debt level rises above $12.5 billion. On the other hand, a more debt-friendly financial policy and a more mature growth model could form the basis for upgrades. A reevaluation does not mean a change in the rating would definitely occur.

The debt level for consolidated TXU is calculated based on the sum of short-term debt and long-term debt on the balance sheet, excluding securitization debt and imputed debt associated with leases and the sale of receivables.

Accounting

To more accurately measure TXU Corp.'s total debt burden, Standard & Poor's removes the $1.197 billion of securitized debt, which is serviced by competitive transition charges and imputes about $700 million of debt for the sale of receivables.

Table 1

TXU Electric Delivery Co. -- Peer Comparison

	--Average of past three fiscal years--		
	TXU Electric Delivery Co.	Baltimore Gas & Electric Co.	Consolidated Edison Inc.
Rating	BBB-/Stable/--	BBB+/Watch Pos/A-2	A/Stable/A-1
(Mil. $)			
Sales	2,102.3	2,639.9	9,355.6
Net income from cont. oper.	252.7	157.5	580.7
Funds from oper. (FFO)	669.1	410.5	1,380.8
Capital expenditures	547.7	250.1	1,401.0
Cash and equivalents	107.3	9.8	64.3
Total debt	3,860.6	1,706.5	7,051.4
Preferred stock	0.0	190.0	212.9
Common equity	2,730.7	1,505.1	6,466.0
Total capital	6,591.2	3,420.6	13,760.3
Ratios			
Adj. EBIT interest coverage (x)	2.4	2.8	2.9
Adj. FFO interest coverage (x)	3.4	3.9	3.7
Adj. FFO/avg. total debt (%)	17.1	18.8	18.6

Net cash flow/capital expenditures (%)	121.1	92.7	67.0
Adj. total debt/capital (%)	58.4	56.1	53.6
Return on common equity (%)	9.1	9.8	8.9
Common dividend payout (%)	--	46.1	78.3

Table 2

TXU Electric Delivery Co. -- Financial Summary

	--Last 12 months through September 2005--				
Rating history	BBB-/Stable/--	BBB/Negative/--	BBB/Negative/--	BBB/Negative/A-2	N.R.
	2005	2004	2003	2002	2001
(Mil. $)					
Sales	2,358.0	2,226.0	2,087.0	1,994.0	2,314.0
Net income from cont. oper.	336.0	255.0	258.0	245.0	228.0
Funds from oper. (FFO)	775.1	668.1	655.3	684.0	499.0
Capital expenditures	762.0	600.0	535.0	508.0	628.0
Cash and equivalents	2.0	0.0	245.0	77.0	35.0
Total debt	3,201.0	3,305.2	3,817.5	4,459.0	3,760.0
Preferred stock	0.0	0.0	0.0	0.0	0.0
Common equity	3,020.0	2,687.0	2,856.0	2,649.0	2,701.0
Total capital	6,221.0	5,992.2	6,673.5	7,108.0	6,461.0
Ratios					
Adj. EBIT interest coverage (x)	3.2	2.5	2.3	2.3	2.2
Adj. FFO interest coverage (x)	4.6	3.8	3.1	3.4	2.8
Adj. FFO/avg. total debt (%)	24.0	18.9	15.8	16.6	26.5
Adj. net cash flow/capital expenditures (%)	101.1	106.2	122.5	134.8	79.5
Adj. total debt/capital (%)	51.5	55.2	57.2	62.7	58.2
Return on common equity (%)	11.9	9.2	9.1	9.0	8.2

N.R. -- Not rated.

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STANDARD & POOR'S RATINGSDIRECT

RESEARCH

Summary:

TXU Electric Delivery Co

Publication date: 29-Sep-2006
Primary Credit Analyst: Terry A Pratt, New York (1) 212-438-2080; terry_pratt@standardandpoors.com

Credit Rating: BBB-/Negative/NR

Rationale

The rating on TXU Electric Delivery Co. reflects the consolidated creditworthiness of TXU Corp. and its subsidiaries, primarily regulated TXU Electric Delivery Co. and unregulated TXU Energy Co. LLC. TXU Electric Delivery, which provides about 25% of funds from operations (FFO) — although about half of this comes from TXU Energy -- has a business profile score of '2', reflecting its regulated, lower-risk, and growing transmission and distribution operations in the Texas market. TXU Energy, which provides roughly 80% of operating income, has a business profile score of '8' (utility business profiles are ranked from '1' (excellent) to '10' (vulnerable)) due to its exposure to competitive electricity markets in Texas, a risk that is partially offset by the unit's large amount of low-cost base load coal and nuclear power plants, as well as by customer stickiness in its traditional service markets.

Dallas, Texas-based TXU owns about 8,200 MW of nuclear and coal-fired generation capacity, along with about 10,200 MW of gas-fired capacity, and serves about 2.3 million customers in Texas. As of June 30, 2006, TXU had about $13.9 billion in adjusted debt (which included $1.4 billion of imputed off-balance-sheet debt).

TXU Electric Delivery cash flows should continue to show modest growth following a settlement with certain cities to forgo a full rate filing until June 2008 at the earliest, in exchange for TXU Electric Delivery's making about $70 million in total payments to those cities. Until that time, the company will continue operating under its year 2000 filing, which provides an ROE of 11.25% and a 60%/40% debt to equity capital structure.

The 10-year agreement to have InfrastruX Energy Services to perform construction, power restoration, and maintenance service over 10 years has the potential to erode operational performance and credit if this joint venture between the InfrastruX Group (50%) and TXU (50%) does not perform well. Performance risk is partially mitigated by TXU's joint ownership of the joint venture and its provision of about 2,000 current TXU Electric Delivery personnel to the venture. TXU Electric Delivery is exposed to costs if it wishes to end services agreements before term. The joint venture is expected to be fully operational by the end of the year, but the Public Utility Commission of Texas (PUCT) is reviewing a petition against the agreement filed with the PUCT by parties associated with some union labor at the company. The InfrastruX Group was formed in 2000 by Puget Energy Inc. and sold to Tensaka Power Fund in June 2006. It has grown through acquisitions, and currently has more than 3,000 employees and annual revenues approaching $400 million.

TXU continues to develop through TXU Generation Development Co. LLC (TXU DevCo) its project to build 11 new coal-fired plants totaling 9,079 MW by year-end 2010. TXU DevCo will likely be established on a nonrecourse, project finance basis, but Standard & Poor's Ratings Services may transfer some of DevCo's debt onto TXU's balance sheet to reflect a potential for TXU financial support. TXU is exposed to large cancellation fees for boilers and generators it has agreed to purchase for DevCo, despite not having received permits for any of the plants, and has temporarily assigned its Big Brown assets as collateral for DevCo's hedging program.

The continuing decline in retail customers at TXU Energy places downward pressure on the rating. For the year ended June 30, 2006, retail customers declined by 6%, a trend that could persist in the competitive environment. TXU estimates that its share of the Electric Reliability Council of Texas residential market has declined to about 38% at midyear 2006, compared with about 42% at midyear 2005. Resulting cash flow losses are currently mitigated by the favorable margins gained from low-cost base load units in a period of strong market prices caused by high gas prices, but if gas prices fall sharply, the decline in cash flow could further pressure the rating. The price-to-beat market structure will end in January 2007, unless extended by the Texas Public Utility Commission.

Consolidated financial performance is adequate for the rating. For the year ended June 30, 2006, adjusted FFO to interest coverage was 5.1x and adjusted FFO to average total debt was 27.4%. However, leverage remains high compared with that of peers, as measured by an average total debt to total capital ratio of about 96%.

At TXU Electric Delivery for the year ended June 30, 2006, adjusted FFO to interest coverage was 4.1x and FFO to average total debt was about 21%. The figures are down slightly from year 2005 performance.

Liquidity

TXU's liquidity is adequate for the ratings. As of June 30, 2006, consolidated cash (and equivalents) was $72 million and liquidity facility capacity was $3.8 billion, net of outstanding LOCs and borrowings. After factoring in backing for commercial paper, which has risen to about $1.3 billion due to debt maturity funding and additional collateral posting for hedging operations, available liquidity was about $2.5 billion. TXU has since released $500 million of its outstanding LOCs as a result of using its Big Brown plant assets as collateral for certain commodity hedges.

Exposure to additional liquidity needs exists in the event of rating downgrades and outages at major coal and nuclear plants. Enhancing current liquidity is operating cash flow of $1.9 billion for the first half of 2006, which is well above capital expenditures of $825 million and distributions of $384 million. Cash flow generation should remain robust in the short term, given high natural gas prices.

Outlook

The negative outlook reflects the potential for increased risk to the consolidated TXU rating that could result from TXU's development of the TXU DevCo coal plant project. This potential arises from a number of factors. Most important, the possibility exists that we would attribute some of TXU DevCo's debt to TXU's balance sheet to reflect potential TXU financial support for TXU DevCo, even though the new investment will likely be structured on a nonrecourse basis. We have not yet determined whether to impute such debt or the amounts that might be involved, but we would factor TXU DevCo's cash flow to TXU into the financial assessment.

In addition, TXU is exposed to cancellation fees related to its purchase of generators and boilers on behalf of TXU, which could occur if TXU cannot secure plant permits. Finally, there is always the possibility that TXU DevCo construction costs could rise, and that TXU may increase its exposure to TXU DevCo to mitigate this risk given the potential value of the investment. TXU is developing engineering, procurement, and construction contracts with creditworthy contractors to mitigate this risk, but final terms for most of the construction activity are uncertain.

fees is available at www.standardandpoors.com/usratingsfees.

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Moody's Investors Service

Global Credit Research
Credit Opinion
19 SEP 2006

Credit Opinion: TXU Electric Delivery Company

TXU Electric Delivery Company

Dallas, Texas, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	Baa2
Senior Unsecured	Baa2
Bkd Preferred Stock	Ba2
Commercial Paper	P-2
Ult Parent: TXU Corp.	
Outlook	Stable
Senior Unsecured	Ba1
Jr Subordinate Shelf	(P)Ba2
Preference Shelf	(P)Ba3
Parent: TXU US Holdings Company	
Outlook	Stable
Issuer Rating	Baa3

Contacts

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Laura Schumacher/New York	
Daniel Gates/New York	

Key Indicators

TXU Electric Delivery Company

	LTM 2Q 06	2005	2004	2003
(CFO Pre-W/C + Interest) / Interest Expense [1]	4.3x	4.5x	3.7x	3.3x
(CFO Pre-W/C) / Debt [1]	18.9%	22.1%	17.3%	15.9%
(CFO Pre-W/C - Dividends) / Debt [1]	15.4%	22.1%	17.3%	15.9%
Debt / Book Capitalization	52.2%	49.8%	51.6%	50.3%
ROE (NPATBUI / Avg. Equity) [2]	11.6%	12.5%	9.2%	9.4%
Dividends as a % of NPATBUI [2]	50%	0%	165%	116%

[1] CFO pre-W/C, which is also referred to as FFO in the Global Regulated Electric Utilities Rating Methodology, is equal to net cash flow from operations less net changes in working capital items [2] NPATBUI is Net Profit After-tax Befor Unusual Items

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

Opinion

Company Profile

TXU Electric Delivery Company (TXU Delivery Baa2 senior unsecured / stable outlook) is a wholly-owned subsidiary of TXU Corp. (TXU Ba1 senior unsecured / stable outlook). TXU Delivery is a rate-regulated electric transmission and distribution (T&D) utility serving the greater Dallas-Forth Worth, Texas region. The company is regulated by the Public Utility Commission of Texas (PUCT) and is headquartered in Dallas, Texas.

Rating Rationale

TXU Delivery's Baa2 senior unsecured rating reflects our assessment of the company's business and operating risk profile, its financial condition, liquidity position and strategic expectations over the longer-term horizon.

From a credit perspective, Moody's views TXU Delivery's business and operating risk profile positively. The company is fully regulated by the PUCT, which we view as being reasonably supportive to credit. As noted in our Rating Methodology for Global Regulated Electric Utilities (the "Rating Methodology"), published in March 2005, Texas is scored as an SRE-3 (on a scale of 1 through 4), which reflects our assessment for the supportiveness of the regulatory environment. In our opinion, TXU Delivery maintains a constructive relationship with the PUCT, and we currently do not incorporate any materially adverse regulatory matters over the near to intermediate term into our rating or rating outlook.

As a rate-regulated T&D company, TXU Delivery generates its revenues through a rate setting mechanism authorized by the PUCT. These revenues, in general, tend to be more stable and predictable than non-regulated businesses, and are viewed positively from a credit perspective. TXU Delivery has, on average, generated approximately $2.1 billion in revenues, approximately $300 million in earnings and roughly $700 million in cash flows over the past few years. Moody's observes that affiliate revenues as a percentage of total revenues have declined from roughly 70% in 2003 to approximately 55% in 2005. Prospectively, Moody's expects these financial figures to remain relatively flat, with only modest growth opportunities being generated through rate base investment.

TXU Delivery's key financial credit metrics are viewed positively from a credit perspective in relation to its Baa2-rating category. The company has produced, on average, a ratio of funds from operations (FFO) to adjusted total debt of approximately 16.5% over the past 4-years. This ratio has been steadily improving over the past few years, and is expected to remain in the mid-teen's over the intermediate term. The ratio of FFO to interest expense has averaged approximately 3.5x over the past 4-years, and is expected to remain within a range between 3.5x - 4.0x over the intermediate term. These ratios are well within the ranges we view as appropriate for the Baa2-rated T&D utilities, as well as on a comparable basis to other Texas-based T&D utilities (such as AEP Texas North (Baa1 senior unsecured / stable outlook), AEP Texas Central (Baa2 senior unsecured / stable outlook), CenterPoint Energy Houston Electric (Baa3 Long Term Issuer / stable outlook) and Texas-New Mexico Power Company (Baa3 senior unsecured / stable outlook).

TXU Delivery's liquidity position appears sufficient. Moody's estimates that the company has approximately $1.9 billion of net available liquidity as of June 2006. However, we note that TXU Delivery shares its credit facilities with its more risky, non-regulated affiliate, TXU Energy Company LLC (Baa2 senior unsecured / stable outlook). The shared credit facilities are viewed as a modest constraint to the rating for TXU Delivery.

From a longer-term strategic perspective, Moody's notes the corporate reorganization that occurred in December 2005, when TXU Delivery was moved from a subsidiary of an intermediate holding company, TXU US Holdings (Baa3 senior unsecured / stable outlook) to a direct, wholly-owned subsidiary of TXU Corp. Moody's also notes the public comments of management with respect to investigating potential divestiture opportunities for TXU Delivery. From a strategic perspective, while we do not see a compelling rationale for TXU to maintain ownership of a regulated T&D business over the long-term, we are also not incorporating any event risk that the utility will be divested over the near-term into our rating and rating outlook at this time.

Rating Outlook

The stable rating outlook for TXU Delivery reflects our view that the company will continue to produce relatively stable earnings and cash flows over the near and intermediate term. These earnings and cash flows should produce ratios of FFO to adjusted total debt in the mid-teen's and FFO to interest coverage ratios of approximately 3.5x on a sustainable basis.

What Could Change the Rating - Up

The ratings for TXU Delivery could be upgraded with a sustained improvement to the key credit ratios, including FFO to adjusted total debt in the high-teen's and FFO interest coverage ratios near 4.0x.

What Could Change the Rating - Down

The ratings for TXU Delivery could be downgraded if the key financial ratios were to deteriorate, including FFO to adjusted total debt in the low teen's and FFO interest coverage near 3.0x. In addition, the ratings for TXU Delivery could be negatively impacted if the company's affiliate, TXU Energy, were to experience a significantly negative development that causes a liquidity situation for TXU Delivery or if a development occurred that led to a significant rating downgrade of the parent, TXU Corp. However, Moody's does not incorporate a view that such a development will transpire over the near-term, but we acknowledge the higher risk profile, the commodity-related volatility and substantial hedging program associated with TXU Energy and the potential construction and commercial execution risks associated with TXU Corp's new coal-fired generation build-out plans.

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Moody's Investors Service

Global Credit Research
Liquidity Risk Assessment
14 SEP 2006

Liquidity Risk Assessment: TXU Electric Delivery Company

TXU Electric Delivery Company

Dallas, Texas, United States

Broad Industry:	Public Utility
Specific Industry:	Integrated Electric Utility
Short Term Rating:	P-2

Contacts

Analyst	Phone
James Hempstead/New York	1.212.553.1653
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Opinion

TXU Electric Delivery Company's (Baa2 senior unsecured / stable outlook "TXU Delivery") liquidity appears sufficient. The Company is a wholly-owned subsidiary of TXU Corp (Ba1 senior unsecured / stable outlook), and was formed as a result of the 1999 Texas Restructuring Plan which introduced competitive markets for electric service in Texas. TXU Delivery is a regulated electricity transmission and distribution company ("poles and wires" business) principally engaged in providing electric delivery services to retail electric providers (REP's) that sell power in the north-central, eastern and western regions of Texas. TXU Delivery is regulated by the Public Utility Commission of Texas (PUCT).

TXU Delivery's Prime-2 short-term rating primarily reflects the cash flow generating ability of the company, coupled with a significant amount of net available liquidity. TXU Delivery is allowed to utilize approximately $3.6 billion of the $4.5 billion of joint credit facilities, which are shared with its affiliate, TXU Energy Company (Baa2 senior unsecured / stable outlook). These facilities include the $1.4 billion facility expiring in June 2008, the $1.6 billion facility expiring in March 2010, the $1.0 billion facility expiring in August 2008 and a $500 million facility expiring in June 2010. Although the aggregate amount of these facilities totaled $4.5 billion, we observe that TXU Delivery's borrowing capacity is limited to 80%, resulting in the $3.6 billion figure. In addition, TXU Delivery shares approximately $75 million on uncommitted facilities with TXU Energy, $50 million of which expires in December 2006. These uncommitted lines are un-drawn at this time, and funding remains at the discretion of the lenders.

Of the $4.5 billion of total credit facility capacity, TXU Delivery has issued approximately $600 million of commercial paper, with relatively short-dated maturities. The commercial paper balance usually declines in the third quarter due to seasonality, but given the increased capital expenditure plans at the company, we expect commercial paper levels to remain relatively steady over the next 12 months. TXU Delivery's affiliate, TXU Energy, has approximately $900 million of commercial paper issued, has roughly $550 million of drawn borrowings and has posted letters of credit of approximately $500 million against the shared $4.5 billion of total credit facility capacity, which, when combined with TXU Delivery's approximately $600 million of commercial paper, leaves approximately $1.9 billion of net available capacity.

TXU Delivery's shared credit facilities contain cross default provisions to other TXU Delivery indebtedness in excess of $50 million. There are not any cross default provisions between TXU Delivery and TXU Energy. A default at TXU Energy does not affect TXU Delivery's ability to borrow nor does it affect any outstanding borrowings.

The credit facilities contain certain financial covenants, such as a minimum fixed charge coverage ratio of 1.75x and a debt to capitalization ratio of greater than 65%. As of June 2006, TXU Delivery was in compliance with these financial covenant provisions, generating an approximately 5.0x - 5.5x fixed charge coverage and an approximately 50% - 55% debt to capitalization ratio (as defined in the credit agreements).

TXU Delivery's credit facilities require it to make certain representations and warranties regarding potential material adverse changes for incremental borrowings that increase TXU Delivery's total utilized credit facility capacity.

For the latest twelve months ended June 2006, TXU Delivery generated approximately $728 million of cash from operations, made upstream dividend payments to TXU Corp of approximately $170 million and invested approximately $800 million in capital expenditures, resulting in negative free cash flow position of roughly $250 million.

TXU Delivery's next significant scheduled debt maturity is a $200 million note maturing in September 2007.

Commercial Paper

Commercial Paper Rates

[illegible] from data supplied by the Depository Trust & Clearing Corporation

Daily rates for commercial paper are provided for the AA nonfinancial, A2/P2 nonfinancial, AA financial, and AA asset-backed categories. The criteria that determine which issues are included in the rate categories are detailed in the Rate Calculations section of the About page of this release.

Annual average												
2015	0.09	0.09	0.10	0.11	0.15	0.16	0.3[illegible]	0.41	0.44	0.47	0.51	[illegible]
2016	0.3[illegible]	0.35	0.36	0.39	0.42	0.52	0.66	0.66	0.71	0.79	0.85	[illegible]
2017*	0.64	0.58	0.57	0.61	0.71	0.77	0.85	0.90	0.93	1.07	1.09	n.a.
Monthly average												
2016-Aug.	0.35	0.34	0.35	0.37	0.43	0.50	0.57	[illegible]	0.71	0.75	0.80	0.84
Sept.	0.36	0.36	0.39	0.40	0.46	0.53	0.58	0.64	0.68	0.77	0.84	0.96
Oct.	0.36	0.36	0.38	0.43	0.50	0.58	0.59	0.65	0.67	0.79	0.82	0.86
Nov.	0.35	0.36	0.38	0.43	0.54	0.62	0.60	0.66	0.69	0.78	0.88	0.89
Dec.	0.59	0.53	0.52	0.56	0.65	0.74	0.74	0.81	0.87	0.97	1.05	1.10
2017-Jan.*	0.64	0.58	0.57	0.61	0.71	0.77	0.65	0.90	0.93	1.07	1.09	n.a.
Weekly (Friday) average												
Dec. 9	0.37	0.38	0.44	0.52	0.61	0.71	0.51	[illegible]	0.72	0.91	1.00	1.00
Dec. 16	0.43	0.60	0.58	0.63	0.68	0.74	0.72	0.83	0.91	0.98	1.11	1.30
Dec. 23	0.62	0.64	0.50	0.50	0.71	0.79	0.36	0.90	0.95	1.05	1.13	n.a.
Dec. 30	0.61	0.62	0.64	0.65	n.a.	n.a.	0.85	0.90	0.95	1.00	1.11	n.a.
Jan. 6*	0.64	0.58	0.57	0.61	0.71	0.77	0.85	[illegible]	0.93	[illegible]	1.09	n.a.
Daily												
Dec. 28	0.60	n.a.	0.64	0.6[illegible]	n.a.	n.a.	0.86	0.92	0.95	1.0[illegible]	n.a.	n.a.
Dec. 29	0.59	[illegible]	0.58	0.65	n.a.	n.a.	0.84	0.90	[illegible]	[illegible]	n.a.	n.a.
Dec. 30	0.69	0.62	0.65	0.63	n.a.	n.a.	0.33	0.88	0.92	[illegible]	n.a.	n.a.
Jan. 2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	[illegible]	n.a.	n.a.
Jan. 3	0.64	0.53	0.57	0.61	0.71	0.77	0.85	[illegible]	0.93	[illegible]	1.09	n.a.

* Data through January 3

Note: n.a. indicates that trade data was insuffic[illegible]

Annual average								
2015	0.09	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.15	[illegible]
2016	0.39	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENERGY

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2015**

Commission File Number	Exact name of registrants as specified in their charters, address of principal executive offices and registrants' telephone number	IRS Employer Identification Number
1-8841	**NEXTERA ENERGY, INC.**	59-2449419
2-27612	**FLORIDA POWER & LIGHT COMPANY** 700 Universe Boulevard Juno Beach, Florida 33408 (561) 694-4000	59-0247775

State or other jurisdiction of incorporation or organization: Florida

Securities registered pursuant to Section 12(b) of the Act:

		Name of exchange on which registered
NextEra Energy, Inc.:	Common Stock, $0.01 Par Value	New York Stock Exchange
	5.799% Corporate Units	New York Stock Exchange
	6.371% Corporate Units	New York Stock Exchange

Florida Power & Light Company: None

Indicate by check mark if the registrants are well-known seasoned issuers, as defined in Rule 405 of the Securities Act of 1933.

NextEra Energy, Inc. Yes ☑ No ☐ Florida Power & Light Company Yes ☑ No ☐

Indicate by check mark if the registrants are not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934.

NextEra Energy, Inc. Yes ☐ No ☑ Florida Power & Light Company Yes ☐ No ☑

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) have been subject to such filing requirements for the past 90 days.

NextEra Energy, Inc Yes ☑ No ☐ Florida Power & Light Company Yes ☑ No ☐

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months.

NextEra Energy, Inc Yes ☑ No ☐ Florida Power & Light Company Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

Indicate by check mark whether the registrants are a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Securities Exchange Act of 1934.

NextEra Energy, Inc	Large Accelerated Filer ☑	Accelerated Filer ☐	Non-Accelerated Filer ☐	Smaller Reporting Company ☐
Florida Power & Light Company	Large Accelerated Filer ☐	Accelerated Filer ☐	Non Accelerated Filer ☑	Smaller Reporting Company ☐

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes ☐ No ☑

Aggregate market value of the voting and non-voting common equity of NextEra Energy, Inc held by non-affiliates as of June 30, 2015 (based on the closing market price on the Composite Tape on June 30, 2015) was $44,190,491,194.

There was no voting or non-voting common equity of Florida Power & Light Company held by non-affiliates as of June 30, 2015

Number of shares of NextEra Energy, Inc. common stock, $0.01 par value, outstanding as of January 31, 2016: 460,599,691

Number of shares of Florida Power & Light Company common stock, without par value, outstanding as of January 31, 2016, all of which were held, beneficially and of record, by NextEra Energy, Inc 1,000

DOCUMENTS INCORPORATED BY REFERENCE

Portions of NextEra Energy, Inc.'s Proxy Statement for the 2016 Annual Meeting of Shareholders are incorporated by reference in Part III hereof

This combined Form 10-K represents separate filings by NextEra Energy, Inc. and Florida Power & Light Company. Information contained herein relating to an individual registrant is filed by that registrant on its own behalf. Florida Power & Light Company makes no representations as to the information relating to NextEra Energy, Inc.'s other operations.

Florida Power & Light Company meets the conditions set forth in General Instruction I.(1)(a) and (b) of Form 10-K and is therefore filing this Form with the reduced disclosure format.

DEFINITIONS

Acronyms and defined terms used in the text include the following:

Term	Meaning
AFUDC	allowance for funds used during construction
AFUDC - debt	debt component of AFUDC
AFUDC - equity	equity component of AFUDC
AOCI	accumulated other comprehensive income
Bcf	billion cubic feet
capacity clause	capacity cost recovery clause, as established by the FPSC
CO_2	carbon dioxide
DOE	U.S. Department of Energy
Duane Arnold	Duane Arnold Energy Center
EPA	U.S. Environmental Protection Agency
ERCOT	Electric Reliability Council of Texas
FERC	U.S. Federal Energy Regulatory Commission
Florida Southeast Connection	Florida Southeast Connection, LLC, a wholly owned NEER subsidiary
FPL	Florida Power & Light Company
FPL FiberNet	fiber-optic telecommunications business
FPSC	Florida Public Service Commission
fuel clause	fuel and purchased power cost recovery clause, as established by the FPSC
GAAP	generally accepted accounting principles in the U.S.
GHG	greenhouse gas(es)
IPO	initial public offering
ISO	independent system operator
ITC	investment tax credit
kW	kilowatt
kWh	kilowatt-hour(s)
Lone Star	Lone Star Transmission, LLC
Management's Discussion	Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
MMBtu	One million British thermal units
mortgage	mortgage and deed of trust dated as of January 1, 1944, from FPL to Deutsche Bank Trust Company Americas, as supplemented and amended
MW	megawatt(s)
MWh	megawatt-hour(s)
NEE	NextEra Energy, Inc.
NEECH	NextEra Energy Capital Holdings, Inc.
NEER	NextEra Energy Resources, LLC
NEET	NextEra Energy Transmission, LLC
NEP	NextEra Energy Partners, LP
NEP OpCo	NextEra Energy Operating Partners, LP
NERC	North American Electric Reliability Corporation
Note __	Note __ to consolidated financial statements
NOx	nitrogen oxide
NRC	U.S. Nuclear Regulatory Commission
O&M expenses	other operations and maintenance expenses in the consolidated statements of income
OCI	other comprehensive income
OTC	over-the-counter
OTTI	other than temporary impairment
PJM	PJM Interconnection, L.L.C.
PMI	NextEra Energy Power Marketing, LLC
Point Beach	Point Beach Nuclear Power Plant
PTC	production tax credit
PUCT	Public Utility Commission of Texas
PURPA	Public Utility Regulatory Policies Act of 1978, as amended
PV	photovoltaic
Recovery Act	The American Recovery and Reinvestment Act of 2009, as amended
regulatory ROE	return on common equity as determined for regulatory purposes
RFP	request for proposal
ROE	return on common equity
RPS	renewable portfolio standards
RTO	regional transmission organization
Sabal Trail	Sabal Trail Transmission, LLC, an entity in which a NEER subsidiary has a 33% ownership interest
Seabrook	Seabrook Station
SEC	U.S. Securities and Exchange Commission
SO_2	sulfur dioxide
U.S.	United States of America
WCEC	FPL's West County Energy Center

NEE, FPL, NEECH and NEER each has subsidiaries and affiliates with names that may include NextEra Energy, FPL, NextEra Energy Resources, NextEra, FPL Group, FPL Group Capital, FPL Energy, FPLE, NEP and similar references. For convenience and simplicity, in this report the terms NEE, FPL, NEECH and NEER are sometimes used as abbreviated references to specific subsidiaries, affiliates or groups of subsidiaries or affiliates. The precise meaning depends on the context.

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FORWARD-LOOKING STATEMENTS

This report includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions, strategies, future events or performance (often, but not always, through the use of words or phrases such as may result, are expected to, will continue, is anticipated, aim, believe, will, could, should, would, estimated, may, plan, potential, future, projection, goals, target, outlook, predict and intend or words of similar meaning) are not statements of historical facts and may be forward looking. Forward-looking statements involve estimates, assumptions and uncertainties. Accordingly, any such statements are qualified in their entirety by reference to, and are accompanied by, important factors included in Part I, Item 1A. Risk Factors (in addition to any assumptions and other factors referred to specifically in connection with such forward-looking statements) that could have a significant impact on NEE's and/or FPL's operations and financial results, and could cause NEE's and/or FPL's actual results to differ materially from those contained or implied in forward-looking statements made by or on behalf of NEE and/or FPL in this combined Form 10-K, in presentations, on their respective websites, in response to questions or otherwise.

Any forward-looking statement speaks only as of the date on which such statement is made, and NEE and FPL undertake no obligation to update any forward-looking statement to reflect events or circumstances, including, but not limited to, unanticipated events, after the date on which such statement is made, unless otherwise required by law. New factors emerge from time to time and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained or implied in any forward-looking statement.

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PART I

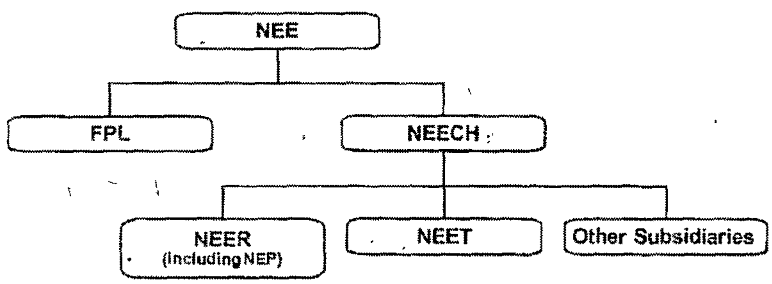
Item 1. Business

OVERVIEW

NextEra Energy, Inc. (hereafter, NEE), with approximately 46,400 MW of generating capacity, is one of the largest electric power companies in North America with electric generation facilities located in 27 states in the U.S. and 4 provinces in Canada, and employing approximately 14,300 people as of December 31, 2015. NEE provides retail and wholesale electric services to more than 5.3 million customers and owns generation, transmission and distribution facilities to support its services, as well as has investments in gas infrastructure assets. It also provides risk management services related to power and gas consumption related to its own generation assets and for a limited number of wholesale customers in selected markets. NEE, through NEER, is the largest generator in North America of renewable energy from the wind and sun based on MWh produced. In addition, NEE owns and operates approximately 15% of the installed base of U.S. wind power production capacity and owns and/or operates approximately 9% of the installed base of U.S. utility-scale solar power production capacity as of December 31, 2015. NEE also owns and operates one of the largest fleets of nuclear power stations in the U.S., with eight reactors at five sites located in four states, representing approximately 6% of U.S. nuclear power electric generating capacity as of December 31, 2015. NEE's business strategy has emphasized the development, acquisition and operation of renewable, nuclear and natural gas-fired generation facilities in response to long-term federal policy trends supportive of zero and low air emissions sources of power. NEE's generation fleet has significantly lower rates of emissions of CO_2, SO_2 and NOx than the average rates of the U.S. electric power industry with approximately 97% of its 2015 generation, measured by MWh produced, coming from renewable, nuclear and natural gas-fired facilities.

NEE was incorporated in 1984 under the laws of Florida and conducts its operations principally through two wholly owned subsidiaries, Florida Power & Light Company (hereafter, FPL) and NextEra Energy Resources, LLC (hereafter, NEER). NextEra Energy Capital Holdings, Inc. (hereafter, NEECH), another wholly owned subsidiary of NEE, owns and provides funding for NEER's and NEE's operating subsidiaries, other than FPL and its subsidiaries. NEE's two principal businesses also constitute NEE's reportable segments for financial reporting purposes. During 2014, NEE formed NEP to acquire, manage and own contracted clean energy projects with stable, long-term cash flows. See II. NEER for further discussion of NEP. NEE's and NEER's generating capacity discussed in this combined Form 10-K includes approximately 480 MW associated with noncontrolling interests related to NEP as of December 31, 2015. See Item 2. Properties.

NEE Organizational Chart



FPL is a rate-regulated electric utility engaged primarily in the generation, transmission, distribution and sale of electric energy in Florida. FPL is the largest electric utility in the state of Florida and one of the largest electric utilities in the U.S. based on retail MWh sales. FPL is vertically integrated, with approximately 25,300 MW of generating capacity as of December 31, 2015. FPL's investments in its infrastructure since 2001, such as modernizing less-efficient fossil generation plants to produce more energy with less fuel and fewer air emissions, increasing generating capacity at its existing nuclear units and upgrading its transmission and distribution systems to deliver service reliability that is the best of the Florida investor-owned utilities, have provided significant benefits to FPL's customers, all while providing residential and commercial bills that were among the lowest in Florida and below the national average based on a rate per kWh as of July 2015 (the latest date for which this data is available). With approximately 95% of its power generation coming from natural gas, nuclear and solar, FPL is also one of the cleanest electric utilities in the nation. Based on 2015 information, FPL's emissions rates for CO_2, SO_2 and NOx were 35%, 97% and 71% lower, respectively, than the average rates of the U.S. electric power industry.

NEER, with approximately 21,100 MW of generating capacity at December 31, 2015, is one of the largest wholesale generators of electric power in the U.S., with 20,120 MW of generating capacity across 25 states, and has 920 MW of generating capacity in 4

Canadian provinces. NEER produces the majority of its electricity from clean and renewable sources, including wind and solar. NEER also provides full energy and capacity requirements services, engages in power and gas marketing and trading activities and invests in natural gas, natural gas liquids and oil production and pipeline infrastructure assets.

NEECH's other business activities are primarily conducted through NEET and FPL FiberNet. Through its subsidiaries, NEET owns and operates rate-regulated transmission facilities, the largest of which is owned by Lone Star, a rate-regulated transmission service provider in Texas. FPL FiberNet delivers wholesale and enterprise telecommunications services in Florida, Texas and certain areas of the South Central U.S.

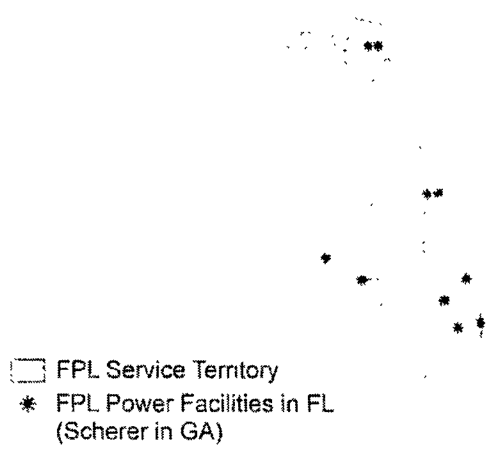
NEE seeks to create value in its two principal businesses by meeting its customers' needs more economically and more reliably than its competitors, as described in more detail in the following sections. NEE's strategy has resulted in profitable growth over sustained periods at both FPL and NEER. Management seeks to grow each business in a manner consistent with the varying opportunities available to it; however, management believes that the diversification and balance represented by FPL and NEER is a valuable characteristic of the enterprise and recognizes that each business contributes to NEE's credit profile in different ways. FPL and NEER, as well as other NEE subsidiaries, share common support functions with the objective of lowering costs and creating efficiencies for their businesses. During 2013, NEE and its subsidiaries commenced an enterprise-wide initiative focused mainly on improving productivity and reducing O&M expenses (cost savings initiative), and management expects to continue those efforts going forward.

In 2014, NEE and Hawaiian Electric Industries, Inc. (HEI) announced a proposed merger pursuant to which Hawaiian Electric Company, Inc., HEI's wholly owned electric utility subsidiary, will become a wholly owned subsidiary of NEE. The merger agreement contains certain termination rights for both NEE and HEI, including the right of either party to terminate the merger agreement if the merger has not been completed by June 3, 2016. Completion of the merger and the actual closing date remain subject to the satisfaction of certain conditions, including Hawaii Public Utilities Commission approval. See Note 1 - Proposed Merger for further discussion.

NEE'S OPERATING SUBSIDIARIES

I. FPL

FPL was incorporated under the laws of Florida in 1925 and is a wholly owned subsidiary of NEE. FPL is a rate-regulated electric utility and is the largest electric utility in the state of Florida and one of the largest electric utilities in the U.S. based on retail MWh sales. FPL, with 25,254 MW of generating capacity at December 31, 2015, supplies electric service throughout most of the east and lower west coasts of Florida, serving more than 9.5 million people through approximately 4.8 million customer accounts. At December 31, 2015, FPL's service territory and plant locations are as follows (see Item 2. Properties - Generation Facilities):



FRANCHISE AGREEMENTS AND COMPETITION

FPL's service to its retail customers is provided primarily under franchise agreements negotiated with municipalities or counties. Alternatively, municipalities and counties may form their own utility companies to provide service to their residents. In a very few cases, an FPL franchise agreement provides the respective municipality the right to buy the electrical assets serving local residents at the end of the agreement. However, during the term of a franchise agreement, which is typically 30 years, the municipality or county agrees not to form its own utility, and FPL has the right to offer electric service to residents. FPL currently holds 179 franchise agreements with various municipalities and counties in Florida with varying expiration dates through 2046. None of these franchise agreements expire in 2016, two expire in 2017 and 177 expire during the period 2018 through 2046. These franchise agreements cover approximately 88% of FPL's retail customer base in Florida. Negotiations are ongoing to renew the franchise agreements that expire in 2017. FPL considers its franchises to be adequate for the conduct of its business. FPL also provides service to 12 other municipalities and to 21 unincorporated areas within its service area without franchise agreements pursuant to the general obligation to serve as a public utility. FPL relies upon Florida law for access to public rights of way.

Because any customer may elect to provide his/her own electric services, FPL effectively must compete for an individual customer's business. As a practical matter, few customers provide their own service at the present time since FPL's cost of service is substantially lower than the cost of self-generation for the vast majority of customers. Changing technology, economic conditions and other factors could alter the favorable relative cost position that FPL currently enjoys; however, FPL seeks as a matter of strategy to ensure that it delivers superior value, in the form of high reliability, low bills and excellent customer service.

In addition to self-generation by residential, commercial and industrial customers, FPL also faces competition from other suppliers of electrical energy to wholesale customers and from alternative energy sources. In each of 2015, 2014 and 2013, operating revenues from wholesale and industrial customers combined represented approximately 5%, 5% and 3%, respectively, of FPL's total operating revenues.

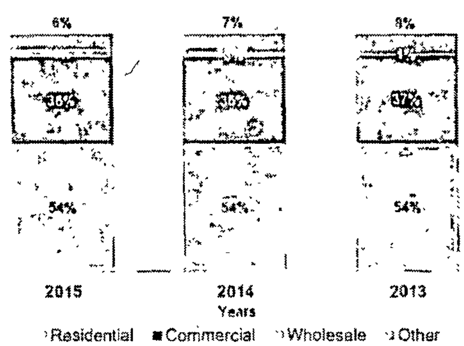
The FPSC promotes cost competitiveness in the building of new steam and solar generating capacity of 75 MW or greater by requiring investor-owned electric utilities, including FPL, to issue an RFP except when the FPSC determines that an exception from the RFP process is in the public interest. The RFP process allows independent power producers and others to bid to supply the new generating capacity. If a bidder has the most cost-effective alternative, meets other criteria such as financial viability and demonstrates adequate expertise and experience in building and/or operating generating capacity of the type proposed, the investor-owned electric utility would seek to negotiate a purchased power agreement with the selected bidder and request that the FPSC approve the terms of the purchased power agreement and, if appropriate, provide the required authorization for the construction of the bidder's generating capacity.

New nuclear power plants are exempt from the RFP requirement. See FPL Sources of Generation - Nuclear Operations below.

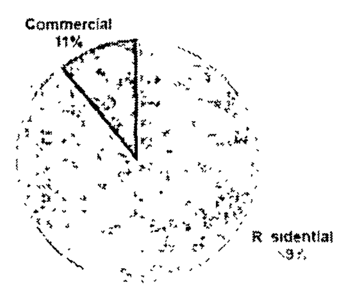
CUSTOMERS AND REVENUE

FPL's primary source of operating revenues is from its retail customer base; it also serves a limited number of wholesale customers within Florida. FPL revenues from wholesale sales increased in both 2015 and 2014, primarily due to an increase in contracted load served under existing and new wholesale contracts. The percentage of FPL's operating revenues and customer accounts by customer class were as follows:

Operating Revenues



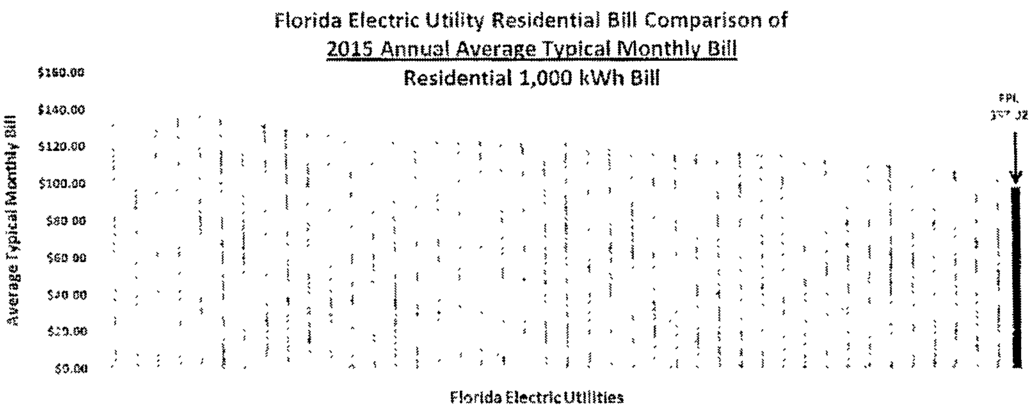
2015 Customer Accounts



Industrial, Wholesale and Other collectively less than 1%

For both retail and wholesale customers, the prices (or rates) that FPL may charge are approved by regulatory bodies, by the FPSC in the case of retail customers, and by the FERC in the case of wholesale customers. In general, under U.S. and Florida law, regulated rates are intended to cover the cost of providing service, including a reasonable rate of return on invested capital. Since the regulatory bodies have authority to determine the relevant cost of providing service and the appropriate rate of return on capital employed, there can be no guarantee that FPL will be able to earn any particular rate of return or recover all of its costs through regulated rates. See FPL Regulation below.

FPL seeks to maintain attractive rates for its customers. Since rates are largely cost-based, maintaining low rates requires a strategy focused on developing and maintaining a low-cost position, including the implementation of ideas generated from the cost savings initiative discussed above. A common benchmark used in the electric power industry for comparing rates across companies is the price of 1,000 kWh of consumption per month for a residential customer. FPL's 2015 average bill for 1,000 kWh of monthly residential usage was the lowest among reporting electric utilities within Florida as indicated below:



POWER DELIVERY

FPL provides service to its customers through an integrated transmission and distribution system that links its generation facilities to its customers. FPL also maintains interconnection facilities with neighboring utilities and non-utility generators inside its service territory, enabling it to buy and sell wholesale electricity and to enhance the reliability of its own network and support the reliability of neighboring networks. FPL's transmission system carries high voltage electricity from its generation facilities to substations where the electricity is stepped down to lower voltage levels and is sent through the distribution system to its customers.

A key element of FPL's strategy is to provide highly reliable service to its customers. The transmission and distribution system is susceptible to interruptions or outages from a wide variety of sources including weather, animal and vegetation interference, traffic accidents, equipment failure and many others, and FPL seeks to reduce or eliminate outages where economically practical and to restore service rapidly when outages occur. A common industry benchmark for transmission and distribution system reliability is the system average interruption duration index (SAIDI), which represents the number of minutes the average customer is without power during a time period. For the five years 2010 - 2014, FPL's average annual SAIDI was the best of the investor-owned utilities in Florida. FPL has accelerated its existing storm hardening and reliability program, to continue strengthening its infrastructure against tropical storms and hurricanes. Also, as part of its commitment to building a smarter, more reliable and efficient electric infrastructure, FPL has installed approximately 4.9 million smart meters and more than 35,000 other intelligent devices throughout the electric grid.

FPL SYSTEM CAPABILITY AND LOAD

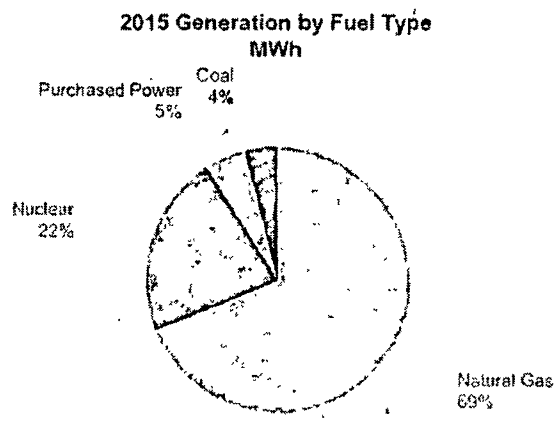
At December 31, 2015, FPL's resources for serving load consisted of 26,073 MW, of which 25,254 MW were from FPL-owned facilities (see Item 2. Properties - Generation Facilities) and approximately 819 MW were available through purchased power agreements (see FPL Sources of Generation - Purchased Power below). FPL customer usage and operating revenues are typically higher during the summer months, largely due to the prevalent use of air conditioning in FPL's service territory. Occasionally, unusually cold temperatures during the winter months result in significant increases in electricity usage for short periods of time. The highest peak load FPL has served to date was 24,346 MW, which occurred on January 11, 2010. FPL had adequate resources available at the time of this peak to meet customer demand.

FPL's projected reserve margin for the summer of 2016 is approximately 22%. This reserve margin is expected to be achieved through the combination of available output from FPL's active generation units, purchased power agreements and the capability to reduce peak demand through the implementation of demand side management programs, including load management which was estimated at December 31, 2015 to be capable of reducing demand by approximately 1,700 MW, and energy efficiency and conservation programs. See FPL Sources of Generation - Fossil Operations and - Nuclear Operations below regarding generation projects currently under construction.

FPL SOURCES OF GENERATION

FPL relies upon a mix of fuel sources for its generation facilities, along with purchased power, in order to maintain the flexibility to achieve a more economical fuel mix by responding to market and industry developments. See descriptions of fossil, nuclear and solar operations below and a listing of FPL's generation facilities in Item 2. Properties - Generation Facilities.

FPL's 2015 fuel mix based on MWh produced, including purchased power, was as follows:



Oil and Solar are collectively less than 1%

Fossil Operations (Natural Gas, Coal and Oil)

At December 31, 2015, FPL owned and operated 70 units that used fossil fuels, primarily natural gas, and had a joint ownership interest in 3 coal units. Combined, the fossil fleet provided 21,766 MW of generating capacity for FPL. These fossil units are out of service from time to time for routine maintenance or on standby during periods of reduced electricity demand. A common industry benchmark for fossil unit reliability is the equivalent forced outage rate (EFOR), which represents a generation unit's inability to provide electricity when required to operate. For the five years 2010 - 2014, FPL's average annual EFOR was in the top decile among its electric utility fossil fleet peers in the U.S.

FPL's natural gas plants require natural gas transportation, supply and storage. FPL has firm transportation contracts in place for existing pipeline capacity with five different transportation suppliers. These agreements provide for an aggregate maximum delivery quantity of 2,069,000 MMBtu/day with expiration dates ranging from 2016 to 2036 that together are expected to satisfy substantially all of the currently anticipated needs for natural gas transportation through the end of 2016. To the extent desirable, FPL also purchases interruptible natural gas transportation service from these natural gas transportation suppliers based on pipeline availability. FPL has several short- and medium-term natural gas supply contracts to provide a portion of FPL's anticipated needs for natural gas. The remainder of FPL's natural gas requirements is purchased in the spot market. FPL has an agreement for the storage of natural gas that expires in 2017. See Note 14 - Contracts.

In 2013, the FPSC approved FPL's 25-year natural gas transportation agreements with each of Sabal Trail and Florida Southeast Connection for a quantity of 400,000 MMBtu/day beginning on May 1, 2017 and increasing to 600,000 MMBtu/day on May 1, 2020. These new agreements, when combined with FPL's existing agreements, are expected to satisfy substantially all of FPL's natural gas transportation needs through at least 2020. FPL's firm commitments under the new agreements are contingent upon the occurrence of certain events, including the FERC's approval of applications by each of Sabal Trail and Florida Southeast Connection for authorization of their pipeline projects and of the application by Transcontinental Gas Pipe Line Company, LLC (Transco) for authorization of a pipeline expansion project and the lease of pipeline capacity to Sabal Trail, as well as completion of construction of the pipeline system to be built by Sabal Trail and Florida Southeast Connection. In February 2016, the FERC issued an order granting the requested authorizations, subject to certain conditions. Sabal Trail, Florida Southeast Connection and Transco are evaluating the conditions, and one or more of them are currently expected to request a rehearing. See NEER - Generation and Other Operations - Natural Gas Pipelines below and Note 14 - Contracts.

In March 2015, after receiving FPSC approval, a wholly owned subsidiary of FPL partnered with a third party to develop up to 38 natural gas production wells in the Woodford Shale region in southeastern Oklahoma and in return began receiving its ownership share of the natural gas produced from these wells. In July 2015, the FPSC approved a set of guidelines under which FPL could participate in additional natural gas production projects through investments of up to $500 million annually with an escalating annual production cap as a percent of FPL's total natural gas burn, with an emphasis on investing in proven and probable reserves. These investments in long-term natural gas supplies will provide FPL with a physical hedge on the price of natural gas to fuel its fossil generation fleet. FPL will recover the costs associated with the investments in these natural gas production wells through the fuel clause. In 2015, the State of Florida Office of Public Counsel (Office of Public Counsel) and Florida Industrial Power Users Group have each filed notices of appeal to the Florida Supreme Court challenging the FPSC's approval of FPL's initial investment in the Woodford Shale natural gas production wells and challenging the FPSC's approval of the guidelines, which appeals are pending.

St. Johns River Power Park (SJRPP) Units Nos. 1 and 2, coal-fired units in which FPL has a joint ownership interest, have firm coal supply and transportation contracts for all of their fuel and transportation needs through 2017. Scherer Unit No. 4, the other coal-fired unit in which FPL has a joint ownership interest, has firm coal supply contracts for a portion of its fuel needs through 2016, and transportation contracts for all of its needs through 2019 and a portion of its needs through 2028. Any of the remaining fuel requirements for these coal-fired units, as well as for a 250 MW coal-fired generation facility located in Jacksonville, Florida that was purchased in September 2015 (Cedar Bay), will be obtained in the spot market. See Note 14 - Contracts and Note 1 - Rate Regulation. With respect to its oil plants, FPL obtains its fuel requirements in the spot market.

Capital Initiatives

New Generation Facility Proposed - In January 2016, the FPSC approved FPL's proposal to build a new approximately 1,600 MW natural gas-fired combined-cycle unit in Okeechobee County, Florida, with a planned in-service date of mid-2019. This new unit is also subject to approval by the Siting Board (comprised of the governor and cabinet) under the Florida Electrical Power Plant Siting Act, which decision is expected by the end of 2016.

Modernization Project - FPL is in the process of modernizing its Port Everglades power plant to a high-efficiency natural gas-fired unit that is expected to provide approximately 1,240 MW of capacity and be placed in service by April 2016.

Peaker Upgrade Project - FPL is in the process of replacing 44 of its 48 gas turbines at its Lauderdale, Port Everglades and Fort Myers facilities, totaling approximately 1,700 MW of capacity, with 7 high-efficiency, low-emission turbines at its Lauderdale and Fort Myers facilities, totaling approximately 1,610 MW of capacity, by December 2016. In addition, FPL is upgrading 2 additional simple-cycle combustion turbines at its Fort Myers facility, which are expected to add an additional 50 MW of capacity by December 2016.

Nuclear Operations

At December 31, 2015, FPL owned, or had undivided interests in, and operated the following four nuclear units with a total net generating capacity of 3,453 MW.

Facility	MW	Operating License Expiration Dates
St. Lucie Unit No. 1	981	2036
St. Lucie Unit No. 2	840	2043
Turkey Point Unit No. 3	811	2032
Turkey Point Unit No. 4	821	2033

FPL has several contracts for the supply of uranium and the conversion, enrichment and fabrication of nuclear fuel with expiration dates ranging from late February 2016 through 2031. See Note 14 - Commitments. NRC regulations require FPL to submit a plan for decontamination and decommissioning five years before the projected end of plant operation. FPL's current plans, under the applicable operating licenses, provide for prompt dismantlement of Turkey Point Units Nos. 3 and 4 with decommissioning activities commencing in 2032 and 2033, respectively. Current plans provide for St. Lucie Unit No. 1 to be mothballed beginning in 2036 with decommissioning activities to be integrated with the prompt dismantlement of St. Lucie Unit No. 2 commencing in 2043.

Projects to Add Additional Capacity. FPL's need petition for two additional nuclear units at its Turkey Point site was approved by the FPSC in 2008 and FPL is moving forward with activities necessary to obtain all permits, licenses and approvals necessary for construction and operation of the units. The two units are expected to add a total of approximately 2,200 MW of capacity. The timing of commercial operation will be subject to various regulatory approvals from the FPSC and other agencies which will be required throughout the licensing and development processes and the nuclear units are expected to be placed in-service in 2027 and 2028. The NRC's decision regarding issuance of the licenses for the two units is expected in mid-2017.

Nuclear Unit Scheduled Refueling Outages. FPL's nuclear units are periodically removed from service to accommodate normal refueling and maintenance outages, including inspections, repairs and certain other modifications. Scheduled nuclear refueling outages typically require the unit to be removed from service for variable lengths of time. The following table summarizes each unit's next scheduled refueling outage:

Facility	Next Scheduled Refueling Outage
St. Lucie Unit No. 1	September 2016
St. Lucie Unit No. 2	March 2017
Turkey Point Unit No. 3	March 2017
Turkey Point Unit No. 4	March 2016

Spent Nuclear Fuel. FPL's nuclear facilities use both on-site storage pools and dry storage casks to store spent nuclear fuel generated by these facilities, which are expected to provide sufficient storage of spent nuclear fuel at these facilities through license expiration. In 2014, the NRC issued its Continued Storage of Spent Nuclear Fuel Rule which supports the NRC's determination that licensees can safely store spent nuclear fuel at nuclear power plants indefinitely. Various parties have filed petitions with the U.S. Court of Appeals for the District of Columbia Circuit (D.C. Circuit) challenging the rule and requesting that the NRC suspend final reactor licensing decisions in all open NRC licensing proceedings (including the licensing proceeding for two additional nuclear units at FPL's Turkey Point site) alleging that the rule is deficient. Briefs were filed in November 2015 and oral argument has been scheduled for late February 2016.

Nuclear Waste Policy Act of 1982, as amended (Nuclear Waste Policy Act) - Under the Nuclear Waste Policy Act, the DOE is responsible for the development of a repository for the disposal of spent nuclear fuel and high-level radioactive waste. As required by the Nuclear Waste Policy Act, FPL is a party to contracts with the DOE to provide for disposal of spent nuclear fuel from its nuclear units.

The DOE was required to construct permanent disposal facilities and take title to and provide transportation and disposal for spent nuclear fuel by January 31, 1998 for a specified fee based on current generation from nuclear power plants which fee was subsequently set to zero effective May 2014. The DOE did not meet its statutory obligation for disposal of spent nuclear fuel under the Nuclear Waste Policy Act. In 2009, FPL and certain of FPL's nuclear plant joint owners entered into a settlement agreement (spent fuel settlement agreement) with the U.S. government agreeing to dismiss with prejudice lawsuits filed against the U.S. government seeking damages caused by the DOE's failure to dispose of spent nuclear fuel from FPL's nuclear plants. The spent fuel settlement agreement permits FPL to make annual filings to recover certain spent fuel storage costs incurred by FPL which are reimbursable by the U.S. government on an annual basis.

Yucca Mountain - In 2010, the DOE filed a motion with the NRC to withdraw its license application for a nuclear waste repository at Yucca Mountain, which request was denied. In 2011, the NRC issued an order suspending the Yucca Mountain licensing proceeding, which order was challenged, and in 2013, the D.C. Circuit issued an order requiring the NRC to proceed with the legally mandated licensing process for a nuclear waste repository at Yucca Mountain. The NRC has completed the technical review of the application and is planning to supplement the DOE's environmental impact statement. Certain requirements must be met before the NRC can issue a license for the repository.

Solar Operations

Solar generation can be provided primarily through two conventions: utility-owned and customer-owned or leased. In utility-owned solar generation, the energy generated goes directly to the electric grid, whereas customer-owned or leased solar generation generally goes directly to the location it is serving with any excess over that local need being fed back to the electric grid. There are two principal solar technologies used for utility-scale projects: PV and thermal. At December 31, 2015, FPL owned and operated two solar PV generation facilities, which provided a total of 35 MW of generating capacity, and a 75 MW solar thermal hybrid facility. FPL supports the advancement of solar generation primarily for its fuel diversity and emissions reduction benefits, and plans to continue to support, study and pursue solar generation that is beneficial for FPL's customers. FPL is in the process of building three solar PV projects that are expected to provide approximately 74 MW each and be placed into service by the end of 2016.

Purchased Power

In addition to owning generation facilities, FPL also purchases power and capacity from non-utility generators and other utilities to meet customer demand through long-term purchased power agreements. As of December 31, 2015, FPL's long-term purchased power agreements provided for the purchase of approximately 819 MW of power with expiration dates ranging from 2021 through 2034. See Note 14 - Contracts. On occasion, FPL may procure short-term power and capacity for both economic and reliability purposes. In September 2015, FPL assumed ownership of Cedar Bay and terminated FPL's long-term purchased power agreement for substantially all of the facility's capacity and energy. See Note 1 - Rate Regulation.

FPL ENERGY MARKETING AND TRADING

FPL's Energy Marketing & Trading division (EMT) buys and sells wholesale energy commodities, such as natural gas, oil and electricity EMT procures natural gas and oil for FPL's use in power generation and sells excess natural gas, oil and electricity. EMT also uses derivative instruments (primarily swaps, options and forwards) to manage the commodity price risk inherent in the purchase and sale of fuel and electricity. Substantially all of the results of EMT's activities are passed through to customers in the fuel or capacity clauses. See FPL Regulation - FPL Rate Regulation below, Management's Discussion - Energy Marketing and Trading and Market Risk Sensitivity and Note 3.

FPL REGULATION

FPL's operations are subject to regulation by a number of federal, state and other organizations, including, but not limited to, the following:

- the FPSC, which has jurisdiction over retail rates, service territory, issuances of securities, planning, siting and construction of facilities, among other things;
- the FERC, which oversees the acquisition and disposition of generation, transmission and other facilities, transmission of electricity and natural gas in interstate commerce, proposals to build interstate natural gas pipelines and storage facilities, and wholesale purchases and sales of electric energy, among other things;
- the NERC, which, through its regional entities, establishes and enforces mandatory reliability standards, subject to approval by the FERC, to ensure the reliability of the U.S. electric transmission and generation system and to prevent major system blackouts;
- the NRC, which has jurisdiction over the operation of nuclear power plants through the issuance of operating licenses, rules, regulations and orders; and
- the EPA, which has the responsibility to maintain and enforce national standards under a variety of environmental laws. The EPA also works with industries and all levels of government, including federal and state governments, in a wide variety of voluntary pollution prevention programs and energy conservation efforts.

FPL Rate Regulation

The FPSC sets rates at a level that is intended to allow FPL the opportunity to collect from retail customers total revenues (revenue requirements) equal to FPL's cost of providing service, including a reasonable rate of return on invested capital. To accomplish this, the FPSC uses various ratemaking mechanisms, including, among other things, base rates and cost recovery clauses.

Base Rates. In general, the basic costs of providing electric service, other than fuel and certain other costs, are recovered through base rates, which are designed to recover the costs of constructing, operating and maintaining the utility system. These basic costs include O&M expenses, depreciation and taxes, as well as a return on FPL's investment in assets used and useful in providing electric service (rate base). At the time base rates are established, the allowed rate of return on rate base approximates the FPSC's determination of FPL's estimated weighted-average cost of capital, which includes its costs for outstanding debt and an allowed ROE. The FPSC monitors FPL's actual regulatory ROE through a surveillance report that is filed monthly by FPL with the FPSC. The FPSC does not provide assurance that any regulatory ROE will be achieved. Base rates are determined in rate proceedings or through negotiated settlements of those proceedings. Proceedings can occur at the initiative of FPL or upon action by the FPSC. Base rates remain in effect until new base rates are approved by the FPSC

In January 2013, the FPSC issued a final order approving a stipulation and settlement between FPL and several intervenors in FPL's base rate proceeding (2012 rate agreement). Key elements of the 2012 rate agreement, which is effective from January 2013 through December 2016, include, among other things, the following:

- New retail base rates and charges were established in January 2013 resulting in an increase in retail base revenues of $350 million on an annualized basis.
- FPL's allowed regulatory ROE is 10.50%, with a range of plus or minus 100 basis points. If FPL's earned regulatory ROE falls below 9.50%, FPL may seek retail base rate relief. If the earned regulatory ROE rises above 11.50%, any party to the 2012 rate agreement other than FPL may seek a review of FPL's retail base rates.
- Retail base rates will be increased by the annualized base revenue requirements for FPL's three modernization projects (Cape Canaveral, Riviera Beach and Port Everglades) as each of the modernized power plants becomes operational. (Cape Canaveral and Riviera Beach became operational in April 2013 and April 2014, respectively, and Port Everglades is expected to be operational by April 2016.)
- Cost recovery of WCEC Unit No. 3, which was placed in service in May 2011, will continue to occur through the capacity clause.
- Subject to certain conditions, FPL may amortize, over the term of the 2012 rate agreement, a depreciation reserve surplus remaining at the end of 2012 under a previous rate agreement (approximately $224 million) and may amortize a portion of FPL's fossil dismantlement reserve up to a maximum of $176 million (collectively, the reserve), provided that in any year of the 2012 rate agreement, FPL must amortize at least enough reserve to maintain a 9.50% earned regulatory ROE but may not amortize any reserve that would result in an earned regulatory ROE in excess of 11.50%. See below regarding a subsequent reduction in the reserve amount.

- Future storm restoration costs would be recoverable on an interim basis beginning 60 days from the filing of a cost recovery petition, but capped at an amount that could produce a surcharge of no more than $4 for every 1,000 kWh of usage on residential bills during the first 12 months of cost recovery. Any additional costs would be eligible for recovery in subsequent years. If storm restoration costs exceed $800 million in any given calendar year, FPL may request an increase to the $4 surcharge to recover the amount above $800 million.
- An incentive mechanism whereby customers will receive 100% of certain gains, including, but not limited to, gains from the purchase and sale of electricity and natural gas (including transportation and storage), up to a specified threshold; gains exceeding that specified threshold will be shared by FPL and its customers (incentive mechanism).

In August 2015, the FPSC approved a stipulation and settlement between the Office of Public Counsel and FPL regarding issues relating to the ratemaking treatment for FPL's purchase of Cedar Bay. As part of this settlement, the amount of the reserve was reduced by $30 million to $370 million, unless FPL needs the entire $400 million reserve to maintain a minimum regulatory ROE of 9.50%. In October 2015, the Florida Industrial Power Users Group filed a notice of appeal challenging the FPSC's approval of this settlement, which is pending before the Florida Supreme Court.

In January 2016, FPL filed a formal notification with the FPSC indicating its intent to initiate a base rate proceeding, consisting of a four-year rate plan that would begin in January 2017 following the expiration of the 2012 rate agreement at the end of 2016. The notification stated that, based on preliminary estimates, FPL expects to request an increase to base annual revenue requirements of (i) approximately $860 million effective January 2017, (ii) approximately $265 million effective January 2018, and (iii) approximately $200 million effective when the proposed natural gas-fired combined-cycle unit in Okeechobee County, Florida becomes operational, which is expected to occur in mid-2019 (see FPL Sources of Generation - Fossil Operations - Capital Initiatives above). Under the proposed rate plan, FPL commits that if its requested adjustments to base annual revenue requirements are approved, it will not request further adjustments for 2020. In addition, FPL expects to propose an allowed regulatory ROE midpoint of 11.50%, which includes a 50 basis point performance adder. FPL expects to file its formal request to initiate a base rate proceeding in March 2016.

Cost Recovery Clauses. Cost recovery clauses, which are designed to permit full recovery of certain costs and provide a return on certain assets allowed to be recovered through the various clauses, include substantially all fuel, purchased power and interchange expense, certain construction-related costs and conservation and certain environmental-related costs. Cost recovery clause costs are recovered through levelized monthly charges per kWh or kW, depending on the customer's rate class. These cost recovery clause charges are calculated at least annually based on estimated costs and estimated customer usage for the following year, plus or minus true-up adjustments to reflect the estimated over or under recovery of costs for the current and prior periods. An adjustment to the levelized charges may be approved during the course of a year to reflect revised estimates.

Fuel costs and energy charges under the purchased power agreements are recovered from customers through the fuel clause, the most significant of the cost recovery clauses in terms of operating revenues. FPL uses a risk management fuel procurement program which has been approved by the FPSC. The FPSC reviews the program activities and results for prudence annually as part of its review of fuel costs. The program is intended to manage fuel price volatility by locking in fuel prices for a portion of FPL's fuel requirements. See FPL Energy Marketing and Trading above, Note 1 - Rate Regulation and Note 3. Costs associated with FPL's investments in natural gas production wells are also recovered through the fuel clause. See FPL Sources of Generation - Fossil Operations above.

Capacity payments to non-utility generators and other utilities, the cost of WCEC Unit No. 3 (reported as retail base revenues) and a portion of the acquisition cost of Cedar Bay, among other things, are recovered from customers through the capacity clause. See Note 1 - Rate Regulation. In accordance with the FPSC's nuclear cost recovery rule, FPL also recovers pre-construction costs and carrying charges (equal to a pretax AFUDC rate) on construction costs for new nuclear capacity through the capacity clause. As property related to the new nuclear capacity goes into service, construction costs and a return on investment are recovered through base rate increases effective beginning the following January. See FPL Sources of Generation - Nuclear Operations above.

Costs associated with implementing energy conservation programs are recovered from customers through the energy conservation cost recovery clause. Certain costs of complying with federal, state and local environmental regulations enacted after April 1993 and costs associated with FPL's three operating solar facilities are recovered through the environmental cost recovery clause (environmental clause).

The FPSC has the authority to disallow recovery of costs that it considers excessive or imprudently incurred. These costs may include, among others, fuel and O&M expenses, the cost of replacing power lost when fossil and nuclear units are unavailable, storm restoration costs and costs associated with the construction or acquisition of new facilities.

FERC

The Federal Power Act grants the FERC exclusive ratemaking jurisdiction over wholesale sales of electricity and the transmission of electricity and natural gas in interstate commerce. Pursuant to the Federal Power Act, electric utilities must maintain tariffs and rate schedules on file with the FERC which govern the rates, terms and conditions for the provision of FERC-jurisdictional wholesale power and transmission services. The Federal Power Act also gives the FERC authority to certify and oversee a national electric reliability organization with authority to establish and independently enforce mandatory reliability standards applicable to all users, owners and operators of the bulk-power system. See NERC below. Electric utilities are subject to accounting, record-keeping and reporting requirements administered by the FERC. The FERC also places certain limitations on transactions between electric utilities and their affiliates.

NERC

The NERC has been certified by the FERC as the national electric reliability organization. The NERC's mandate is to ensure the reliability and security of the North American bulk-power system through the establishment and enforcement of reliability standards approved by FERC. The NERC's regional entities also enforce reliability standards approved by the FERC. FPL is subject to these reliability standards and incurs costs to ensure compliance with continually heightened requirements, and can incur significant penalties for failing to comply with them.

FPL Environmental Regulation

FPL is subject to environmental laws and regulations and is affected by some of the emerging issues described in the NEE Environmental Matters section below. FPL expects to seek recovery through the environmental clause for compliance costs associated with any new environmental laws and regulations.

FPL EMPLOYEES

FPL had approximately 8,800 employees at December 31, 2015. Approximately 34% of the employees are represented by the International Brotherhood of Electrical Workers (IBEW) under a collective bargaining agreement with FPL that expires October 31, 2017.

II. NEER

NEER was formed in 1998 to aggregate NEE's competitive energy businesses. It is a limited liability company organized under the laws of Delaware and is a wholly owned subsidiary of NEECH Through its subsidiaries, NEER currently owns, develops, constructs, manages and operates electric generation facilities in wholesale energy markets primarily in the U.S., as well as in Canada and Spain. See Note 15. NEER is one of the largest wholesale generators of electric power in the U.S., with 21,140 MW of generating capacity across 25 states, 4 Canadian provinces and 1 Spanish province as of December 31, 2015. NEER produces the majority of its electricity from clean and renewable sources as described more fully below. NEER is the largest generator in North America of electric power from wind and utility-scale solar energy projects based on MWh produced.

NEER also engages in energy-related commodity marketing and trading activities, including entering into financial and physical contracts, to hedge the production from its generation assets that is not sold under long-term power supply agreements. These contracts primarily include power and gas commodities and their related products, as well as providing full energy and capacity requirements services primarily to distribution utilities in certain markets and offering customized power and gas and related risk management services to wholesale customers. In addition, NEER participates in natural gas, natural gas liquids and oil production through non-operating ownership interests, and in pipeline infrastructure development, construction, management and operations, through either wholly owned subsidiaries or noncontrolling or joint venture interests, hereafter referred to as the gas infrastructure business. NEER also hedges the expected output from its gas infrastructure production assets to protect against price movements. During the fourth quarter of 2015, the natural gas pipeline projects that were previously reported in Corporate and Other were moved to the NEER segment reflecting the overall scale of the natural gas pipeline investments and management of these projects within NEER's gas infrastructure business. See Note 15.

As discussed in the Overview above, during 2014, NEP was formed to acquire, manage and own contracted clean energy projects with stable, long-term cash flows through a limited partner interest in NEP OpCo. Through an indirect wholly owned subsidiary, NEE owns 101,440,000 common units of NEP OpCo representing a noncontrolling interest in NEP's operating projects of approximately 76.8% as of December 31, 2015. NEE owns a controlling general partner interest in NEP and consolidates NEP for financial reporting purposes. See Note 1 - NextEra Energy Partners, LP. As of December 31, 2015, NEP, through the combination of NEER's contribution of energy projects to NEP OpCo in connection with NEP's IPO in July 2014 and the acquisition of additional energy projects from NEER in 2015, owns a portfolio of 19 wind and solar projects with generating capacity totaling approximately 2,210 MW and long-term contracted natural gas pipeline assets as discussed below. In addition, NEP OpCo has a right of first offer for certain of NEER's assets (ROFO assets) if NEER should seek to sell the assets. The ROFO assets remaining as of December 31, 2015, include contracted wind and solar projects, some of which are under construction, with a combined capacity of approximately 1,076 MW. Included in the ROFO assets are three solar projects that, upon completion of construction, are expected to have a total generating capacity of 277 MW. In 2015, NEP OpCo issued 2 million NEP OpCo Class B Units to NEER in exchange for an approximately 50% ownership interest in the three solar projects NEER, as holder of the Class B Units, will retain 100% of the economic interests if, and until, NEER offers to sell the economic interests to NEP and NEP accepts such offer. In October 2015, NEP completed the acquisition of the membership interests in NET Holdings Management, LLC (Texas pipeline business), a developer, owner and operator of a portfolio of seven intrastate long-term contracted natural gas pipeline assets located in Texas (Texas pipelines). See Generation and Other Operations - Contracted, Merchant and Other Operations - Other Operations below.

MARKETS AND COMPETITION

Electricity markets in the U.S. and Canada are regional and diverse in character. All are extensively regulated, and competition in these markets is shaped and constrained by regulation. The nature of the products offered varies based on the specifics of regulation in each region. Generally, in addition to the natural constraints on pricing freedom presented by competition, NEER may also face specific constraints in the form of price caps, or maximum allowed prices, for certain products. NEER's ability to sell the output of its generation facilities may also be constrained by available transmission capacity, which can vary from time to time and can have a significant impact on pricing.

The degree and nature of competition that NEER faces is different in wholesale markets and in retail markets. During 2015, approximately 92% of NEER's revenue was derived from wholesale electricity markets.

Wholesale power generation is a capital-intensive, commodity-driven business with numerous industry participants. NEER primarily competes on the basis of price, but believes the green attributes of NEER's generation assets, its creditworthiness and its ability to offer and manage reliable customized risk solutions to wholesale customers are competitive advantages. Wholesale power generation is a regional business that is highly fragmented relative to many other commodity industries and diverse in terms of industry structure. As such, there is a wide variation in terms of the capabilities, resources, nature and identity of the companies NEER competes with depending on the market. In wholesale markets, customers' needs are met through a variety of means, including long-term bilateral contracts, standardized bilateral products such as full requirements service and customized supply and risk management services.

In general, U.S. electricity markets encompass three classes of services: energy, capacity and ancillary services. Energy services relate to the physical delivery of power; capacity services relate to the availability of MW capacity of a power generation asset; and ancillary services are other services related to power generation assets, such as load regulation and spinning and non-spinning reserves. The exact nature of these classes of services is defined in part by regional tariffs. Not all regions have a capacity services class, and the specific definitions of ancillary services vary from region to region.

RTOs and ISOs exist in a number of regions within which NEER operates to coordinate generation and transmission across wide geographic areas and to run markets. NEER also has operations that fall within the Western Electricity Coordinating Council reliability region that are not under the jurisdiction of an established RTO or ISO. Although each RTO and ISO may have differing objectives and structures, some benefits of these entities include regional planning, managing transmission congestion, developing larger wholesale markets for energy and capacity, maintaining reliability and facilitating competition among wholesale electricity providers. NEER has operations that fall within the following RTOs and ISOs:

- Alberta Electric System Operator
- California Independent System Operator
- ERCOT
- Independent Electricity System Operator (in Ontario)
- ISO New England (ISO-NE)
- Midcontinent Independent System Operator, Inc.
- New York Independent System Operator
- PJM
- Southwest Power Pool

NEER competes in different regions to different degrees, but in general it seeks to enter into long-term bilateral contracts for the full output of its generation facilities, and, as of December 31, 2015, approximately 66% of NEER's generating capacity is fully committed under long-term contracts. Where long-term contracts are not in effect, NEER sells the output of its facilities into daily spot markets. In such cases, NEER will frequently enter into shorter term bilateral contracts, typically of less than three years duration, to hedge the price risk associated with selling into a daily spot market. Such bilateral contracts, which may be hedges either for physical delivery or for financial (pricing) offset, may only protect a portion of the revenue that NEER expects to derive from the associated generation facility and may not qualify for hedge accounting under GAAP. Contracts that serve the economic purpose of hedging some portion of the expected revenue of a generation facility but are not recorded as hedges under GAAP are referred to as "non-qualifying hedges" for adjusted earnings purposes. See Management's Discussion - Overview - Adjusted Earnings.

Certain facilities within the NEER wind and solar generation portfolio produce renewable energy credits (RECs) and other environmental attributes which are typically sold along with the energy from the plants under long-term contracts, or may be sold separately for the wind and solar generation not sold under long-term contracts. The purchasing party is solely entitled to the reporting rights and ownership of the environmental attributes.

While the majority of NEER's revenue is derived from the output of its generation facilities, NEER is also an active competitor in several regions in the wholesale full requirements business and in providing structured and customized power and fuel products and services to a variety of customers. In the full requirements service, typically, the supplier agrees to meet the customer's needs for a full range of products for every hour of the day, at a fixed price, for a predetermined period of time, thereby assuming the risk of fluctuations in the customer's volume requirements.

Expanded competition in a frequently changing regulatory environment presents both opportunities and risks for NEER. Opportunities exist for the selective acquisition of generation assets and for the construction and operation of efficient facilities that can sell power in competitive markets. NEER seeks to reduce its market risk by having a diversified portfolio by fuel type and location, as well as by contracting for the future sale of a significant amount of the electricity output of its facilities.

GENERATION AND OTHER OPERATIONS

NEER sells products associated with its own generation facilities (energy, capacity, RECs and ancillary services) in competitive markets in regions where those facilities are located. Customer transactions may be supplied from NEER generation facilities or from purchases in the wholesale markets, or from a combination thereof.

At December 31, 2015, the locations of NEER's generation facilities in North America are as follows:

NEER generation facilities in operation

U.S. states and Canadian provinces with projects in operation

At December 31, 2015, NEER managed or participated in the management of essentially all of its generation projects in which it has an ownership interest.

NEER categorizes its portfolio in a number of different ways for different business purposes. See a listing of NEER's generation facilities in Item 2. Properties - Generation Facilities. The following presentation details NEER operations and fuel/technology mix, which NEE commonly uses in communicating information about its business:

Contracted, Merchant and Other Operations

NEER's portfolio of generation operations based on the presence/absence of long-term power sales agreements and other operations is described below.

Contracted Generation Assets. Contracted generation assets are generation facilities with long-term power sales agreements for substantially all of their capacity and/or energy output and certain wind assets where long-term power sales agreements are expected to be executed. At December 31, 2015, NEER had 14,317 MW of contracted generation assets, substantially all of which have long-term power sales agreements, representing approximately 66% of its total operating generation portfolio. Essentially all of the output of these contracted generation assets were under power sales agreements, with a weighted-average remaining contract life of approximately 15 years, and the nuclear facilities have firm nuclear fuel-related contracts with expiration dates ranging from late February 2016 through 2032. See Note 14 - Contracts. Of the total capacity of contracted generation assets, 10,571 MW is wind generation, 1,621 MW is nuclear generation and 1,121 MW is solar generation. The remaining 1,004 MW use fuels such as natural gas and oil.

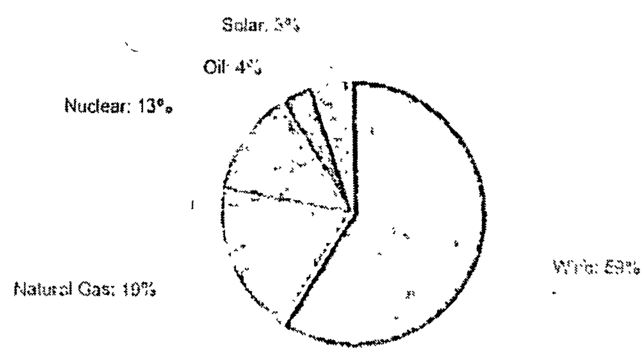
Merchant Generation Assets. Merchant generation assets are generation facilities that do not have long-term power sales agreements to sell their capacity and/or energy output, or, in the case of certain wind assets, are not expected to have long-term power sales agreements, and therefore require active marketing and hedging. At December 31, 2015, NEER's portfolio of merchant generation assets consists of 6,823 MW of owned wind, nuclear, natural gas, oil and solar generation facilities, including 846 MW of peak generation facilities. Approximately 59% (based on net MW capability) of the natural gas-fueled merchant generation assets have natural gas transportation agreements to provide for fluctuating natural gas requirements. See NEER Fuel/Technology Mix - Natural Gas Facilities below and Note 14 - Contracts. Derivative instruments (primarily swaps, options, futures and forwards) are generally used to lock in pricing and manage the commodity price risk inherent in power sales and fuel purchases. Managing market risk through these instruments introduces other types of risk, primarily counterparty, credit and operational risks.

Other Operations. NEER's operations also include the gas infrastructure business and the customer supply and proprietary power and gas trading businesses. The gas infrastructure business includes non-operating ownership interests in investments located in oil and gas shale formations primarily in the Midwest and South regions of the U.S. NEER continues to pursue in a selective way opportunities in the upstream (exploration and production) area when it believes the return potential is attractive and to gain insight into the natural gas industry. The gas infrastructure business also has investments in pipeline infrastructure assets located primarily in the South, Southeast and Northeast regions of the U.S. During 2015, NEER, through NEP, acquired the Texas pipeline business, including pipelines with a total existing capacity of approximately 4 Bcf per day, of which 3 Bcf per day is contracted with firm ship-or-pay contracts that have a weighted-average remaining contract life of approximately 16 years as of December 31, 2015. In addition, subsidiaries of NEER are pursuing regulatory approvals to move forward with three natural gas pipeline projects either directly or through joint venture investments. See Natural Gas Pipelines for a description of the natural gas pipelines. See NEER Customer Supply and Proprietary Power and Gas Trading for a description of the customer supply and propriety power and gas trading businesses.

NEER Fuel/Technology Mix

NEER's power generation is produced using a variety of fuel sources as further described below.

2015 Generating Capacity by Asset Type
MW



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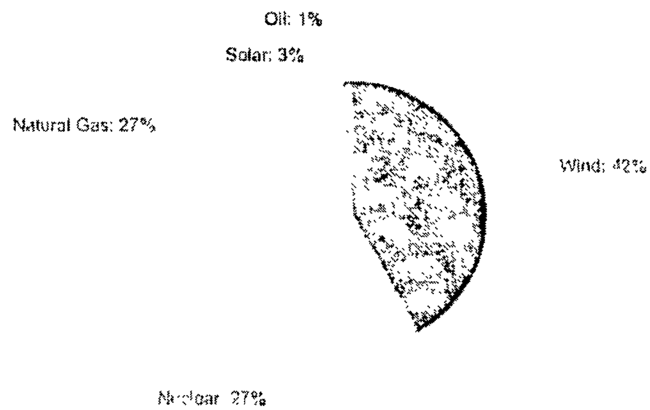
NEER's power generation in terms of MWh produced for the year ended December 31, 2015 by fuel type is as follows:

2015 Generation by Fuel Type
MWh



Wind Facilities

At December 31, 2015, NEER had ownership interests in wind generation facilities with a total net generating capacity of 12,414 MW. NEER operates all of these wind facilities, which are located in 19 states in the U.S. and 4 provinces in Canada. During 2015, NEER added approximately 1,031 MW of new U.S. wind generation and 176 MW of new Canadian wind generation, and sold, decommissioned or dismantled wind facilities with generating capacity totaling 220 MW. NEER expects to add new contracted wind generation of approximately 1,400 MW in 2016. See Policy Incentives for Renewable Energy Projects below for additional discussion of NEER's expectations regarding wind development and construction.

Solar Facilities

At December 31, 2015, NEER had ownership interests in PV and solar thermal facilities with a total net generating capacity of 1,026 MW, including approximately 285 MW added in 2015. NEER operates the majority of these solar facilities, which are located in 4 states in the U.S. and 1 province in Canada. NEER expects to add new contracted solar generation of approximately 1,100 MW in 2016. In addition, NEER and its affiliates own solar thermal facilities with generating capacity of 99.8 MW in Spain (Spain solar projects). See Note 14 - Spain Solar Projects for developments that impact the Spain solar projects.

Natural Gas Facilities

At December 31, 2015, NEER had ownership interests in and operated natural gas facilities with a total net generating capacity of 4,083 MW. Approximately 1,004 MW of this net generating capacity is from contracted natural gas assets located throughout the Northeastern U.S. In November 2015, a subsidiary of NEER entered into an agreement to sell its ownership interest in its merchant natural gas generation facilities located in Texas, which have a total generating capacity of 2,884 MW at December 31, 2015. The transaction is expected to close in the first quarter of 2016, pending the receipt of necessary regulatory approvals and satisfaction of other customary closing conditions.

Nuclear Facilities

At December 31, 2015, NEER owned, or had undivided interests in, and operated the following four nuclear units with a total net generating capacity of 2,721 MW.

Facility	Location	MW	Portfolio Category	Operating License Expiration Dates
Seabrook	New Hampshire	1,100	Merchant	2030 [a]
Duane Arnold	Iowa	431	Contracted[b]	2034
Point Beach Unit No. 1	Wisconsin	595	Contracted[c]	2030
Point Beach Unit No. 2	Wisconsin	595	Contracted[c]	2033

(a) In 2010, NEER filed an application with the NRC to renew Seabrook's operating license for an additional 20 years, which license renewal is dependent on NRC regulatory approvals
(b) NEER sells all of its share of the output of Duane Arnold under a long-term contract expiring in December 2025.
(c) NEER sells all of the output of Point Beach Units Nos. 1 and 2 under long-term contracts through their current operating license expiration dates.

NEER's nuclear facilities have several contracts for the supply of uranium and the conversion, enrichment and fabrication of nuclear fuel with expiration dates ranging from late February 2016 through 2032. See Note 14 - Contracts. NEER is responsible for all nuclear unit operations and the ultimate decommissioning of the nuclear units, the cost of which is shared on a pro-rata basis by the joint owners for the jointly-owned units. NRC regulations require plant owners to submit a plan for decontamination and decommissioning five years before the projected end of plant operation.

Nuclear Unit Scheduled Refueling Outages. NEER's nuclear units are periodically removed from service to accommodate normal refueling and maintenance outages, including inspections, repairs and certain other modifications. Scheduled nuclear refueling outages typically require the unit to be removed from service for variable lengths of time. The following table summarizes each unit's next scheduled refueling outage:

Facility	Next Scheduled Refueling Outage
Seabrook	April 2017
Duane Arnold	October 2016
Point Beach Unit No. 1	March 2016
Point Beach Unit No. 2	March 2017

Spent Nuclear Fuel. NEER's nuclear facilities use both on-site storage pools and dry storage casks to store spent nuclear fuel generated by these facilities, which are expected to provide sufficient storage of spent nuclear fuel at these facilities through license expiration.

As owners and operators of nuclear facilities, certain subsidiaries of NEER are subject to the Nuclear Waste Policy Act and are parties to the spent fuel settlement agreement described in FPL - FPL Sources of Generation - Nuclear Operations.

Oil Facilities

At December 31, 2015, NEER had 796 MW of oil-fired generation facilities located in Maine.

Policy Incentives for Renewable Energy Projects

U.S. federal, state and local governments have established various incentives to support the development of renewable energy projects. These incentives include accelerated tax depreciation, PTCs, ITCs, cash grants, tax abatements and RPS programs. Wind and solar projects qualify for the U.S. federal Modified Accelerated Cost Recovery System depreciation schedule. This schedule allows a taxpayer to recognize the depreciation of tangible property on a five-year basis even though the useful life of such property is generally greater than five years. The PTC currently provides an income tax credit for the production of electricity from utility-scale wind turbines for the first ten years of commercial operation. This incentive was created under the Energy Policy Act of 1992 and has been extended several times. Most recently, in December 2015, the PTC was extended for five years, subject to the phase down schedule in the table below. The Internal Revenue Service (IRS) previously issued guidance related to which projects will qualify for the PTC including, among other things, criteria for the beginning of construction of a project and the continuous program of construction or the continuous efforts to advance the project to completion. The IRS has not updated its guidance for the December 2015 extension. Alternatively, wind project developers can choose to receive a 30% ITC, in lieu of the PTC, subject to the phase down schedule in the table below.

Solar project developers are also eligible to receive a 30% ITC for new solar projects, or can elect to receive an equivalent cash payment from the U.S. Department of Treasury for the value of the 30% ITC (convertible ITC) for qualifying solar projects where construction began before the end of 2011 and the projects are placed in service before 2017. In December 2015, the 30% ITC for new solar projects was extended, subject to the following phase down schedule.

	Year construction of project begins							
	2015	2016	2017	2018	2019	2020	2021	2022
PTC[a]	100%	100%	80%	60%	40%	-	-	-
Wind ITC	30%	30%	24%	18%	12%	-	-	-
Solar ITC[b]	30%	30%	30%	30%	30%	26%	22%	10%

(a) Percentage of the full PTC available for wind projects that begin construction during the applicable year.
(b) ITC is limited to 10% for projects not placed in service before January 1, 2024.

Other countries, including Canada and Spain, provide for incentives like feed-in-tariffs for renewable energy projects. The feed-in-tariffs promote renewable energy investments by offering long-term contracts to renewable energy producers, typically based on the cost of generation of each technology.

Natural Gas Pipelines

At December 31, 2015, NEER had approximately $2.5 billion invested in the following natural gas pipelines:

	Miles of Pipeline	Pipeline Location/Route	NEER's Ownership	Total Capacity (per day)	Actual/Expected In-Service Dates
Operational:					
Texas Pipelines[a]	542	South Texas	72.98%[b]	4.05 Bcf	1950 - 2014
In Development or Under Construction:					
Sabal Trail[c]	515	Southwestern Alabama to Central Florida	33%	0.83 Bcf - 1.075 Bcf	Mid-2017 - Mid-2021
Florida Southeast Connection[c]	126	Central Florida to Martin County, Florida	100%	0.64 Bcf	Mid-2017
Mountain Valley Pipeline[d]	301	Marcellus and Utica shale regions to markets in the Mid-Atlantic and Southeast regions of the U.S.	35%[e]	2.00 Bcf	End of 2018

(a) Represents a portfolio of seven natural gas pipelines; of which a third party owns a 10% interest in a 120 mile pipeline with a daily capacity of approximately 2.3 Bcf. There are planned expansion projects for the three largest pipelines in the portfolio (which represent approximately 90% of total capacity per day of the Texas pipelines) that, if completed, are expected to provide an additional 1.5 Bcf of capacity per day by the end of 2017
(b) Represents NEER's interest in the Texas pipelines.
(c) Construction of the natural gas pipelines is subject to certain conditions. See FPL - FPL Sources of Generation - Fossil Operations and Note 14 - Commitments and - Contracts.
(d) Construction of the natural gas pipeline is subject to certain conditions, including FERC approval. See Note 14 - Commitments.
(e) Represents expected ownership depending on the ultimate size and scope of the natural gas pipeline project.

NEER CUSTOMER SUPPLY AND PROPRIETARY POWER AND GAS TRADING

NEER's customer supply and proprietary power and gas trading businesses engage in energy-related commodity marketing and trading activities, provide commodities-related products to customers and include the operations of a retail electricity provider. PMI, a subsidiary of NEER, buys and sells wholesale energy commodities, such as electricity, natural gas and oil. PMI sells the output from NEER's plants that is not sold under long-term contracts and procures the fossil fuel for use by NEER's generation fleet. One of its primary roles is to manage the commodity risk of NEER's portfolio. PMI uses derivative instruments such as swaps, options, futures and forwards to manage the risk associated with fluctuating commodity prices and to optimize the value of NEER's power generation and gas infrastructure production assets. PMI also markets and trades energy-related commodity products and provides a wide range of electricity and fuel commodity products as well as marketing and trading services to customers. PMI's customer supply business provides full energy and capacity requirements to customers.

The results of the customer supply and proprietary power and gas trading activities are included in NEER's operating results. See Management's Discussion - Energy Marketing and Trading and Market Risk Sensitivity, Note 1 - Energy Trading and Note 3.

NEER REGULATION

The energy markets in which NEER operates are subject to domestic and foreign regulation, as the case may be, including local, state and federal regulation, and other specific rules.

At December 31, 2015, NEER had ownership interests in operating independent power projects located in the U.S that have received exempt wholesale generator status as defined under the Public Utility Holding Company Act of 2005, which represent approximately 99% of NEER's net generating capacity in the U.S. Exempt wholesale generators own or operate a facility exclusively to sell electricity to wholesale customers. They are barred from selling electricity directly to retail customers. NEER's exempt wholesale generators produce electricity from wind, fossil fuels, solar and nuclear facilities. Essentially all of the remaining 1% of NEER's net generating capacity has qualifying facility status under the PURPA. NEER's qualifying facilities generate electricity primarily from wind, solar and fossil fuels. Qualifying facility status exempts the projects from, among other things, many of the provisions of the Federal Power Act, as well as state laws and regulations relating to rates and financial or organizational regulation of electric utilities. While projects with qualifying facility and/or exempt wholesale generator status are exempt from various restrictions, each project must still comply with other federal, state and local laws, including, but not limited to, those regarding siting, construction, operation, licensing, pollution abatement and other environmental laws.

Additionally, most of the NEER facilities located in the U.S. are subject to FERC regulations and market rules, the NERC's mandatory reliability standards and all of its facilities are subject to environmental laws and the EPA's environmental regulations, and its nuclear facilities are also subject to the jurisdiction of the NRC. See FPL - FPL Regulation for additional discussion of FERC, NERC, NRC and EPA regulations. With the exception of facilities located in ERCOT, the FERC has jurisdiction over various aspects of NEER's business in the U.S., including the oversight and investigation of competitive wholesale energy markets, regulation of the transmission and sale of natural gas, and oversight of environmental matters related to natural gas projects and major electricity policy initiatives. The PUCT has jurisdiction, including the regulation of rates and services, oversight of competitive markets, and enforcement of statutes and rules, over NEER facilities located in ERCOT.

NEER and its affiliates are also subject to federal and provincial or regional regulations in Canada and Spain related to energy operations, energy markets and environmental standards. In Canada, activities related to owning and operating wind and solar projects and participating in wholesale and retail energy markets are regulated at the provincial level. In Ontario, for example, electricity generation facilities must be licensed by the Ontario Energy Board and may also be required to complete registrations and maintain market participant status with the Independent Electricity System Operator, in which case they must agree to be bound by and comply with the provisions of the market rules for the Ontario electricity market as well as the mandatory reliability standards of the NERC.

NEER is subject to environmental laws and regulations, and is affected by some of the emerging issues related to renewable energy resources as described in the NEE Environmental Matters section below. In order to better anticipate potential regulatory changes, NEER continues to actively evaluate and participate in regional market redesigns of existing operating rules for the integration of renewable energy resources and for the purchase and sale of energy commodities.

NEER EMPLOYEES

NEER and its subsidiaries had approximately 5,000 employees at December 31, 2015. Certain subsidiaries of NEER have collective bargaining agreements with the IBEW, the Utility Workers Union of America, the Security Police and Fire Professionals of America and the International Union of Operating Engineers, which collectively represent approximately 18% of NEER's employees. The majority of the collective bargaining agreements have three-year terms and expire between September 2016 and 2019.

III. OTHER NEE OPERATING SUBSIDIARIES

Corporate and Other represents other business activities, primarily NEET and FPL FiberNet. See Note 15.

NEET

NEET, a wholly owned subsidiary of NEECH, is a limited liability company organized under the laws of Delaware. Through its subsidiaries, NEET owns and operates rate-regulated transmission facilities, the largest of which is owned by Lone Star, and is pursuing opportunities to develop, build and operate new transmission facilities throughout North America. In 2013, an entity in which an affiliate of NEET has a joint venture investment was selected to complete development work for a 250-mile transmission line in Northwestern Ontario, Canada. Once development is complete, subject to Ontario Energy Board approval, this entity is expected to construct, own and operate the new transmission line that is projected to begin service in 2020. In 2015, a wholly owned subsidiary of NEET was awarded the rights to develop, construct, own and operate two transmission support projects in California, which projects, subject to certain regulatory approvals, are expected to begin service in 2017 and 2019, respectively.

Lone Star

Lone Star, a rate-regulated transmission service provider in Texas, is a limited liability company organized under the laws of Delaware. Lone Star owns and operates approximately 330 miles of 345 kilovolt (kV) transmission lines and other associated facilities. Lone Star is subject to regulation by a number of federal, state and other agencies, including, but not limited to, the PUCT, the ERCOT, the NERC and the EPA, as well as limited regulations of the FERC. See FPL - FPL Regulation for further discussion of FERC, NERC and EPA regulations and NEE Environmental Matters. The PUCT has jurisdiction over a wide range of Lone Star's business activities, including, among others, rates charged to customers and certain aspects of the operation of transmission systems. The

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PUCT sets rates at a level that allows Lone Star the opportunity to collect from customers total revenues (revenue requirements) equal to Lone Star's cost of providing service, including a reasonable rate of return on invested capital.

In 2014, the PUCT approved a stipulation and settlement between Lone Star and all intervenors relating to Lone Star's base rate petition. The stipulation and settlement provides for an annual revenue requirement of approximately $102 million based on a $694 million rate base, a regulatory equity ratio of 45%, an allowed regulatory ROE of 9.6% and certain operating expenses.

FPL FIBERNET

FPL FiberNet conducts its business through two separate wholly owned subsidiaries of NEECH. One subsidiary was formed in 2000 to enhance the value of NEE's fiber-optic network assets that were originally built to support FPL operations and the other was formed in 2011 to hold fiber-optic network assets which were acquired. Both subsidiaries are limited liability companies organized under the laws of Delaware. FPL FiberNet leases fiber-optic network capacity and dark fiber to FPL and other customers, primarily telephone, wireless, and internet companies. FPL FiberNet's networks cover most of the metropolitan areas in Florida and several in Texas. FPL FiberNet also has a long-haul network providing bandwidth at wholesale rates. The long-haul network connects major cities in Florida and Texas with additional connectivity to the Eastern and South Central U.S. At December 31, 2015, FPL FiberNet's network consisted of approximately 9,230 route miles. FPL FiberNet is subject to regulation by the Federal Communications Commission which has jurisdiction over wire and wireless communication networks and by the public utility commissions in the states in which it provides intrastate telecommunication services.

NEE ENVIRONMENTAL MATTERS

NEE and FPL are subject to domestic and foreign environmental laws and regulations, including extensive federal, state and local environmental statutes, rules and regulations. The following is a discussion of certain existing and emerging federal and state initiatives and rules, some of which could potentially have a material effect (either positive or negative) on NEE and its subsidiaries. FPL expects to seek recovery through the environmental clause for compliance costs associated with any new environmental laws and regulations.

- Clean Water Act Section 316(b). In 2014, the EPA issued its final rule under Section 316(b) of the Clean Water Act outlining the process and framework for determining the Best Technology Available to reduce the impact on aquatic organisms from once-through cooling water intake systems. Under the rule, potentially eleven of FPL's facilities and five of NEER's facilities may be required to add additional controls and/or make operational changes to comply. NEE and FPL are analyzing the final rule, and the ultimate impacts of the rule will evolve over years of site specific studies, permit evaluations and negotiations. Therefore, the impact of any final compliance obligations is uncertain at this time. Several groups filed petitions for review of the EPA's final rule and the U.S. Court of Appeals for the Second Circuit is scheduled to hear the case in August 2016.

- Avian/Bat Regulations and Wind Turbine Siting Guidelines. FPL, NEER and NEET are subject to numerous environmental regulations and guidelines related to threatened and endangered species and their habitats, as well as avian and bat species, for the siting, construction and ongoing operations of their facilities. The facilities most significantly affected are wind and solar facilities and transmission and distribution lines. The environmental laws in the U.S., including, among others, the Endangered Species Act, the Migratory Bird Treaty Act, and the Bald and Golden Eagle Protection Act and similar environmental laws in Canada provide for the protection of migratory birds, eagles and bats and endangered species of birds and bats and their habitats. Regulations have been adopted under some of these laws that contain provisions that allow the owner/operator of a facility to apply for a permit to undertake specific activities, including those associated with certain siting decisions, construction activities and operations. In addition to regulations, voluntary wind turbine siting guidelines established by the U.S. Fish and Wildlife Service set forth siting, monitoring and coordination protocols that are designed to support wind development in the U.S. while also protecting both birds and bats and their habitats. These guidelines include provisions for specific monitoring and study conditions which need to be met in order for projects to be in adherence with these voluntary guidelines. Complying with these environmental regulations and adhering to the provisions set forth in the voluntary wind turbine siting guidelines could result in additional costs or reduced revenues at existing and new wind and solar facilities and transmission and distribution facilities at FPL, NEER and NEET and, in the case of environmental regulations, failure to comply could result in fines and penalties.

- Regulation of GHG Emissions. The U.S. Congress and certain states and regions, as well as the Government of Canada and its provinces, have taken and continue to take certain actions, such as finalizing regulation or setting targets or goals, regarding the reduction of GHG emissions and the increase of renewable energy generation. Based on the most recent reference data available from government sources, NEE is among the lowest emitters, among electric generators, of GHG in the U.S. measured by its rate of emissions expressed as pounds of CO_2 per MWh of generation.

  In October 2015, the EPA's final rule for new fossil fuel-fired electric generation units regulated under Section 111(b) of the Clean Air Act became effective, which is not expected to have an impact on NEE or FPL. In December 2015, the EPA's final rule under Section 111(d) of the Clean Air Act (Clean Power Plan) to reduce carbon emissions from existing fossil fuel-fired electric generation units became effective. The Clean Power Plan sets emission rate targets for each state and requires each state to develop a compliance plan by the fall of 2016 to meet these emissions targets, with the option for states to apply for an extension to 2018. The Clean Power Plan indicates that compliance will start in 2022 with both interim and final target dates, each with specific emissions reductions. NEE and FPL are analyzing the Clean Power Plan and the impact of any final compliance obligations cannot be determined until the state plans have been finalized. Numerous parties have challenged the Clean Power Plan and, in February 2016, the U.S. Supreme Court issued an order staying implementation of the Clean Power Plan pending resolution of legal challenges to the rule. The D.C. Circuit is scheduled to hear oral arguments on June 2, 2016.

NEER's plants operate in certain states and regions in the U.S. and provinces in Canada that continue to consider and implement regulatory proposals to reduce GHG emissions in addition to what is expected to be required for the Clean Power Plan. RPS, currently in place in approximately 30 states and 3 territories and the District of Columbia, require electricity providers in the state, territory or district to meet a certain percentage of their retail sales with energy from renewable sources. These standards vary, but the majority include requirements to meet 20% to 30% of the electricity providers' retail sales with energy from renewable sources by 2025. Approximately 8 other states in the U.S. have set renewable energy goals as well. Many Canadian provinces have enacted renewable energy goals and targets to reduce GHG emissions from historic levels which include various milestones and compliance mechanisms. NEER's plants operate in 23 states in the U.S. and 4 provinces in Canada that have a RPS or renewable energy goals and NEER believes that these standards and goals, as well as any final compliance obligations under the Clean Power Plan, will create incremental demand for renewable energy in the future.

Other GHG reduction initiatives including, among others, the Regional Greenhouse Gas Initiative and the California Greenhouse Gas Regulation aim to reduce emissions through a variety of programs and under varying timelines. Based on its clean generation portfolio, NEER expects to continue experiencing a positive impact on earnings as a result of these GHG reduction initiatives. Additionally, these initiatives provide NEER opportunities with regards to wind and solar development as well as favorable energy pricing.

- Waters of the U.S. In June 2015, the EPA issued a final rule redefining "waters of the U.S." under the Clean Water Act to expand the definition of waters of the U.S. to encompass previously unregulated waters, such as intermittent streams, non-navigable tributaries, isolated wetlands and adjacent other waters, which rule was subsequently challenged by various parties. In October 2015, the U.S. Court of Appeals for the Sixth Circuit issued a stay of the EPA's final rule pending further court proceedings to address which court has jurisdiction as well as challenges to the rule. The ultimate resolution of the issues surrounding this final rule is uncertain at this time.

WEBSITE ACCESS TO SEC FILINGS

NEE and FPL make their SEC filings, including the annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports, available free of charge on NEE's internet website, www.nexteraenergy.com, as soon as reasonably practicable after those documents are electronically filed with or furnished to the SEC. The information and materials available on NEE's website (or any of its subsidiaries' websites) are not incorporated by reference into this combined Form 10-K. The SEC maintains an internet website that contains reports, proxy and information statements, and other information regarding registrants that file electronically with the SEC at www.sec.gov.

EXECUTIVE OFFICERS OF NEE(a)

Name	Age	Position	Effective Date
Miguel Arechabala	55	Executive Vice President, Power Generation Division of NEE Executive Vice President, Power Generation Division of FPL	January 1, 2014
Deborah H. Caplan	53	Executive Vice President, Human Resources and Corporate Services of NEE Executive Vice President, Human Resources and Corporate Services of FPL	April 15, 2013
Paul I. Cutler	56	Treasurer of NEE Treasurer of FPL Assistant Secretary of NEE	February 19, 2003 February 18, 2003 December 10, 1997
Moray P. Dewhurst	60	Vice Chairman and Chief Financial Officer, and Executive Vice President - Finance of NEE Executive Vice President, Finance and Chief Financial Officer of FPL	October 5, 2011
Chris N. Froggatt	58	Vice President, Controller and Chief Accounting Officer of NEE	February 27, 2010
Joseph T. Kelliher	55	Executive Vice President, Federal Regulatory Affairs of NEE	May 18, 2009
Manoochehr K. Nazar	61	President Nuclear Division and Chief Nuclear Officer of NEE President Nuclear Division and Chief Nuclear Officer of FPL	May 23, 2014 May 30, 2014
Armando Pimentel, Jr.	53	President and Chief Executive Officer of NEER	October 5, 2011
James L. Robo	53	Chairman, President and Chief Executive Officer of NEE Chairman of FPL	December 13, 2013 May 2, 2012
Charles E. Sieving	43	Executive Vice President & General Counsel of NEE Executive Vice President of FPL	December 1, 2008 January 1, 2009
Eric E. Silagy	50	President and Chief Executive Officer of FPL	May 30, 2014
William L. Yeager	57	Executive Vice President, Engineering, Construction and Integrated Supply Chain of NEE Executive Vice President, Engineering, Construction and Integrated Supply Chain of FPL	January 1, 2013

(a) Information is as of February 19, 2016. Executive officers are elected annually by, and serve at the pleasure of, their respective boards of directors. Except as noted below, each officer has held his/her present position for five years or more and his/her employment history is continuous. Mr. Arechabala was president of NextEra Energy España, S.L., an indirect wholly owned subsidiary of NEE, from February 2010 to December 2013. Ms. Caplan was vice president and chief operating officer of FPL from May 2011 to April 2013 and vice president, integrated supply chain of NEE and FPL from July 2005 to May 2011. Mr. Dewhurst has been vice chairman of NEE since August 2009 and was chief of staff of NEE from August 2009 to October 2011. Mr. Dewhurst has announced his intention to retire from NEE and FPL in the spring of 2016. Mr. Nazar has been chief nuclear officer of NEE and FPL since January 2010 and was executive vice president, nuclear division of NEE and FPL from January 2010 to May 2014. Mr. Pimentel was chief financial officer of NEE and FPL from May 2008 to October 2011 and executive vice president, finance of NEE and FPL from February 2008 to October 2011. Mr. Robo has been president and chief executive officer of NEE since July 2012. Mr. Robo was the chief executive officer of FPL from May 2012 to May 2014 and president and chief operating officer of NEE from December 2006 to June 2012. Mr. Sieving was also assistant secretary of NEE from May 2010 to May 2011. Mr. Silagy has been president of FPL since December 2011. Mr. Silagy was senior vice president, regulatory and state governmental affairs of FPL from May 2010 to December 2011. Mr. Yeager was vice president, engineering, construction and integrated supply chain services of NEE and FPL from October 2012 to December 2012 and vice president, integrated supply chain of NEE and FPL from May 2011 to October 2012. From January 2005 to May 2011, Mr. Yeager was vice president, engineering and construction of FPL.

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Item 1A. Risk Factors

Risks Relating to NEE's and FPL's Business

The business, financial condition, results of operations and prospects of NEE and FPL are subject to a variety of risks, many of which are beyond the control of NEE and FPL. The following is a description of important risks that may materially adversely affect the business, financial condition, results of operations and prospects of NEE and FPL and may cause actual results of NEE and FPL to differ substantially from those that NEE or FPL currently expects or seeks. In that event, the market price for the securities of NEE or FPL could decline. Accordingly, the risks described below should be carefully considered together with the other information set forth in this report and in future reports that NEE and FPL file with the SEC. The risks described below are not the only risks facing NEE and FPL. Additional risks and uncertainties may also materially adversely affect NEE's or FPL's business, financial condition, results of operations and prospects. Each of NEE and FPL has disclosed the material risks known to it to affect its business at this time. However, there may be further risks and uncertainties that are not presently known or that are not currently believed to be material that may in the future materially adversely affect the business, financial condition, results of operations or prospects of NEE and FPL.

Regulatory, Legislative and Legal Risks

NEE's and FPL's business, financial condition, results of operations and prospects may be materially adversely affected by the extensive regulation of their business.

The operations of NEE and FPL are subject to complex and comprehensive federal, state and other regulation. This extensive regulatory framework, portions of which are more specifically identified in the following risk factors, regulates, among other things and to varying degrees, NEE's and FPL's industries, businesses, rates and cost structures, operation of nuclear power facilities, construction and operation of electricity generation, transmission and distribution facilities and natural gas and oil production, natural gas, oil and other fuel transportation, processing and storage facilities, acquisition, disposal, depreciation and amortization of facilities and other assets, decommissioning costs and funding, service reliability, wholesale and retail competition, and commodities trading and derivatives transactions. In their business planning and in the management of their operations, NEE and FPL must address the effects of regulation on their business and any inability or failure to do so adequately could have a material adverse effect on their business, financial condition, results of operations and prospects.

NEE's and FPL's business, financial condition, results of operations and prospects could be materially adversely affected if they are unable to recover in a timely manner any significant amount of costs, a return on certain assets or a reasonable return on invested capital through base rates, cost recovery clauses, other regulatory mechanisms or otherwise.

FPL is a regulated entity subject to the jurisdiction of the FPSC over a wide range of business activities, including, among other items, the retail rates charged to its customers through base rates and cost recovery clauses, the terms and conditions of its services, procurement of electricity for its customers, issuances of securities, and aspects of the siting, construction and operation of its generation plants and transmission and distribution systems for the sale of electric energy. The FPSC has the authority to disallow recovery by FPL of costs that it considers excessive or imprudently incurred and to determine the level of return that FPL is permitted to earn on invested capital. The regulatory process, which may be adversely affected by the political, regulatory and economic environment in Florida and elsewhere, limits FPL's ability to increase earnings. The regulatory process also does not provide any assurance as to achievement of authorized or other earnings levels, or that FPL will be permitted to earn an acceptable return on capital investments it wishes to make. NEE's and FPL's business, financial condition, results of operations and prospects could be materially adversely affected if any material amount of costs, a return on certain assets or a reasonable return on invested capital cannot be recovered through base rates, cost recovery clauses, other regulatory mechanisms or otherwise. Certain other subsidiaries of NEE are regulated transmission utilities subject to the jurisdiction of their regulators and are subject to similar risks.

Regulatory decisions that are important to NEE and FPL may be materially adversely affected by political, regulatory and economic factors.

The local and national political, regulatory and economic environment has had, and may in the future have, an adverse effect on FPSC decisions with negative consequences for FPL. These decisions may require, for example, FPL to cancel or delay planned development activities, to reduce or delay other planned capital expenditures or to pay for investments or otherwise incur costs that it may not be able to recover through rates, each of which could have a material adverse effect on the business, financial condition, results of operations and prospects of NEE and FPL. Certain other subsidiaries of NEE are subject to similar risks.

FPL's use of derivative instruments could be subject to prudence challenges and, if found imprudent, could result in disallowances of cost recovery for such use by the FPSC.

The FPSC engages in an annual prudence review of FPL's use of derivative instruments in its risk management fuel procurement program and should it find any such use to be imprudent, the FPSC could deny cost recovery for such use by FPL. Such an outcome could have a material adverse effect on FPL's business, financial condition, results of operations and prospects.

Any reductions to, or the elimination of, governmental incentives or policies that support utility scale renewable energy, including, but not limited to, tax incentives, RPS, feed-in tariffs or the Clean Power Plan, or the imposition of additional taxes or other assessments on renewable energy, could result in, among other items, the lack of a satisfactory market for the development of new renewable energy projects, NEER abandoning the development of renewable energy projects, a loss of NEER's investments in renewable energy projects and reduced project returns, any of which could have a material adverse effect on NEE's business, financial condition, results of operations and prospects.

NEER depends heavily on government policies that support utility scale renewable energy and enhance the economic feasibility of developing and operating wind and solar energy projects in regions in which NEER operates or plans to develop and operate renewable energy facilities. The federal government, a majority of the 50 U.S. states and portions of Canada and Spain provide incentives, such as tax incentives, RPS, feed-in tariffs or the Clean Power Plan, that support or are designed to support the sale of energy from utility scale renewable energy facilities, such as wind and solar energy facilities. As a result of budgetary constraints, political factors or otherwise, governments from time to time may review their policies that support renewable energy and consider actions that would make the policies less conducive to the development and operation of renewable energy facilities. Any reductions to, or the elimination of, governmental incentives that support renewable energy, such as those reductions that have been enacted in Spain and are applicable to NEER's solar generation facilities in that country, or the imposition of additional taxes or other assessments on renewable energy, could result in, among other items, the lack of a satisfactory market for the development of new renewable energy projects, NEER abandoning the development of renewable energy projects, a loss of NEER's investments in the projects and reduced project returns, any of which could have a material adverse effect on NEE's business, financial condition, results of operations and prospects.

NEE's and FPL's business, financial condition, results of operations and prospects could be materially adversely affected as a result of new or revised laws, regulations, interpretations or other regulatory initiatives.

NEE's and FPL's business is influenced by various legislative and regulatory initiatives, including, but not limited to, new or revised laws, regulations, interpretations and other regulatory initiatives regarding deregulation or restructuring of the energy industry, regulation of the commodities trading and derivatives markets, and regulation of environmental matters, such as regulation of air emissions, regulation of water consumption and water discharges, and regulation of gas and oil infrastructure operations, as well as associated environmental permitting. Changes in the nature of the regulation of NEE's and FPL's business could have a material adverse effect on NEE's and FPL's business, financial condition, results of operations and prospects. NEE and FPL are unable to predict future legislative or regulatory changes, initiatives or interpretations, although any such changes, initiatives or interpretations may increase costs and competitive pressures on NEE and FPL, which could have a material adverse effect on NEE's and FPL's business, financial condition, results of operations and prospects.

FPL has limited competition in the Florida market for retail electricity customers. Any changes in Florida law or regulation which introduce competition in the Florida retail electricity market, such as government incentives that facilitate the installation of solar generation facilities on residential or other rooftops at below cost, or would permit third-party sales of electricity, could have a material adverse effect on FPL's business, financial condition, results of operations and prospects. There can be no assurance that FPL will be able to respond adequately to such regulatory changes, which could have a material adverse effect on FPL's business, financial condition, results of operations and prospects.

NEER is subject to FERC rules related to transmission that are designed to facilitate competition in the wholesale market on practically a nationwide basis by providing greater certainty, flexibility and more choices to wholesale power customers. NEE cannot predict the impact of changing FERC rules or the effect of changes in levels of wholesale supply and demand, which are typically driven by factors beyond NEE's control. There can be no assurance that NEER will be able to respond adequately or sufficiently quickly to such rules and developments, or to any other changes that reverse or restrict the competitive restructuring of the energy industry in those jurisdictions in which such restructuring has occurred. Any of these events could have a material adverse effect on NEE's business, financial condition, results of operations and prospects.

NEE's and FPL's business, financial condition, results of operations and prospects could be materially adversely affected if the rules implementing the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) broaden the scope of its provisions regarding the regulation of OTC financial derivatives and make certain provisions applicable to NEE and FPL.

The Dodd-Frank Act, enacted into law in July 2010 provides for, among other things, substantially increased regulation of the OTC derivatives market and futures contract markets. While the legislation is broad and detailed, there are still portions of the legislation that either require implementing rules to be adopted by federal governmental agencies or otherwise require further interpretive guidance.

NEE and FPL continue to monitor the development of rules related to the Dodd-Frank Act and have taken steps to comply with those rules that affect their businesses. A number of rules have been finalized and are effective, but there are rules yet to be finalized and rules that have been finalized but may be amended in the future.

NEE and FPL cannot predict the impact any proposed rules will have on their ability to hedge their commodity and interest rate risks or on OTC derivatives markets as a whole, but they could potentially have a material adverse effect on NEE's and FPL's risk exposure, as well as reduce market liquidity and further increase the cost of hedging activities.

NEE and FPL are subject to numerous environmental laws, regulations and other standards that may result in capital expenditures, increased operating costs and various liabilities, and may require NEE and FPL to limit or eliminate certain operations.

NEE and FPL are subject to domestic and foreign environmental laws and regulations, including, but not limited to, extensive federal, state and local environmental statutes, rules and regulations relating to air quality, water quality and usage, climate change, emissions of greenhouse gases, including, but not limited to, CO_2, waste management, hazardous wastes, marine, avian and other wildlife mortality and habitat protection, historical artifact preservation, natural resources, health (including, but not limited to, electric and magnetic fields from power lines and substations), safety and RPS, that could, among other things, prevent or delay the development of power generation, power or natural gas transmission, or other infrastructure projects, restrict the output of some existing facilities, limit the availability and use of some fuels required for the production of electricity, require additional pollution control equipment, and otherwise increase costs, increase capital expenditures and limit or eliminate certain operations.

There are significant capital, operating and other costs associated with compliance with these environmental statutes, rules and regulations, and those costs could be even more significant in the future as a result of new requirements, the current trend toward more stringent standards, and stricter or more expansive application of existing environmental regulations. For example, among other new, potential or pending changes are federal regulation of CO_2 emissions under the Clean Power Plan and state and federal regulation of the use of hydraulic fracturing or similar technologies to drill for natural gas and related compounds used by NEE's gas infrastructure business.

Violations of current or future laws, rules, regulations or other standards could expose NEE and FPL to regulatory and legal proceedings, disputes with, and legal challenges by, third parties, and potentially significant civil fines, criminal penalties and other sanctions. Proceedings could include, for example, litigation regarding property damage, personal injury, common law nuisance and enforcement by citizens or governmental authorities of environmental requirements such as air, water and soil quality standards.

NEE's and FPL's business could be negatively affected by federal or state laws or regulations mandating new or additional limits on the production of greenhouse gas emissions.

Federal or state laws or regulations may be adopted that would impose new or additional limits on the emissions of greenhouse gases, including, but not limited to, CO_2 and methane, from electric generation units using fossil fuels like coal and natural gas. Although it is currently subject to a stay issued by the U.S. Supreme Court, the Clean Power Plan is an example of such a new regulation at the federal level. The potential effects of greenhouse gas emission limits on NEE's and FPL's electric generation units are subject to significant uncertainties based on, among other things, the timing of the implementation of any new requirements, the required levels of emission reductions, the nature of any market-based or tax-based mechanisms adopted to facilitate reductions, the relative availability of greenhouse gas emission reduction offsets, the development of cost-effective, commercial-scale carbon capture and storage technology and supporting regulations and liability mitigation measures, and the range of available compliance alternatives.

While NEE's and FPL's electric generation units emit greenhouse gases at a lower rate of emissions than most of the U.S. electric generation sector, the results of operations of NEE and FPL could be materially adversely affected to the extent that new federal or state laws or regulations impose any new greenhouse gas emission limits. Any future limits on greenhouse gas emissions could:

- create substantial additional costs in the form of taxes or emission allowances;
- make some of NEE's and FPL's electric generation units uneconomical to operate in the long term;
- require significant capital investment in carbon capture and storage technology, fuel switching, or the replacement of high-emitting generation facilities with lower-emitting generation facilities; or
- affect the availability or cost of fossil fuels.

There can be no assurance that NEE or FPL would be able to completely recover any such costs or investments, which could have a material adverse effect on their business, financial condition, results of operations and prospects.

Extensive federal regulation of the operations of NEE and FPL exposes NEE and FPL to significant and increasing compliance costs and may also expose them to substantial monetary penalties and other sanctions for compliance failures.

NEE and FPL are subject to extensive federal regulation, which generally imposes significant and increasing compliance costs on NEE's and FPL's operations. Additionally, any actual or alleged compliance failures could result in significant costs and other potentially adverse effects of regulatory investigations, proceedings, settlements, decisions and claims, including, among other items, potentially significant monetary penalties. As an example, under the Energy Policy Act of 2005, NEE and FPL, as owners and operators of bulk-power transmission systems and/or electric generation facilities, are subject to mandatory reliability standards. Compliance with these mandatory reliability standards may subject NEE and FPL to higher operating costs and may result in increased capital expenditures. If FPL or NEE is found not to be in compliance with these standards, it may incur substantial monetary penalties and other sanctions. Both the costs of regulatory compliance and the costs that may be imposed as a result of any actual or alleged compliance failures could have a material adverse effect on NEE's and FPL's business, financial condition, results of operations and prospects.

Changes in tax laws, as well as judgments and estimates used in the determination of tax-related asset and liability amounts, could materially adversely affect NEE's and FPL's business, financial condition, results of operations and prospects.

NEE's and FPL's provision for income taxes and reporting of tax-related assets and liabilities require significant judgments and the use of estimates. Amounts of tax-related assets and liabilities involve judgments and estimates of the timing and probability of recognition of income, deductions and tax credits, including, but not limited to, estimates for potential adverse outcomes regarding tax positions that have been taken and the ability to utilize tax benefit carryforwards, such as net operating loss and tax credit carryforwards. Actual income taxes could vary significantly from estimated amounts due to the future impacts of, among other things, changes in tax laws, regulations and interpretations, the financial condition and results of operations of NEE and FPL, and the resolution of audit issues raised by taxing authorities. Ultimate resolution of income tax matters may result in material adjustments to tax-related assets and liabilities, which could materially adversely affect NEE's and FPL's business, financial condition, results of operations and prospects.

NEE's and FPL's business, financial condition, results of operations and prospects may be materially adversely affected due to adverse results of litigation.

NEE's and FPL's business, financial condition, results of operations and prospects may be materially affected by adverse results of litigation. Unfavorable resolution of legal proceedings in which NEE is involved or other future legal proceedings, including, but not limited to, class action lawsuits, may have a material adverse effect on the business, financial condition, results of operations and prospects of NEE and FPL.

Operational Risks

NEE's and FPL's business, financial condition, results of operations and prospects could suffer if NEE and FPL do not proceed with projects under development or are unable to complete the construction of, or capital improvements to, electric generation, transmission and distribution facilities, gas infrastructure facilities or other facilities on schedule or within budget.

NEE's and FPL's ability to complete construction of, and capital improvement projects for, their electric generation, transmission and distribution facilities, gas infrastructure facilities and other facilities on schedule and within budget may be adversely affected by escalating costs for materials and labor and regulatory compliance, inability to obtain or renew necessary licenses, rights-of-way, permits or other approvals on acceptable terms or on schedule, disputes involving contractors, labor organizations, land owners, governmental entities, environmental groups, Native American and aboriginal groups, lessors, joint venture partners and other third parties, negative publicity, transmission interconnection issues and other factors. If any development project or construction or capital improvement project is not completed, is delayed or is subject to cost overruns, certain associated costs may not be approved for recovery or otherwise be recoverable through regulatory mechanisms that may be available, and NEE and FPL could become obligated to make delay or termination payments or become obligated for other damages under contracts, could experience the loss of tax credits or tax incentives, or delayed or diminished returns, and could be required to write off all or a portion of their investment in the project. Any of these events could have a material adverse effect on NEE's and FPL's business, financial condition, results of operations and prospects.

NEE and FPL may face risks related to project siting, financing, construction, permitting, governmental approvals and the negotiation of project development agreements that may impede their development and operating activities.

NEE and FPL own, develop, construct, manage and operate electric-generation and transmission facilities and natural gas transmission facilities. A key component of NEE's and FPL's growth is their ability to construct and operate generation and transmission facilities to meet customer needs. As part of these operations, NEE and FPL must periodically apply for licenses and permits from various local, state, federal and other regulatory authorities and abide by their respective conditions. Should NEE or FPL be unsuccessful in obtaining necessary licenses or permits on acceptable terms, should there be a delay in obtaining or renewing necessary licenses or permits or should regulatory authorities initiate any associated investigations or enforcement actions or impose related penalties or disallowances on NEE or FPL, NEE's and FPL's business, financial condition, results of operations and prospects could be materially adversely affected. Any failure to negotiate successful project development agreements for new facilities with third parties could have similar results.

The operation and maintenance of NEE's and FPL's electric generation, transmission and distribution facilities, gas infrastructure facilities and other facilities are subject to many operational risks, the consequences of which could have a material adverse effect on NEE's and FPL's business, financial condition, results of operations and prospects.

NEE's and FPL's electric generation, transmission and distribution facilities, gas infrastructure facilities and other facilities are subject to many operational risks. Operational risks could result in, among other things, lost revenues due to prolonged outages, increased expenses due to monetary penalties or fines for compliance failures, liability to third parties for property and personal injury damage, a failure to perform under applicable power sales agreements or other agreements and associated loss of revenues from terminated agreements or liability for liquidated damages under continuing agreements, and replacement equipment costs or an obligation to purchase or generate replacement power at higher prices.

Uncertainties and risks inherent in operating and maintaining NEE's and FPL's facilities include, but are not limited to:

- risks associated with facility start-up operations, such as whether the facility will achieve projected operating performance on schedule and otherwise as planned,
- failures in the availability, acquisition or transportation of fuel or other necessary supplies;
- the impact of unusual or adverse weather conditions and natural disasters, including, but not limited to, hurricanes, tornadoes, icing events, floods, earthquakes and droughts;
- performance below expected or contracted levels of output or efficiency;
- breakdown or failure, including, but not limited to, explosions, fires, leaks or other major events, of equipment, transmission and distribution lines or pipelines;
- availability of replacement equipment;
- risks of property damage or human injury from energized equipment, hazardous substances or explosions, fires, leaks or other events;
- availability of adequate water resources and ability to satisfy water intake and discharge requirements;
- inability to identify, manage properly or mitigate equipment defects in NEE's and FPL's facilities;
- use of new or unproven technology;
- risks associated with dependence on a specific type of fuel or fuel source, such as commodity price risk, availability of adequate fuel supply and transportation, and lack of available alternative fuel sources;
- increased competition due to, among other factors, new facilities, excess supply, shifting demand and regulatory changes; and
- insufficient insurance, warranties or performance guarantees to cover any or all lost revenues or increased expenses from the foregoing.

NEE's and FPL's business, financial condition, results of operations and prospects may be negatively affected by a lack of growth or slower growth in the number of customers or in customer usage.

Growth in customer accounts and growth of customer usage each directly influence the demand for electricity and the need for additional power generation and power delivery facilities, as well as the need for energy-related commodities such as natural gas. Customer growth and customer usage are affected by a number of factors outside the control of NEE and FPL, such as mandated energy efficiency measures, demand side management requirements, and economic and demographic conditions, such as population changes, job and income growth, housing starts, new business formation and the overall level of economic activity. A lack of growth, or a decline, in the number of customers or in customer demand for electricity or natural gas and other fuels may cause NEE and FPL to fail to fully realize the anticipated benefits from significant investments and expenditures and could have a material adverse effect on NEE's and FPL's growth, business, financial condition, results of operations and prospects.

NEE's and FPL's business, financial condition, results of operations and prospects can be materially adversely affected by weather conditions, including, but not limited to, the impact of severe weather.

Weather conditions directly influence the demand for electricity and natural gas and other fuels and affect the price of energy and energy-related commodities. In addition, severe weather and natural disasters, such as hurricanes, floods, tornadoes, icing events and earthquakes, can be destructive and cause power outages and property damage, reduce revenue, affect the availability of fuel and water, and require NEE and FPL to incur additional costs, for example, to restore service and repair damaged facilities, to obtain replacement power and to access available financing sources. Furthermore, NEE's and FPL's physical plant could be placed at greater risk of damage should changes in the global climate produce unusual variations in temperature and weather patterns, resulting in more intense, frequent and extreme weather events, abnormal levels of precipitation and, particularly relevant to FPL, a change in sea level. FPL operates in the east and lower west coasts of Florida, an area that historically has been prone to severe weather events, such as hurricanes. A disruption or failure of electric generation, transmission or distribution systems or natural gas production, transmission, storage or distribution systems in the event of a hurricane, tornado or other severe weather event, or otherwise, could prevent NEE and FPL from operating their business in the normal course and could result in any of the adverse consequences described above. Any of the foregoing could have a material adverse effect on NEE's and FPL's business, financial condition, results of operations and prospects.

At FPL and other businesses of NEE where cost recovery is available, recovery of costs to restore service and repair damaged facilities is or may be subject to regulatory approval, and any determination by the regulator not to permit timely and full recovery of the costs incurred could have a material adverse effect on NEE's and FPL's business, financial condition, results of operations and prospects.

Changes in weather can also affect the production of electricity at power generation facilities, including, but not limited to, NEER's wind and solar facilities. For example, the level of wind resource affects the revenue produced by wind generation facilities. Because the levels of wind and solar resources are variable and difficult to predict, NEER's results of operations for individual wind and solar facilities specifically, and NEE's results of operations generally, may vary significantly from period to period, depending on the level of available resources To the extent that resources are not available at planned levels, the financial results from these facilities may be less than expected.

Threats of terrorism and catastrophic events that could result from terrorism, cyber attacks, or individuals and/or groups attempting to disrupt NEE's and FPL's business, or the businesses of third parties, may materially adversely affect NEE's and FPL's business, financial condition, results of operations and prospects.

NEE and FPL are subject to the potentially adverse operating and financial effects of terrorist acts and threats, as well as cyber attacks and other disruptive activities of individuals or groups. There have been cyber attacks on energy infrastructure such as substations, gas pipelines and related assets in the past and there may be such attacks in the future. NEE's and FPL's generation, transmission and distribution facilities, fuel storage facilities, information technology systems and other infrastructure facilities and systems could be direct targets of, or otherwise be materially adversely affected by, such activities.

Terrorist acts, cyber attacks or other similar events affecting NEE's and FPL's systems and facilities, or those of third parties on which NEE and FPL rely, could harm NEE's and FPL's business, for example, by limiting their ability to generate, purchase or transmit power, natural gas or other energy-related commodities by limiting their ability to bill customers and collect and process payments, and by delaying their development and construction of new generation, distribution or transmission facilities or capital improvements to existing facilities. These events, and governmental actions in response, could result in a material decrease in revenues, significant additional costs (for example, to repair assets, implement additional security requirements or maintain or acquire insurance), significant fines and penalties, and reputational damage, could materially adversely affect NEE's and FPL's operations (for example, by contributing to disruption of supplies and markets for natural gas, oil and other fuels), and could impair NEE's and FPL's ability to raise capital (for example, by contributing to financial instability and lower economic activity). In addition, the implementation of security guidelines and measures has resulted in and is expected to continue to result in increased costs. Such events or actions may materially adversely affect NEE's and FPL's business, financial condition, results of operations and prospects.

The ability of NEE and FPL to obtain insurance and the terms of any available insurance coverage could be materially adversely affected by international, national, state or local events and company-specific events, as well as the financial condition of insurers. NEE's and FPL's insurance coverage does not provide protection against all significant losses.

Insurance coverage may not continue to be available or may not be available at rates or on terms similar to those presently available to NEE and FPL. The ability of NEE and FPL to obtain insurance and the terms of any available insurance coverage could be materially adversely affected by international, national, state or local events and company-specific events, as well as the financial condition of insurers. If insurance coverage is not available or obtainable on acceptable terms, NEE or FPL may be required to pay costs associated with adverse future events. NEE and FPL generally are not fully insured against all significant losses. For example, FPL is not fully insured against hurricane-related losses, but would instead seek recovery of such uninsured losses from customers subject to approval by the FPSC, to the extent losses exceed restricted funds set aside to cover the cost of storm damage. A loss for which NEE or FPL is not fully insured could have a material adverse effect on NEE's and FPL's business, financial condition, results of operations and prospects.

NEE invests in gas and oil producing and transmission assets through NEER's gas infrastructure business. The gas infrastructure business is exposed to fluctuating market prices of natural gas, natural gas liquids, oil and other energy commodities. A prolonged period of low gas and oil prices could impact NEER's gas infrastructure business and cause NEER to delay or cancel certain gas infrastructure projects and for certain existing projects to be impaired, which could materially adversely affect NEE's results of operations.

Natural gas and oil prices are affected by supply and demand, both globally and regionally. Factors that influence supply and demand include operational issues, natural disasters, weather, political instability, conflicts, new discoveries, technological advances, economic conditions and actions by major oil-producing countries. There can be significant volatility in market prices for gas and oil, and price fluctuations could have a material effect on the financial performance of gas and oil producing and transmission assets. For example, in a low gas and oil price environment, NEER would generate less revenue from its gas infrastructure investments in gas and oil producing properties, and as a result certain investments might become less profitable or incur losses. Prolonged periods of low oil and gas prices could also result in oil and gas production and transmission projects to be delayed or cancelled or to experience lower returns, and for certain projects to become impaired, which could materially adversely affect NEE's results of operations.

If supply costs necessary to provide NEER's full energy and capacity requirement services are not favorable, operating costs could increase and materially adversely affect NEE's business, financial condition, results of operations and prospects.

NEER provides full energy and capacity requirements services primarily to distribution utilities, which include load-following services and various ancillary services, to satisfy all or a portion of such utilities' power supply obligations to their customers. The supply costs for these transactions may be affected by a number of factors, including, but not limited to, events that may occur after such utilities have committed to supply power, such as weather conditions, fluctuating prices for energy and ancillary services, and the ability of the distribution utilities' customers to elect to receive service from competing suppliers. NEER may not be able to recover all of its increased supply costs, which could have a material adverse effect on NEE's business, financial condition, results of operations and prospects.

Due to the potential for significant volatility in market prices for fuel, electricity and renewable and other energy commodities, NEER's inability or failure to manage properly or hedge effectively the commodity risks within its portfolios could materially adversely affect NEE's business, financial condition, results of operations and prospects.

There can be significant volatility in market prices for fuel, electricity and renewable and other energy commodities. NEE's inability or failure to manage properly or hedge effectively its assets or positions against changes in commodity prices, volumes, interest rates, counterparty credit risk or other risk measures, based on factors both from within, or wholly or partially outside of, NEE's control, may materially adversely affect NEE's business, financial condition, results of operations and prospects.

Sales of power on the spot market or on a short-term contractual basis may cause NEE's results of operations to be volatile.

A portion of NEER's power generation facilities operate wholly or partially without long-term power purchase agreements. Power from these facilities is sold on the spot market or on a short-term contractual basis. Spot market sales are subject to market volatility, and the revenue generated from these sales is subject to fluctuation that may cause NEE's results of operations to be volatile. NEER and NEE may not be able to manage volatility adequately, which could then have a material adverse effect on NEE's business, financial condition, results of operations and prospects.

Reductions in the liquidity of energy markets may restrict the ability of NEE to manage its operational risks, which, in turn, could negatively affect NEE's results of operations.

NEE is an active participant in energy markets. The liquidity of regional energy markets is an important factor in NEE's ability to manage risks in these operations. Over the past several years, other market participants have ceased or significantly reduced their activities in energy markets as a result of several factors, including, but not limited to, government investigations, changes in market design and deteriorating credit quality. Liquidity in the energy markets can be adversely affected by price volatility, restrictions on the availability of credit and other factors, and any reduction in the liquidity of energy markets could have a material adverse effect on NEE's business, financial condition, results of operations and prospects.

NEE's and FPL's hedging and trading procedures and associated risk management tools may not protect against significant losses.

NEE and FPL have hedging and trading procedures and associated risk management tools, such as separate but complementary financial, credit, operational, compliance and legal reporting systems, internal controls, management review processes and other mechanisms. NEE and FPL are unable to assure that such procedures and tools will be effective against all potential risks, including, without limitation, employee misconduct. If such procedures and tools are not effective, this could have a material adverse effect on NEE's business, financial condition, results of operations and prospects.

If price movements significantly or persistently deviate from historical behavior, NEE's and FPL's risk management tools associated with their hedging and trading procedures may not protect against significant losses.

NEE's and FPL's risk management tools and metrics associated with their hedging and trading procedures, such as daily value at risk, earnings at risk, stop loss limits and liquidity guidelines, are based on historical price movements. Due to the inherent uncertainty involved in price movements and potential deviation from historical pricing behavior, NEE and FPL are unable to assure that their risk management tools and metrics will be effective to protect against material adverse effects on their business, financial condition, results of operations and prospects.

If power transmission or natural gas, nuclear fuel or other commodity transportation facilities are unavailable or disrupted, FPL's and NEER's ability to sell and deliver power or natural gas may be limited.

FPL and NEER depend upon power transmission and natural gas, nuclear fuel and other commodity transportation facilities, many of which they do not own. Occurrences affecting the operation of these facilities that may or may not be beyond FPL's and NEER's control (such as severe weather or a generation or transmission facility outage, pipeline rupture, or sudden and significant increase or decrease in wind generation) may limit or halt the ability of FPL and NEER to sell and deliver power and natural gas, or to purchase necessary fuels and other commodities, which could materially adversely impact NEE's and FPL's business, financial condition, results of operations and prospects.

NEE and FPL are subject to credit and performance risk from customers, hedging counterparties and vendors.

NEE and FPL are exposed to risks associated with the creditworthiness and performance of their customers, hedging counterparties and vendors under contracts for the supply of equipment, materials, fuel and other goods and services required for their business operations and for the construction and operation of, and for capital improvements to, their facilities. Adverse conditions in the energy industry or the general economy, as well as circumstances of individual customers, hedging counterparties and vendors, may adversely affect the ability of some customers, hedging counterparties and vendors to perform as required under their contracts with NEE and FPL. For example, the prolonged downturn in oil and natural gas prices has adversely affected the financial stability of a number of enterprises in the energy industry, including some with which NEE does business.

If any hedging, vending or other counterparty fails to fulfill its contractual obligations, NEE and FPL may need to make arrangements with other counterparties or vendors, which could result in material financial losses, higher costs, untimely completion of power generation facilities and other projects, and/or a disruption of their operations. If a defaulting counterparty is in poor financial condition, NEE and FPL may not be able to recover damages for any contract breach.

NEE and FPL could recognize financial losses or a reduction in operating cash flows if a counterparty fails to perform or make payments in accordance with the terms of derivative contracts or if NEE or FPL is required to post margin cash collateral under derivative contracts.

NEE and FPL use derivative instruments, such as swaps, options, futures and forwards, some of which are traded in the OTC markets or on exchanges, to manage their commodity and financial market risks, and for NEE to engage in trading and marketing activities. Any failures by their counterparties to perform or make payments in accordance with the terms of those transactions could have a material adverse effect on NEE's or FPL's business, financial condition, results of operations and prospects. Similarly, any requirement for FPL or NEE to post margin cash collateral under its derivative contracts could have a material adverse effect on its business, financial condition, results of operations and prospects. These risks may be increased during periods of adverse market or economic conditions affecting the industries in which NEE participates.

NEE and FPL are highly dependent on sensitive and complex information technology systems, and any failure or breach of those systems could have a material adverse effect on their business, financial condition, results of operations and prospects.

NEE and FPL operate in a highly regulated industry that requires the continuous functioning of sophisticated information technology systems and network infrastructure. Despite NEE's and FPL's implementation of security measures, all of their technology systems are vulnerable to disability, failures or unauthorized access due to such activities. If NEE's or FPL's information technology systems were to fail or be breached, sensitive confidential and other data could be compromised and NEE and FPL could be unable to fulfill critical business functions.

NEE's and FPL's business is highly dependent on their ability to process and monitor, on a daily basis, a very large number of transactions, many of which are highly complex and cross numerous and diverse markets. Due to the size, scope, complexity and geographical reach of NEE's and FPL's business, the development and maintenance of information technology systems to keep track of and process information is critical and challenging. NEE's and FPL's operating systems and facilities may fail to operate properly or become disabled as a result of events that are either within, or wholly or partially outside of, their control, such as operator error, severe weather or terrorist activities. Any such failure or disabling event could materially adversely affect NEE's and FPL's ability to process transactions and provide services, and their business, financial condition, results of operations and prospects.

NEE and FPL add, modify and replace information systems on a regular basis. Modifying existing information systems or implementing new or replacement information systems is costly and involves risks, including, but not limited to, integrating the modified, new or replacement system with existing systems and processes, implementing associated changes in accounting procedures and controls, and ensuring that data conversion is accurate and consistent. Any disruptions or deficiencies in existing information systems, or disruptions, delays or deficiencies in the modification or implementation of new information systems, could result in increased costs, the inability to track or collect revenues and the diversion of management's and employees' attention and resources, and could negatively impact the effectiveness of the companies' control environment, and/or the companies' ability to timely file required regulatory reports.

NEE and FPL also face the risks of operational failure or capacity constraints of third parties, including, but not limited to, those who provide power transmission and natural gas transportation services.

NEE's and FPL's retail businesses are subject to the risk that sensitive customer data may be compromised, which could result in a material adverse impact to their reputation and/or the results of operations of the retail business.

NEE's and FPL's retail businesses require access to sensitive customer data in the ordinary course of business. NEE's and FPL's retail businesses may also need to provide sensitive customer data to vendors and service providers who require access to this information in order to provide services, such as call center services, to the retail businesses. If a significant breach occurred, the reputation of NEE and FPL could be materially adversely affected, customer confidence could be diminished, or customer information could be subject to identity theft. NEE and FPL would be subject to costs associated with the breach and/or NEE and FPL could be subject to fines and legal claims, any of which may have a material adverse effect on the business, financial condition, results of operations and prospects of NEE and FPL.

NEE and FPL could recognize financial losses as a result of volatility in the market values of derivative instruments and limited liquidity in OTC markets.

NEE and FPL execute transactions in derivative instruments on either recognized exchanges or via the OTC markets, depending on management's assessment of the most favorable credit and market execution factors. Transactions executed in OTC markets have the potential for greater volatility and less liquidity than transactions on recognized exchanges. As a result, NEE and FPL may not be able to execute desired OTC transactions due to such heightened volatility and limited liquidity.

In the absence of actively quoted market prices and pricing information from external sources, the valuation of derivative instruments involves management's judgment and use of estimates. As a result, changes in the underlying assumptions or use of alternative valuation methods could affect the reported fair value of these derivative instruments and have a material adverse effect on NEE's and FPL's business, financial condition, results of operations and prospects.

NEE and FPL may be materially adversely affected by negative publicity.

From time to time, political and public sentiment may result in a significant amount of adverse press coverage and other adverse public statements affecting NEE and FPL. Adverse press coverage and other adverse statements, whether or not driven by political or public sentiment, may also result in investigations by regulators, legislators and law enforcement officials or in legal claims. Responding to these investigations and lawsuits, regardless of the ultimate outcome of the proceeding, can divert the time and effort of senior management from NEE's and FPL's business.

Addressing any adverse publicity, governmental scrutiny or enforcement or other legal proceedings is time consuming and expensive and, regardless of the factual basis for the assertions being made, can have a negative impact on the reputation of NEE and FPL, on the morale and performance of their employees and on their relationships with their respective regulators. It may also have a negative impact on their ability to take timely advantage of various business and market opportunities. The direct and indirect effects of negative publicity, and the demands of responding to and addressing it, may have a material adverse effect on NEE's and FPL's business, financial condition, results of operations and prospects.

NEE's and FPL's business, financial condition, results of operations and prospects may be materially adversely affected if FPL is unable to maintain, negotiate or renegotiate franchise agreements on acceptable terms with municipalities and counties in Florida.

FPL must negotiate franchise agreements with municipalities and counties in Florida to provide electric services within such municipalities and counties, and electricity sales generated pursuant to these agreements represent a very substantial portion of FPL's revenues. If FPL is unable to maintain, negotiate or renegotiate such franchise agreements on acceptable terms, it could contribute to lower earnings and FPL may not fully realize the anticipated benefits from significant investments and expenditures, which could materially adversely affect NEE's and FPL's business, financial condition, results of operations and prospects.

Increasing costs associated with health care plans may materially adversely affect NEE's and FPL's results of operations.

The costs of providing health care benefits to employees and retirees have increased substantially in recent years. NEE and FPL anticipate that their employee benefit costs, including, but not limited to, costs related to health care plans for employees and former employees, will continue to rise. The increasing costs and funding requirements associated with NEE's and FPL's health care plans may materially adversely affect NEE's and FPL's business, financial condition, results of operations and prospects.

NEE's and FPL's business, financial condition, results of operations and prospects could be negatively affected by the lack of a qualified workforce or the loss or retirement of key employees.

NEE and FPL may not be able to service customers, grow their business or generally meet their other business plan goals effectively and profitably if they do not attract and retain a qualified workforce. Additionally, the loss or retirement of key executives and other employees may materially adversely affect service and productivity and contribute to higher training and safety costs.

Over the next several years, a significant portion of NEE's and FPL's workforce, including, but not limited to, many workers with specialized skills maintaining and servicing the nuclear generation facilities and electrical infrastructure, will be eligible to retire. Such highly skilled individuals may not be able to be replaced quickly due to the technically complex work they perform. If a significant amount of such workers retire and are not replaced, the subsequent loss in productivity and increased recruiting and training costs could result in a material adverse effect on NEE's and FPL's business, financial condition, results of operations and prospects.

NEE's and FPL's business, financial condition, results of operations and prospects could be materially adversely affected by work strikes or stoppages and increasing personnel costs.

Employee strikes or work stoppages could disrupt operations and lead to a loss of revenue and customers. Personnel costs may also increase due to inflationary or competitive pressures on payroll and benefits costs and revised terms of collective bargaining agreements with union employees. These consequences could have a material adverse effect on NEE's and FPL's business, financial condition, results of operations and prospects.

NEE's ability to successfully identify, complete and integrate acquisitions is subject to significant risks, including, but not limited to, the effect of increased competition for acquisitions resulting from the consolidation of the power industry.

NEE is likely to encounter significant competition for acquisition opportunities that may become available as a result of the consolidation of the power industry in general. In addition, NEE may be unable to identify attractive acquisition opportunities at favorable prices and to complete and integrate them successfully and in a timely manner.

NEP's acquisitions may not be completed and, even if completed, NEE may not realize the anticipated benefits of any acquisitions, which could materially adversely affect NEE's business, financial condition, results of operations and prospects.

NEE may not realize the anticipated benefits from the Texas pipeline business. Although NEP has made a number of acquisitions of wind and solar generation projects, the Texas pipeline business is the first third party acquisition by NEP and is NEP's first acquisition of natural gas pipeline assets.

In the future NEP may make additional acquisitions of assets which are inherently risky and NEE may not realize the anticipated benefits of any acquisitions, which could materially adversely affect NEE's business, financial condition, results of operations and prospects.

Nuclear Generation Risks

The construction, operation and maintenance of NEE's and FPL's nuclear generation facilities involve environmental, health and financial risks that could result in fines or the closure of the facilities and in increased costs and capital expenditures.

NEE's and FPL's nuclear generation facilities are subject to environmental, health and financial risks, including, but not limited to, those relating to site storage of spent nuclear fuel, the disposition of spent nuclear fuel, leakage and emissions of tritium and other radioactive elements in the event of a nuclear accident or otherwise, the threat of a terrorist attack and other potential liabilities arising out of the ownership or operation of the facilities. NEE and FPL maintain decommissioning funds and external insurance coverage which are intended to reduce the financial exposure to some of these risks; however, the cost of decommissioning nuclear generation facilities could exceed the amount available in NEE's and FPL's decommissioning funds, and the exposure to liability and property damages could exceed the amount of insurance coverage. If NEE or FPL is unable to recover the additional costs incurred through insurance or, in the case of FPL, through regulatory mechanisms, their business, financial condition, results of operations and prospects could be materially adversely affected.

In the event of an incident at any nuclear generation facility in the U.S. or at certain nuclear generation facilities in Europe, NEE and FPL could be assessed significant retrospective assessments and/or retrospective insurance premiums as a result of their participation in a secondary financial protection system and nuclear insurance mutual companies.

Liability for accidents at nuclear power plants is governed by the Price-Anderson Act, which limits the liability of nuclear reactor owners to the amount of insurance available from both private sources and an industry retrospective payment plan. In accordance with this Act, NEE maintains $375 million of private liability insurance per site, which is the maximum obtainable, and participates in a secondary financial protection system, which provides up to $13.1 billion of liability insurance coverage per incident at any nuclear reactor in the U.S. Under the secondary financial protection system, NEE is subject to retrospective assessments and/or retrospective insurance premiums of up to $1.0 billion ($509 million for FPL), plus any applicable taxes, per incident at any nuclear reactor in the U.S. or at certain nuclear generation facilities in Europe, regardless of fault or proximity to the incident, payable at a rate not to exceed $152 million ($76 million for FPL) per incident per year. Such assessments, if levied, could materially adversely affect NEE's and FPL's business, financial condition, results of operations and prospects.

NRC orders or new regulations related to increased security measures and any future safety requirements promulgated by the NRC could require NEE and FPL to incur substantial operating and capital expenditures at their nuclear generation facilities.

The NRC has broad authority to impose licensing and safety-related requirements for the operation and maintenance of nuclear generation facilities, the addition of capacity at existing nuclear generation facilities and the construction of nuclear generation facilities, and these requirements are subject to change. In the event of non-compliance, the NRC has the authority to impose fines or shut down a nuclear generation facility, or to take both of these actions, depending upon its assessment of the severity of the situation, until compliance is achieved. Any of the foregoing events could require NEE and FPL to incur increased costs and capital expenditures, and could reduce revenues.

Any serious nuclear incident occurring at a NEE or FPL plant could result in substantial remediation costs and other expenses. A major incident at a nuclear facility anywhere in the world could cause the NRC to limit or prohibit the operation or licensing of any domestic nuclear generation facility. An incident at a nuclear facility anywhere in the world also could cause the NRC to impose additional conditions or other requirements on the industry, or on certain types of nuclear generation units, which could increase costs, reduce revenues and result in additional capital expenditures.

The inability to operate any of NEER's or FPL's nuclear generation units through the end of their respective operating licenses could have a material adverse effect on NEE's and FPL's business, financial condition, results of operations and prospects.

The operating licenses for NEE's and FPL's nuclear generation facilities extend through at least 2030. If the facilities cannot be operated for any reason through the life of those operating licenses, NEE or FPL may be required to increase depreciation rates, incur impairment charges and accelerate future decommissioning expenditures, any of which could materially adversely affect their business, financial condition, results of operations and prospects.

Various hazards posed to nuclear generation facilities, along with increased public attention to and awareness of such hazards, could result in increased nuclear licensing or compliance costs which are difficult or impossible to predict and could have a material adverse effect on NEE's and FPL's business, financial condition, results of operations and prospects.

The threat of terrorist activity, as well as recent international events implicating the safety of nuclear facilities, could result in more stringent or complex measures to keep facilities safe from a variety of hazards, including, but not limited to, natural disasters such as earthquakes and tsunamis, as well as terrorist or other criminal threats. This increased focus on safety could result in higher compliance costs which, at present, cannot be assessed with any measure of certainty and which could have a material adverse effect on NEE's and FPL's business, financial condition, results of operations and prospects.

NEE's and FPL's nuclear units are periodically removed from service to accommodate normal refueling and maintenance outages, and for other purposes. If planned outages last longer than anticipated or if there are unplanned outages, NEE's and FPL's results of operations and financial condition could be materially adversely affected.

NEE's and FPL's nuclear units are periodically removed from service to accommodate normal refueling and maintenance outages, including, but not limited to, inspections, repairs and certain other modifications. In addition, outages may be scheduled, often in connection with a refueling outage, to replace equipment, to increase the generating capacity at a particular nuclear unit, or for other purposes, and those planned activities increase the time the unit is not in operation. In the event that a scheduled outage lasts longer than anticipated or in the event of an unplanned outage due to, for example, equipment failure, such outages could materially adversely affect NEE's or FPL's business, financial condition, results of operations and prospects.

Liquidity, Capital Requirements and Common Stock Risks

Disruptions, uncertainty or volatility in the credit and capital markets may negatively affect NEE's and FPL's ability to fund their liquidity and capital needs and to meet their growth objectives, and can also materially adversely affect the results of operations and financial condition of NEE and FPL.

NEE and FPL rely on access to capital and credit markets as significant sources of liquidity for capital requirements and other operations requirements that are not satisfied by operating cash flows. Disruptions, uncertainty or volatility in those capital and credit markets, including, but not limited to, the conditions of the most recent financial crises in the U.S. and abroad, could increase NEE's and FPL's cost of capital. If NEE or FPL is unable to access regularly the capital and credit markets on terms that are reasonable, it may have to delay raising capital, issue shorter-term securities and incur an unfavorable cost of capital, which, in turn, could adversely affect its ability to grow its business, could contribute to lower earnings and reduced financial flexibility, and could have a material adverse effect on its business, financial condition, results of operations and prospects.

Although NEE's competitive energy subsidiaries have used non-recourse or limited-recourse, project-specific or other financing in the past, market conditions and other factors could adversely affect the future availability of such financing. The inability of NEE's subsidiaries, including, without limitation, NEECH and NEP and their respective subsidiaries, to access the capital and credit markets to provide project-specific or other financing for electric generation or other facilities or acquisitions on favorable terms, whether because of disruptions or volatility in those markets or otherwise, could necessitate additional capital raising or borrowings by NEE and/or NEECH in the future.

The inability of subsidiaries that have existing project-specific or other financing arrangements to meet the requirements of various agreements relating to those financings could give rise to a project-specific financing default which, if not cured or waived, might result in the specific project, and potentially in some limited instances its parent companies, being required to repay the associated debt or other borrowings earlier than otherwise anticipated, and if such repayment were not made, the lenders or security holders would generally have rights to foreclose against the project assets and related collateral. Such an occurrence also could result in NEE expending additional funds or incurring additional obligations over the shorter term to ensure continuing compliance with project-specific financing arrangements based upon the expectation of improvement in the project's performance or financial returns over the longer term. Any of these actions could materially adversely affect NEE's business, financial condition, results of operations and prospects, as well as the availability or terms of future financings for NEE or its subsidiaries.

NEE's, NEECH's and FPL's inability to maintain their current credit ratings may materially adversely affect NEE's and FPL's liquidity and results of operations, limit the ability of NEE and FPL to grow their business, and increase interest costs.

The inability of NEE, NEECH and FPL to maintain their current credit ratings could materially adversely affect their ability to raise capital or obtain credit on favorable terms, which, in turn, could impact NEE's and FPL's ability to grow their business and service indebtedness and repay borrowings, and would likely increase their interest costs. In addition, certain agreements and guarantee arrangements would require posting of additional collateral in the event of a ratings downgrade. Some of the factors that can affect credit ratings are cash flows, liquidity, the amount of debt as a component of total capitalization, NEE's overall business mix and political, legislative and regulatory actions There can be no assurance that one or more of the ratings of NEE, NEECH and FPL will not be lowered or withdrawn entirely by a rating agency.

NEE's and FPL's liquidity may be impaired if their credit providers are unable to fund their credit commitments to the companies or to maintain their current credit ratings.

The inability of NEE's, NEECH's and FPL's credit providers to fund their credit commitments or to maintain their current credit ratings could require NEE, NEECH or FPL, among other things, to renegotiate requirements in agreements, find an alternative credit provider with acceptable credit ratings to meet funding requirements, or post cash collateral and could have a material adverse effect on NEE's and FPL's liquidity.

Poor market performance and other economic factors could affect NEE's defined benefit pension plan's funded status, which may materially adversely affect NEE's and FPL's business, financial condition, liquidity and results of operations and prospects.

NEE sponsors a qualified noncontributory defined benefit pension plan for substantially all employees of NEE and its subsidiaries. A decline in the market value of the assets held in the defined benefit pension plan due to poor investment performance or other factors may increase the funding requirements for this obligation.

NEE's defined benefit pension plan is sensitive to changes in interest rates, since, as interest rates decrease the funding liabilities increase, potentially increasing benefits costs and funding requirements. Any increase in benefits costs or funding requirements may have a material adverse effect on NEE's and FPL's business, financial condition, liquidity, results of operations and prospects.

Poor market performance and other economic factors could adversely affect the asset values of NEE's and FPL's nuclear decommissioning funds, which may materially adversely affect NEE's and FPL's liquidity and results of operations.

NEE and FPL are required to maintain decommissioning funds to satisfy their future obligations to decommission their nuclear power plants. A decline in the market value of the assets held in the decommissioning funds due to poor investment performance or other factors may increase the funding requirements for these obligations. Any increase in funding requirements may have a material adverse effect on NEE's and FPL's business, financial condition, results of operations and prospects.

Certain of NEE's investments are subject to changes in market value and other risks, which may materially adversely affect NEE's liquidity, financial results and results of operations.

NEE holds other investments where changes in the fair value affect NEE's financial results. In some cases there may be no observable market values for these investments, requiring fair value estimates to be based on other valuation techniques. This type of analysis requires significant judgment and the actual values realized in a sale of these investments could differ materially from those estimated. A sale of an investment below previously estimated value, or other decline in the fair value of an investment, could result in losses or the write-off of such investment, and may have a material adverse effect on NEE's liquidity, financial condition and results of operations.

NEE may be unable to meet its ongoing and future financial obligations and to pay dividends on its common stock if its subsidiaries are unable to pay upstream dividends or repay funds to NEE.

NEE is a holding company and, as such, has no material operations of its own. Substantially all of NEE's consolidated assets are held by its subsidiaries. NEE's ability to meet its financial obligations, including, but not limited to, its guarantees, and to pay dividends on its common stock is primarily dependent on its subsidiaries' net income and cash flows, which are subject to the risks of their respective businesses, and their ability to pay upstream dividends or to repay funds to NEE.

NEE's subsidiaries are separate legal entities and have no independent obligation to provide NEE with funds for its payment obligations. The subsidiaries have financial obligations, including, but not limited to, payment of debt service, which they must satisfy before they can provide NEE with funds. In addition, in the event of a subsidiary's liquidation or reorganization, NEE's right to participate in a distribution of assets is subject to the prior claims of the subsidiary's creditors.

The dividend-paying ability of some of the subsidiaries is limited by contractual restrictions which are contained in outstanding financing agreements and which may be included in future financing agreements. The future enactment of laws or regulations also may prohibit or restrict the ability of NEE's subsidiaries to pay upstream dividends or to repay funds.

NEE may be unable to meet its ongoing and future financial obligations and to pay dividends on its common stock if NEE is required to perform under guarantees of obligations of its subsidiaries.

NEE guarantees many of the obligations of its consolidated subsidiaries, other than FPL, through guarantee agreements with NEECH. These guarantees may require NEE to provide substantial funds to its subsidiaries or their creditors or counterparties at a time when NEE is in need of liquidity to meet its own financial obligations. Funding such guarantees may materially adversely affect NEE's ability to meet its financial obligations or to pay dividends.

NEP may not be able to access sources of capital on commercially reasonable terms, which would have a material adverse effect on its ability to consummate future acquisitions and on the value of NEE's limited partner interest in NEP OpCo.

NEE understands that NEP expects to finance acquisitions of clean energy projects partially or wholly through the issuance of additional common units. NEP needs to be able to access the capital markets on commercially reasonable terms when acquisition opportunities arise. NEP's ability to access the equity capital markets is dependent on, among other factors, the overall state of the capital markets and investor appetite for investment in clean energy projects in general and NEP's common units in particular. An inability to obtain equity financing on commercially reasonable terms could limit NEP's ability to consummate future acquisitions and to effectuate its growth strategy in the manner currently contemplated. Furthermore there may not be sufficient availability under NEP OpCo's subsidiaries' revolving credit facility or other financing arrangements on commercially reasonable terms when acquisition opportunities arise. If debt financing is available, it may be available only on terms that could significantly increase NEP's interest expense, impose additional or more restrictive covenants and reduce cash distributions to its unitholders. An inability to access sources of capital on commercially reasonable terms could significantly limit NEP's ability to consummate future acquisitions and to effectuate its growth strategy. NEP's inability to effectively consummate future acquisitions could have a material adverse effect on NEP's ability to grow its business and make cash distributions to its unitholders.

Through an indirect wholly owned subsidiary, NEE owns a limited partner interest in NEP OpCo. NEP's inability to access the capital markets on commercially reasonable terms and effectively consummate future acquisitions could have a material adverse effect on NEP's ability to grow its cash distributions to its unitholders, including NEE, and on the value of NEE's limited partnership interest in NEP OpCo.

Disruptions, uncertainty or volatility in the credit and capital markets may exert downward pressure on the market price of NEE's common stock.

The market price and trading volume of NEE's common stock are subject to fluctuations as a result of, among other factors, general credit and capital market conditions and changes in market sentiment regarding the operations, business and financing strategies of NEE and its subsidiaries. As a result, disruptions, uncertainty or volatility in the credit and capital markets may, for example, have a material adverse effect on the market price of NEE's common stock.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

NEE and its subsidiaries maintain properties which are adequate for their operations; the principal properties are described below.

Generation Facilities

FPL

At December 31, 2015, the electric generation, transmission, distribution and general facilities of FPL represented approximately 50%, 11%, 33% and 6%, respectively, of FPL's gross investment in electric utility plant in service and other property. At December 31, 2015, FPL had the following generation facilities:

FPL Facilities	Location	No. of Units	Fuel	Net Capability (MW)[a]
Fossil				
Combined-cycle				
Cape Canaveral	Cocoa, FL	1	Gas/Oil	1,210
Fort Myers	Fort Myers, FL	1	Gas	1,470
Lauderdale	Dania, FL	2	Gas/Oil	884
Manatee	Parrish, FL	1	Gas	1,141
Martin	Indiantown, FL	1	Gas/Oil/Solar Thermal	1,135 [b]
Martin	Indiantown, FL	2	Gas	938
Riviera	Riviera Beach, FL	1	Gas/Oil	1,212
Sanford	Lake Monroe, FL	2	Gas	2,010
Turkey Point	Florida City, FL	1	Gas/Oil	1,187
West County	West Palm Beach, FL	3	Gas/Oil	3,657
Steam turbines				
Cedar Bay	Jacksonville, FL	1	Coal	250
Manatee	Parrish, FL	2	Gas/Oil	1,618
Martin	Indiantown, FL	2	Gas/Oil	1,626
St. Johns River Power Park	Jacksonville, FL	2	Coal/Petroleum Coke	254 [c]
Scherer	Monroe County, GA	1	Coal	634 [d]
Turkey Point	Florida City, FL	1	Gas/Oil	396
Simple-cycle combustion turbines				
Fort Myers	Fort Myers, FL	2	Gas/Oil	314
Gas turbines				
Fort Myers	Fort Myers, FL	11	Oil	594
Lauderdale	Dania, FL	24	Gas/Oil	824
Port Everglades	Port Everglades, FL	12	Gas/Oil	412
Nuclear				
St. Lucie	Hutchinson Island, FL	2	Nuclear	1,821 [e]
Turkey Point	Florida City, FL	2	Nuclear	1,632
Solar PV				
DeSoto	Arcadia, FL	1	Solar PV	25
Space Coast	Cocoa, FL	1	Solar PV	10
TOTAL				25,254 [f]

(a) Represents FPL's net ownership interest in warm weather peaking capability
(b) The megawatts generated by the 75 MW solar thermal hybrid facility replace steam produced by this unit and therefore are not incremental.
(c) Represents FPL's 20% ownership interest in each of SJRPP Units Nos. 1 and 2, which are jointly owned with JEA.
(d) Represents FPL's approximately 76% ownership of Scherer Unit No. 4, which is jointly owned with JEA.
(e) Excludes Orlando Utilities Commission's and the Florida Municipal Power Agency's combined share of approximately 15% of St. Lucie Unit No. 2.
(f) Substantially all of FPL's properties are subject to the lien of FPL's mortgage.

NEER

At December 31, 2015, NEER had the following generation facilities (see Item 1. Business - II. NEER - Generation and Other Operations - Contracted, Merchant and Other Operations for definition of contracted and merchant facilities):

NEER Facilities	Location	Fuel	Net Capability (MW)(a)
Contracted			
Adelaide Wind(b)	Middlesex County, Ontario, Canada	Wind	60
Ashtabula Wind(b)(c)	Barnes County, ND	Wind	148
Ashtabula Wind II(c)	Griggs & Steele Counties, ND	Wind	120
Ashtabula Wind III(b)(d)	Barnes County, ND	Wind	62
Baldwin Wind(b)(d)	Burleigh County, ND	Wind	102
Blackwell Wind(c)(e)	Kay County, OK	Wind	60
Bluewater Wind(b)(d)	Huron County, Ontario, Canada	Wind	60
Bornish Wind(b)	Middlesex County, Ontario, Canada	Wind	73
Breckinridge(c)	Garfield County, OK	Wind	98
Buffalo Ridge	Lincoln County, MN	Wind	28
Butler Ridge Wind(b)(c)	Dodge County, WI	Wind	54
Cabazon(b)	Riverside County, CA	Wind	39
Carousel Wind(c)	Kit Carson County, CO	Wind	150
Cedar Bluff Wind(c)	Ellis, Ness, Rush & Trego Counties, KS	Wind	198
Cerro Gordo(b)	Cerro Gordo County, IA	Wind	41
Cimarron(b)	Gray County, KS	Wind	168
Conestogo Wind(b)(d)	Wellington County, Ontario, Canada	Wind	23
Crystal Lake I(b)(c)	Hancock County, IA	Wind	150
Crystal Lake II(f)	Winnebago County, IA	Wind	200
Crystal Lake III(f)	Winnebago County, IA	Wind	66
Day County Wind(b)	Day County, SD	Wind	99
Diablo Wind(b)	Alameda County, CA	Wind	20
East Durham Wind	Grey County, Ontario, Canada	Wind	22
Elk City Wind(b)(d)	Roger Mills & Beckham Counties, OK	Wind	99
Elk City Wind II	Roger Mills & Beckham Counties, OK	Wind	101
Endeavor Wind	Osceola County, IA	Wind	100
Endeavor Wind II	Osceola County, IA	Wind	50
Ensign Wind	Gray County, KS	Wind	99
Ghost Pine Wind	Kneehill County, Alberta, Canada	Wind	82
Golden Hills Wind(c)	Alameda County, CA	Wind	86
Golden West Wind(c)	El Paso County, CO	Wind	249
Goshen(b)	Huron County, Ontario, Canada	Wind	102
Gray County	Gray County, KS	Wind	112
Green Power	Riverside County, CA	Wind	17
Hancock County(b)	Hancock County, IA	Wind	98
High Winds(b)	Solano County, CA	Wind	162
Indian Mesa	Pecos County, TX	Wind	83
Javelina Wind(b)	Webb County, TX	Wind	250
Jericho Wind(b)(d)	Lambton & Middlesex Counties, Ontario, Canada	Wind	149
King Mountain(b)(f)	Upton County, TX	Wind	278
Lake Benton II(b)	Pipestone County, MN	Wind	103
Langdon Wind(b)(c)	Cavalier County, ND	Wind	118
Langdon Wind II(b)(c)	Cavalier County, ND	Wind	41
Lee / DeKalb Wind	Lee & DeKalb Counties, IL	Wind	217
Limon I(c)(e)	Lincoln, Elbert & Arapahoe Counties, CO	Wind	200
Limon II(c)(e)	Lincoln, Elbert & Arapahoe Counties, CO	Wind	200
Limon III(c)(e)	Lincoln County, CO	Wind	201
Logan Wind(c)	Logan County, CO	Wind	201
Majestic Wind(b)(c)	Carson County, TX	Wind	79

Majestic Wind II[c]	Carson & Potter Counties, TX	Wind	80
Mammoth Plains Wind[c][d]	Dewey & Blaine Counties, OK	Wind	199
Meyersdale[b]	Somerset County, PA	Wind	30
Mill Run[b]	Fayette County, PA	Wind	15
Minco Wind[b]	Grady County, OK	Wind	99
Minco Wind II[b]	Grady & Caddo Counties, OK	Wind	101
Minco Wind III[c][e]	Grady, Caddo & Canadian Counties, OK	Wind	101

NEER Facilities	Location	Fuel	Net Capability (MW)[a]
Montezuma Wind[b]	Solano County, CA	Wind	37
Montezuma Wind II[c]	Solano County, CA	Wind	78
Mount Copper[b]	Gaspésie, Quebec, Canada	Wind	52
Mount Miller[b]	Gaspésie, Quebec, Canada	Wind	52
Mountaineer Wind[b]	Preston & Tucker Counties, WV	Wind	66
Mower County Wind[c]	Mower County, MN	Wind	99
New Mexico Wind[b]	Quay & Debaca Counties, NM	Wind	204
North Dakota Wind[b]	LaMoure County, ND	Wind	62
North Sky River[b]	Kern County, CA	Wind	162
Northern Colorado[b][d]	Logan County, CO	Wind	174
Oklahoma / Sooner Wind[b]	Harper & Woodward Counties, OK	Wind	102
Oliver County Wind I[c]	Oliver County, ND	Wind	51
Oliver County Wind II[c]	Oliver County, ND	Wind	48
Palo Duro Wind[c][e]	Hansford & Ochiltree Counties, TX	Wind	250
Peetz Table Wind[c]	Logan County, CO	Wind	199
Perrin Ranch Wind[b][d]	Coconino County, AZ	Wind	99
Pheasant Run I[b]	Huron County, MI	Wind	75
Pubnico Point[b]	Yarmouth County, Nova Scotia, Canada	Wind	31
Red Mesa Wind	Cibola County, NM	Wind	102
Seiling Wind[c]	Dewey County, OK	Wind	199
Seiling Wind II[c]	Dewey & Woodward Counties, OK	Wind	100
Sky River[b]	Kern County, CA	Wind	73
Somerset Wind Power[b]	Somerset County, PA	Wind	9
South Dakota Wind[b]	Hyde County, SD	Wind	41
Southwest Mesa[b]	Upton & Crockett Counties, TX	Wind	74
Stateline[b][d]	Umatilla County, OR and Walla Walla County, WA	Wind	300
Steele Flats[c][e]	Jefferson & Gage Counties, NE	Wind	75
Story County Wind[b][c]	Story County, IA	Wind	150
Story County Wind II[b]	Story & Hardin Counties, IA	Wind	150
Summerhaven[c][d]	Haldimand County, Ontario, Canada	Wind	124
Tuscola Bay[b][d]	Tuscola, Bay & Saginaw Counties, MI	Wind	120
Tuscola II	Tuscola & Bay Counties, MI	Wind	100
Vansycle[b]	Umatilla County, OR	Wind	25
Vansycle II[f]	Umatilla County, OR	Wind	99
Vasco Winds[c]	Contra Costa County, CA	Wind	78
Waymart[b]	Wayne County, PA	Wind	65
Weatherford Wind[b]	Custer & Washita Counties, OK	Wind	147
Wessington Springs Wind[b][c]	Jerauld County, SD	Wind	51
White Oak[c][e]	McLean County, IL	Wind	150
Wilton Wind[b]	Burleigh County, ND	Wind	49
Wilton Wind II[c]	Burleigh County, ND	Wind	50
Windpower Partners 1993[c]	Riverside County, CA	Wind	50
Woodward Mountain	Upton & Pecos Counties, TX	Wind	160
Investments in joint ventures - Cedar Point II Wind	Lambton County, Ontario, Canada	Wind	50
Total Contracted Wind			10,571
Adelanto I Solar[b][g]	San Bernardino County, CA	Solar PV	20
Adelanto II Solar[b][g]	San Bernardino County, CA	Solar PV	7
Genesis[b][d]	Riverside County, CA	Solar Thermal	250
Hatch Solar	Hatch, NM	Solar CPV	5
McCoy Solar[b][g]	Riverside County, CA	Solar PV	126
Moore Solar[b][d]	Lambton County, Ontario, Canada	Solar PV	20
Mountain View Solar[b]	Clark County, NV	Solar PV	20
Planta Termosolar I & II[b]	Madrigalejo, Spain	Solar Thermal	100

Shafter Solar[b][e]	Kern County, CA	Solar PV	20
Silver State South Solar[b]	Clark County, NV	Solar PV	31
Sombra Solar[b][e]	Lambton County, Ontario, Canada	Solar PV	20
Investments in joint ventures:			
Desert Sunlight[b]	Riverside County, CA	Solar PV	275
SEGS III-IX[b]	Kramer Junction & Harper Lake, CA	Solar Thermal	147
Distributed generation	Various	Solar PV	20
Total Contracted Solar			1,121

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NEER Facilities	Location	Fuel	Net Capability (MW)[a]
Bayswater [b]	Far Rockaway, NY	Gas	56
Jamaica Bay[b]	Far Rockaway, NY	Gas/Oil	54
Marcus Hook 750[b]	Marcus Hook, PA	Gas	744
Investments in joint ventures - Bellingham	Bellingham, MA	Gas	150
Total Contracted Natural Gas			1,004
Duane Arnold	Palo, IA	Nuclear	431 [h]
Point Beach	Two Rivers, WI	Nuclear	1,190
Total Contracted Nuclear			1,621
Total Contracted			14,317
Merchant			
Blue Summit[c][e]	Wilbarger County, TX	Wind	135
Callahan Divide[b]	Taylor County, TX	Wind	114
Capricorn Ridge[c]	Sterling & Coke Counties, TX	Wind	364
Capricorn Ridge Expansion[c]	Sterling & Coke Counties, TX	Wind	298
Horse Hollow Wind[b]	Taylor County, TX	Wind	213
Horse Hollow Wind II[b]	Taylor & Nolan Counties, TX	Wind	299
Horse Hollow Wind III[b]	Nolan County, TX	Wind	224
Red Canyon Wind[b]	Borden, Garza & Scurry Counties, TX	Wind	84
Wolf Ridge Wind[c][e]	Cooke County, TX	Wind	112
Total Merchant Wind			1,843
Paradise Solar	West Deptford, NJ	Solar PV	5
Forney[b]	Forney, TX	Gas	1,824 [i]
Lamar Power Partners[b]	Paris, TX	Gas	1,060 [i]
Marcus Hook 50	Marcus Hook, PA	Gas	50
Investment in joint venture - Sayreville	Sayreville, NJ	Gas	145
Total Merchant Natural Gas			3,079
Nuclear - Seabrook	Seabrook, NH	Nuclear	1,100 [j]
Maine - Cape, Wyman	Various - ME	Oil	796 [k]
Total Merchant			6,823
Total Generating Capability			21,140
Noncontrolling Interest			(480)
Total Net Generating Capability			20,660

(a) Represents NEER's net ownership interest in plant capacity.
(b) These generation facilities are encumbered by liens against their assets securing various financings.
(c) NEER owns these wind facilities together with third-party investors with differential membership interests. See Note 1 - Sale of Differential Membership Interests.
(d) These generation facilities are part of the NEP portfolio and subject to an approximately 23.2% noncontrolling interest.
(e) Various financings are secured by the pledge of NEER's membership interests in the entities owning these wind facilities.
(f) These generation facilities have approximately 325 MW of generating capacity that is not fully committed under long-term contracts.
(g) NEP owns an approximately 50% equity method investment in these solar projects. See Note 9 - NEER.
(h) Excludes Central Iowa Power Cooperative and Corn Belt Power Cooperative's combined share of 30%.
(i) See Note 1 - Assets and Liabilities Associated with Assets Held for Sale for discussion of the pending sale of these facilities
(j) Excludes Massachusetts Municipal Wholesale Electric Company's, Taunton Municipal Lighting Plant's and Hudson Light & Power Department's combined share of 11.77%
(k) Excludes six other energy-related partners' combined share of 16%.

Transmission and Distribution

At December 31, 2015, FPL owned and operated 601 substations and the following electric transmission and distribution lines:

Nominal Voltage	Overhead Lines Circuit/Pole Miles	Trench and Submarine Cables Miles
500 kV	1,106 [(a)]	—
230 kV	3,197	25
138 kV	1,581	52
115 kV	758	—
69 kV	164	14
Total circuit miles	6,806	91
Less than 69 kV (pole miles)	42,301	25,506

(a) Includes approximately 75 miles owned jointly with JEA

At December 31, 2015, NEER owned and operated 182 substations and approximately 1,098 circuit miles of transmission lines ranging from 69 kV to 345 kV and NEET owned and operated 6 substations and approximately 624 circuit miles of 345 kV transmission lines.

See Item 1. Business - NEER - Generation and Other Operations - Natural Gas Pipelines for a description of NEER's natural gas pipelines in operation.

Character of Ownership

Substantially all of FPL's properties are subject to the lien of FPL's mortgage, which secures most debt securities issued by FPL. The majority of FPL's real property is held in fee and is free from other encumbrances, subject to minor exceptions which are not of a nature as to substantially impair the usefulness to FPL of such properties. Some of FPL's electric lines are located on parcels of land which are not owned in fee by FPL but are covered by necessary consents of governmental authorities or rights obtained from owners of private property. The majority of NEER's generation facilities, pipeline facilities and transmission assets are owned by NEER subsidiaries and a number of those facilities and assets, including all of the Texas pipelines, are encumbered by liens securing various financings. Additionally, the majority of NEER's generation facilities, pipeline facilities and transmission lines are located on land leased or under easement from owners of private property. The majority of NEET's transmission assets are encumbered by liens securing financings and the majority of its transmission lines are located on land leased or under easement from owners of private property. See Generation Facilities and Note 1 - Electric Plant, Depreciation and Amortization.

Item 3. Legal Proceedings

NEE and FPL are parties to various legal and regulatory proceedings in the ordinary course of their respective businesses. For information regarding legal proceedings that could have a material adverse effect on NEE or FPL, see Note 14 - Legal Proceedings. Such descriptions are incorporated herein by reference.

Item 4. Mine Safety Disclosures

Not applicable

PART II

Item 5. Market for Registrants' Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Common Stock Data. All of FPL's common stock is owned by NEE. NEE's common stock is traded on the New York Stock Exchange under the symbol "NEE." The high and low sales prices for the common stock of NEE as reported in the consolidated transaction reporting system of the New York Stock Exchange and the cash dividends per share declared for each quarter during the past two years are as follows:

	2015			2014		
Quarter	High	Low	Cash Dividends	High	Low	Cash Dividends
First	$ 112.64	$ 97.48	$ 0.77	$ 96.13	$ 83.97	$ 0.725
Second	$ 106.63	$ 97.23	$ 0.77	$ 102.51	$ 93.28	$ 0.725
Third	$ 109.98	$ 93.74	$ 0.77	$ 102.46	$ 91.79	$ 0.725
Fourth	$ 105.85	$ 95.84	$ 0.77	$ 110.84	$ 90.33	$ 0.725

The amount and timing of dividends payable on NEE's common stock are within the sole discretion of NEE's Board of Directors. The Board of Directors reviews the dividend rate at least annually (generally in February) to determine its appropriateness in light of NEE's financial position and results of operations, legislative and regulatory developments affecting the electric utility industry in general and FPL in particular, competitive conditions, change in business mix and any other factors the Board of Directors deems relevant. The ability of NEE to pay dividends on its common stock is dependent upon, among other things, dividends paid to it by its subsidiaries. There are no restrictions in effect that currently limit FPL's ability to pay dividends to NEE. In February 2016, NEE announced that it would increase its quarterly dividend on its common stock from $0.77 per share to $0.87 per share. See Management's Discussion - Liquidity and Capital Resources - Covenants with respect to dividend restrictions and Note 11 - Common Stock Dividend Restrictions regarding dividends paid by FPL to NEE.

As of the close of business on January 31, 2016, there were 20,919 holders of record of NEE's common stock.

Issuer Purchases of Equity Securities. Information regarding purchases made by NEE of its common stock during the three months ended December 31, 2015 is as follows:

Period	Total Number of Shares Purchased[(a)]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program	Maximum Number of Shares that May Yet be Purchased Under the Program[(b)]
10/1/2015 - 10/31/15	—	—	—	13,274,748
11/1/2015 - 11/30/15	2,487	$ 100.43	—	13,274,748
12/1/2015 - 12/31/15	1,063	$ 98.01	—	13,274,748
Total	3,550	$ 99.71	—	

(a) Includes: (1) in November 2015, shares of common stock withheld from employees to pay certain withholding taxes upon the vesting of stock awards granted to such employees under the NextEra Energy, Inc. Amended and Restated 2011 Long Term Incentive Plan, and (2) in December 2015, shares of common stock withheld from employees to pay certain withholding taxes upon the vesting of stock awards granted to such employees under the NextEra Energy, Inc. Amended and Restated Long-Term Incentive Plan (former LTIP) and shares of common stock purchased as a reinvestment of dividends by the trustee of a grantor trust in connection with NEE's obligation under a February 2006 grant under the former LTIP to an executive officer of deferred retirement share awards.

(b) In February 2005, NEE's Board of Directors authorized common stock repurchases of up to 20 million shares of common stock over an unspecified period, which authorization was most recently reaffirmed and ratified by the Board of Directors in July 2011.

Item 6. Selected Financial Data

	Years Ended December 31,				
	2015	2014	2013	2012	2011
SELECTED DATA OF NEE (millions, except per share amounts):					
Operating revenues	$ 17,486	$ 17,021	$ 16,136	$ 14,256	$ 15,341
Income from continuing operations[a]	$ 2,762	$ 2,469	$ 1,677	$ 1,911	$ 1,923
Net income[a][b]	$ 2,762	$ 2,469	$ 1,908	$ 1,911	$ 1,923
Net income attributable to NEE:					
Income from continuing operations[a]	$ 2,752	$ 2,465	$ 1,677	$ 1,911	$ 1,923
Gain from discontinued operations[b]	—	—	231	—	—
Total	$ 2,752	$ 2,465	$ 1,908	$ 1,911	$ 1,923
Earnings per share attributable to NEE - basic:					
Continuing operations[a]	$ 6.11	$ 5.67	$ 3.95	$ 4.59	$ 4.62
Net income[a][b]	$ 6.11	$ 5.67	$ 4.50	$ 4.59	$ 4.62
Earnings per share attributable to NEE - assuming dilution:					
Continuing operations[a]	$ 6.06	$ 5.60	$ 3.93	$ 4.56	$ 4.59
Net income[a][b]	$ 6.06	$ 5.60	$ 4.47	$ 4.56	$ 4.59
Dividends paid per share of common stock	$ 3.08	$ 2.90	$ 2.64	$ 2.40	$ 2.20
Total assets[c][d]	$ 82,479	$ 74,605	$ 69,007	$ 64,144	$ 56,933
Long-term debt, excluding current maturities[d]	$ 26,681	$ 24,044	$ 23,670	$ 22,881	$ 20,555
SELECTED DATA OF FPL (millions):					
Operating revenues	$ 11,651	$ 11,421	$ 10,445	$ 10,114	$ 10,613
Net income	$ 1,648	$ 1,517	$ 1,349	$ 1,240	$ 1,068
Total assets[d]	$ 42,523	$ 39,222	$ 36,420	$ 34,786	$ 31,759
Long-term debt, excluding current maturities[d]	$ 9,956	$ 9,328	$ 8,405	$ 8,262	$ 7,427
Energy sales (kWh)	120,032	113,196	107,643	103,109	106,662
Energy sales:					
Residential	49.0%	48.8%	50.1%	50.8%	51.2%
Commercial	39.5	40.4	42.1	43.0	42.2
Industrial	2.5	2.6	2.7	2.9	2.9
Interchange power sales	2.5	2.8	2.3	0.7	0.9
Other[e]	6.5	5.4	2.8	2.6	2.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Approximate 60-minute peak load (MW):[f]					
Summer season	22,717	22,900	21,576	21,440	21,619
Winter season	20,541	19,718	18,028	16,025	17,934
Average number of customer accounts (thousands):					
Residential	4,227	4,169	4,097	4,052	4,027
Commercial	533	526	517	512	508
Industrial	11	10	10	9	9
Other	4	4	3	3	3
Total	4,775	4,709	4,627	4,576	4,547
Average price billed to customers (cents per kWh)	9.48	9.97	9.47	9.51	9.83

(a) Includes net unrealized mark-to-market after-tax gains (losses) associated with non-qualifying hedges of approximately $183 million, $153 million, $(53) million, $(34) million and $130 million, respectively. Also, on an after-tax basis, 2013 includes impairment and other charges related to the Spain Solar projects of approximately $342 million and 2011 includes loss on the sale of natural gas-fired generation assets of approximately $98 million. See Management's Discussion - Overview - Adjusted Earnings

(b) 2013 includes an after-tax gain from discontinued operations of $231 million. See Note 6.

(c) Includes assets held for sale of approximately $1,009 million in 2015 and $335 million in 2012. See Note 1 - Assets and Liabilities Associated with Assets Held for Sale

(d) Reflects reclassification of debt issuance costs for 2011 through 2014. See Note 1 - Debt Issuance Costs.

(e) Includes the net change in unbilled sales.

(f) Winter season includes November and December of the current year and January to March of the following year (for 2015, through February 19, 2016).

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

NEE's operating performance is driven primarily by the operations of its two principal subsidiaries, FPL, which serves approximately 4 8 million customer accounts in Florida and is one of the largest rate-regulated electric utilities in the U.S., and NEER, which together with affiliated entities is the largest generator in North America of renewable energy from the wind and sun based on MWh produced. The table below presents net income (loss) attributable to NEE and earnings (loss) per share, assuming dilution, attributable to NEE by reportable segment - FPL and NEER, and by Corporate and Other, which is primarily comprised of the operating results of NEET, FPL FiberNet and other business activities, as well as other income and expense items, including interest expense, income taxes and eliminating entries (see Note 15 for additional segment information, including reported results from continuing operations). The following discussions should be read in conjunction with the Notes to Consolidated Financial Statements contained herein and all comparisons are with the corresponding items in the prior year.

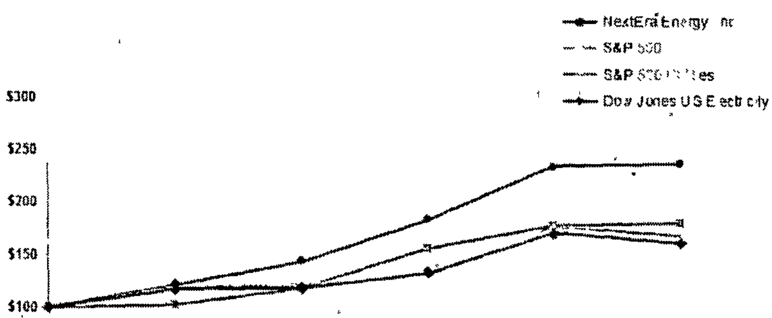
	Net Income (Loss) Attributable to NEE			Earnings (Loss) Per Share, assuming dilution		
	Years Ended December 31,			Years Ended December 31,		
	2015	2014	2013	2015	2014	2013
	(millions)					
FPL	$ 1,648	$ 1,517	$ 1,349	$ 3.63	$ 3 45	$ 3.16
NEER[(a)(b)]	1,092	989	556	2.41	2 25	1 30
Corporate and Other[(b)]	12	(41)	3	0.02	(0.10)	0.01
NEE	$ 2,752	$ 2,465	$ 1 908	$ 6.06	$ 5 60	$ 4.47

(a) NEER's results reflect an allocation of interest expense from NEECH based on a deemed capital structure of 70% debt and allocated shared service costs
(b) NEER's and Corporate and Other's results for 2014 and 2013 were retrospectively adjusted to reflect a segment change as further discussed in Note 15.

During 2014, NEP, through NEER, was formed to acquire, manage and own contracted clean energy projects with stable, long-term cash flows through a limited partner interest in NEP OpCo. On July 1, 2014, NEP completed its IPO as further described in Note 1 - NextEra Energy Partners, LP. See Item 1. Business - II. NEER. In December 2014, NEE and HEI announced a proposed merger. See Item 1. Business - Overview.

For the five years ended December 31, 2015, NEE delivered a total shareholder return of approximately 137 0%, above the S&P 500's 80.8% return, the S&P 500 Utilities' 68.8% return and the Dow Jones U.S. Electricity's 61.7% return. The historical stock performance of NEE's common stock shown in the performance graph below is not necessarily indicative of future stock price performance.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*



	12/10	12/11	12/12	12/13	12/14	12/15
NextEra Energy Inc	100 00	121 88	143 69	183 89	235 73	236 98
S&P 500	100 00	102 11	118 45	156 82	178 29	180 75
S&P 500 Utilities	100 00	119 91	121 46	[illegible]	177 38	[illegible]
Dow Jones US Electricity	100 00	117 73	118 93	132 81	170 98	161 74

*$100 invested on 12/31/10 in stock or index, including reinvestment of dividends
Fiscal year ending December 31

Adjusted Earnings

NEE prepares its financial statements under GAAP. However, management uses earnings excluding certain items (adjusted earnings), a non-GAAP financial measure, internally for financial planning, for analysis of performance, for reporting of results to the Board of Directors and as an input in determining performance-based compensation under NEE's employee incentive compensation plans. NEE also uses adjusted earnings when communicating its financial results and earnings outlook to analysts and investors. NEE's management believes adjusted earnings provides a more meaningful representation of the company's fundamental earnings power. Although the excluded amounts are properly included in the determination of net income under GAAP, management believes that the amount and/or nature of such items make period to period comparisons of operations difficult and potentially confusing. Adjusted earnings do not represent a substitute for net income, as prepared under GAAP.

Adjusted earnings exclude the unrealized mark-to-market effect of non-qualifying hedges (as described below) and OTTI losses on securities held in NEER's nuclear decommissioning funds, net of the reversal of previously recognized OTTI losses on securities sold and losses on securities where price recovery was deemed unlikely (collectively, OTTI reversals). However, other adjustments may be made from time to time with the intent to provide more meaningful and comparable results of ongoing operations.

NEE and NEER segregate into two categories unrealized mark-to-market gains and losses on derivative transactions. The first category, referred to as non-qualifying hedges, represents certain energy derivative transactions and certain interest rate derivative transactions entered into as economic hedges, which do not meet the requirements for hedge accounting, or for which hedge accounting treatment is not elected or has been discontinued. Changes in the fair value of those transactions are marked to market and reported in the consolidated statements of income, resulting in earnings volatility because the economic offset to the positions are not marked to market. As a consequence, NEE's net income reflects only the movement in one part of economically-linked transactions. For example, a gain (loss) in the non-qualifying hedge category for certain energy derivatives is offset by decreases (increases) in the fair value of related physical asset positions in the portfolio or contracts, which are not marked to market under GAAP. For this reason, NEE's management views results expressed excluding the unrealized mark-to-market impact of the non-qualifying hedges as a meaningful measure of current period performance. The second category, referred to as trading activities, which is included in adjusted earnings, represents the net unrealized effect of actively traded positions entered into to take advantage of expected market price movements and all other commodity hedging activities. In January 2016, NEE discontinued hedge accounting for all of its remaining interest rate and foreign currency derivative instruments, which could result in increased volatility in the non-qualifying hedge category in the future. At FPL, substantially all changes in the fair value of energy derivative transactions are deferred as a regulatory asset or liability until the contracts are settled, and, upon settlement, any gains or losses are passed through the fuel clause. See Note 3.

In 2013, an after-tax gain from discontinued operations of $231 million ($216 million recorded at NEER and $15 million recorded at Corporate and Other) was recorded in NEE's consolidated statements of income related to the sale of its ownership interest in a portfolio of hydropower generation plants and related assets located in Maine and New Hampshire (see Note 6). In addition, during 2013, an after-tax loss of $43 million ($41 million recorded at NEER and $2 million recorded at Corporate and Other) was recorded associated with the decision to pursue the sale of NEER's ownership interests in oil-fired generation plants located in Maine (Maine fossil). During 2014, NEER decided not to pursue the sale of Maine fossil and recorded an after-tax gain of $12 million to increase Maine fossil's carrying value to its estimated fair value. See Note 4 - Nonrecurring Fair Value Measurements. Also in 2013, NEER recorded an impairment of $300 million and other related charges ($342 million after-tax) related to the Spain solar projects in NEE's consolidated statements of income. See Note 4 - Nonrecurring Fair Value Measurements. In order to make period to period comparisons more meaningful, adjusted earnings also exclude the items discussed above, as well as costs incurred in 2015 associated with the proposed merger pursuant to which, if consummated, Hawaiian Electric Company, Inc. will become a wholly owned subsidiary of NEE (see Note 1 - Proposed Merger) and, beginning in the third quarter of 2013, the after-tax operating results associated with the Spain solar projects.

The following table provides details of the adjustments to net income considered in computing NEE's adjusted earnings discussed above.

	Years Ended December 31,					
	2015		2014		2013	
			(millions)			
Net unrealized mark-to-market after-tax gains (losses) from non-qualifying hedge activity[(a)]	$	183	$	153	$	(53)
Income (loss) from OTTI after-tax losses on securities held in NEER's nuclear decommissioning funds, net of OTTI reversals[(b)]	$	(15)	$	(2)	$	1
After-tax gain from discontinued operations[(c)]	$	—	$	—	$	231
After-tax gain (loss) associated with Maine fossil[(d)]	$	—	$	12	$	(43)
After-tax charges recorded by NEER associated with the impairment of the Spain solar projects	$	—	$	—	$	(342)
After-tax operating results of NEER's Spain solar projects	$	5	$	(32)	$	(4)
After-tax merger-related expenses - Corporate and Other	$	(20)	$	—	$	—

(a) For 2015, 2014 and 2013, approximately $175 million of gains, $171 million of gains and $54 million of losses, respectively, are included in NEER's net income; the balance is included in Corporate and Other.
(b) For 2015 2014 and 2013, approximately $14 million of losses, $1 million of income and $1 million of income, respectively, are included in NEER's net income, the balance is included in Corporate and Other.
(c) For 2013, approximately $216 million of the gain is included in NEER's net income; the balance is included in Corporate and Other
(d) For 2014, all of the gain is included in NEER's net income. For 2013, approximately $41 million of the loss is included in NEER's net income; the balance is included in Corporate and Other.

The change in unrealized mark-to-market activity from non-qualifying hedges is primarily attributable to changes in forward power and natural gas prices and interest rates, as well as the reversal of previously recognized unrealized mark-to-market gains or losses as the underlying transactions were realized.

2015 Summary

Net income attributable to NEE for 2015 was higher than 2014 by $287 million, or $0.46 per share, assuming dilution, due to higher results at FPL, NEER and Corporate and Other.

FPL's increase in net income in 2015 was primarily driven by continued investments in plant in service while earning an 11.50% regulatory ROE on its retail rate base and higher AFUDC - equity related to construction projects. In 2015, FPL's average typical residential 1,000 kWh bill was the lowest among reporting electric utilities within Florida and approximately 30% below the national average based on a rate per kWh as of July 2015.

NEER's results increased in 2015 reflecting earnings from new investments, higher customer supply and proprietary power and gas trading results as well as the absence of the 2014 NEP-related charge and costs, partly offset by higher growth-related interest and general and administrative expenses and lower results from the existing assets. In 2015, NEER added approximately 1,207 MW of wind capacity in the U.S. and Canada and 285 MW of solar capacity in the U.S., and increased its backlog of contracted renewable development projects. Additionally, a subsidiary of NEP completed the acquisition of the Texas pipeline assets. During the fourth quarter of 2015, the natural gas pipeline projects that were previously reported in Corporate and Other were moved to the NEER segment (see Note 15).

In November 2015, a subsidiary of NEER entered into an agreement to sell its ownership interest in its merchant natural gas generation facilities located in Texas which have a total generating capacity of 2,884 MW at December 31, 2015. See Note 1 - Assets and Liabilities Associated with Assets Held for Sale.

Corporate and Other's results in 2015 increased primarily due to favorable income tax adjustments, 2015 investment gains compared to 2014 investment losses and the absence of debt reacquisition losses recorded in 2014. These positives were partly offset by costs associated with the proposed merger.

NEE and its subsidiaries, including FPL, require funds to support and grow their businesses. These funds are primarily provided by cash flow from operations, borrowings or issuances of short- and long-term debt and proceeds from differential membership investors and, from time to time, issuance of equity securities. As of December 31, 2015, NEE's total net available liquidity was approximately $7.7 billion, of which FPL's portion was approximately $3.1 billion.

RESULTS OF OPERATIONS

Net income attributable to NEE for 2015 was $2.75 billion, compared to $2.47 billion in 2014 and $1.91 billion in 2013. In 2015, net income attributable to NEE improved due to higher results at FPL, NEER and Corporate and Other. In 2014, net income attributable to NEE improved due to higher results at FPL and NEER partly offset by lower results at Corporate and Other.