

NEXTERA ENERGY INC  
 Form 10-Q  
 April 21, 2017

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

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

For the quarterly period ended March 31, 2017

| 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<br>700 Universe Boulevard<br>Juno Beach, Florida 33408<br>(561) 694-4000                             | 59-0247775                         |

State or other jurisdiction of incorporation or organization: Florida

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 <input type="checkbox"/> | No <input type="checkbox"/> | Florida Power & Light |
| Company              | Yes <input type="checkbox"/> | No <input type="checkbox"/> |                       |

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 <input type="checkbox"/> | No <input type="checkbox"/> | Florida Power & Light |
| Company              | Yes <input type="checkbox"/> | No <input type="checkbox"/> |                       |

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

|                               |  |  |   |  |  |
|-------------------------------|--|--|---|--|--|
| NextEra Energy, Inc.          | Large Accelerated Filer <input type="checkbox"/> | Accelerated Filer <input type="checkbox"/> | Non-Accelerated Filer <input type="checkbox"/>            | Smaller Reporting Company <input type="checkbox"/> | Emerging Growth Company <input type="checkbox"/> |
| Florida Power & Light Company | Large Accelerated Filer <input type="checkbox"/> | Accelerated Filer <input type="checkbox"/> | Non-Accelerated Filer <input checked="" type="checkbox"/> | Smaller Reporting Company <input type="checkbox"/> | Emerging Growth Company <input type="checkbox"/> |

If an emerging growth company, indicate by check mark if the registrants have elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section

Edgar Filing: NEXTERA ENERGY INC - Form 10-Q

13(a) of the Securities Exchange Act of 1934. o

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

Number of shares of NextEra Energy, Inc. common stock, \$0.01 par value, outstanding as of March 31, 2017: 468,162,675

Number of shares of Florida Power & Light Company common stock, without par value, outstanding as of March 31, 2017, all of which were held, beneficially and of record, by NextEra Energy, Inc.: 1,000

This combined Form 10-Q 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 H.(1)(a) and (b) of Form 10-Q 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 - equity               | equity component of AFUDC   |
| AOCI                         | accumulated other comprehensive income  |
| capacity clause              | capacity cost recovery clause, as established by the FPSC   |
| Duane Arnold                 | Duane Arnold Energy Center  |
| EPA                          | U.S. Environmental Protection Agency  |
| FASB                         | Financial Accounting Standards Board  |
| FERC                         | U.S. Federal Energy Regulatory Commission   |
| Florida Southeast Connection | Florida Southeast Connection, LLC, a wholly owned NEER subsidiary   |
| FPL                          | Florida Power & Light Company   |
| 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.  |
| ITC                          | investment tax credit   |
| kWh                          | kilowatt-hour(s)  |
| Management's Discussion      | Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations                   |
| MMBtu                        | One million British thermal units   |
| 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   |
| Note __                      | Note __ to condensed consolidated financial statements  |
| NRC                          | U.S. Nuclear Regulatory Commission  |
| O&M expenses                 | other operations and maintenance expenses in the condensed consolidated statements of income                    |
| OCI                          | other comprehensive income  |
| OTC                          | over-the-counter  |
| OTTI                         | other than temporary impairment   |
| PTC                          | production tax credit   |
| PV                           | photovoltaic  |
| Recovery Act                 | American Recovery and Reinvestment Act of 2009, as amended  |
| regulatory ROE               | return on common equity as determined for regulatory purposes   |
| Sabal Trail                  | Sabal Trail Transmission, LLC, an entity in which a wholly owned NEER subsidiary has a 42.5% ownership interest |
| Seabrook                     | Seabrook Station  |
| SEC                          | U.S. Securities and Exchange Commission   |
| U.S.                         | United States of America  |

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 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.

TABLE OF CONTENTS

|  | Page No.  |
|--|-----------|
| <u>Definitions</u>   | <u>2</u>  |
| <u>Forward-Looking Statements</u>  | <u>4</u>  |
| <u>PART I - FINANCIAL INFORMATION</u>  |           |
| <u>Item 1. Financial Statements</u>  | <u>7</u>  |
| <u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | <u>35</u> |
| <u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>                            | <u>46</u> |
| <u>Item 4. Controls and Procedures</u>   | <u>46</u> |
| <u>PART II - OTHER INFORMATION</u>   |           |
| <u>Item 1A. Risk Factors</u>   | <u>47</u> |
| <u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>                           | <u>47</u> |
| <u>Item 5. Other Information</u>   | <u>47</u> |
| <u>Item 6. Exhibits</u>  | <u>48</u> |
| <u>Signatures</u>  | <u>49</u> |

## 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, the following important 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-Q, in presentations, on their respective websites, in response to questions or otherwise.

### 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.

• 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.

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

• 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.

Any reductions or modifications to, or the elimination of, governmental incentives or policies that support utility scale renewable energy, including, but not limited to, tax laws, policies and incentives, renewable portfolio standards, feed-in tariffs or the EPA's final rule under Section 111(d) of the Clean Air Act, 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 and/or financing of new renewable energy projects, NEE's abandoning the development of renewable energy projects, a loss of NEE'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.

• 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 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'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.

• Extensive federal regulation of the operations and businesses 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.

• Changes in tax laws, guidance or policies, including but not limited to changes in corporate income tax rates, 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 business, financial condition, results of operations and prospects may be materially adversely affected due to adverse results of litigation.

### 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 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.

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 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.

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.

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.

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.

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.

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.

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.

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

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.

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.

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

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 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'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 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 may be materially adversely affected by negative publicity.

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.

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.

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.

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.

#### Nuclear Generation Risks

The 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.

5

---

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.

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 and/or result in reduced revenues.

The inability to operate any of NEE'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.

NEE's and FPL's nuclear units are periodically removed from service to accommodate planned 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.

#### 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'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.

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.

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.

- 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, financial condition and results of operations.

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

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.

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

These factors should be read together with the risk factors included in Part I, Item 1A. Risk Factors in NEE's and FPL's Annual Report on Form 10-K for the year ended December 31, 2016 (2016 Form 10-K), and investors should refer to that section of the 2016 Form 10-K. 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.

## Edgar Filing: NEXTERA ENERGY INC - Form 10-Q

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](http://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-Q. 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](http://www.sec.gov).

## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

## NEXTERA ENERGY, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(millions, except per share amounts)

(unaudited)

|  | Three Months<br>Ended<br>March 31, |         |
|--|------------------------------------|---------|
|  | 2017                               | 2016*   |
| OPERATING REVENUES   | \$3,972                            | \$3,835 |
| OPERATING EXPENSES (INCOME)                                      |                                    |         |
| Fuel, purchased power and interchange                            | 899                                | 928     |
| Other operations and maintenance                                 | 795                                | 799     |
| Merger   | 11                                 | 4       |
| Depreciation and amortization                                    | 619                                | 537     |
| Gain on sale of the fiber-optic telecommunications business      | (1,096 )                           | —       |
| Taxes other than income taxes and other - net                    | 339                                | 333     |
| Total operating expenses - net                                   | 1,567                              | 2,601   |
| OPERATING INCOME   | 2,405                              | 1,234   |
| OTHER INCOME (DEDUCTIONS)  |                                    |         |
| Interest expense   | (360 )                             | (509 )  |
| Benefits associated with differential membership interests - net | 125                                | 84      |
| Equity in earnings of equity method investees                    | 31                                 | 32      |
| Allowance for equity funds used during construction              | 22                                 | 25      |
| Interest income  | 19                                 | 18      |
| Gains on disposal of investments and other property - net        | 45                                 | 15      |
| Other - net  | (21 )                              | (3 )    |
| Total other deductions - net                                     | (139 )                             | (338 )  |
| INCOME BEFORE INCOME TAXES                                       | 2,266                              | 896     |
| INCOME TAXES   | 675                                | 242     |
| NET INCOME   | 1,591                              | 654     |
| LESS NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS         | 8                                  | 1       |
| NET INCOME ATTRIBUTABLE TO NEE                                   | \$1,583                            | \$653   |
| Earnings per share attributable to NEE:                          |                                    |         |
| Basic  | \$3.39                             | \$1.42  |
| Assuming dilution  | \$3.37                             | \$1.41  |
| Dividends per share of common stock                              | 0.9825                             | 0.87    |
| Weighted-average number of common shares outstanding:            |                                    |         |
| Basic  | 467.5                              | 460.5   |
| Assuming dilution  | 470.2                              | 463.4   |

\* Amounts have been retrospectively adjusted. See Note 7 - Stock-Based Compensation.

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2016 Form 10-K.

7

---

## NEXTERA ENERGY, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(millions)

(unaudited)

|   | Three Months<br>Ended<br>March 31, |       |
|---|------------------------------------|-------|
|   | 2017                               | 2016* |
| NET INCOME  | \$1,591                            | \$654 |
| OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX   |                                    |       |
| Reclassification of unrealized losses on cash flow hedges from accumulated other comprehensive loss to net income (net of \$4 and \$13 tax expense, respectively) | 9                                  | 23    |
| Net unrealized gains (losses) on available for sale securities:   |                                    |       |
| Net unrealized gains on securities still held (net of \$26 and \$7 tax expense, respectively)   | 34                                 | 8     |
| Reclassification from accumulated other comprehensive loss to net income (net of \$10 and \$1 tax benefit, respectively)  | (16)                               | (1)   |
| Defined benefit pension and other benefits plans (net of \$2 and \$4 tax benefit, respectively)   | (3)                                | (7)   |
| Net unrealized gains on foreign currency translation (net of less than \$1 and less than \$1 tax expense, respectively)   | 16                                 | 20    |
| Other comprehensive income (loss) related to equity method investee (net of less than \$1 tax expense and \$2 tax benefit, respectively)                          | 1                                  | (3)   |
| Total other comprehensive income, net of tax  | 41                                 | 40    |
| COMPREHENSIVE INCOME  | 1,632                              | 694   |
| LESS COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTERESTS   | 19                                 | (13)  |
| COMPREHENSIVE INCOME ATTRIBUTABLE TO NEE  | \$1,613                            | \$707 |

\* Amounts have been retrospectively adjusted. See Note 7 - Stock-Based Compensation.

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2016 Form 10-K.

8

---

NEXTERA ENERGY, INC.  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (millions, except par value)  
 (unaudited)

|  | March 31,<br>2017 | December 31,<br>2016 |
|--|-------------------|----------------------|
| <b>PROPERTY, PLANT AND EQUIPMENT</b>   |                   |                      |
| Electric plant in service and other property   | \$81,554          | \$ 80,150            |
| Nuclear fuel   | 2,226             | 2,131                |
| Construction work in progress  | 5,388             | 4,732                |
| Accumulated depreciation and amortization  | (20,768 )         | (20,101 )            |
| Total property, plant and equipment - net (\$14,554 and \$14,632 related to VIEs, respectively)          | 68,400            | 66,912               |
| <b>CURRENT ASSETS</b>  |                   |                      |
| Cash and cash equivalents  | 600               | 1,292                |
| Customer receivables, net of allowances of \$4 and \$5, respectively                                     | 1,635             | 1,784                |
| Other receivables  | 525               | 655                  |
| Materials, supplies and fossil fuel inventory  | 1,303             | 1,289                |
| Regulatory assets  | 528               | 524                  |
| Derivatives  | 678               | 885                  |
| Assets held for sale   | —                 | 452                  |
| Other  | 558               | 528                  |
| Total current assets   | 5,827             | 7,409                |
| <b>OTHER ASSETS</b>  |                   |                      |
| Special use funds  | 5,625             | 5,434                |
| Other investments (\$479 and \$479 related to a VIE, respectively)                                       | 2,759             | 2,482                |
| Prepaid benefit costs  | 1,206             | 1,177                |
| Regulatory assets (\$94 and \$107 related to a VIE, respectively)  | 2,294             | 1,894                |
| Derivatives  | 1,462             | 1,350                |
| Other  | 3,632             | 3,335                |
| Total other assets   | 16,978            | 15,672               |
| <b>TOTAL ASSETS</b>  | <b>\$91,205</b>   | <b>\$ 89,993</b>     |
| <b>CAPITALIZATION</b>  |                   |                      |
| Common stock (\$0.01 par value, authorized shares - 800; outstanding shares - 468 and 468, respectively) | \$ 5              | \$ 5                 |
| Additional paid-in capital   | 8,951             | 8,948                |
| Retained earnings  | 16,581            | 15,458               |
| Accumulated other comprehensive loss   | (40 )             | (70 )                |
| Total common shareholders' equity  | 25,497            | 24,341               |
| Noncontrolling interests   | 972               | 990                  |
| Total equity   | 26,469            | 25,331               |
| Long-term debt (\$5,455 and \$5,080 related to VIEs, respectively)                                       | 28,539            | 27,818               |
| Total capitalization   | 55,008            | 53,149               |
| <b>CURRENT LIABILITIES</b>   |                   |                      |
| Commercial paper   | 2,309             | 268                  |
| Other short-term debt  | 250               | 150                  |
| Current maturities of long-term debt   | 2,766             | 2,604                |
| Accounts payable   | 1,237             | 3,447                |
| Customer deposits  | 464               | 470                  |
| Accrued interest and taxes   | 706               | 480                  |



Edgar Filing: NEXTERA ENERGY INC - Form 10-Q

|  |                 |                  |
|--|-----------------|------------------|
| Derivatives  | 330             | 404              |
| Accrued construction-related expenditures                    | 631             | 1,120            |
| Regulatory liabilities                                       | 164             | 299              |
| Liabilities associated with assets held for sale             | —               | 451              |
| Other  | 904             | 1,226            |
| Total current liabilities                                    | 9,761           | 10,919           |
| <b>OTHER LIABILITIES AND DEFERRED CREDITS</b>                |                 |                  |
| Asset retirement obligations                                 | 2,812           | 2,736            |
| Deferred income taxes  | 11,727          | 11,101           |
| Regulatory liabilities                                       | 4,746           | 4,906            |
| Derivatives  | 473             | 477              |
| Deferral related to differential membership interests - VIEs | 4,537           | 4,656            |
| Other  | 2,141           | 2,049            |
| Total other liabilities and deferred credits                 | 26,436          | 25,925           |
| <b>COMMITMENTS AND CONTINGENCIES</b>                         |                 |                  |
| <b>TOTAL CAPITALIZATION AND LIABILITIES</b>                  | <b>\$91,205</b> | <b>\$ 89,993</b> |

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2016 Form 10-K.

NEXTERA ENERGY, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (millions)  
 (unaudited)

|   | Three Months<br>Ended<br>March 31, |          |
|---|------------------------------------|----------|
|   | 2017                               | 2016*    |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                                    |          |
| Net income  | \$1,591                            | \$654    |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: |                                    |          |
| Depreciation and amortization   | 619                                | 537      |
| Nuclear fuel and other amortization   | 72                                 | 114      |
| Unrealized gains on marked to market derivative contracts - net                             | (169 )                             | (48 )    |
| Foreign currency transaction losses   | 28                                 | 40       |
| Deferred income taxes   | 565                                | 200      |
| Cost recovery clauses and franchise fees  | 16                                 | 124      |
| Acquisition of purchased power agreement  | (259 )                             | —        |
| Gains on disposal of a business/assets - net  | (1,145 )                           | (15 )    |
| Recoverable storm-related costs   | (90 )                              | (3 )     |
| Other - net   | 69                                 | (86 )    |
| Changes in operating assets and liabilities:  |                                    |          |
| Current assets  | 142                                | 169      |
| Noncurrent assets   | (170 )                             | (85 )    |
| Current liabilities   | 261                                | (57 )    |
| Noncurrent liabilities  | (166 )                             | 1        |
| Net cash provided by operating activities   | 1,364                              | 1,545    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                                    |          |
| Capital expenditures of FPL   | (1,687 )                           | (1,133 ) |
| Independent power and other investments of NEER   | (3,337 )                           | (2,614 ) |
| Nuclear fuel purchases  | (129 )                             | (89 )    |
| Other capital expenditures and other investments  | (26 )                              | (43 )    |
| Proceeds from sale of the fiber-optic telecommunications business                           | 1,484                              | —        |
| Proceeds from sale or maturity of securities in special use funds and other investments     | 735                                | 823      |
| Purchases of securities in special use funds and other investments                          | (804 )                             | (838 )   |
| Proceeds from sale of a noncontrolling interest in subsidiaries                             | —                                  | 292      |
| Other - net   | 30                                 | (79 )    |
| Net cash used in investing activities   | (3,734 )                           | (3,681 ) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                                    |          |
| Issuances of long-term debt   | 689                                | 1,250    |
| Retirements of long-term debt   | (548 )                             | (367 )   |
| Proceeds from other short-term debt   | 200                                | 500      |
| Net change in commercial paper  | 2,041                              | 1,186    |
| Issuances of common stock - net   | 7                                  | 17       |
| Dividends on common stock   | (460 )                             | (401 )   |
| Other - net   | (251 )                             | 8        |
| Net cash provided by financing activities   | 1,678                              | 2,193    |
| Net increase (decrease) in cash and cash equivalents  | (692 )                             | 57       |

Edgar Filing: NEXTERA ENERGY INC - Form 10-Q

|  |          |         |
|--|----------|---------|
| Cash and cash equivalents at beginning of period   | 1,292    | 571     |
| Cash and cash equivalents at end of period   | \$600    | \$628   |
| SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES  |          |         |
| Accrued property additions   | \$972    | \$1,252 |
| Decrease (increase) in property, plant and equipment - net as a result of cash grants primarily under the Recovery Act | \$(147 ) | \$160   |
| Increase in property, plant and equipment as a result of a settlement  | \$—      | \$(68 ) |

\* Amounts have been retrospectively adjusted. See Note 7 - Stock-Based Compensation.

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2016 Form 10-K.

NEXTERA ENERGY, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY  
(millions)  
(unaudited)

|   | Common<br>Stock<br>Shares | Aggregate<br>Par<br>Value | Additional<br>Paid-In<br>Capital | Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss) | Retained<br>Earnings  | Total<br>Common<br>Shareholders'<br>Equity | Non-<br>controlling<br>Interests | Total<br>Equity |
|---|---------------------------|---------------------------|----------------------------------|---|-----------------------|--|----------------------------------|-----------------|
| Balances, December 31, 2016   | 468                       | \$ 5                      | \$ 8,948                         | \$ (70 )  | \$ 15,458             | \$ 24,341                                  | \$ 990                           | \$ 25,331       |
| Net income  | —                         | —                         | —                                | —   | 1,583                 | 1,583                                      | 8                                |                 |
| Issuances of common stock, net of<br>issuance cost of less than \$1 | —                         | —                         | 6                                | —   | —                     | 6  | —                                |                 |
| Dividends on common stock   | —                         | —                         | —                                | —   | (460 )                | (460 )                                     | —                                |                 |
| Other comprehensive income  | —                         | —                         | —                                | 30  | —                     | 30   | 11                               |                 |
| Other   | —                         | —                         | (3 )                             | —   | —                     | (3 )                                       | (37 )                            |                 |
| Balances, March 31, 2017  | 468                       | \$ 5                      | \$ 8,951                         | \$ (40 )  | \$ 16,581             | \$ 25,497                                  | \$ 972                           | \$ 26,469       |
|   | Common<br>Stock<br>Shares | Aggregate<br>Par<br>Value | Additional<br>Paid-In<br>Capital | Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss) | Retained<br>Earnings* | Total<br>Common<br>Shareholders'<br>Equity | Non-<br>controlling<br>Interests | Total<br>Equity |
| Balances, December 31, 2015   | 461                       | \$ 5                      | \$ 8,596                         | \$ (167 )   | \$ 14,140             | \$ 22,574                                  | \$ 538                           | \$ 23,112       |
| Net income  | —                         | —                         | —                                | —   | 653                   | 653  | 1                                |                 |
| Issuances of common stock, net of<br>issuance cost of less than \$1 | —                         | —                         | 8                                | —   | —                     | 8  | —                                |                 |
| Share-based payment activity  | —                         | —                         | 14                               | —   | —                     | 14   | —                                |                 |
| Dividends on common stock   | —                         | —                         | —                                | —   | (401 )                | (401 )                                     | —                                |                 |
| Other comprehensive income (loss)                                   | —                         | —                         | —                                | 54  | —                     | 54   | (14 )                            |                 |
| Sale of NEER assets to NEP  | —                         | —                         | 27                               | —   | —                     | 27   | 198                              |                 |
| Other   | —                         | —                         | —                                | —   | 18                    | 18   | (5 )                             |                 |
| Balances, March 31, 2016  | 461                       | \$ 5                      | \$ 8,645                         | \$ (113 )   | \$ 14,410             | \$ 22,947                                  | \$ 718                           | \$ 23,665       |

\* Amounts have been retrospectively adjusted. See Note 7 - Stock-Based Compensation.

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2016 Form 10-K.

11

---

FLORIDA POWER & LIGHT COMPANY  
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(millions)  
 (unaudited)

| Three Months<br>Ended<br>March 31,      | 2017    | 2016    |
|---|---------|---------|
| OPERATING REVENUES                      | \$2,527 | \$2,303 |
| OPERATING EXPENSES (INCOME)             |         |         |
| Fuel, purchased power and interchange   | 768     | 700     |
| Other operations and maintenance        | 371     | 390     |
| Depreciation and amortization           | 273     | 219     |
| Taxes other than income taxes and other | 304     | 280     |
| -                                       |         |         |
| net operating expenses                  | 1,716   | 1,589   |
| -                                       |         |         |
| net OPERATING INCOME                    | 811     | 714     |
| OTHER INCOME (DEDUCTIONS)               |         |         |
| Interest expense                        | (119)   | (112)   |
|   | 16      | 24      |

Allowance  
 for  
 equity  
 funds  
 used  
 during  
 construction  
 Other  
 — 1  
 net  
 Total  
 other  
 deductions (87 )  
 -  
 net  
 INCOME  
 BEFORE  
 708 627  
 INCOME  
 TAXES  
 INCOME  
 263 234  
 TAXES  
 NET  
 \$445 \$393  
 INCOME<sup>(a)</sup>

---

(a) FPL's comprehensive income is the same as reported net income.

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2016 Form 10-K.

12

---



FLORIDA POWER & LIGHT COMPANY  
CONDENSED CONSOLIDATED BALANCE SHEETS

(millions, except share amount)

(unaudited)

March 31, December 31,

2017 2016

ELECTRIC  
UTILITY  
PLANT  
AND  
OTHER  
PROPERTY

Plant  
in  
service  
\$ 45,612 \$ 44,966  
and

other  
property  
Nuclear  
fuel 1,386 1,308

Construction  
work  
in 2,740 2,039  
progress

Accumulated  
depreciation  
and (12,645 ) (12,304 )  
amortization

Total  
electric  
utility  
plant  
and 37,093 36,009  
other  
property

-  
net

CURRENT  
ASSETS

Cash  
and 27 33  
cash

equivalents  
Customer 687 768  
receivables,

net  
of  
allowances

of  
 \$1  
 and  
 \$2,  
 respectively  
 Other  
 147 148  
 receivables  
 Materials,  
 supplies  
 and  
 876 851  
 fossil  
 fuel  
 inventory  
 Regulatory  
 527 524  
 assets  
 Derivatives 209  
 Other 213  
 Total  
 2,730 2,746  
 assets  
**OTHER  
 ASSETS**  
 Special  
 3,780 3,665  
 funds  
 Prepaid  
 1,319 1,301  
 costs  
 Regulatory  
 assets  
 (\$94  
 and  
 \$107  
 1,973 1,573  
 related  
 to  
 a  
 VIE,  
 respectively)  
 Other 207  
 Total  
 7,118 6,746  
 assets  
**TOTAL  
 \$47,050 \$ 45,501  
 ASSETS**  
**CAPITALIZATION**  
 Common 1,373  
 stock  
 (no  
 par  
 value,  
 1,000

shares  
 authorized,  
 issued  
 and  
 outstanding)  
 Additional  
 paid-in 8,332  
 capital  
 Retained 6,875  
 earnings  
 Total  
 common 16,580  
 shareholder's  
 equity  
 Long-term  
 debt  
 (\$107  
 and  
 \$144  
 10,172 9,705  
 related  
 to  
 a  
 VIE,  
 respectively)  
 Total 26,826 26,285  
 capitalization  
**CURRENT  
 LIABILITIES**  
 Commercial 1,224 268  
 paper  
 Other  
 short-term 150  
 debt  
 Current  
 maturities  
 384 367  
 long-term  
 debt  
 Accounts 644 837  
 payable  
 Customer 460 466  
 deposits  
 Accrued  
 interest 368 240  
 and  
 taxes  
 Accrued  
 construction-related 244 262  
 expenditures  
 Regulatory 160 294  
 liabilities

|                |           |
|----------------|-----------|
| Other          | 497       |
| Total          |           |
| current        | 3,381     |
| liabilities    |           |
| OTHER          |           |
| LIABILITIES    |           |
| AND            |           |
| DEFERRED       |           |
| CREDITS        |           |
| Asset          |           |
| retirement     | 1,919     |
| obligations    |           |
| Deferred       |           |
| income         | 8,541     |
| taxes          |           |
| Regulatory     |           |
| liabilities    | 4,893     |
| Other          | 482       |
| Total          |           |
| other          |           |
| liabilities    | 15,835    |
| and            |           |
| deferred       |           |
| credits        |           |
| COMMITMENTS    |           |
| AND            |           |
| CONTINGENCIES  |           |
| TOTAL          |           |
| CAPITALIZATION |           |
| AND            |           |
| LIABILITIES    |           |
|                | \$ 47,050 |
|                | \$ 45,501 |

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2016 Form 10-K.

FLORIDA POWER & LIGHT COMPANY  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions)  
 (unaudited)

Three Months  
 Ended  
 March 31,  
 2017 2016

CASH  
 FLOWS  
 FROM  
 OPERATING  
 ACTIVITIES

Net  
 \$ 445 \$ 393  
 income

Adjustments  
 to  
 reconcile  
 net  
 income  
 to  
 net  
 cash  
 provided  
 by  
 (used  
 in)

operating  
 activities:

Depreciation  
 and  
 amortization

Nuclear  
 fuel  
 other  
 amortization

Deferred  
 income  
 taxes

Cost  
 recovery  
 clauses  
 and

franchise  
 fees

Acquisition  
 of  
 purchased

275 304

16 124

(250)

power  
 agreement  
 Recoverable  
 (000-re)ated )  
 costs  
 Other  
 - 137 (15 )  
 net  
 Changes  
 in  
 operating  
 assets  
 and  
 liabilities:  
 Current  
 95 132  
 assets  
 Noncurrent  
 (145 ) (14 )  
 assets  
 Current  
 81 (77 )  
 liabilities  
 Noncurrent  
 (42 ) (8 )  
 liabilities  
 Net  
 cash  
 provided  
 835 1,113  
 by  
 operating  
 activities  
**CASH  
 FLOWS  
 FROM  
 INVESTING  
 ACTIVITIES**  
 Capital  
 (1,687 ) (1,133 )  
 expenditures  
 Nuclear  
 (70 ) (62 )  
 purchases  
 Proceeds  
 from  
 sale  
 or  
 maturity  
 of 493 530  
 securities  
 in  
 special  
 use  
 funds  
 (119 ) (544 )  
 of

securities  
 in  
 special  
 use  
 funds  
 Other  
 -22        20  
 net  
 Net  
 cash  
 used  
 (1,770 ) (1,189 )  
 in  
 investing  
 activities  
**CASH  
 FLOWS  
 FROM  
 FINANCING  
 ACTIVITIES**  
 Issuances  
 of  
 200        —  
 long-term  
 debt  
 Retirements  
 of  
 (35        ) (33        )  
 long-term  
 debt  
 Proceeds  
 from  
 200        500  
~~200~~  
 short-term  
 debt  
 Net  
 change  
 in  
 456        494  
 commercial  
 paper  
 Dividends  
 (400        ) (900        )  
~~0~~  
 NEE  
 Other  
 -8        23  
 net  
 Net  
 cash  
 provided  
 929        84  
 by  
 financing  
 activities  
 Net  
 (6        ) 8  
 increase

(decrease)  
in  
cash  
and  
cash  
equivalents  
Cash  
and  
cash  
equivalents  
at

beginning  
of  
period

Cash  
and  
cash  
equivalents  
at  
end  
of  
period

SUPPLEMENTAL  
SCHEDULE  
OF  
NONCASH  
INVESTING  
AND  
FINANCING  
ACTIVITIES

Accrued  
property  
additions

33 23

\$ 27 \$ 31

\$ 435 \$ 363

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2016 Form 10-K.



NEXTERA ENERGY, INC. AND FLORIDA POWER & LIGHT COMPANY  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (unaudited)

The accompanying condensed consolidated financial statements should be read in conjunction with the 2016 Form 10-K. In the opinion of NEE and FPL management, all adjustments (consisting of normal recurring accruals) considered necessary for fair financial statement presentation have been made. Certain amounts included in the prior year's condensed consolidated financial statements have been reclassified to conform to the current year's presentation. The results of operations for an interim period generally will not give a true indication of results for the year.

### 1. Employee Retirement Benefits

NEE sponsors a qualified noncontributory defined benefit pension plan for substantially all employees of NEE and its subsidiaries and sponsors a contributory postretirement plan for other benefits for retirees of NEE and its subsidiaries meeting certain eligibility requirements.

The components of net periodic (income) cost for the plans are as follows:

|                                       | Pension<br>Benefits<br>Three<br>Months<br>Ended<br>March 31,<br>2017 2016 |        | Postretirement<br>Benefits<br>Three Months<br>Ended<br>March 31,<br>2017 2016 |      |
|---------------------------------------|---|--------|---|------|
|                                       | (millions)  |        |   |      |
| Service cost                          | \$16  | \$16   | \$ —  | \$ 1 |
| Interest cost                         | 21  | 26     | 2   | 3    |
| Expected return on plan assets        | (67 )   | (65 )  | —   | —    |
| Amortization of prior service benefit | —   | —      | —   | (1 ) |
| Special termination benefits          | 1   | —      | —   | —    |
| Net periodic (income) cost at NEE     | \$(29)  | \$(23) | \$ 2  | \$ 3 |
| Net periodic (income) cost at FPL     | \$(18)  | \$(15) | \$ 2  | \$ 2 |

Amendments to Presentation of Retirement Benefits - In March 2017, the FASB issued an accounting standards update that requires certain changes in classification of components of net periodic pension and postretirement benefit costs within the income statement and allows only the service cost component to be eligible for capitalization. The standards update will be applied using the retrospective approach for presentation of the components of net periodic pension and postretirement benefit costs and the prospective approach for capitalization of service cost. NEE and FPL anticipate adopting the standards update on January 1, 2018, and are currently evaluating the impact the adoption of this standards update will have on their consolidated financial statements.

### 2. Derivative Instruments

NEE and FPL use derivative instruments (primarily swaps, options, futures and forwards) to manage the commodity price risk inherent in the purchase and sale of fuel and electricity, as well as interest rate and foreign currency exchange rate risk associated primarily with outstanding and expected future debt issuances and borrowings, and to optimize the value of NEE's power generation and gas infrastructure assets. NEE and FPL do not utilize hedge accounting for their cash flow and fair value hedges.

With respect to commodities related to NEE's competitive energy business, NEER employs risk management procedures to conduct its activities related to optimizing the value of its power generation and gas infrastructure assets, providing full energy and capacity requirements services primarily to distribution utilities, and engaging in power and gas marketing and trading activities to take advantage of expected future favorable price movements and changes in the expected volatility of prices in the energy markets. These risk management activities involve the use of derivative instruments executed within prescribed limits to manage the risk associated with fluctuating commodity prices. Transactions in derivative instruments are executed on recognized exchanges or via the OTC markets, depending on the most favorable credit terms and market execution factors. For NEER's power generation and gas infrastructure assets, derivative instruments are used to hedge all or a portion of the expected output of these assets. These hedges are designed to reduce the effect of adverse changes in the wholesale forward commodity markets associated with NEER's power generation and gas infrastructure assets. With regard to full energy and capacity requirements services, NEER is required to vary the quantity of energy and related services based on the load demands of the customers served. For this type of transaction, derivative instruments are used to hedge the anticipated electricity quantities required to serve these customers and reduce the effect of unfavorable changes in the forward energy markets. Additionally, NEER takes positions in energy markets based on differences between actual forward market levels and management's view of fundamental market conditions, including supply/demand imbalances, changes in traditional flows of energy, changes in short- and long-term weather patterns and anticipated regulatory and legislative outcomes. NEER uses derivative instruments to realize value from these market dislocations, subject to strict risk management limits around market, operational and credit exposure.

NEXTERA ENERGY, INC. AND FLORIDA POWER & LIGHT COMPANY  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
 (unaudited)

Derivative instruments, when required to be marked to market, are recorded on NEE's and FPL's condensed consolidated balance sheets as either an asset or liability measured at fair value. At FPL, substantially all changes in the derivatives' fair value 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. For NEE's non-rate regulated operations, predominantly NEER, essentially all changes in the derivatives' fair value for power purchases and sales, fuel sales and trading activities are recognized on a net basis in operating revenues; fuel purchases used in the production of electricity are recognized in fuel, purchased power and interchange expense; and the equity method investees' related activity is recognized in equity in earnings of equity method investees in NEE's condensed consolidated statements of income. Settlement gains and losses are included within the line items in the condensed consolidated statements of income to which they relate. Transactions for which physical delivery is deemed not to have occurred are presented on a net basis in the condensed consolidated statements of income. For commodity derivatives, NEE believes that, where offsetting positions exist at the same location for the same time, the transactions are considered to have been netted and therefore physical delivery has been deemed not to have occurred for financial reporting purposes. Settlements related to derivative instruments are primarily recognized in net cash provided by operating activities in NEE's and FPL's condensed consolidated statements of cash flows.

For interest rate and foreign currency derivative instruments, all changes in the derivatives' fair value, as well as the transaction gain or loss on foreign denominated debt, are recognized in interest expense in NEE's condensed consolidated statements of income. In addition, for the three months ended March 31, 2017 and 2016, NEE reclassified approximately \$2 million (\$1 million after-tax) and \$14 million (\$9 million after tax), respectively, from AOCI to interest expense primarily because it became probable that related future transactions being hedged would not occur. At March 31, 2017, NEE's AOCI included amounts related to the discontinued interest rate cash flow hedges with expiration dates through March 2035 and foreign currency cash flow hedges with expiration dates through September 2030. Approximately \$76 million of net losses included in AOCI at March 31, 2017 is expected to be reclassified into earnings within the next 12 months as the principal and/or interest payments are made. Such amounts assume no change in scheduled principal payments.

Fair Value of Derivative Instruments - The tables below present NEE's and FPL's gross derivative positions at March 31, 2017 and December 31, 2016, as required by disclosure rules. However, the majority of the underlying contracts are subject to master netting agreements and generally would not be contractually settled on a gross basis. Therefore, the tables below also present the derivative positions on a net basis, which reflect the offsetting of positions of certain transactions within the portfolio, the contractual ability to settle contracts under master netting arrangements and the netting of margin cash collateral (see Note 3 - Recurring Fair Value Measurements for netting information), as well as the location of the net derivative position on the condensed consolidated balance sheets.

|                            | March 31, 2017 |             |           |             |
|----------------------------|----------------|-------------|-----------|-------------|
|                            | Gross Basis    |             | Net Basis |             |
|                            | Assets         | Liabilities | Assets    | Liabilities |
|                            | (millions)     |             |           |             |
| NEE:                       |                |             |           |             |
| Commodity contracts        | \$4,539        | \$ 2,863    | \$1,877   | \$ 429      |
| Interest rate contracts    | 258            | 290         | 262       | 294         |
| Foreign currency contracts | 1              | 80          | 1         | 80          |
| Total fair values          | \$4,798        | \$ 3,233    | \$2,140   | \$ 803      |

FPL:

Edgar Filing: NEXTERA ENERGY INC - Form 10-Q

|  |      |      |         |        |
|--|------|------|---------|--------|
| Commodity contracts                            | \$84 | \$ 7 | \$82    | \$ 5   |
| Net fair value by NEE balance sheet line item: |      |      |         |        |
| Current derivative assets <sup>(a)</sup>       |      |      | \$678   |        |
| Noncurrent derivative assets <sup>(b)</sup>    |      |      | 1,462   |        |
| Current derivative liabilities                 |      |      |         | \$ 330 |
| Noncurrent derivative liabilities              |      |      |         | 473    |
| Total derivatives                              |      |      | \$2,140 | \$ 803 |
| Net fair value by FPL balance sheet line item: |      |      |         |        |
| Current derivative assets                      |      |      | \$82    |        |
| Current other liabilities                      |      |      |         | \$ 4   |
| Noncurrent other liabilities                   |      |      |         | 1      |
| Total derivatives                              |      |      | \$82    | \$ 5   |

(a) Reflects the netting of approximately \$158 million in margin cash collateral received from counterparties.

(b) Reflects the netting of approximately \$70 million in margin cash collateral received from counterparties.

NEXTERA ENERGY, INC. AND FLORIDA POWER & LIGHT COMPANY  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
 (unaudited)

|  | December 31, 2016 |             |           |             |
|--|-------------------|-------------|-----------|-------------|
|  | Gross Basis       |             | Net Basis |             |
|  | Assets            | Liabilities | Assets    | Liabilities |
|  | (millions)        |             |           |             |
| NEE:   |                   |             |           |             |
| Commodity contracts                            | \$4,590           | \$ 2,968    | \$1,938   | \$ 483      |
| Interest rate contracts                        | 288               | 284         | 296       | 292         |
| Foreign currency contracts                     | 1                 | 106         | 1         | 106         |
| Total fair values                              | \$4,879           | \$ 3,358    | \$2,235   | \$ 881      |
| FPL:   |                   |             |           |             |
| Commodity contracts                            | \$212             | \$ 4        | \$209     | \$ 1        |
| Net fair value by NEE balance sheet line item: |                   |             |           |             |
| Current derivative assets <sup>(a)</sup>       |                   |             | \$885     |             |
| Noncurrent derivative assets <sup>(b)</sup>    |                   |             | 1,350     |             |
| Current derivative liabilities                 |                   |             |           | \$ 404      |
| Noncurrent derivative liabilities              |                   |             |           | 477         |
| Total derivatives                              |                   |             | \$2,235   | \$ 881      |
| Net fair value by FPL balance sheet line item: |                   |             |           |             |
| Current derivative assets                      |                   |             | \$209     |             |
| Current other liabilities                      |                   |             |           | \$ 1        |
| Total derivatives                              |                   |             | \$209     | \$ 1        |

(a) Reflects the netting of approximately \$96 million in margin cash collateral received from counterparties.

(b) Reflects the netting of approximately \$71 million in margin cash collateral received from counterparties.

At March 31, 2017 and December 31, 2016, NEE had approximately \$157 million and \$5 million (none at FPL), respectively, in margin cash collateral received from counterparties that was not offset against derivative assets in the above presentation. These amounts are included in current other liabilities on NEE's condensed consolidated balance sheets. Additionally, at March 31, 2017 and December 31, 2016, NEE had approximately \$20 million and \$129 million (none at FPL), respectively, in margin cash collateral paid to counterparties that was not offset against derivative assets or liabilities in the above presentation. These amounts are included in current other assets on NEE's condensed consolidated balance sheets.

Income Statement Impact of Derivative Instruments - Gains (losses) related to NEE's derivatives are recorded in NEE's condensed consolidated statements of income as follows:

Three  
 Months  
 Ended  
 March 31,  
 2017 2016  
 (millions)

|  |       |        |
|--|-------|--------|
| Commodity contracts: <sup>(a)</sup>                |       |        |
| Operating revenues                                 | \$291 | \$330  |
| Fuel, purchased power and interchange              | —     | 2      |
| Foreign currency contracts - interest expense      | 21    | 30     |
| Foreign currency contracts - other - net           | (1 )  | —      |
| Interest rate contracts - interest expense         | (45 ) | (179 ) |
| Losses reclassified from AOCI to interest expense: |       |        |
| Interest rate contracts                            | (10 ) | (28 )  |
| Foreign currency contracts                         | (3 )  | (3 )   |
| Total  | \$253 | \$152  |

---

For the three months ended March 31, 2017 and 2016, FPL recorded losses of approximately \$104 million and (a)\$108 million, respectively, related to commodity contracts as regulatory assets on its condensed consolidated balance sheets.

NEXTERA ENERGY, INC. AND FLORIDA POWER & LIGHT COMPANY  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
 (unaudited)

Notional Volumes of Derivative Instruments - The following table represents net notional volumes associated with derivative instruments that are required to be reported at fair value in NEE's and FPL's condensed consolidated financial statements. The table includes significant volumes of transactions that have minimal exposure to commodity price changes because they are variably priced agreements. These volumes are only an indication of the commodity exposure that is managed through the use of derivatives. They do not represent net physical asset positions or non-derivative positions and their hedges, nor do they represent NEE's and FPL's net economic exposure, but only the net notional derivative positions that fully or partially hedge the related asset positions. NEE and FPL had derivative commodity contracts for the following net notional volumes:

| Commodity Type | March 31, 2017 |           | December 31, 2016 |           |
|----------------|----------------|-----------|-------------------|-----------|
|                | NEE            | FPL       | NEE               | FPL       |
|                | (millions)     |           |                   |           |
| Power          | (80 ) MWh      | —         | (84 ) MWh         | —         |
| Natural gas    | 969 MMBtu      | 638 MMBtu | 1,002 MMBtu       | 618 MMBtu |
| Oil            | (12 ) barrels  | —         | (7 ) barrels      | —         |

At March 31, 2017 and December 31, 2016, NEE had interest rate contracts with notional amounts totaling approximately \$15.4 billion and \$15.1 billion, respectively, and foreign currency contracts with notional amounts totaling approximately \$716 million and \$705 million, respectively.

Credit-Risk-Related Contingent Features - Certain derivative instruments contain credit-risk-related contingent features including, among other things, the requirement to maintain an investment grade credit rating from specified credit rating agencies and certain financial ratios, as well as credit-related cross-default and material adverse change triggers. At March 31, 2017 and December 31, 2016, the aggregate fair value of NEE's derivative instruments with credit-risk-related contingent features that were in a liability position was approximately \$1.2 billion (\$6 million for FPL) and \$1.3 billion (\$5 million for FPL), respectively.

If the credit-risk-related contingent features underlying these derivative agreements were triggered, certain subsidiaries of NEE, including FPL, could be required to post collateral or settle contracts according to contractual terms which generally allow netting of contracts in offsetting positions. Certain derivative contracts contain multiple types of credit-related triggers. To the extent these contracts contain a credit ratings downgrade trigger, the maximum exposure is included in the following credit ratings collateral posting requirements. If FPL's and NEECH's credit ratings were downgraded to BBB/Baa2 (a two level downgrade for FPL and a one level downgrade for NEECH from the current lowest applicable rating), applicable NEE subsidiaries would be required to post collateral such that the total posted collateral would be approximately \$75 million (none at FPL) as of March 31, 2017 and \$110 million (none at FPL) as of December 31, 2016. If FPL's and NEECH's credit ratings were downgraded to below investment grade, applicable NEE subsidiaries would be required to post additional collateral such that the total posted collateral would be approximately \$960 million (\$5 million at FPL) as of March 31, 2017 and \$990 million (\$10 million at FPL) as of December 31, 2016. Some derivative contracts do not contain credit ratings downgrade triggers, but do contain provisions that require certain financial measures be maintained and/or have credit-related cross-default triggers. In the event these provisions were triggered, applicable NEE subsidiaries could be required to post additional collateral of up to approximately \$220 million (\$120 million at FPL) as of March 31, 2017 and \$225 million (\$115 million at FPL) as of December 31, 2016.

Collateral related to derivatives may be posted in the form of cash or credit support in the normal course of business. At March 31, 2017 and December 31, 2016, applicable NEE subsidiaries have posted approximately \$2 million (none at FPL) and \$1 million (none at FPL), respectively, in cash and \$43 million (none at FPL) and \$30 million (none at FPL), respectively, in the form of letters of credit each of which could be applied toward the collateral requirements described above. FPL and NEECH have credit facilities generally in excess of the collateral requirements described above that would be available to support, among other things, derivative activities. Under the terms of the credit facilities, maintenance of a specific credit rating is not a condition to drawing on these credit facilities, although there are other conditions to drawing on these credit facilities.

Additionally, some contracts contain certain adequate assurance provisions where a counterparty may demand additional collateral based on subjective events and/or conditions. Due to the subjective nature of these provisions, NEE and FPL are unable to determine an exact value for these items and they are not included in any of the quantitative disclosures above.

### 3. Fair Value Measurements

The fair value of assets and liabilities are determined using either unadjusted quoted prices in active markets (Level 1) or pricing inputs that are observable (Level 2) whenever that information is available and using unobservable inputs (Level 3) to estimate fair value only when relevant observable inputs are not available. NEE and FPL use several different valuation techniques to measure the fair value of assets and liabilities, relying primarily on the market approach of using prices and other market information for



NEXTERA ENERGY, INC. AND FLORIDA POWER & LIGHT COMPANY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
(unaudited)

identical and/or comparable assets and liabilities for those assets and liabilities that are measured at fair value on a recurring basis. NEE's and FPL's assessment of the significance of any particular input to the fair value measurement requires judgment and may affect placement within the fair value hierarchy levels. Non-performance risk, including the consideration of a credit valuation adjustment, is also considered in the determination of fair value for all assets and liabilities measured at fair value.

Cash Equivalents and Restricted Cash - NEE and FPL hold investments in money market funds. The fair value of these funds is estimated using a market approach based on current observable market prices.

Special Use Funds and Other Investments - NEE and FPL hold primarily debt and equity securities directly, as well as indirectly through commingled funds. Substantially all directly held equity securities are valued at their quoted market prices. For directly held debt securities, multiple prices and price types are obtained from pricing vendors whenever possible, which enables cross-provider validations. A primary price source is identified based on asset type, class or issue of each security. Commingled funds, which are similar to mutual funds, are maintained by banks or investment companies and hold certain investments in accordance with a stated set of objectives. The fair value of commingled funds is primarily derived from the quoted prices in active markets of the underlying securities. Because the fund shares are offered to a limited group of investors, they are not considered to be traded in an active market.

Derivative Instruments - NEE and FPL measure the fair value of commodity contracts using a combination of market and income approaches utilizing prices observed on commodities exchanges and in the OTC markets, or through the use of industry-standard valuation techniques, such as option modeling or discounted cash flows techniques, incorporating both observable and unobservable valuation inputs. The resulting measurements are the best estimate of fair value as represented by the transfer of the asset or liability through an orderly transaction in the marketplace at the measurement date.

Most exchange-traded derivative assets and liabilities are valued directly using unadjusted quoted prices. For exchange-traded derivative assets and liabilities where the principal market is deemed to be inactive based on average daily volumes and open interest, the measurement is established using settlement prices from the exchanges, and therefore considered to be valued using other observable inputs.

NEE, through its subsidiaries, including FPL, also enters into OTC commodity contract derivatives. The majority of these contracts are transacted at liquid trading points, and the prices for these contracts are verified using quoted prices in active markets from exchanges, brokers or pricing services for similar contracts.

NEE, through NEER, also enters into full requirements contracts, which, in most cases, meet the definition of derivatives and are measured at fair value. These contracts typically have one or more inputs that are not observable and are significant to the valuation of the contract. In addition, certain exchange and non-exchange traded derivative options at NEE have one or more significant inputs that are not observable, and are valued using industry-standard option models.

In all cases where NEE and FPL use significant unobservable inputs for the valuation of a commodity contract, consideration is given to the assumptions that market participants would use in valuing the asset or liability. The primary input to the valuation models for commodity contracts is the forward commodity curve for the respective instruments. Other inputs include, but are not limited to, assumptions about market liquidity, volatility, correlation and contract duration as more fully described below in Significant Unobservable Inputs Used in Recurring Fair Value

Measurements. In instances where the reference markets are deemed to be inactive or do not have transactions for a similar contract, the derivative assets and liabilities may be valued using significant other observable inputs and potentially significant unobservable inputs. In such instances, the valuation for these contracts is established using techniques including extrapolation from or interpolation between actively traded contracts, or estimated basis adjustments from liquid trading points. NEE and FPL regularly evaluate and validate the inputs used to determine fair value by a number of methods, consisting of various market price verification procedures, including the use of pricing services and multiple broker quotes to support the market price of the various commodities. In all cases where there are assumptions and models used to generate inputs for valuing derivative assets and liabilities, the review and verification of the assumptions, models and changes to the models are undertaken by individuals that are independent of those responsible for estimating fair value.

NEE uses interest rate contracts and foreign currency contracts to mitigate and adjust interest rate and foreign currency exchange exposure related primarily to certain outstanding and expected future debt issuances and borrowings when deemed appropriate based on market conditions or when required by financing agreements. NEE estimates the fair value of these derivatives using an income approach based on a discounted cash flows valuation technique utilizing the net amount of estimated future cash inflows and outflows related to the agreements.

NEXTERA ENERGY, INC. AND FLORIDA POWER & LIGHT COMPANY  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
 (unaudited)

Recurring Fair Value Measurements - NEE's and FPL's financial assets and liabilities and other fair value measurements made on a recurring basis by fair value hierarchy level are as follows:

|  | March 31, 2017 |                        |         |                        |                        |
|--|----------------|------------------------|---------|------------------------|------------------------|
|  | Level 1        | Level 2                | Level 3 | Netting <sup>(a)</sup> | Total                  |
|  | (millions)     |                        |         |                        |                        |
| Assets:  |                |                        |         |                        |                        |
| Cash equivalents and restricted cash: <sup>(b)</sup> |                |                        |         |                        |                        |
| NEE - equity securities                              | \$307          | \$—                    | \$—     |                        | \$307                  |
| FPL - equity securities                              | \$87           | \$—                    | \$—     |                        | \$87                   |
| Special use funds: <sup>(c)</sup>                    |                |                        |         |                        |                        |
| NEE:   |                |                        |         |                        |                        |
| Equity securities                                    | \$1,482        | \$1,578 <sup>(d)</sup> | \$—     |                        | \$3,060                |
| U.S. Government and municipal bonds                  | \$328          | \$162                  | \$—     |                        | \$490                  |
| Corporate debt securities                            | \$1            | \$796                  | \$—     |                        | \$797                  |
| Mortgage-backed securities                           | \$—            | \$479                  | \$—     |                        | \$479                  |
| Other debt securities                                | \$—            | \$115                  | \$—     |                        | \$115                  |
| FPL:   |                |                        |         |                        |                        |
| Equity securities                                    | \$386          | \$1,440 <sup>(d)</sup> | \$—     |                        | \$1,826                |
| U.S. Government and municipal bonds                  | \$245          | \$134                  | \$—     |                        | \$379                  |
| Corporate debt securities                            | \$—            | \$575                  | \$—     |                        | \$575                  |
| Mortgage-backed securities                           | \$—            | \$368                  | \$—     |                        | \$368                  |
| Other debt securities                                | \$—            | \$102                  | \$—     |                        | \$102                  |
| Other investments:                                   |                |                        |         |                        |                        |
| NEE:   |                |                        |         |                        |                        |
| Equity securities                                    | \$23           | \$10                   | \$—     |                        | \$33                   |
| Debt securities                                      | \$6            | \$138                  | \$—     |                        | \$144                  |
| Derivatives:   |                |                        |         |                        |                        |
| NEE:   |                |                        |         |                        |                        |
| Commodity contracts                                  | \$1,504        | \$1,772                | \$1,263 | \$(2,662)              | \$1,877 <sup>(e)</sup> |
| Interest rate contracts                              | \$—            | \$254                  | \$4     | \$4                    | \$262 <sup>(e)</sup>   |
| Foreign currency contracts                           | \$—            | \$1                    | \$—     | \$—                    | \$1 <sup>(e)</sup>     |
| FPL - commodity contracts                            | \$—            | \$83                   | \$1     | \$(2)                  | \$82 <sup>(e)</sup>    |
| Liabilities:   |                |                        |         |                        |                        |
| Derivatives:   |                |                        |         |                        |                        |
| NEE:   |                |                        |         |                        |                        |
| Commodity contracts                                  | \$1,398        | \$1,028                | \$437   | \$(2,434)              | \$429 <sup>(e)</sup>   |
| Interest rate contracts                              | \$—            | \$175                  | \$115   | \$4                    | \$294 <sup>(e)</sup>   |
| Foreign currency contracts                           | \$—            | \$80                   | \$—     | \$—                    | \$80 <sup>(e)</sup>    |
| FPL - commodity contracts                            | \$—            | \$2                    | \$5     | \$(2)                  | \$5 <sup>(e)</sup>     |

<sup>(a)</sup> Includes the effect of the contractual ability to settle contracts under master netting arrangements and the netting of margin cash collateral payments and receipts. NEE and FPL also have contract settlement receivable and payable balances that are subject to the master netting arrangements but are not offset within the condensed consolidated balance sheets and are recorded in customer receivables - net and accounts payable, respectively.

Edgar Filing: NEXTERA ENERGY INC - Form 10-Q

- (b) Includes restricted cash of approximately \$135 million (\$87 million for FPL) in other current assets on the condensed consolidated balance sheets.
- (c) Excludes investments accounted for under the equity method and loans not measured at fair value on a recurring basis. See Fair Value of Financial Instruments Recorded at Other than Fair Value below.
- (d) Primarily invested in commingled funds whose underlying securities would be Level 1 if those securities were held directly by NEE or FPL.
- (e) See Note 2 - Fair Value of Derivative Instruments for a reconciliation of net derivatives to NEE's and FPL's condensed consolidated balance sheets.

NEXTERA ENERGY, INC. AND FLORIDA POWER & LIGHT COMPANY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
(unaudited)

|  | December 31, 2016 |                        |         | Netting <sup>(a)</sup> | Total                  |
|--|-------------------|------------------------|---------|------------------------|------------------------|
|  | Level 1           | Level 2                | Level 3 |                        |                        |
| (millions)   |                   |                        |         |                        |                        |
| Assets:  |                   |                        |         |                        |                        |
| Cash equivalents and restricted cash: <sup>(b)</sup> |                   |                        |         |                        |                        |
| NEE - equity securities                              | \$982             | \$—                    | \$—     |                        | \$982                  |
| FPL - equity securities                              | \$120             | \$—                    | \$—     |                        | \$120                  |
| Special use funds: <sup>(c)</sup>                    |                   |                        |         |                        |                        |
| NEE:   |                   |                        |         |                        |                        |
| Equity securities                                    | \$1,410           | \$1,503 <sup>(d)</sup> | \$—     |                        | \$2,913                |
| U.S. Government and municipal bonds                  | \$296             | \$170                  | \$—     |                        | \$466                  |
| Corporate debt securities                            | \$1               | \$763                  | \$—     |                        | \$764                  |
| Mortgage-backed securities                           | \$—               | \$498                  | \$—     |                        | \$498                  |
| Other debt securities                                | \$—               | \$81                   | \$—     |                        | \$81                   |
| FPL:   |                   |                        |         |                        |                        |
| Equity securities                                    | \$373             | \$1,372 <sup>(d)</sup> | \$—     |                        | \$1,745                |
| U.S. Government and municipal bonds                  | \$221             | \$141                  | \$—     |                        | \$362                  |
| Corporate debt securities                            | \$—               | \$547                  | \$—     |                        | \$547                  |
| Mortgage-backed securities                           | \$—               | \$384                  | \$—     |                        | \$384                  |
| Other debt securities                                | \$—               | \$70                   | \$—     |                        | \$70                   |
| Other investments:                                   |                   |                        |         |                        |                        |
| NEE:   |                   |                        |         |                        |                        |
| Equity securities                                    | \$26              | \$9                    | \$—     |                        | \$35                   |
| Debt securities                                      | \$8               | \$153                  | \$—     |                        | \$161                  |
| Derivatives:   |                   |                        |         |                        |                        |
| NEE:   |                   |                        |         |                        |                        |
| Commodity contracts                                  | \$1,563           | \$1,827                | \$1,200 | \$(2,652)              | \$1,938 <sup>(e)</sup> |
| Interest rate contracts                              | \$—               | \$285                  | \$3     | \$8                    | \$296 <sup>(e)</sup>   |
| Foreign currency contracts                           | \$—               | \$1                    | \$—     | \$—                    | \$1 <sup>(e)</sup>     |
| FPL - commodity contracts                            | \$—               | \$208                  | \$4     | \$(3)                  | \$209 <sup>(e)</sup>   |
| Liabilities:   |                   |                        |         |                        |                        |
| Derivatives:   |                   |                        |         |                        |                        |
| NEE:   |                   |                        |         |                        |                        |
| Commodity contracts                                  | \$1,476           | \$980                  | \$512   | \$(2,485)              | \$483 <sup>(e)</sup>   |
| Interest rate contracts                              | \$—               | \$171                  | \$113   | \$8                    | \$292 <sup>(e)</sup>   |
| Foreign currency contracts                           | \$—               | \$106                  | \$—     | \$—                    | \$106 <sup>(e)</sup>   |
| FPL - commodity contracts                            | \$—               | \$1                    | \$3     | \$(3)                  | \$1 <sup>(e)</sup>     |

(a) Includes the effect of the contractual ability to settle contracts under master netting arrangements and the netting of margin cash collateral payments and receipts. NEE and FPL also have contract settlement receivable and payable balances that are subject to the master netting arrangements but are not offset within the condensed consolidated balance sheets and are recorded in customer receivables - net and accounts payable, respectively.

(b) Includes restricted cash of approximately \$164 million (\$120 million for FPL) in other current assets on the condensed consolidated balance sheets.

- (c) Excludes investments accounted for under the equity method and loans not measured at fair value on a recurring basis. See Fair Value of Financial Instruments Recorded at Other than Fair Value below.
- (d) Primarily invested in commingled funds whose underlying securities would be Level 1 if those securities were held directly by NEE or FPL.
- (e) See Note 2 - Fair Value of Derivative Instruments for a reconciliation of net derivatives to NEE's and FPL's condensed consolidated balance sheets.

Significant Unobservable Inputs Used in Recurring Fair Value Measurements - The valuation of certain commodity contracts requires the use of significant unobservable inputs. All forward price, implied volatility, implied correlation and interest rate inputs used in the valuation of such contracts are directly based on third-party market data, such as broker quotes and exchange settlements, when that data is available. If third-party market data is not available, then industry standard methodologies are used to develop inputs that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Observable inputs, including some forward prices, implied volatilities and interest rates used for determining fair value are updated daily to reflect the best available market information. Unobservable inputs which are related to observable inputs, such as illiquid portions of forward price or volatility curves, are updated daily as well, using industry standard techniques such as interpolation and extrapolation, combining observable forward inputs supplemented by historical market and other relevant data. Other unobservable inputs, such as implied

NEXTERA ENERGY, INC. AND FLORIDA POWER & LIGHT COMPANY  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
 (unaudited)

correlations, customer migration rates from full requirements contracts and some implied volatility curves, are modeled using proprietary models based on historical data and industry standard techniques.

All price, volatility, correlation and customer migration inputs used in valuation are subject to validation by the Trading Risk Management group. The Trading Risk Management group performs a risk management function responsible for assessing credit, market and operational risk impact, reviewing valuation methodology and modeling, confirming transactions, monitoring approval processes and developing and monitoring trading limits. The Trading Risk Management group is separate from the transacting group. For markets where independent third-party data is readily available, validation is conducted daily by directly reviewing this market data against inputs utilized by the transacting group, and indirectly by reviewing daily risk reports. For markets where independent third-party data is not readily available, additional analytical reviews are performed on at least a quarterly basis. These analytical reviews are designed to ensure that all price and volatility curves used for fair valuing transactions are adequately validated each quarter, and are reviewed and approved by the Trading Risk Management group. In addition, other valuation assumptions such as implied correlations and customer migration rates are reviewed and approved by the Trading Risk Management group on a periodic basis. Newly created models used in the valuation process are also subject to testing and approval by the Trading Risk Management group prior to use and established models are reviewed annually, or more often as needed, by the Trading Risk Management group.

On a monthly basis, the Exposure Management Committee (EMC), which is comprised of certain members of senior management, meets with representatives from the Trading Risk Management group and the transacting group to discuss NEE's and FPL's energy risk profile and operations, to review risk reports and to discuss fair value issues as necessary. The EMC develops guidelines required for an appropriate risk management control infrastructure, which includes implementation and monitoring of compliance with Trading Risk Management policy. The EMC executes its risk management responsibilities through direct oversight and delegation of its responsibilities to the Trading Risk Management group, as well as to other corporate and business unit personnel.

The significant unobservable inputs used in the valuation of NEE's commodity contracts categorized as Level 3 of the fair value hierarchy at March 31, 2017 are as follows:

| Transaction Type                                | Fair Value at<br>March 31, 2017 |             | Valuation<br>Technique(s) | Significant<br>Unobservable Inputs | Range        |
|---|---------------------------------|-------------|---------------------------|------------------------------------|--------------|
|   | Assets<br>(millions)            | Liabilities |                           |                                    |              |
| Forward contracts - power                       | \$737                           | \$ 214      | Discounted cash flow      | Forward price (per MWh)            | \$— -\$84    |
| Forward contracts - gas                         | 28                              | 11          | Discounted cash flow      | Forward price (per MMBtu)          | \$2 -\$6     |
| Forward contracts - other commodity related     | 2                               | 1           | Discounted cash flow      | Forward price (various)            | \$(16)-\$55  |
| Options - power                                 | 46                              | 18          | Option models             | Implied correlations               | 1% -100%     |
|   |                                 |             |                           | Implied volatilities               | 8% -264%     |
| Options - primarily gas                         | 156                             | 166         | Option models             | Implied correlations               | 1% -100%     |
|   |                                 |             |                           | Implied volatilities               | 1% -95%      |
| Full requirements and unit contingent contracts | 294                             | 27          | Discounted cash flow      | Forward price (per MWh)            | \$(20)-\$203 |
|   |                                 |             |                           |                                    | —% -20%      |

Customer migration  
rate<sup>(a)</sup>


---

Total \$1,263 \$ 437

(a) Applies only to full requirements contracts.

The sensitivity of NEE's fair value measurements to increases (decreases) in the significant unobservable inputs is as follows:

| Significant Unobservable Input | Position                  | Impact on<br>Fair Value Measurement |
|--------------------------------|---------------------------|-------------------------------------|
| Forward price                  | Purchase power/gas        | Increase (decrease)                 |
|                                | Sell power/gas            | Decrease (increase)                 |
| Implied correlations           | Purchase option           | Decrease (increase)                 |
|                                | Sell option               | Increase (decrease)                 |
| Implied volatilities           | Purchase option           | Increase (decrease)                 |
|                                | Sell option               | Decrease (increase)                 |
| Customer migration rate        | Sell power <sup>(a)</sup> | Decrease (increase)                 |

---

(a) Assumes the contract is in a gain position.

In addition, the fair value measurement of interest rate contract net liabilities related to the solar projects in Spain of approximately \$111 million at March 31, 2017 includes a significant credit valuation adjustment. The credit valuation adjustment, considered an unobservable input, reflects management's assessment of non-performance risk of the subsidiaries related to the solar projects in Spain that are party to the contracts.



NEXTERA ENERGY, INC. AND FLORIDA POWER & LIGHT COMPANY  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
 (unaudited)

The reconciliation of changes in the fair value of derivatives that are based on significant unobservable inputs is as follows:

|  | Three Months Ended |       |        |       |
|--|--------------------|-------|--------|-------|
|  | March 31,          |       | 2016   |       |
|  | 2017               | FPL   | NEE    | FPL   |
|  | (millions)         |       |        |       |
| Fair value of net derivatives based on significant unobservable inputs at December 31 of prior period  | \$578              | \$1   | \$538  | \$—   |
| Realized and unrealized gains (losses):  |                    |       |        |       |
| Included in earnings <sup>(a)</sup>  | 216                | —     | 254    | —     |
| Included in other comprehensive income <sup>(b)</sup>  | (1 )               | —     | (6 )   | —     |
| Included in regulatory assets and liabilities  | (2 )               | (2 )  | (3 )   | (3 )  |
| Purchases  | 21                 | —     | 100    | —     |
| Settlements  | (85 )              | (3 )  | (133 ) | (5 )  |
| Issuances  | (16 )              | —     | (74 )  | —     |
| Transfers in <sup>(c)</sup>  | 9                  | —     | 3      | —     |
| Transfers out <sup>(c)</sup>   | (5 )               | —     | (30 )  | —     |
| Fair value of net derivatives based on significant unobservable inputs at March 31   | \$715              | \$(4) | \$649  | \$(8) |
| The amount of gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to derivatives still held at the reporting date <sup>(d)</sup> | \$141              | \$—   | \$196  | \$—   |

For the three months ended March 31, 2017 and 2016, realized and unrealized gains of approximately \$215 million (a) and \$274 million, respectively, are reflected in the condensed consolidated statements of income in operating revenues and the balance is primarily reflected in interest expense.

(b) Reflected in net unrealized gains on foreign currency translation on the condensed consolidated statements of comprehensive income.

(c) Transfers into Level 3 were a result of decreased observability of market data and transfers from Level 3 to Level 2 were a result of increased observability of market data. NEE's and FPL's policy is to recognize all transfers at the beginning of the reporting period.

(d) For the three months ended March 31, 2017 and 2016, unrealized gains of approximately \$141 million and \$216 million, respectively, are reflected in the condensed consolidated statements of income in operating revenues and the balance is reflected in interest expense.

Fair Value of Financial Instruments Recorded at Other than Fair Value - The carrying amounts of commercial paper and other short-term debt approximate their fair values. The carrying amounts and estimated fair values of other financial instruments recorded at other than fair value are as follows:

| March 31, 2017 |           | December 31, 2016 |           |
|----------------|-----------|-------------------|-----------|
| Carrying       | Estimated | Carrying          | Estimated |
| Amount         | Fair      | Amount            | Fair      |
|                | Value     |                   | Value     |
| (millions)     |           |                   |           |

NEE:

Edgar Filing: NEXTERA ENERGY INC - Form 10-Q

|  |          |           |  |                             |
|--|----------|-----------|--|-----------------------------|
| Special use funds <sup>(a)</sup>               | \$684    | \$ 684    | \$712                                  | \$ 712                      |
| Other investments - primarily notes receivable | \$512    | \$ 682    | <sup>(b)</sup> \$526                   | \$ 668 <sup>(b)</sup>       |
| Long-term debt, including current maturities   | \$31,299 | \$ 32,820 | <sup>(d)</sup> \$30,418 <sup>(c)</sup> | \$ 31,623 <sup>(c)(d)</sup> |
| FPL:   |          |           |  |                             |
| Special use funds <sup>(a)</sup>               | \$530    | \$ 530    | \$557                                  | \$ 557                      |
| Long-term debt, including current maturities   | \$10,556 | \$ 11,703 | <sup>(d)</sup> \$10,072                | \$ 11,211 <sup>(d)</sup>    |

(a) Primarily represents investments accounted for under the equity method and loans not measured at fair value on a recurring basis.

Primarily classified as held to maturity. Fair values are primarily estimated using an income approach utilizing a discounted cash flow valuation technique based on certain observable yield curves and indices considering the credit profile of the borrower (Level 3). Notes receivable bear interest primarily at fixed rates and mature by 2029.

(b) Notes receivable are considered impaired and placed in non-accrual status when it becomes probable that all amounts due cannot be collected in accordance with the contractual terms of the agreement. The assessment to place notes receivable in non-accrual status considers various credit indicators, such as credit ratings and market-related information.

Excludes debt totaling \$373 million reflected in liabilities associated with assets held for sale on NEE's condensed (c) consolidated balance sheet for which the carrying amount approximates fair value. See Note 9 - Assets and Liabilities Associated with Assets Held for Sale.

As of March 31, 2017 and December 31, 2016, for NEE, approximately \$30,910 million and \$29,804 million, respectively, is estimated using a market approach based on quoted market prices for the same or similar issues

(d) (Level 2); the balance is estimated using an income approach utilizing a discounted cash flow valuation technique, considering the current credit profile of the debtor (Level 3). For FPL, primarily estimated using quoted market prices for the same or similar issues (Level 2).

NEXTERA ENERGY, INC. AND FLORIDA POWER & LIGHT COMPANY  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
 (unaudited)

Special Use Funds - The special use funds noted above and those carried at fair value (see Recurring Fair Value Measurements above) consist of NEE's nuclear decommissioning fund assets of \$5,625 million and \$5,434 million at March 31, 2017 and December 31, 2016, respectively (\$3,780 million and \$3,665 million, respectively, for FPL). The investments held in the special use funds consist of equity and debt securities which are primarily classified as available for sale and carried at estimated fair value. The amortized cost of debt and equity securities is approximately \$1,878 million and \$1,556 million, respectively, at March 31, 2017 and \$1,820 million and \$1,543 million, respectively, at December 31, 2016 (\$1,423 million and \$743 million, respectively, at March 31, 2017 and \$1,373 million and \$764 million, respectively, at December 31, 2016 for FPL). For FPL's special use funds, consistent with regulatory treatment, changes in fair value, including any other than temporary impairment losses, result in a corresponding adjustment to the related regulatory liability accounts. For NEE's non-rate regulated operations, changes in fair value result in a corresponding adjustment to OCI, except for unrealized losses associated with marketable securities considered to be other than temporary, including any credit losses, which are recognized as other than temporary impairment losses on securities held in nuclear decommissioning funds and included in other - net in NEE's condensed consolidated statements of income. Debt securities included in the nuclear decommissioning funds have a weighted-average maturity at March 31, 2017 of approximately nine years at both NEE and FPL. The cost of securities sold is determined using the specific identification method.

Realized gains and losses and proceeds from the sale or maturity of available for sale securities are as follows:

|  | NEE                          |       | FPL                          |       |
|--|------------------------------|-------|------------------------------|-------|
|  | Three Months Ended March 31, |       | Three Months Ended March 31, |       |
|  | 2017                         | 2016  | 2017                         | 2016  |
|  | (millions)                   |       |                              |       |
| Realized gains                               | \$55                         | \$22  | \$13                         | \$10  |
| Realized losses                              | \$29                         | \$18  | \$19                         | \$10  |
| Proceeds from sale or maturity of securities | \$626                        | \$701 | \$441                        | \$530 |

The unrealized gains on available for sale securities are as follows:

|                   | NEE                    |          | FPL                    |          |
|-------------------|------------------------|----------|------------------------|----------|
|                   | March 31, December 31, |          | March 31, December 31, |          |
|                   | 2017                   | 2016     | 2017                   | 2016     |
|                   | (millions)             |          |                        |          |
| Equity securities | \$1,509                | \$ 1,396 | \$1,087                | \$ 1,007 |
| Debt securities   | \$27                   | \$ 22    | \$21                   | \$ 17    |

The unrealized losses on available for sale debt securities and the fair value of available for sale debt securities in an unrealized loss position are as follows:

|                                  | NEE                    |        | FPL                    |        |
|----------------------------------|------------------------|--------|------------------------|--------|
|                                  | March 31, December 31, |        | March 31, December 31, |        |
|                                  | 2017                   | 2016   | 2017                   | 2016   |
|                                  | (millions)             |        |                        |        |
| Unrealized losses <sup>(a)</sup> | \$24                   | \$ 34  | \$20                   | \$ 28  |
| Fair value                       | \$839                  | \$ 959 | \$647                  | \$ 722 |

- 
- (a) Unrealized losses on available for sale debt securities in an unrealized loss position for greater than twelve months at March 31, 2017 and December 31, 2016 were not material to NEE or FPL.

Regulations issued by the FERC and the NRC provide general risk management guidelines to protect nuclear decommissioning funds and to allow such funds to earn a reasonable return. The FERC regulations prohibit, among other investments, investments in any securities of NEE or its subsidiaries, affiliates or associates, excluding investments tied to market indices or mutual funds. Similar restrictions applicable to the decommissioning funds for NEER's nuclear plants are included in the NRC operating licenses for those facilities or in NRC regulations applicable to NRC licensees not in cost-of-service environments. With respect to the decommissioning fund for Seabrook, decommissioning fund contributions and withdrawals are also regulated by the New Hampshire Nuclear Decommissioning Financing Committee pursuant to New Hampshire law.

The nuclear decommissioning reserve funds are managed by investment managers who must comply with the guidelines of NEE and FPL and the rules of the applicable regulatory authorities. The funds' assets are invested giving consideration to taxes, liquidity, risk, diversification and other prudent investment objectives.

NEXTERA ENERGY, INC. AND FLORIDA POWER & LIGHT COMPANY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
(unaudited)

4. Income Taxes

NEE's effective income tax rates for the three months ended March 31, 2017 and 2016 were approximately 30% and 27%, respectively. The 2016 effective tax rate was retrospectively adjusted as discussed in Note 7 - Stock-Based Compensation. The rates for both periods reflect the benefit of PTCs of approximately \$28 million and \$42 million, respectively, related to NEER's wind projects, as well as ITCs and deferred income taxes associated with grants under the Recovery Act (convertible ITCs) totaling approximately \$128 million and \$37 million, respectively, related to solar and certain wind projects at NEER.

NEE recognizes PTCs as wind energy is generated and sold based on a per kWh rate prescribed in applicable federal and state statutes, which may differ significantly from amounts computed, on a quarterly basis, using an overall effective income tax rate anticipated for the full year. NEE uses this method of recognizing PTCs for specific reasons, including that PTCs are an integral part of the financial viability of most wind projects and a fundamental component of such wind projects' results of operations. PTCs, as well as ITCs and deferred income taxes associated with convertible ITCs, can significantly affect NEE's effective income tax rate depending on the amount of pretax income. The amount of PTCs recognized can be significantly affected by wind generation and by the roll off of PTCs after ten years of production (PTC roll off).

5. Pending Business Acquisitions

From July 2016 through October 2016, NEE and certain of its affiliates entered into several agreements with Energy Future Holdings Corp. (EFH), Texas Transmission Holdings Corporation (TTHC), Oncor Management Investment LLC (OMI) and certain of their affiliates, which when combined would result in NEE owning 100% of Oncor Electric Delivery Company LLC (Oncor). The agreements with EFH and TTHC were subject to, among other things, approval by the Public Utility Commission of Texas (PUCT). On April 13, 2017, the PUCT voted that the transactions by which NEE would acquire all equity interests in Oncor are not in the public interest. NEE expects to file a motion for rehearing with the PUCT.

6. Variable Interest Entities (VIEs)

As of March 31, 2017, NEE had thirty-three VIEs which it consolidated and had interests in certain other VIEs which it did not consolidate.

FPL - FPL is considered the primary beneficiary of, and therefore consolidates, a VIE that is a wholly owned bankruptcy remote special purpose subsidiary that it formed in 2007 for the sole purpose of issuing storm-recovery bonds pursuant to the securitization provisions of the Florida Statutes and a financing order of the FPSC. FPL is considered the primary beneficiary because FPL has the power to direct the significant activities of the VIE, and its equity investment, which is subordinate to the bondholder's interest in the VIE, is at risk. Storm restoration costs incurred by FPL during 2005 and 2004 exceeded the amount in FPL's funded storm and property insurance reserve, resulting in a storm reserve deficiency. In 2007, the VIE issued \$652 million aggregate principal amount of senior secured bonds (storm-recovery bonds), primarily for the after-tax equivalent of the total of FPL's unrecovered balance of the 2004 storm restoration costs, the 2005 storm restoration costs and to reestablish FPL's storm and property insurance reserve. In connection with this financing, net proceeds, after debt issuance costs, to the VIE (approximately \$644 million) were used to acquire the storm-recovery property, which includes the right to impose, collect and receive a storm-recovery charge from all customers receiving electric transmission or distribution service from FPL

under rate schedules approved by the FPSC or under special contracts, certain other rights and interests that arise under the financing order issued by the FPSC and certain other collateral pledged by the VIE that issued the bonds. The storm-recovery bonds are payable only from and are secured by the storm-recovery property. The bondholders have no recourse to the general credit of FPL. The assets of the VIE were approximately \$177 million and \$216 million at March 31, 2017 and December 31, 2016, respectively, and consisted primarily of storm-recovery property, which are included in both current and noncurrent regulatory assets on NEE's and FPL's condensed consolidated balance sheets. The liabilities of the VIE were approximately \$177 million and \$214 million at March 31, 2017 and December 31, 2016, respectively, and consisted primarily of storm-recovery bonds, which are included in long-term debt on NEE's and FPL's condensed consolidated balance sheets.

NEER - NEE consolidates thirty-two NEER VIEs. NEER is considered the primary beneficiary of these VIEs since NEER controls the most significant activities of these VIEs, including operations and maintenance, as well as construction, and has the obligation to absorb expected losses of these VIEs.

A subsidiary of NEER is the primary beneficiary of, and therefore consolidates, NEP, which consolidates NEP OpCo because of NEP's controlling interest in the general partner of NEP OpCo. NEP is a limited partnership formed to acquire, manage and own contracted clean energy projects with stable, long-term cash flows through a limited partner interest in NEP OpCo. NEE owns a controlling non-economic general partner interest in NEP and a limited partner interest in NEP OpCo, and presents NEP's limited partner interest as a noncontrolling interest in NEE's consolidated financial statements. At March 31, 2017, NEE owned common units of NEP OpCo representing noncontrolling interest in NEP's operating projects of approximately 65.2%. The assets and liabilities

NEXTERA ENERGY, INC. AND FLORIDA POWER & LIGHT COMPANY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
(unaudited)

of NEP were approximately \$7.1 billion and \$4.9 billion, respectively, at March 31, 2017, and \$7.2 billion and \$5.0 billion, respectively, at December 31, 2016, and primarily consisted of property, plant and equipment and long-term debt.

A NEER VIE consolidates two entities which own and operate natural gas/oil electric generation facilities with the capability of producing 110 MW. These entities sell their electric output under power sales contracts to a third party, with expiration dates in 2018 and 2020. The power sales contracts provide the offtaker the ability to dispatch the facilities and require the offtaker to absorb the cost of fuel. The entities have third-party debt which is secured by liens against the generation facilities and the other assets of these entities. The debt holders have no recourse to the general credit of NEER for the repayment of debt. The assets and liabilities of the VIE were approximately \$87 million and \$34 million, respectively, at March 31, 2017 and \$95 million and \$42 million, respectively, at December 31, 2016, and consisted primarily of property, plant and equipment and long-term debt.

Two indirect subsidiaries of NEER each contributed, to a NEP subsidiary, an approximately 50% ownership interest in three entities which own and operate solar PV facilities with the capability of producing a total of approximately 277 MW. Each of the two indirect subsidiaries of NEER is considered a VIE since the non-managing members have no substantive rights over the managing members, and is consolidated by NEER. These three entities sell their electric output to third parties under power sales contracts with expiration dates in 2035 and 2036. The three entities have third-party debt which is secured by liens against the assets of the entities. The debt holders have no recourse to the general credit of NEER for the repayment of debt. The assets and liabilities of these VIEs were approximately \$567 million and \$488 million, respectively, at March 31, 2017 and \$571 million and \$487 million, respectively, at December 31, 2016, and consisted primarily of property, plant and equipment and long-term debt.

NEER consolidates a special purpose entity that has insufficient equity at risk and is considered a VIE. The entity provided a loan in the form of a note receivable (see Note 3 - Fair Value of Financial Instruments Recorded at Other than Fair Value) to an unrelated third party, and also issued senior secured bonds which are collateralized by the note receivable. The assets and liabilities of the VIE were approximately \$513 million and \$499 million, respectively, at March 31, 2017, and \$502 million and \$511 million, respectively at December 31, 2016, and consisted primarily of notes receivables (included in other investments) and long-term debt.

The other twenty-seven NEER VIEs that are consolidated relate to certain subsidiaries which have sold differential membership interests in entities which own and operate wind electric generation and solar PV facilities with the capability of producing a total of approximately 6,847 MW and 374 MW, respectively. These entities sell their electric output either under power sales contracts to third parties with expiration dates ranging from 2018 through 2046 or in the spot market. Certain investors that have no equity at risk in the VIEs hold differential membership interests, which give them the right to receive a portion of the economic attributes of the generation facilities, including certain tax attributes. Certain entities have third-party debt which is secured by liens against the generation facilities and the other assets of these entities or by pledges of NEER's ownership interest in these entities. The debt holders have no recourse to the general credit of NEER for the repayment of debt. The assets and liabilities of these VIEs totaled approximately \$10.9 billion and \$5.9 billion, respectively, at March 31, 2017 and \$10.9 billion and \$6.9 billion, respectively, at December 31, 2016. At March 31, 2017 and December 31, 2016, the assets and liabilities of the VIEs consisted primarily of property, plant and equipment, deferral related to differential membership interests and long-term debt.

Other - As of March 31, 2017 and December 31, 2016, several NEE subsidiaries had investments totaling approximately \$2,596 million (\$2,130 million at FPL) and \$2,505 million (\$2,049 million at FPL), respectively, which are included in special use funds and other investments on NEE's condensed consolidated balance sheets and in special use funds on FPL's condensed consolidated balance sheets. These investments represented primarily commingled funds and mortgage-backed securities. NEE subsidiaries, including FPL, are not the primary beneficiary and therefore do not consolidate any of these entities because they do not control any of the ongoing activities of these entities, were not involved in the initial design of these entities and do not have a controlling financial interest in these entities.

Certain subsidiaries of NEE have noncontrolling interests in entities accounted for under the equity method. These entities are limited partnerships or similar entity structures in which the limited partners or nonmanaging members do not have substantive rights, and therefore are considered VIEs. NEE is not the primary beneficiary because it does not have a controlling financial interest in these entities, and therefore does not consolidate any of these entities. NEE's investment in these entities totaled approximately \$226 million and \$234 million at March 31, 2017 and December 31, 2016, respectively, which are included in other investments on NEE's condensed consolidated balance sheets. Subsidiaries of NEE had committed to invest an additional approximately \$30 million in two of the entities as of March 31, 2017 and December 31, 2016.

#### 7. Common Shareholders' Equity

Stock-Based Compensation - On March 30, 2016, the FASB issued an accounting standards update related to the accounting for employee share-based payment awards including simplification in areas such as (i) income tax consequences; (ii) classification of awards as either equity or liabilities; and (iii) classification on the statement of cash flows. The standards update was effective for NEE beginning January 1, 2017, however, NEE early adopted the provisions of the standards update during the three months ended June 30, 2016 with an effective date of January 1, 2016. Upon adoption, NEE recorded approximately \$18 million primarily



NEXTERA ENERGY, INC. AND FLORIDA POWER & LIGHT COMPANY  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
 (unaudited)

related to previously unrecognized excess tax benefits in deferred income taxes with a resulting increase to retained earnings as of January 1, 2016. Amounts for the three months ended March 31, 2016 were retrospectively adjusted resulting in an increase to net income attributable to NEE of approximately \$17 million, and increases to basic and diluted earnings per share attributable to NEE of \$0.04. All other provisions of the standards update did not have a material impact to NEE's condensed consolidated financial statements. The standards update had no effect on FPL.

Earnings Per Share - The reconciliation of NEE's basic and diluted earnings per share attributable to NEE is as follows:

|  | Three Months<br>Ended<br>March 31,<br>2017 2016<br>(millions,<br>except per<br>share<br>amounts) |        |
|--|--|--------|
| Numerator - net income attributable to NEE   | \$1,583  | \$653  |
| Denominator:   |  |        |
| Weighted-average number of common shares outstanding - basic   | 467.5  | 460.5  |
| Equity units, performance share awards, stock options, forward sale agreements and restricted stock <sup>(a)</sup> | 2.7  | 2.9    |
| Weighted-average number of common shares outstanding - assuming dilution   | 470.2  | 463.4  |
| Earnings per share attributable to NEE:  |  |        |
| Basic  | \$3.39   | \$1.42 |
| Assuming dilution  | \$3.37   | \$1.41 |

Calculated using the treasury stock method. Performance share awards are included in diluted weighted-average (a) number of common shares outstanding based upon what would be issued if the end of the reporting period was the end of the term of the award.

Common shares issuable pursuant to equity units, stock options, performance share awards and restricted stock which were not included in the denominator above due to their antidilutive effect were approximately 11.9 million and 0.2 million for the three months ended March 31, 2017 and 2016, respectively.

Accumulated Other Comprehensive Income (Loss) - The components of AOCI, net of tax, are as follows:

| Accumulated Other Comprehensive Income (Loss)                          |   |  |  |  |       |
|--|---|--|--|--|-------|
| Net<br>Unrealized<br>Gains<br>(Losses)<br>on<br>Cash<br>Flow<br>Hedges | Net<br>Unrealized<br>Gains<br>(Losses)<br>on<br>Available<br>for Sale<br>Securities | Defined<br>Benefit<br>Pension<br>and<br>Other<br>Benefits<br>Plans | Net<br>Unrealized<br>Gains<br>(Losses)<br>on<br>Foreign<br>Currency<br>Translation | Other<br>Comprehensive<br>Income<br>(Loss)<br>Related to<br>Equity<br>Method<br>Investee | Total |

Edgar Filing: NEXTERA ENERGY INC - Form 10-Q

|  | (millions) |                      |                  |          |          |        |
|--|------------|----------------------|------------------|----------|----------|--------|
| Three Months Ended March 31, 2017  |            |                      |                  |          |          |        |
| Balances, December 31, 2016  | \$(100)    | \$ 225               | \$ (83 )         | \$ (90 ) | \$ (22 ) | \$(70) |
| Other comprehensive income (loss) before reclassifications               | —          | 34                   | (3 )             | 16       | 1        | 48     |
| Amounts reclassified from AOCI   | 9          | <sup>(a)</sup> (16 ) | <sup>(b)</sup> — | —        | —        | (7 )   |
| Net other comprehensive income (loss)                                    | 9          | 18                   | (3 )             | 16       | 1        | 41     |
| Less other comprehensive income attributable to noncontrolling interests | 10         | —                    | —                | 1        | —        | 11     |
| Balances, March 31, 2017   | \$(101)    | \$ 243               | \$ (86 )         | \$ (75 ) | \$ (21 ) | \$(40) |

<sup>(a)</sup> Reclassified to interest expense in NEE's condensed consolidated statements of income. See Note 2 - Income Statement Impact of Derivative Instruments.

<sup>(b)</sup> Reclassified to gains on disposal of investments and other property - net in NEE's condensed consolidated statements of income.

NEXTERA ENERGY, INC. AND FLORIDA POWER & LIGHT COMPANY  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
 (unaudited)

|  | Accumulated Other Comprehensive Income (Loss)  |   |  |  |  | Total    |
|--|--|---|--|--|--|----------|
|  | Net<br>Unrealized<br>Gains<br>(Losses)<br>on<br>Cash<br>Flow<br>Hedges<br>(millions) | Net<br>Unrealized<br>Gains<br>(Losses)<br>on<br>Available<br>for Sale<br>Securities | Defined<br>Benefit<br>Pension<br>and<br>Other<br>Benefits<br>Plans | Net<br>Unrealized<br>Gains<br>(Losses)<br>on<br>Foreign<br>Currency<br>Translation | Other<br>Comprehensive<br>Income<br>(Loss)<br>Related to<br>Equity<br>Method<br>Investee |          |
| Three Months Ended March 31, 2016                                      |  |   |  |  |  |          |
| Balances, December 31, 2015  | \$ (170)   | \$ 174  | \$ (62 )   | \$ (85 )   | \$ (24 )   | \$ (167) |
| Other comprehensive income (loss) before reclassifications             | —  | 8   | (7 )   | 20   | (3 )   | 18       |
| Amounts reclassified from AOCI   | 23   | (1 )  | (b) —  | —  | —  | 22       |
| Net other comprehensive income (loss)                                  | 23   | 7   | (7 )   | 20   | (3 )   | 40       |
| Less other comprehensive loss attributable to noncontrolling interests | (1 )   | —   | —  | (13 )  | —  | (14 )    |
| Balances, March 31, 2016   | \$ (146)   | \$ 181  | \$ (69 )   | \$ (52 )   | \$ (27 )   | \$ (113) |

(a) Reclassified to interest expense and other - net in NEE's condensed consolidated statements of income. See Note 2 - Income Statement Impact of Derivative Instruments.

(b) Reclassified to gains on disposal of investments and other property - net in NEE's condensed consolidated statements of income.

## 8. Debt

Significant long-term debt issuances and borrowings by subsidiaries of NEE during the three months ended March 31, 2017 were as follows:

|  | Principal<br>Amount<br>(millions) | Interest Rate | Maturity Date   |
|--|-----------------------------------|---------------|-----------------|
| FPL:                                       |                                   |               |                 |
| Other long-term debt                       | \$ 200                            | Variable      | (a) 2018        |
| NEER:                                      |                                   |               |                 |
| Senior secured limited-recourse term loans | \$ 279                            | Variable      | (a) 2026        |
| Other long-term debt                       | \$ 200                            | Variable      | (a) 2018 - 2019 |

(a) Variable rate is based on an underlying index plus a margin. Interest rate swap agreements have been entered into with respect to certain of these issuances. See Note 2.

## 9. Summary of Significant Accounting and Reporting Policies

Revenue Recognition - In May 2014, the FASB issued an accounting standards update which provides guidance on the recognition of revenue from contracts with customers and requires additional disclosures about the nature, amount,

timing and uncertainty of revenue and cash flows from an entity's contracts with customers. The standards update will be effective for NEE and FPL beginning January 1, 2018 with early adoption on January 1, 2017 permitted. The standards update may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as an adjustment to retained earnings as of the date of initial application (modified retrospective method).

NEE and FPL are currently reviewing individual contracts within various identified revenue streams in order to determine the impact, if any, this standards update will have on their consolidated financial statements. A number of industry-specific implementation issues are still unresolved and the final resolution of certain of these issues could impact NEE's and/or FPL's current accounting policies and/or revenue recognition patterns. NEE and FPL currently anticipate adopting the standards update on January 1, 2018 using the modified retrospective method.

Accounting for Partial Sales of Nonfinancial Assets - In February 2017, the FASB issued an accounting standards update regarding the accounting for partial sales of nonfinancial assets. NEE and FPL anticipate adopting the standards update on January 1, 2018, concurrent with the FASB's new revenue recognition standard. The standards update may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as an adjustment to retained earnings as of the date of initial application. NEE and FPL are currently evaluating the effect the adoption of this standards update will have on their consolidated financial statements.

NEXTERA ENERGY, INC. AND FLORIDA POWER & LIGHT COMPANY  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
 (unaudited)

Electric Plant, Depreciation and Amortization - NEER reviews the estimated useful lives of its fixed assets on an ongoing basis. NEER's most recent review indicated that the actual lives of certain equipment at its wind plants are expected to be longer than those previously estimated for depreciation purposes. As a result, effective January 1, 2017, NEER changed the estimated useful lives of certain wind plant equipment from 30 years to 35 years to better reflect the period during which these assets are expected to remain in service. This change increased net income attributable to NEE by approximately \$15 million and basic and diluted earnings per share attributable to NEE by approximately \$0.03 for the three months ended March 31, 2017. For the year ended December 31, 2017 the change is expected to increase net income attributable to NEE by approximately \$60 million.

Assets and Liabilities Associated with Assets Held for Sale - In January 2017, an indirect wholly owned subsidiary of NEE completed the sale of its membership interests in its fiber-optic telecommunications business for net cash proceeds of approximately \$1.1 billion, after repayment of \$370 million of related long-term debt. In connection with the sale and the related consolidating state income tax effects, a gain of approximately \$1.1 billion (approximately \$685 million after tax) was recorded in NEE's condensed consolidated statements of income during the three months ended March 31, 2017. The carrying amounts of the major classes of assets and liabilities that were classified as held for sale on NEE's condensed consolidated balance sheets as of December 31, 2016 primarily represent property, plant and equipment and the related long-term debt.

#### 10. Commitments and Contingencies

Commitments - NEE and its subsidiaries have made commitments in connection with a portion of their projected capital expenditures. Capital expenditures at FPL include, among other things, the cost for construction or acquisition of additional facilities and equipment to meet customer demand, as well as capital improvements to and maintenance of existing facilities and the procurement of nuclear fuel. At NEER, capital expenditures include, among other things, the cost, including capitalized interest, for construction and development of wind and solar projects and the procurement of nuclear fuel, as well as the investment in the development and construction of its natural gas pipeline assets. Capital expenditures for Corporate and Other primarily include the cost to maintain existing transmission facilities at NEET.

At March 31, 2017, estimated capital expenditures for the remainder of 2017 through 2021 for which applicable internal approvals (and also, if required, FPSC approvals for FPL or regulatory approvals for acquisitions) have been received were as follows:

|                               | Remainder<br>of 2017<br>(millions) | 2018    | 2019    | 2020    | 2021    | Total    |
|-------------------------------|------------------------------------|---------|---------|---------|---------|----------|
| FPL:                          |                                    |         |         |         |         |          |
| Generation: <sup>(a)</sup>    |                                    |         |         |         |         |          |
| New <sup>(b)</sup>            | \$935                              | \$660   | \$475   | \$35    | \$5     | \$2,110  |
| Existing                      | 790                                | 755     | 615     | 655     | 510     | 3,325    |
| Transmission and distribution | 1,680                              | 2,400   | 2,540   | 2,465   | 2,675   | 11,760   |
| Nuclear fuel                  | 45                                 | 190     | 170     | 210     | 120     | 735      |
| General and other             | 370                                | 275     | 250     | 220     | 250     | 1,365    |
| Total                         | \$3,820                            | \$4,280 | \$4,050 | \$3,585 | \$3,560 | \$19,295 |
| NEER:                         |                                    |         |         |         |         |          |

Edgar Filing: NEXTERA ENERGY INC - Form 10-Q

|                                      |         |         |         |       |       |         |
|--------------------------------------|---------|---------|---------|-------|-------|---------|
| Wind <sup>(c)</sup>                  | \$910   | \$855   | \$1,125 | \$30  | \$25  | \$2,945 |
| Solar <sup>(d)</sup>                 | 190     | 10      | 5       | —     | —     | 205     |
| Nuclear, including nuclear fuel      | 185     | 250     | 230     | 215   | 245   | 1,125   |
| Natural gas pipelines <sup>(e)</sup> | 450     | 850     | 40      | 35    | 10    | 1,385   |
| Other                                | 210     | 40      | 30      | 30    | 30    | 340     |
| Total                                | \$1,945 | \$2,005 | \$1,430 | \$310 | \$310 | \$6,000 |
| Corporate and Other                  | \$40    | \$60    | \$90    | \$50  | \$40  | \$280   |

(a) Includes AFUDC of approximately \$69 million, \$78 million, \$44 million and \$5 million for the remainder of 2017 through 2020, respectively.

(b) Includes land, generation structures, transmission interconnection and integration and licensing.

(c) Consists of capital expenditures for new wind projects, repowering of existing wind projects and related transmission totaling approximately 2,880 MW.

(d) Includes capital expenditures for new solar projects and related transmission totaling approximately 140 MW.

(e) Includes capital expenditures for construction of three natural gas pipelines, including equity contributions associated with equity investments in joint ventures for two pipelines and AFUDC associated with the third pipeline. The natural gas pipelines are subject to certain conditions. See Contracts below.

The above estimates are subject to continuing review and adjustment and actual capital expenditures may vary significantly from these estimates.

Contracts - In addition to the commitments made in connection with the estimated capital expenditures included in the table in

NEXTERA ENERGY, INC. AND FLORIDA POWER & LIGHT COMPANY  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
 (unaudited)

Commitments above, FPL has commitments under long-term purchased power and fuel contracts. As of March 31, 2017, FPL is obligated under a take-or-pay purchased power contract to pay for 375 MW annually through 2021. FPL also has various firm pay-for-performance contracts to purchase approximately 114 MW from certain cogenerators and small power producers with expiration dates ranging from 2026 through 2034. The purchased power contracts provide for capacity and energy payments. Energy payments are based on the actual power taken under these contracts. Capacity payments for the pay-for-performance contracts are subject to the facilities meeting certain contract conditions. FPL has contracts with expiration dates through 2036 for the purchase and transportation of natural gas and coal, and storage of natural gas. In addition, FPL has entered into 25-year natural gas transportation agreements with each of Sabal Trail and Florida Southeast Connection each of which will build, own and operate a pipeline that will be part of a natural gas pipeline system, for a quantity of 400,000 MMBtu/day beginning mid-2017 and increasing to 600,000 MMBtu/day in mid-2020. These agreements contain firm commitments that are contingent upon the occurrence of certain events, including the completion of construction of the pipeline system to be built by Sabal Trail and Florida Southeast Connection. See Commitments above.

As of March 31, 2017, NEER has entered into contracts with expiration dates ranging from late April 2017 through 2032 primarily for the purchase of wind turbines, wind towers and solar modules and related construction and development activities, as well as for the supply of uranium, and the conversion, enrichment and fabrication of nuclear fuel and has made commitments for the construction of the natural gas pipelines. Approximately \$2.9 billion of related commitments are included in the estimated capital expenditures table in Commitments above. In addition, NEER has contracts primarily for the purchase, transportation and storage of natural gas with expiration dates ranging from late April 2017 through 2026.

The required capacity and/or minimum payments under contracts, including those discussed above, as of March 31, 2017 were estimated as follows:

|  | Remainder<br>of 2017<br>(millions) | 2018    | 2019  | 2020  | 2021  | Thereafter |
|--|------------------------------------|---------|-------|-------|-------|------------|
| FPL:   |                                    |         |       |       |       |            |
| Capacity charges <sup>(a)</sup>                                  | \$55                               | \$65    | \$50  | \$20  | \$20  | \$250      |
| Minimum charges, at projected prices: <sup>(b)</sup>             |                                    |         |       |       |       |            |
| Natural gas, including transportation and storage <sup>(c)</sup> | \$1,150                            | \$935   | \$860 | \$910 | \$905 | \$12,065   |
| Coal, including transportation                                   | \$105                              | \$5     | \$5   | \$—   | \$—   | \$—        |
| NEER   | \$1,440                            | \$1,020 | \$140 | \$105 | \$75  | \$295      |
| Corporate and Other <sup>(d)(e)</sup>                            | \$60                               | \$20    | \$—   | \$5   | \$—   | \$—        |

Capacity charges, substantially all of which are recoverable through the capacity clause, totaled approximately \$20 million and \$47 million for the three months ended March 31, 2017 and 2016, respectively. Energy charges, which

(a) are recoverable through the fuel clause, totaled approximately \$16 million and \$16 million for the three months ended March 31, 2017 and 2016, respectively.

(b) Recoverable through the fuel clause.

Includes approximately \$200 million, \$295 million, \$290 million, \$360 million, \$390 million and \$7,495 million in

(c) 2017, 2018, 2019, 2020, 2021 and thereafter, respectively, of firm commitments, subject to certain conditions as noted above, related to the natural gas transportation agreements with Sabal Trail and Florida Southeast Connection.

- (d) Includes an approximately \$30 million commitment to invest in clean power and technology businesses primarily in 2017.
- (e) Excludes approximately \$445 million and \$20 million in 2017 and 2018, respectively, of joint obligations of NEECH and NEER which are included in the NEER amounts above.

In January 2017, FPL assumed ownership of a 330 MW coal-fired generation facility located in Indiantown, Florida (Indiantown generation facility) for a purchase price of \$451 million (including existing debt of approximately \$218 million). FPL recorded a regulatory asset for approximately \$451 million, which is being amortized over nine years and recovered through the capacity clause with a return on the portion of the unamortized balance of the regulatory asset. Prior to assuming ownership of this facility, FPL had a long-term purchased power agreement with this facility for substantially all of its capacity and energy. FPL expects to reduce the plant's operations with the intention of eventually phasing the plant out of service. FPL will recover the fuel costs of the facility through the fuel clause and operating costs through the capacity clause until FPL's next base rate filing where non-fuel cost recovery will be through base rates.

Insurance - 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 \$450 million of private liability insurance per site, which is the maximum obtainable, and participates in a secondary financial protection system, which provides up to \$13.0 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 of up to \$1.0 billion (\$509 million for FPL), plus any applicable taxes, per incident at any nuclear reactor in the U.S., payable at a rate not to exceed \$152 million (\$76 million for FPL) per incident per year. NEE and FPL are contractually entitled to recover a proportionate share of such assessments from the owners of minority interests in Seabrook, Duane Arnold and St. Lucie Unit No. 2,



NEXTERA ENERGY, INC. AND FLORIDA POWER & LIGHT COMPANY  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
 (unaudited)

which approximates \$15 million, \$38 million and \$19 million, plus any applicable taxes, per incident, respectively.

NEE participates in a nuclear insurance mutual company that provides \$2.75 billion of limited insurance coverage per occurrence per site for property damage, decontamination and premature decommissioning risks at its nuclear plants and a sublimit of \$1.5 billion for non-nuclear perils. The proceeds from such insurance, however, must first be used for reactor stabilization and site decontamination before they can be used for plant repair. NEE also participates in an insurance program that provides limited coverage for replacement power costs if a nuclear plant is out of service for an extended period of time because of an accident. In the event of an accident at one of NEE's or another participating insured's nuclear plants, NEE could be assessed up to \$179 million (\$108 million for FPL), plus any applicable taxes, in retrospective premiums in a policy year. NEE and FPL are contractually entitled to recover a proportionate share of such assessments from the owners of minority interests in Seabrook, Duane Arnold and St. Lucie Unit No. 2, which approximates \$2 million, \$5 million and \$4 million, plus any applicable taxes, respectively.

Due to the high cost and limited coverage available from third-party insurers, NEE does not have property insurance coverage for a substantial portion of either its transmission and distribution property or natural gas pipeline assets. Should FPL's future storm restoration costs exceed the reserve amount established through the issuance of storm-recovery bonds by a VIE in 2007, FPL may recover storm restoration costs, subject to prudence review by the FPSC, either through surcharges approved by the FPSC or through securitization provisions pursuant to Florida law. In February 2017, the FPSC approved FPL's request to recover through an interim surcharge the eligible storm restoration costs from 2016 that exceeded the reserve amount.

In the event of a loss, the amount of insurance available might not be adequate to cover property damage and other expenses incurred. Uninsured losses and other expenses, to the extent not recovered from customers in the case of FPL, would be borne by NEE and FPL and could have a material adverse effect on NEE's and FPL's financial condition, results of operations and liquidity.

## 11. Segment Information

NEE's reportable segments are FPL, a rate-regulated electric utility, and NEER, a competitive energy business. Corporate and Other represents other business activities and includes eliminating entries. NEE's segment information is as follows:

|                                | Three Months Ended March 31, |         |                      | 2016                   |                          |                     |                        | NEE<br>Consoli-<br>dated<br>(millions) | NEE<br>Consoli-<br>dated |
|--------------------------------|------------------------------|---------|----------------------|------------------------|--------------------------|---------------------|------------------------|--|--------------------------|
|                                | 2017                         | FPL     | NEER <sup>(a)</sup>  | Corporate<br>and Other | NEE<br>Consoli-<br>dated | NEER <sup>(a)</sup> | Corporate<br>and Other |  |                          |
| Operating revenues             | \$2,527                      | \$1,424 | \$21                 | \$3,972                | \$2,303                  | \$1,441             | \$91                   | \$3,835                                |                          |
| Operating expenses - net       | \$1,716                      | \$931   | \$(1,080)            | \$1,567                | \$1,589                  | \$946               | \$66                   | \$2,601                                |                          |
| Net income attributable to NEE | \$445                        | \$476   | <sup>(b)</sup> \$662 | \$1,583                | \$393                    | \$224               | <sup>(b)</sup> \$36    | <sup>(c)</sup> \$653 <sup>(c)</sup>    |                          |

Interest expense allocated from NEECH is based on a deemed capital structure of 70% debt. For this purpose, the (a)deferred credit associated with differential membership interests sold by NEER subsidiaries is included with debt. Residual NEECH corporate interest expense is included in Corporate and Other.

Edgar Filing: NEXTERA ENERGY INC - Form 10-Q

(b) See Note 4 for a discussion of NEER's tax benefits related to PTCs.

(c) Amounts were retrospectively adjusted to reflect the adoption in the second quarter of 2016 of an accounting standards update related to stock-based compensation. See Note 7 - Stock-Based Compensation.

|              | March 31, 2017 |          |                        | December 31, 2016                      |          |          |                        |                          |
|--------------|----------------|----------|------------------------|--|----------|----------|------------------------|--------------------------|
|              | FPL            | NEER     | Corporate<br>and Other | NEE<br>Consoli-<br>dated<br>(millions) | FPL      | NEER     | Corporate<br>and Other | NEE<br>Consoli-<br>dated |
| Total assets | \$47,050       | \$42,702 | \$ 1,453               | \$91,205                               | \$45,501 | \$41,743 | \$ 2,749               | \$ 89,993                |

NEXTERA ENERGY, INC. AND FLORIDA POWER & LIGHT COMPANY  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
 (unaudited)

12. Summarized Financial Information of NEECH

NEECH, a 100% owned subsidiary of NEE, provides funding for, and holds ownership interests in, NEE's operating subsidiaries other than FPL. NEECH's debentures and junior subordinated debentures including those that were registered pursuant to the Securities Act of 1933, as amended, are fully and unconditionally guaranteed by NEE. Condensed consolidating financial information is as follows:

Condensed Consolidating Statements of Income

|  | Three Months Ended March 31, |         |                      |  |                                   |                      |                      |   |
|--|------------------------------|---------|----------------------|--|-----------------------------------|----------------------|----------------------|---|
|  | 2017                         |         |                      | 2016                                   |                                   |                      |                      |   |
|  | NEE<br>(Guarantor)           | NEECH   | Other <sup>(a)</sup> | NEE<br>Consoli-<br>dated<br>(millions) | NEE<br>(Guarantor) <sup>(b)</sup> | NEECH <sup>(b)</sup> | Other <sup>(a)</sup> | NEE<br>Consoli-<br>dated <sup>(b)</sup> |
| Operating revenues                                       | \$—                          | \$1,462 | \$2,510              | \$3,972                                | \$—                               | \$1,535              | \$2,300              | \$3,835                                 |
| Operating expenses - net                                 | (6)                          | 150     | (1,711)              | (1,567)                                | (4)                               | (1,005)              | (1,592)              | (2,601)                                 |
| Interest expense   | —                            | (241)   | (119)                | (360)                                  | —                                 | (397)                | (112)                | (509)                                   |
| Equity in earnings of subsidiaries                       | 1,563                        | —       | (1,563)              | —                                      | 638                               | —                    | (638)                | —                                       |
| Other income (deductions) - net                          | —                            | 229     | (8)                  | 221                                    | —                                 | 147                  | 24                   | 171                                     |
| Income (loss) before income taxes                        | 1,557                        | 1,600   | (891)                | 2,266                                  | 634                               | 280                  | (18)                 | 896                                     |
| Income tax expense (benefit)                             | (26)                         | 450     | 251                  | 675                                    | (19)                              | 30                   | 231                  | 242                                     |
| Net income (loss)  | 1,583                        | 1,150   | (1,142)              | 1,591                                  | 653                               | 250                  | (249)                | 654                                     |
| Less net income attributable to noncontrolling interests | —                            | 8       | —                    | 8                                      | —                                 | 1                    | —                    | 1                                       |
| Net income (loss) attributable to NEE                    | \$1,583                      | \$1,142 | \$(1,142)            | \$1,583                                | \$653                             | \$249                | \$(249)              | \$653                                   |

(a) Represents primarily FPL and consolidating adjustments.

(b) Amounts were retrospectively adjusted to reflect the adoption in the second quarter of 2016 of an accounting standards update related to stock-based compensation. See Note 7 - Stock-Based Compensation.

Condensed Consolidating Statements of Comprehensive Income

|   | Three Months Ended March 31, |         |                      |  |                                   |                      |                      |   |
|---|------------------------------|---------|----------------------|--|-----------------------------------|----------------------|----------------------|---|
|   | 2017                         |         |                      | 2016                                   |                                   |                      |                      |   |
|   | NEE<br>(Guarantor)           | NEECH   | Other <sup>(a)</sup> | NEE<br>Consoli-<br>dated<br>(millions) | NEE<br>(Guarantor) <sup>(b)</sup> | NEECH <sup>(b)</sup> | Other <sup>(a)</sup> | NEE<br>Consoli-<br>dated <sup>(b)</sup> |
| Comprehensive income (loss) attributable to NEE | \$1,613                      | \$1,175 | \$(1,175)            | \$1,613                                | \$707                             | \$310                | \$(310)              | \$707                                   |

(a) Represents primarily FPL and consolidating adjustments.

(b) Amounts were retrospectively adjusted to reflect the adoption in the second quarter of 2016 of an accounting standards update related to stock-based compensation. See Note 7 - Stock-Based Compensation.



NEXTERA ENERGY, INC. AND FLORIDA POWER & LIGHT COMPANY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
(unaudited)

## Condensed Consolidating Balance Sheets

|   | March 31, 2017          |                 |                      | NEE<br>Consoli-<br>dated<br>(millions) | December 31, 2016       |                 |                      | NEE<br>Consoli-<br>dated |
|---|-------------------------|-----------------|----------------------|--|-------------------------|-----------------|----------------------|--------------------------|
|   | NEE<br>(Guaran-<br>tor) | NEECH           | Other <sup>(a)</sup> |  | NEE<br>(Guaran-<br>tor) | NEECH           | Other <sup>(a)</sup> |                          |
| <b>PROPERTY, PLANT AND EQUIPMENT</b>          |                         |                 |                      |  |                         |                 |                      |                          |
| Electric plant in service and other property  | \$28                    | \$39,401        | \$49,739             | \$89,168                               | \$28                    | \$38,671        | \$48,314             | \$87,013                 |
| Accumulated depreciation and amortization     | (19)                    | (8,104)         | (12,645)             | (20,768)                               | (18)                    | (7,778)         | (12,305)             | (20,101)                 |
| Total property, plant and equipment - net     | 9                       | 31,297          | 37,094               | 68,400                                 | 10                      | 30,893          | 36,009               | 66,912                   |
| <b>CURRENT ASSETS</b>                         |                         |                 |                      |  |                         |                 |                      |                          |
| Cash and cash equivalents                     | 1                       | 571             | 28                   | 600                                    | 1                       | 1,258           | 33                   | 1,292                    |
| Receivables                                   | 263                     | 1,413           | 484                  | 2,160                                  | 88                      | 1,615           | 736                  | 2,439                    |
| Other   | 1                       | 1,393           | 1,673                | 3,067                                  | 2                       | 1,877           | 1,799                | 3,678                    |
| Total current assets                          | 265                     | 3,377           | 2,185                | 5,827                                  | 91                      | 4,750           | 2,568                | 7,409                    |
| <b>OTHER ASSETS</b>                           |                         |                 |                      |  |                         |                 |                      |                          |
| Investment in subsidiaries                    | 25,468                  | —               | (25,468)             | —                                      | 24,323                  | —               | (24,323)             | —                        |
| Other   | 775                     | 9,619           | 6,584                | 16,978                                 | 867                     | 8,992           | 5,813                | 15,672                   |
| Total other assets                            | 26,243                  | 9,619           | (18,884)             | 16,978                                 | 25,190                  | 8,992           | (18,510)             | 15,672                   |
| <b>TOTAL ASSETS</b>                           | <b>\$26,517</b>         | <b>\$44,293</b> | <b>\$20,395</b>      | <b>\$91,205</b>                        | <b>\$25,291</b>         | <b>\$44,635</b> | <b>\$20,067</b>      | <b>\$89,993</b>          |
| <b>CAPITALIZATION</b>                         |                         |                 |                      |  |                         |                 |                      |                          |
| Common shareholders' equity                   | \$25,497                | \$8,756         | \$(8,756)            | \$25,497                               | \$24,341                | \$7,699         | \$(7,699)            | \$24,341                 |
| Noncontrolling interests                      | —                       | 972             | —                    | 972                                    | —                       | 990             | —                    | 990                      |
| Long-term debt                                | —                       | 18,367          | 10,172               | 28,539                                 | —                       | 18,112          | 9,706                | 27,818                   |
| Total capitalization                          | 25,497                  | 28,095          | 1,416                | 55,008                                 | 24,341                  | 26,801          | 2,007                | 53,149                   |
| <b>CURRENT LIABILITIES</b>                    |                         |                 |                      |  |                         |                 |                      |                          |
| Debt due within one year                      | —                       | 3,466           | 1,859                | 5,325                                  | —                       | 2,237           | 785                  | 3,022                    |
| Accounts payable                              | 1                       | 639             | 597                  | 1,237                                  | 1                       | 2,668           | 778                  | 3,447                    |
| Other   | 311                     | 1,580           | 1,308                | 3,199                                  | 231                     | 2,624           | 1,595                | 4,450                    |
| Total current liabilities                     | 312                     | 5,685           | 3,764                | 9,761                                  | 232                     | 7,529           | 3,158                | 10,919                   |
| <b>OTHER LIABILITIES AND DEFERRED CREDITS</b> |                         |                 |                      |  |                         |                 |                      |                          |
| Asset retirement obligations                  | —                       | 859             | 1,953                | 2,812                                  | —                       | 816             | 1,920                | 2,736                    |
| Deferred income taxes                         | 85                      | 3,240           | 8,402                |  |                         |                 |                      |                          |