

Edgar Filing: NEXTERA ENERGY INC - Form 10-Q

NEXTERA ENERGY INC  
Form 10-Q  
October 23, 2018

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 September 30, 2018

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

State or other jurisdiction of incorporation or organization: Florida

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

Indicate by check mark whether the registrants have submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S T during the preceding 12 months.

NextEra Energy, Inc.	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	Florida Power & Light
Company	Yes <input checked="" 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.

NextEra Energy, Inc.	Large Accelerated Filer <input checked="" 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 13(a) of the Securities Exchange Act of 1934.

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

Edgar Filing: NEXTERA ENERGY INC - Form 10-Q

Number of shares of NextEra Energy, Inc. common stock, \$0.01 par value, outstanding at September 30, 2018: 477,945,257

Number of shares of Florida Power & Light Company common stock, without par value, outstanding at September 30, 2018, 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.
ISO	independent system operator
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
tax reform	Tax Cuts and Jobs Act

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, NEP and similar references. For convenience and simplicity, in this report the terms NEE, FPL, NEECH and NEER are sometimes used as abbreviated references to specific subsidiaries, affiliates or groups of subsidiaries or affiliates. The precise meaning depends on the context.

2

---

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>42</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>54</u>
<u>Item 4. Controls and Procedures</u>	<u>54</u>
 <u>PART II - OTHER INFORMATION</u> 	
<u>Item 1A. Risk Factors</u>	<u>55</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>55</u>
<u>Item 5. Other Information</u>	<u>55</u>
<u>Item 6. Exhibits</u>	<u>56</u>
 <u>Signatures</u>	 <u>57</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.





### 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. 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, 2017 (2017 Form 10-K), and investors should refer to that section of the 2017 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.

**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' or affiliates' 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		Nine Months	
	Ended September		Ended September	
	30,	30,	30,	30,
	2018	2017 <sup>(a)</sup>	2018	2017 <sup>(a)</sup>
OPERATING REVENUES	\$4,418	\$4,808	\$12,351	\$13,185
OPERATING EXPENSES (INCOME)				
Fuel, purchased power and interchange	1,083	1,176	2,796	3,093
Other operations and maintenance	834	817	2,460	2,501
Merger-related	13	2	13	17
Depreciation and amortization	1,131	1,070	2,819	2,576
Losses (gains) on disposal of a business/assets - net	(9	) (5	) (64	) (1,106
Taxes other than income taxes and other - net	396	397	1,148	1,115
Total operating expenses - net	3,448	3,457	9,172	8,196
OPERATING INCOME	970	1,351	3,179	4,989
OTHER INCOME (DEDUCTIONS)				
Interest expense	(167	) (381	) (787	) (1,171
Benefits associated with differential membership interests - net	—	67	—	311
Equity in earnings of equity method investees	122	56	372	153
Allowance for equity funds used during construction	24	21	68	68
Interest income	11	20	39	59
Gain on NEP deconsolidation	—	—	3,935	—
Gains on disposal of investments and other property - net	31	15	83	64
Change in unrealized gains (losses) on equity securities held in NEER's nuclear decommissioning funds - net	30	—	22	—
Other net periodic benefit income	37	48	139	101
Other - net	11	23	30	7
Total other income (deductions) - net	99	(131	) 3,901	(408
INCOME BEFORE INCOME TAXES	1,069	1,220	7,080	4,581
INCOME TAXES	126	364	1,605	1,329
NET INCOME	943	856	5,475	3,252
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	64	(9	) 754	(29
NET INCOME ATTRIBUTABLE TO NEE	\$1,007	\$847	\$6,229	\$3,223
Earnings per share attributable to NEE:				
Basic	\$2.13	\$1.80	\$13.21	\$6.88
Assuming dilution	\$2.10	\$1.79	\$13.03	\$6.83
Dividends per share of common stock	\$1.11	\$0.9825	\$3.33	\$2.9475
Weighted-average number of common shares outstanding:				
Basic	473.1	469.4	471.7	468.3
Assuming dilution	477.4	473.5	475.6	472.0

(a) Prior period amounts have been retrospectively adjusted as discussed in Note 3 - Amendments to Presentation of Retirement Benefits.

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2017 Form 10-K.

7

---

## NEXTERA ENERGY, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(millions)

(unaudited)

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017		
	2018	2017	2018	2017	
NET INCOME	\$943	\$856	\$5,475	\$3,252	
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX					
Reclassification of unrealized losses on cash flow hedges from accumulated other comprehensive income (loss) to net income (net of \$2, \$4, \$7 and \$9 tax expense, respectively)	7	10	21	24	
Net unrealized gains (losses) on available for sale securities:					
Net unrealized gains (losses) on securities still held (net of \$1 tax benefit, \$23 tax expense, \$5 tax benefit and \$68 tax expense, respectively)	(2	) 31	(11	) 91	
Reclassification from accumulated other comprehensive income (loss) to net income (net of less than \$1 tax expense, \$4, \$1 and \$15 tax benefit, respectively)	—	(6	) —	(23	)
Defined benefit pension and other benefits plans (net of less than \$1, less than \$1, and \$1 tax benefit and \$4 tax expense, respectively)	(1	) (1	) (4	) 6	
Net unrealized gains (losses) on foreign currency translation (net of \$0, less than \$1, \$0 and \$1 tax expense, respectively)	10	10	(10	) 30	
Other comprehensive income related to equity method investees (net of less than \$1, less than \$1, \$1 and less than \$1 tax expense, respectively)	1	1	5	1	
Total other comprehensive income, net of tax	15	45	1	129	
IMPACT OF NEP DECONSOLIDATION (NET OF \$15 TAX EXPENSE)	—	—	58	—	
COMPREHENSIVE INCOME	958	901	5,534	3,381	
COMPREHENSIVE (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	64	(9	) 754	(40	)
COMPREHENSIVE INCOME ATTRIBUTABLE TO NEE	\$1,022	\$892	\$6,288	\$3,341	

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2017 Form 10-K.

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

	September 30, 2018	December 31, 2017
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Electric plant in service and other property	\$ 79,716	\$ 85,337
Nuclear fuel	1,901	1,767
Construction work in progress	8,708	6,679
Accumulated depreciation and amortization	(21,753 )	(21,367 )
Total property, plant and equipment - net (\$9,686 and \$16,485 related to VIEs, respectively)	68,572	72,416
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	497	1,714
Customer receivables, net of allowances of \$12 and \$7, respectively	2,454	2,220
Other receivables	665	517
Materials, supplies and fossil fuel inventory	1,083	1,273
Regulatory assets (\$61 and \$71 related to a VIE, respectively)	399	336
Derivatives	463	489
Assets held for sale	2,270	140
Other	518	468
Total current assets	8,349	7,157
<b>OTHER ASSETS</b>		
Special use funds	6,361	6,003
Investment in equity method investees	6,493	2,321
Prepaid benefit costs	1,509	1,427
Regulatory assets (\$37 related to a VIE at December 31, 2017)	2,396	2,469
Derivatives	1,375	1,315
Other (\$470 related to a VIE at December 31, 2017)	3,548	4,719
Total other assets	21,682	18,254
<b>TOTAL ASSETS</b>	<b>\$ 98,603</b>	<b>\$ 97,827</b>
<b>CAPITALIZATION</b>		
Common stock (\$0.01 par value, authorized shares - 800; outstanding shares - 478 and 471, respectively)	\$ 5	\$ 5
Additional paid-in capital	10,470	9,100
Retained earnings	23,935	18,992
Accumulated other comprehensive income (loss)	(158 )	111 )
Total common shareholders' equity	34,252	28,208
Noncontrolling interests (\$3,080 and \$1,006 related to VIEs, respectively)	3,086	1,290
Total equity	37,338	29,498
Long-term debt (\$1,020 and \$5,941 related to VIEs, respectively)	27,048	31,463
Total capitalization	64,386	60,961
<b>CURRENT LIABILITIES</b>		
Commercial paper	2,460	1,687
Other short-term debt	430	255
Current maturities of long-term debt (\$74 and \$70 related to a VIE, respectively)	2,649	1,676
Accounts payable	3,000	3,235
Customer deposits	448	448
Accrued interest and taxes	931	622

Edgar Filing: NEXTERA ENERGY INC - Form 10-Q

Derivatives	483	364
Accrued construction-related expenditures	905	1,033
Regulatory liabilities	396	346
Other	1,105	1,566
Total current liabilities	12,807	11,232
<b>OTHER LIABILITIES AND DEFERRED CREDITS</b>		
Asset retirement obligations	3,065	3,031
Deferred income taxes	7,420	5,754
Regulatory liabilities	9,189	8,765
Derivatives	522	535
Deferral related to differential membership interests - VIEs	—	5,403
Other	1,214	2,146
Total other liabilities and deferred credits	21,410	25,634
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>TOTAL CAPITALIZATION AND LIABILITIES</b>	<b>\$ 98,603</b>	<b>\$ 97,827</b>

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2017 Form 10-K.



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

	Nine Months Ended September 30,	
	2018	2017 <sup>(a)</sup>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$5,475	\$3,252
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,819	2,576
Nuclear fuel and other amortization	176	210
Unrealized losses on marked to market derivative contracts - net	88	45
Foreign currency transaction gains	(5 )	(23 )
Deferred income taxes	1,555	1,316
Cost recovery clauses and franchise fees	(79 )	61
Acquisition of purchased power agreement	(52 )	(243 )
Benefits associated with differential membership interests - net	—	(311 )
Gains on disposal of a business/assets - net	(147 )	(1,170 )
Gain on NEP deconsolidation	(3,935 )	—
Recoverable storm-related costs	—	(334 )
Other - net	(133 )	116
Changes in operating assets and liabilities:		
Current assets	(713 )	(545 )
Noncurrent assets	(97 )	(77 )
Current liabilities	227	444
Noncurrent liabilities	46	12
Net cash provided by operating activities	5,225	5,329
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures of FPL	(3,493 )	(3,676 )
Independent power and other investments of NEER	(4,825 )	(4,678 )
Nuclear fuel purchases	(217 )	(175 )
Other capital expenditures and other investments	(722 )	(58 )
Proceeds from sale of the fiber-optic telecommunications business	—	1,482
Sale of independent power and other investments of NEER	327	159
Proceeds from sale or maturity of securities in special use funds and other investments	2,579	2,059
Purchases of securities in special use funds and other investments	(2,860 )	(2,146 )
Distributions from equity method investees	637	7
Other - net	13	175
Net cash used in investing activities	(8,561 )	(6,851 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuances of long-term debt	4,028	5,196
Retirements of long-term debt	(2,593 )	(3,892 )
Proceeds from differential membership investors	103	340
Net change in commercial paper	773	1,806
Proceeds from other short-term debt	625	200
Repayments of other short-term debt	(450 )	(2 )

Edgar Filing: NEXTERA ENERGY INC - Form 10-Q

Payments from related parties under CSCS agreement – net	720	—
Issuances of common stock - net	714	36
Dividends on common stock	(1,570 )	(1,382 )
Other - net	(275 )	(540 )
Net cash provided by financing activities	2,075	1,762
Effects of currency translation on cash, cash equivalents and restricted cash	(1 )	—
Net increase (decrease) in cash, cash equivalents and restricted cash	(1,262 )	240
Cash, cash equivalents and restricted cash at beginning of period	1,983	1,529
Cash, cash equivalents and restricted cash at end of period	\$721	\$1,769
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Accrued property additions	\$1,963	\$2,036
Increase in property, plant and equipment - net as a result of cash grants primarily under the Recovery Act	\$—	\$(145 )
Decrease (increase) in property, plant and equipment - net as a result of a settlement/noncash exchange	\$3	\$(92 )

(a) Prior period amounts have been retrospectively adjusted as discussed in Note 11 - Restricted Cash.

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2017 Form 10-K.

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

	Common Stock Shares	Aggregate Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Common Shareholders' Equity	Non- controlling Interests	Total Equity
Balances, December 31, 2017	471	\$ 5	\$9,100	\$ 111	\$18,992	\$ 28,208	\$ 1,290	\$29,498
Net income (loss)	—	—	—	—	6,229	6,229	(754 )	
Issuances of common stock, net of issuance cost of less than \$1	6	—	700	—	—	700	—	
Share-based payment activity	1	—	82	—	—	82	—	
Dividends on common stock	—	—	—	—	(1,570 )	(1,570 )	—	
Other comprehensive income	—	—	—	1	—	1	—	
Impact of NEP deconsolidation <sup>(a)</sup>	—	—	—	58	—	58	(2,695 )	
Adoption of accounting standards updates <sup>(b)</sup>	—	—	593	(328 )	285	550	5,303	
Other	—	—	(5 )	—	(1 )	(6 )	(58 )	
Balances, September 30, 2018	478	\$ 5	\$10,470	\$ (158 )	\$23,935	\$ 34,252	\$ 3,086	\$37,338

(a) See Note 2.

(b) See Notes 1, 5 - Financial Instruments Accounting Standards Update, 6 and 11 - Accounting for Partial Sales of Nonfinancial Assets.

	Common Stock Shares	Aggregate Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Common Shareholders' Equity	Non- controlling Interests	Total Equity
Balances, December 31, 2016	468	\$ 5	\$ 8,948	\$ (70 )	\$15,458	\$ 24,341	\$ 990	\$25,331
Net income	—	—	—	—	3,223	3,223	29	
Issuances of common stock, net of issuance cost of less than \$1	2	—	24	—	—	24	—	
Share-based payment activity	—	—	77	—	—	77	—	
Dividends on common stock	—	—	—	—	(1,382 )	(1,382 )	—	
Other comprehensive income	—	—	—	118	—	118	11	
Sale of NEER assets to NEP	—	—	—	—	—	—	(17 )	
Other	—	—	(3 )	—	—	(3 )	(90 )	
Balances, September 30, 2017	470	\$ 5	\$ 9,046	\$ 48	\$17,299	\$ 26,398	\$ 923	\$27,321

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2017 Form 10-K.

11

---

FLORIDA POWER & LIGHT COMPANY  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(millions)  
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
OPERATING REVENUES	\$3,399	\$3,477	\$8,927	\$9,095
OPERATING EXPENSES (INCOME)				
Fuel, purchased power and interchange	941	1,036	2,418	2,696
Other operations and maintenance	385	362	1,119	1,137
Depreciation and amortization	804	704	1,860	1,514
Taxes other than income taxes and other - net	352	353	984	975
Total operating expenses - net	2,482	2,455	6,381	6,322
OPERATING INCOME	917	1,022	2,546	2,773
OTHER INCOME (DEDUCTIONS)				
Interest expense	(136 )	(121 )	(411 )	(360 )
Allowance for equity funds used during construction	23	20	64	55
Other - net	2	1	5	2
Total other deductions - net	(111 )	(100 )	(342 )	(303 )
INCOME BEFORE INCOME TAXES	806	922	2,204	2,470
INCOME TAXES	152	356	440	933
NET INCOME <sup>(a)</sup>	\$654	\$566	\$1,764	\$1,537

(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 2017 Form 10-K.

12

---

FLORIDA POWER & LIGHT COMPANY  
CONDENSED CONSOLIDATED BALANCE SHEETS

(millions, except share amount)

(unaudited)

September 30, 2018      December 31, 2017

ELECTRIC  
UTILITY  
PLANT  
AND  
OTHER  
PROPERTY

Plant in service and other property	\$ 49,479	\$ 47,167
Nuclear fuel	1,221	1,192
Construction work in progress	3,778	3,623
Accumulated depreciation and amortization	(13,326)	(12,802)
Total electric utility plant and other property	41,152	39,180

-  
net  
CURRENT  
ASSETS

Cash and cash equivalents	103	33
Customer receivables, net of allowances	372	1,073

of	
\$5	
and	
\$2,	
respectively	
Other	160
receivables	
Materials,	
supplies	
and	
fossil	840
fuel	
inventory	
Regulatory	
assets	
(\$61	
and	
\$71	
related	335
to	
a	
VIE,	
respectively)	
Other	243
Total	
assets	2,684
OTHER	
ASSETS	
Special	
funds	4,090
Prepaid	
costs	1,351
Regulatory	
assets	
(\$37	
related	
to	
VIE	2,249
at	
December	
31,	
2017)	
Other	690
Total	
assets	8,380
\$ 52,978	\$ 50,244



TOTAL ASSETS	
CAPITALIZATION	
Common stock (no par value, \$0.0073 shares authorized, issued and outstanding)	\$ 1,373
Additional paid-in capital	8,291
Retained earnings	7,376
Total common shareholder's equity	17,040
Long-term debt (\$74 related to al 1,595 VIE at December 31, 2017)	11,236
Total capitalization	28,276
CURRENT LIABILITIES	
Commercial paper	1,687
Other short-term debt	250
Current maturities of long-term debt (\$74 and \$70	466

related to a VIE, respectively)	
Accounts payable	893
Customer deposits	445
Accrued interest and taxes	439
Accrued construction-related expenditures	100
Regulatory liabilities	333
Other	984
Total current liabilities	5,797
OTHER LIABILITIES AND DEFERRED CREDITS	
Asset retirement obligations	2,047
Deferred income taxes	5,005
Regulatory liabilities	8,642
Other	477
Total other liabilities and deferred credits	16,171
COMMITMENTS AND CONTINGENCIES	
TOTAL CAPITALIZATION AND LIABILITIES	
\$ 52,978	\$ 50,244

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2017 Form 10-K.

13

---

FLORIDA POWER & LIGHT COMPANY  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions)  
(unaudited)

	Nine Months Ended September 30,	
	2018	2017 <sup>(a)</sup>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$1,764	\$1,537
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,860	1,514
Nuclear fuel and other amortization	110	153
Deferred income taxes	195	987
Cost recovery clauses and franchise fees	(79 )	61
Acquisition of purchased power agreement	(52 )	(243 )
Recoverable storm-related costs	—	(334 )
Other - net	34	(53 )
Changes in operating assets and liabilities:		
Current assets	(301 )	(578 )
Noncurrent assets	(14 )	(45 )
Current liabilities	32	507
Noncurrent liabilities	(3 )	(13 )
Net cash provided by operating activities	3,546	3,493
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(3,493 )	(3,676 )
Nuclear fuel purchases	(104 )	(104 )
Proceeds from sale or maturity of securities in special use funds	1,623	1,241
Purchases of securities in special use funds	(1,786 )	(1,320 )
Other - net	205	(1 )
Net cash used in investing activities	(3,555 )	(3,860 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuances of long-term debt	1,594	200
Retirements of long-term debt	(1,580 )	(73 )
Net change in commercial paper	(1,482 )	811
Proceeds from other short-term debt	—	200
Repayments of other short-term debt	(250 )	(2 )
Capital contribution from NEE	1,786	—
Dividends to NEE	—	(800 )
Other - net	(28 )	(2 )
Net cash provided by financing activities	40	334
Net decrease in cash, cash equivalents and restricted cash	31	(33 )
Cash, cash equivalents and restricted cash at beginning of period	174	153
Cash, cash equivalents and restricted cash at end of period	\$205	\$120
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Accrued property additions	\$460	\$400
Decrease (increase) in electric utility plant and other property - net as a result of a noncash exchange	\$3	\$(96 )
NEE's noncash contribution of a consolidated subsidiary - net	\$526	\$—

---

(a) Prior period amounts have been retrospectively adjusted as discussed in Note 11 - Restricted Cash.

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2017 Form 10-K.

14

---

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 2017 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. Revenue from Contracts with Customers

Effective January 1, 2018, NEE and FPL adopted an accounting standards update that provides guidance on the recognition of revenue from contracts with customers and requires additional disclosures regarding such contracts (new revenue standard). Under the new revenue standard, revenue is recognized when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The promised goods or services in the majority of NEE's contracts with customers under the new revenue standard is, at FPL, for the delivery of electricity based on tariff rates approved by the FPSC and, at NEER, for the delivery of energy commodities and the availability of electric capacity and electric transmission. NEE and FPL adopted the new revenue standard using the modified retrospective approach applying it only to contracts that were not complete at January 1, 2018. On January 1, 2018, NEE recorded a reduction to retained earnings of approximately \$25 million representing the cumulative effect of adopting the new revenue standard, which was primarily due to identifying separate performance obligations in certain energy-related contracts at NEER. The cumulative effect of adopting the new revenue standard was not material at FPL. The impact of applying the new revenue standard to NEE's and FPL's September 30, 2018 financial statements as compared to the prior revenue standard was not material.

FPL and NEER generate substantially all of NEE's operating revenues, which primarily include revenues from contracts with customers, as well as, at NEER, derivative and lease transactions. For the vast majority of contracts with customers, NEE believes that the obligation to deliver energy, capacity or transmission is satisfied over time as the customer simultaneously receives and consumes benefits as NEE performs. For the three and nine months ended September 30, 2018, NEE's revenue from contracts with customers was approximately \$4.1 billion (\$3.4 billion at FPL) and \$10.9 billion (\$8.9 billion at FPL), respectively. NEE's and FPL's receivables are primarily associated with revenues earned from contracts with customers, as well as, at NEER, derivative and lease transactions, and consist of both billed and unbilled amounts, which are recorded in customer receivables and other receivables on NEE's and FPL's condensed consolidated balance sheets. Receivables represent unconditional rights to consideration and reflect the differences in timing of revenue recognition and cash collections. For substantially all of NEE's and FPL's receivables, regardless of the type of revenue transaction from which the receivable originated, customer and counterparty credit risk is managed in the same manner and the terms and conditions of payment are similar.

FPL - FPL's revenues are derived primarily from tariff-based sales that result from providing electricity to retail customers in Florida with no defined contractual term. Electricity sales to retail customers account for approximately 90% of FPL's operating revenues, the majority of which is to residential customers. FPL's retail customers receive a bill monthly based on the amount of monthly kWh usage with payment due monthly. For these types of sales, FPL recognizes revenue as electricity is delivered and billed to customers, as well as an estimate for electricity delivered and not yet billed. The billed and unbilled amounts represent the value of electricity delivered to the customer. NEER - NEER's revenue from contracts with customers is derived primarily from the sale of energy commodities, electric capacity and electric transmission. For these types of sales, NEER recognizes revenue as energy commodities are delivered and as electric capacity and electric transmission are made available, consistent with the amounts billed to customers based on rates stipulated in the respective contracts as well as an accrual for amounts earned but not yet billed. The amounts billed and accrued represent the value of energy or transmission delivered and/or the capacity of

energy or transmission available to the customer. Revenues yet to be earned under these contracts, which have maturity dates ranging from 2018 to 2043, will vary based on the volume of energy or transmission delivered and/or available. NEER's customers typically receive bills monthly with payment due within 30 days. Certain contracts with customers contain a fixed price related primarily to electric capacity sales associated with ISO annual auctions through 2020 and certain power purchase agreements with maturity dates through 2034. At September 30, 2018, NEER expects to record approximately \$650 million of revenues related to the fixed price components of such contracts over the remaining terms of the related contracts as the capacity is provided.

## 2. NEP Deconsolidation

During the third quarter of 2017, changes to NEP's governance structure were made that, among other things, enhanced NEP unitholder governance rights. The new governance structure established a NEP board of directors where NEP unitholders have the ability to nominate and elect board members, subject to certain limitations and requirements. As a result of these governance changes, NEP was deconsolidated from NEE on January 1, 2018, which is when the term of office of the first NEP unitholder-elected directors took effect. NEER continues to operate the projects owned by NEP and provide services to NEP under various related party operations and maintenance, administrative and management services agreements.

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

In connection with the deconsolidation, NEE recorded an initial investment in NEP of approximately \$4.4 billion based on the fair value of NEP OpCo and NEP common units that were held by subsidiaries of NEE on the deconsolidation date, which investment is included in investment in equity method investees on NEE's condensed consolidated balance sheet at September 30, 2018. The fair value was based on the market price of NEP common units as of January 1, 2018, which resulted in NEE recording a gain of approximately \$3.9 billion (\$3.0 billion after tax) during the nine months ended September 30, 2018. Total assets of approximately \$7.8 billion, primarily property, plant and equipment, total liabilities of approximately \$4.8 billion, primarily long-term debt, and total noncontrolling interests of approximately \$2.7 billion were removed from NEE's balance sheet as part of the deconsolidation.

During the third quarter 2018, NEP issued approximately \$82 million of its common units under its \$150 million at-the-market equity issuance program implemented in July 2018, which replaced the prior program, resulting in a decrease in NEE's partnership interest in NEP OpCo. As a result, at September 30, 2018, NEE's equity method investment in NEP represents NEE's partnership interest in NEP OpCo's operating projects of approximately 64.4% (and NEE's direct interest in 2.5% of NEP's common units). The equity method investment in NEP includes approximately \$3.3 billion related to NEE's share of the basis difference between the fair value and the underlying carrying value of NEP's net assets attributable to NEP OpCo's common unitholders at September 30, 2018, a portion of which is being amortized. Basis difference amounts related to property, plant and equipment, net are being amortized over the remaining useful lives of such property, and amounts related to power purchase agreements are being amortized over the remaining terms of such agreements. The related amortization is included in equity in earnings of equity method investees in NEE's condensed consolidated statements of income.

NEER provides management, administrative and transportation and fuel management services to NEP and its subsidiaries under various agreements (service agreements). NEER is also party to a cash sweep and credit support (CSCS) agreement with a subsidiary of NEP. At September 30, 2018, the cash sweep amount (due to NEP and its subsidiaries) held in accounts belonging to NEER or its subsidiaries was approximately \$807 million and is included in accounts payable. Fee income totaling approximately \$18 million and \$66 million related to the CSCS agreement and the service agreements is included in operating revenues in NEE's condensed consolidated statements of income for the three and nine months ended September 30, 2018, respectively. Amounts due from NEP of approximately \$38 million and \$21 million at September 30, 2018 are primarily included in other receivables and noncurrent other assets, respectively. Under the CSCS agreement, NEECH or NEER guaranteed or provided indemnifications, letters of credit or bonds totaling approximately \$635 million at September 30, 2018 primarily related to obligations on behalf of NEP's subsidiaries with maturity dates ranging from 2018 to 2050 and including certain project performance obligations, obligations under financing and interconnection agreements and obligations related to the sale of differential membership interests. Payment guarantees and related contracts with respect to unconsolidated entities for which NEE or one of its subsidiaries are the guarantor are recorded on NEE's condensed consolidated balance sheet at fair value. As a result of deconsolidation, approximately \$32 million related to the fair value of the credit support provided under the CSCS agreement is recorded as noncurrent other liabilities on NEE's condensed consolidated balance sheet at September 30, 2018.

In August 2018, subsidiaries of NEER entered into an agreement with a subsidiary of NEP to sell ownership interests in certain wind and solar generation facilities. See Note 11 - Assets and Liabilities Associated with Assets Held for Sale.

### 3. 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.

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

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

	Pension Benefits Three Months Ended September 30,		Postretirement Benefits Three Months Ended September 30,		Pension Benefits Nine Months Ended September 30,		Postretirement Benefits Nine Months Ended September 30,	
	2018	2017	2018	2017	2018	2017	2018	2017
	(millions)							
Service cost	\$18	\$16	\$—	\$—	\$52	\$49	\$1	\$1
Interest cost	20	21	2	2	62	63	5	6
Expected return on plan assets	(69)	(67)	—	—	(207)	(202)	—	—
Amortization of prior service benefit	—	—	(4)	(4)	(1)	(1)	(12)	(6)
Special termination benefits <sup>(a)</sup>	14	—	—	—	14	38	—	—
Postretirement benefits settlement	—	—	—	—	—	—	—	1
Net periodic benefit (income) cost at NEE	\$(17)	\$(30)	\$(2)	\$(2)	\$(80)	\$(53)	\$(6)	\$2
Net periodic benefit (income) cost at FPL	\$(11)	\$(20)	\$(2)	\$(2)	\$(51)	\$(32)	\$(4)	\$1

(a) Reflects enhanced early retirement programs.

Amendments to Presentation of Retirement Benefits - Effective January 1, 2018, NEE adopted 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. NEE adopted the standards update 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. Upon adoption, NEE, among other things, reclassified the non-service cost components noted in the net periodic benefit (income) cost table above from O&M expense to other net periodic benefit income in NEE's condensed consolidated statements of income. The adoption of this standards update did not have an impact on net income attributable to NEE and did not have any impact on FPL as NEE is the plan sponsor.

#### 4. Derivative Instruments

NEE and FPL use derivative instruments (primarily swaps, options, futures and forwards) to manage the physical and financial risks 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, NEE 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.

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; 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

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

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, essentially all changes in the derivatives' fair value, as well as the transaction gain or loss on foreign denominated debt, are recognized in interest 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. At September 30, 2018, NEE's AOCI included amounts related to 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 \$21 million of net losses included in AOCI at September 30, 2018 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 September 30, 2018 and December 31, 2017, 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 5 - Recurring Fair Value Measurements for netting information), as well as the location of the net derivative position on the condensed consolidated balance sheets.

	September 30, 2018			
	Gross Basis		Net Basis	
	Assets	Liabilities	Assets	Liabilities
	(millions)			
NEE:				
Commodity contracts	\$4,100	\$ 3,122	\$1,669	\$ 767
Interest rate contracts	163	203	156	196
Foreign currency contracts	—	29	13	42
Total fair values	\$4,263	\$ 3,354	\$1,838	\$ 1,005
FPL:				
Commodity contracts	\$4	\$ 4	\$3	\$ 3
Net fair value by NEE balance sheet line item:				
Current derivative assets <sup>(a)</sup>			\$463	
Noncurrent derivative assets <sup>(b)</sup>			1,375	
Current derivative liabilities				\$ 483
Noncurrent derivative liabilities				522
Total derivatives			\$1,838	\$ 1,005
Net fair value by FPL balance sheet line item:				
Current other assets			\$3	
Current other liabilities				\$ 2
Noncurrent other liabilities				1

Total derivatives \$3    \$ 3

---

- (a) Reflects the netting of approximately \$28 million in margin cash collateral received from counterparties.
- (b) Reflects the netting of approximately \$48 million in margin cash collateral received from counterparties.

18

---

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

	December 31, 2017			
	Gross Basis		Net Basis	
	Assets	Liabilities	Assets	Liabilities
	(millions)			
NEE:				
Commodity contracts	\$3,962	\$ 2,792	\$1,737	\$ 567
Interest rate contracts	50	275	55	280
Foreign currency contracts	—	40	12	52
Total fair values	\$4,012	\$ 3,107	\$1,804	\$ 899
FPL:				
Commodity contracts	\$3	\$ 3	\$2	\$ 2
Net fair value by NEE balance sheet line item:				
Current derivative assets <sup>(a)</sup>			\$489	
Noncurrent derivative assets			1,315	
Current derivative liabilities				\$ 364
Noncurrent derivative liabilities <sup>(b)</sup>				535
Total derivatives			\$1,804	\$ 899
Net fair value by FPL balance sheet line item:				
Current other assets			\$2	
Current other liabilities				\$ 2
Total derivatives			\$2	\$ 2

(a) Reflects the netting of approximately \$39 million in margin cash collateral received from counterparties.

(b) Reflects the netting of approximately \$39 million in margin cash collateral paid to counterparties.

At September 30, 2018 and December 31, 2017, NEE had approximately \$12 million and \$10 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 September 30, 2018 and December 31, 2017, NEE had approximately \$152 million and \$40 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:

		Nine	
		Three Months	Months
		Ended	Ended
		September 30,	September
		2018	30,
		2017	2018
		2017	2017
		(millions)	

Edgar Filing: NEXTERA ENERGY INC - Form 10-Q

Commodity contracts <sup>(a)</sup> - operating revenues	\$(187)	\$114	\$(7)	\$538
Foreign currency contracts - interest expense	(17)	(4)	3	53
Foreign currency contracts - other - net	—	(2)	—	(5)
Interest rate contracts - interest expense	142	(41)	115	(232)
Losses reclassified from AOCI to interest expense:				
Interest rate contracts	(8)	(13)	(25)	(36)
Foreign currency contracts	(1)	(1)	(3)	(80)
Total	\$(71)	\$53	\$83	\$238

---

For the three and nine months ended September 30, 2018, FPL recorded approximately \$1 million of losses and \$4 million of gains, respectively, related to commodity contracts as regulatory assets and regulatory liabilities, (a) respectively, on its condensed consolidated balance sheets. For the three and nine months ended September 30, 2017, FPL recorded losses of approximately \$12 million and \$164 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	September 30, 2018		December 31, 2017	
	NEE	FPL	NEE	FPL
	(millions)			
Power	(108) MWh	—	(109) MWh	—
Natural gas	(257) MMBtu	307 MMBtu	(74 ) MMBtu	142 MMBtu
Oil	(28 ) barrels	—	(15 ) barrels	—

At September 30, 2018 and December 31, 2017, NEE had interest rate contracts with notional amounts totaling approximately \$15.9 billion and \$12.1 billion, respectively, and foreign currency contracts with notional amounts totaling approximately \$656 million and \$718 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 September 30, 2018 and December 31, 2017, the aggregate fair value of NEE's derivative instruments with credit-risk-related contingent features that were in a liability position was approximately \$1.5 billion (\$3 million for FPL) and \$1.1 billion (\$3 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 \$165 million (none at FPL) at September 30, 2018 and \$145 million (none at FPL) at December 31, 2017. 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 \$1.2 billion (\$45 million at FPL) at September 30, 2018 and \$1.2 billion (\$45 million at FPL) at December 31, 2017. 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 \$280 million (\$135 million at FPL) at September 30, 2018 and \$210 million (\$95 million at FPL) at December 31, 2017.

Collateral related to derivatives may be posted in the form of cash or credit support in the normal course of business. At September 30, 2018 and December 31, 2017, applicable NEE subsidiaries have posted approximately \$2 million



(none at FPL) and \$2 million (none at FPL), respectively, in cash and \$16 million (none at FPL) and \$20 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 capacity under their 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 whereby 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.

#### 5. 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 identical and/or comparable assets and liabilities for those assets and liabilities that are measured at fair value on a recurring basis.

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

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 Equivalents - 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:

	September 30, 2018			Netting <sup>(a)</sup>	Total
	Level 1	Level 2	Level 3		
	(millions)				
Assets:					
Cash equivalents and restricted cash equivalents: <sup>(b)</sup>					
NEE - equity securities	\$255	\$—	\$—		\$255
FPL - equity securities	\$167	\$—	\$—		\$167
Special use funds: <sup>(c)</sup>					
NEE:					
Equity securities	\$1,687	\$1,873 <sup>(d)</sup>	\$—		\$3,560
U.S. Government and municipal bonds	\$479	\$155	\$—		\$634
Corporate debt securities	\$1	\$725	\$—		\$726
Mortgage-backed securities	\$—	\$428	\$—		\$428
Other debt securities	\$—	\$146	\$—		\$146
FPL:					
Equity securities	\$478	\$1,701 <sup>(d)</sup>	\$—		\$2,179
U.S. Government and municipal bonds	\$380	\$120	\$—		\$500
Corporate debt securities	\$—	\$548	\$—		\$548
Mortgage-backed securities	\$—	\$319	\$—		\$319
Other debt securities	\$—	\$130	\$—		\$130
Other investments: <sup>(e)</sup>					
NEE:					
Equity securities	\$16	\$12	\$—		\$28
Debt securities	\$44	\$87	\$—		\$131
Derivatives:					
NEE:					
Commodity contracts	\$1,256	\$1,617	\$1,227	\$(2,431)	\$1,669 <sup>(f)</sup>
Interest rate contracts	\$—	\$163	\$—	\$(7)	\$156 <sup>(f)</sup>
Foreign currency contracts	\$—	\$—	\$—	\$13	\$13 <sup>(f)</sup>
FPL - commodity contracts	\$—	\$2	\$2	\$(1)	\$3 <sup>(f)</sup>
Liabilities:					
Derivatives:					
NEE:					
Commodity contracts	\$1,224	\$1,341	\$557	\$(2,355)	\$767 <sup>(f)</sup>
Interest rate contracts	\$—	\$61	\$142	\$(7)	\$196 <sup>(f)</sup>
Foreign currency contracts	\$—	\$29	\$—	\$13	\$42 <sup>(f)</sup>
FPL - commodity contracts	\$—	\$—	\$4	\$(1)	\$3 <sup>(f)</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.

- (b) Includes restricted cash equivalents of approximately \$79 million (\$76 million for FPL) in current other 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) Included in noncurrent other assets in the condensed consolidated balance sheets.
- (f) See Note 4 - 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, 2017			Netting <sup>(a)</sup>	Total
	Level	Level	Level		
	1	2	3		
	(millions)				
Assets:					
Cash equivalents and restricted cash equivalents: <sup>(b)</sup>					
NEE - equity securities	\$1,294	\$—	\$—		\$1,294
FPL - equity securities	\$144	\$—	\$—		\$144
Special use funds: <sup>(c)</sup>					
NEE:					
Equity securities	\$1,595	\$1,719 <sup>(d)</sup>	\$—		\$3,314
U.S. Government and municipal bonds	\$478	\$139	\$—		\$617
Corporate debt securities	\$1	\$764	\$—		\$765
Mortgage-backed securities	\$—	\$435	\$—		\$435
Other debt securities	\$—	\$129	\$—		\$129
FPL:					
Equity securities	\$473	\$1,562 <sup>(d)</sup>	\$—		\$2,035
U.S. Government and municipal bonds	\$362	\$112	\$—		\$474
Corporate debt securities	\$—	\$539	\$—		\$539
Mortgage-backed securities	\$—	\$333	\$—		\$333
Other debt securities	\$—	\$116	\$—		\$116
Other investments: <sup>(e)</sup>					
NEE:					
Equity securities	\$2	\$10	\$—		\$12
Debt securities	\$34	\$103	\$—		\$137
Derivatives:					
NEE:					
Commodity contracts	\$1,303	\$1,301	\$1,358	\$(2,225)	\$1,737 <sup>(f)</sup>
Interest rate contracts	\$—	\$50	\$—	\$5	\$55 <sup>(f)</sup>
Foreign currency contracts	\$—	\$—	\$—	\$12	\$12 <sup>(f)</sup>
FPL - commodity contracts	\$—	\$1	\$2	\$(1)	\$2 <sup>(f)</sup>
Liabilities:					
Derivatives:					
NEE:					
Commodity contracts	\$1,217	\$915	\$660	\$(2,225)	\$567 <sup>(f)</sup>
Interest rate contracts	\$—	\$143	\$132	\$5	\$280 <sup>(f)</sup>
Foreign currency contracts	\$—	\$40	\$—	\$12	\$52 <sup>(f)</sup>
FPL - commodity contracts	\$—	\$1	\$2	\$(1)	\$2 <sup>(f)</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 equivalents of approximately \$159 million (\$128 million for FPL) in current other 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) Included in noncurrent other assets in the condensed consolidated balance sheets.
- (f) See Note 4 - 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)

**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 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 September 30, 2018 are as follows:

Transaction Type	Fair Value at September 30, 2018		Valuation Technique(s)	Significant Unobservable Inputs	Range
	Assets (millions)	Liabilities			
Forward contracts - power	\$ 813	\$ 265	Discounted cash flow	Forward price (per MWh)	\$(27)-\$161



Edgar Filing: NEXTERA ENERGY INC - Form 10-Q

Forward contracts - gas	26	13	Discounted cash flow	Forward price (per MMBtu)	\$2	<del>-\$7</del>
Options - power	51	21	Option models	Implied correlations	1%	<del>+100%</del>
				Implied volatilities	7%	<del>+197%</del>
Options - primarily gas	143	153	Option models	Implied correlations	1%	<del>+100%</del>
				Implied volatilities	1%	<del>+10%</del>
Full requirements and unit contingent contracts	194	105	Discounted cash flow	Forward price (per MWh)	\$(17)	<del>-\$561</del>
				Customer migration rate <sup>(a)</sup>	—%	<del>-20%</del>
Total	\$1,227	\$ 557				

(a) Applies only to full requirements contracts.

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

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 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 \$142 million at September 30, 2018 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.

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

	Three Months Ended September 30,			
	2018		2017	
	NEE	FPL	NEE	FPL
	(millions)			
Fair value of net derivatives based on significant unobservable inputs at June 30	\$650	\$—	\$724	\$(2)
Realized and unrealized gains (losses):				
Included in earnings <sup>(a)</sup>	(131 )	—	158	—
Included in other comprehensive income <sup>(b)</sup>	1	—	(5 )	—
Included in regulatory assets and liabilities	(1 )	(1 )	—	—
Purchases	22	—	38	—
Settlements	6	(1 )	(77 )	1
Issuances	(19 )	—	(59 )	—
Transfers out <sup>(c)</sup>	—	—	1	—
Fair value of net derivatives based on significant unobservable inputs at September 30	\$528	\$(2)	\$780	\$(1)
Gains (losses) included in earnings attributable to the change in unrealized gains (losses) relating to derivatives held at the reporting date <sup>(d)</sup>	\$(115)	\$—	\$213	\$—

For the three months ended September 30, 2018 and 2017, realized and unrealized gains (losses) of approximately (a) \$(134) million and \$164 million, respectively, are included in the condensed consolidated statements of income in operating revenues and the balance is primarily included in interest expense.

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

(c)

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.

For the three months ended September 30, 2018 and 2017, unrealized gains (losses) of approximately \$(118) (d) million and \$219 million, respectively, are included in the condensed consolidated statements of income in operating revenues and the balance is primarily included in interest expense.

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

	Nine Months Ended September 30,			
	2018		2017	
	NEE	FPL	NEE	FPL
	(millions)			
Fair value of net derivatives based on significant unobservable inputs at December 31 of prior period	\$566	\$—	\$578	\$1
Realized and unrealized gains (losses):				
Included in earnings <sup>(a)</sup>	(79 )	—	518	—
Included in other comprehensive income <sup>(b)</sup>	5	—	(16 )	—
Included in regulatory assets and liabilities	(1 )	(1 )	(2 )	(2 )
Purchases	125	—	83	—
Settlements	(1 )	(2 )	(234 )	—
Issuances	(80 )	—	(162 )	—
Impact of adoption of new revenue standard <sup>(c)</sup>	(30 )	—	—	—
Transfers in <sup>(d)</sup>	1	1	14	—
Transfers out <sup>(d)</sup>	22	—	1	—
Fair value of net derivatives based on significant unobservable inputs at September 30	\$528	\$(2)	\$780	\$(1)
Gains (losses) included in earnings attributable to the change in unrealized gains (losses) relating to derivatives held at the reporting date <sup>(e)</sup>	\$(68 )	\$—	\$461	\$—

For the nine months ended September 30, 2018 and 2017, realized and unrealized gains (losses) of approximately (a)\$(63) million and \$519 million, respectively, are included in the condensed consolidated statements of income in operating revenues and the balance is primarily included in interest expense.

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

(c) See Note 1.

Transfers into Level 3 were a result of decreased observability of market data and transfers from Level 3 to Level 2 (d) 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.

For the nine months ended September 30, 2018 and 2017, unrealized gains (losses) of approximately \$(53) million (e) and \$462 million, respectively, are included in the condensed consolidated statements of income in operating revenues and the balance is primarily included 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:

	September 30, 2018		December 31, 2017	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(millions)			
NEE:				
Special use funds <sup>(a)</sup>	\$867	\$867	\$743	\$744

Edgar Filing: NEXTERA ENERGY INC - Form 10-Q

Other investments - primarily notes receivable <sup>(b)</sup>	\$ 30	\$ 30	\$ 500	\$ 680
Long-term debt, including current maturities	\$ 29,694	\$ 30,326	<sup>(c)</sup> \$ 33,134	\$ 35,447 <sup>(c)</sup>
FPL:				
Special use funds <sup>(a)</sup>	\$ 688	\$ 688	\$ 593	\$ 593
Long-term debt, including current maturities	\$ 11,691	\$ 12,438	<sup>(c)</sup> \$ 11,702	\$ 13,285 <sup>(c)</sup>

<sup>(a)</sup> Primarily represents investments accounted for under the equity method and loans not measured at fair value on a recurring basis (Level 2).

Included in noncurrent other assets in the condensed consolidated balance sheets. At December 31, 2017, primarily <sup>(b)</sup>a note receivable (Level 3) classified as held for sale and under contract, along with debt secured by this note receivable (see Note 8 - NEER).

<sup>(c)</sup>At September 30, 2018 and December 31, 2017, substantially all is Level 2 for NEE and all is Level 2 for FPL.

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 approximately \$6,282 million and \$6,003 million at September 30, 2018 and December 31, 2017, respectively, (\$4,285 million and \$4,090 million, respectively, for FPL) and FPL's storm fund assets of \$79 million at September 30, 2018. The investments held in the special use funds consist of equity and debt securities which are primarily carried at estimated fair value. In connection with the adoption of a new accounting standards update as discussed below, available for sale securities include only debt securities in 2018 and debt and equity securities in 2017. The amortized cost of debt securities is approximately \$1,973 million and \$1,921 million at September 30, 2018 and December 31, 2017, respectively, (\$1,529 million and \$1,443 million, respectively, for FPL). The cost basis of equity securities was approximately \$1,521 million at December 31, 2017 (\$783 million 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 asset or liability accounts. For NEE's non-rate regulated operations, changes in fair value of debt securities result in a corresponding adjustment to OCI, except for unrealized losses considered to be other than temporary, including any credit losses, which are recognized in other - net in NEE's condensed consolidated statements of income. For NEE's non-rate regulated operations, changes in fair value of equity securities are recorded in change in unrealized gains (losses) on equity securities held in NEE's nuclear decommissioning funds - net in NEE's condensed consolidated statements of income. The unrealized gains (losses) recognized during the three and nine months ended September 30, 2018 on equity securities held at September 30, 2018 were \$192 million and \$226 million, respectively (\$130 million and \$167 million, respectively, for FPL). Debt securities included in the nuclear decommissioning funds have a weighted-average maturity at September 30, 2018 of approximately eight years at both NEE and FPL. FPL's storm fund primarily consists of debt securities with a weighted-average maturity at September 30, 2018 of approximately one year. 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 September 30, 2018	Nine Months Ended September 30, 2017	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2017				
	(millions)							
Realized gains	\$5	\$29	\$32	\$106	\$2	\$9	\$22	\$35
Realized losses	\$9	\$15	\$49	\$58	\$5	\$8	\$34	\$34
Proceeds from sale or maturity of securities	\$576	\$518	\$1,889	\$1,772	\$487	\$329	\$1,529	\$1,166

The unrealized gains and 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	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
	(millions)			
Unrealized gains	\$8	\$37	\$6	\$28
Unrealized losses <sup>(a)</sup>	\$47	\$12	\$37	\$9

Fair value	\$1,626	\$ 918	\$1,253	\$ 670
------------	---------	--------	---------	--------

---

(a) Unrealized losses on available for sale debt securities in an unrealized loss position for greater than twelve months at September 30, 2018 and December 31, 2017 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.

Financial Instruments Accounting Standards Update - Effective January 1, 2018, NEE and FPL adopted an accounting standards update which modifies guidance for financial instruments and makes certain changes to presentation and disclosure requirements.

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

The standards update requires that equity investments (except investments accounted for under the equity method and investments that are consolidated) be measured at fair value with changes in fair value recognized in net income. This standards update primarily impacts the equity securities in NEER's special use funds and is expected to result in increased earnings volatility in future periods based on market conditions. NEE and FPL adopted this standards update using the modified retrospective approach with the cumulative effect recognized as an adjustment to retained earnings on January 1, 2018. Upon adoption, NEE reclassified net unrealized after-tax gains of approximately \$312 million from AOCI to retained earnings. The implementation of this standards update had no impact on FPL as changes in the fair value of equity securities in FPL's special use funds are deferred as regulatory assets or liabilities pursuant to accounting guidance for regulated operations.

#### 6. Income Taxes

NEE's effective income tax rates for the three months ended September 30, 2018 and 2017 were approximately 12% and 30%, respectively. The rates for both periods reflect state income taxes net of federal income tax benefits, and the benefits of PTCs of approximately \$19 million and \$27 million, respectively, related to NEER's wind projects and ITCs of approximately \$34 million and \$51 million, respectively, related to solar and certain wind projects at NEER.

NEE's effective income tax rates for the nine months ended September 30, 2018 and 2017 were approximately 23% and 29%, respectively. The rates for both periods reflect state income taxes net of federal income tax benefits, as well as the benefits of PTCs of approximately \$63 million and \$85 million, respectively, related to NEER's wind projects. The rates for both periods also reflect ITCs and, in 2017, deferred income taxes associated with grants under the Recovery Act (convertible ITCs) totaling approximately \$104 million and \$220 million, respectively, related to solar and certain wind projects at NEER. In addition, during the three months ended March 31, 2018, NEE recorded an income tax charge of approximately \$125 million related to an adjustment to differential membership interests primarily as a result of the change in federal income tax rates effective January 1, 2018 (see Note 11 - Accounting for Partial Sales of Nonfinancial Assets).

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.

On December 22, 2017, tax reform legislation was signed into law which, among other things, reduced the federal corporate income tax rate from 35% to 21% effective January 1, 2018. As a result, NEE, including FPL, performed an analysis to preliminarily revalue its deferred income taxes and included an estimate of changes in the balances in NEE's and FPL's December 31, 2017 financial statements. At December 31, 2017, the revaluation reduced NEE's net deferred income tax liabilities by approximately \$6.5 billion, of which \$4.5 billion related to net deferred income tax liabilities at FPL and the remaining \$2 billion related to net deferred income tax liabilities at NEER. The \$2 billion reduction in NEER's deferred income tax liabilities increased NEER's 2017 net income. The \$4.5 billion reduction in FPL's deferred income tax liabilities was recorded as a regulatory liability. While NEE and FPL continue to believe that the provisional tax reform adjustments are reasonable estimates of the effects on its existing deferred taxes,



additional analysis and detailed reviews are still being performed to finalize the accounting for the remeasurement of deferred tax assets and liabilities as a result of the enactment of tax reform. NEE and FPL expect any final adjustments to the provisional amounts to be recorded in the fourth quarter of 2018 upon filing of all 2017 income tax returns. Effective January 1, 2018, NEE early adopted an accounting standards update that provided entities the option to reclassify certain tax effects from AOCI to retained earnings as a result of tax reform. Upon adoption, NEE reclassified approximately \$16 million of tax benefits from AOCI to retained earnings.

## 7. Acquisitions

In May 2018, NEE and a wholly owned subsidiary of NEE (purchaser) entered into three separate agreements with The Southern Company and/or certain of its affiliates (Southern) to acquire Gulf Power Company (Gulf Power), Florida City Gas (FCG) and the entities holding Southern's ownership interests in two natural gas generation facilities for approximately \$6.475 billion (cash of \$5.1 billion plus the assumption of approximately \$1.4 billion of Gulf Power debt), subject to certain adjustments. NEE intends to finance the total cash purchase price of approximately \$5.1 billion through the issuance of debt. In July 2018, NEE completed the acquisition of FCG, which serves approximately 110,000 residential and commercial natural gas customers in Florida's Miami-Dade, Brevard, St. Lucie and Indian River counties with 3,700 miles of natural gas pipeline, for approximately \$530 million in cash subject to certain adjustments. Upon closing, NEE transferred FCG to FPL. The remaining acquisitions, as further described below, are subject to the terms and conditions set forth in each of the respective agreements.

Gulf Power - The purchaser expects to acquire the outstanding common shares of Gulf Power for approximately \$5.75 billion (\$4.35 billion in cash plus the assumption of approximately \$1.4 billion of Gulf Power debt), subject to certain adjustments. Gulf

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

Power serves approximately 460,000 customers in eight counties throughout northwest Florida and has roughly 9,500 miles of power lines and 2,300 MW of electric generating capacity.

Natural Gas Generation Facilities - The purchaser expects to acquire Southern's interest in an entity that owns a 65% interest in Stanton Energy Center, an approximately 660 MW combined-cycle electric generation facility located near Orlando, Florida, and Southern's interest in an entity that indirectly owns Oleander Power Project, a 791 MW natural gas-fired, simple-cycle combustion turbine electric generation facility located near Cocoa, Florida, for approximately \$195 million in cash, subject to certain adjustments.

The acquisitions of Gulf Power and the ownership interests in the two natural gas generation facilities are subject to, among other things, receipt of required regulatory approvals, including approvals from the FERC, and each agreement may be terminated by either the purchaser or Southern under certain circumstances. NEE expects to close on the acquisition of Gulf Power in the first half of 2019.

#### 8. Variable Interest Entities (VIEs)

At September 30, 2018, NEE had twenty-seven 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 \$73 million and \$148 million at September 30, 2018 and December 31, 2017, 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 \$75 million and \$147 million at September 30, 2018 and December 31, 2017, respectively, and consisted primarily of storm-recovery bonds, which are included in current maturities of long-term debt and long-term debt on NEE's and FPL's condensed consolidated balance sheets.

NEER - NEE consolidates twenty-six 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, and has the obligation to absorb expected losses of these VIEs.

Prior to January 1, 2018, a subsidiary of NEER was the primary beneficiary of, and therefore consolidated NEP, which consolidated NEP OpCo because of NEP's controlling interest as the general partner of NEP OpCo. At December 31, 2017, NEE owned a controlling non-economic general partner interest in NEP and a limited partner interest in NEP OpCo, and presented limited partner interests in NEP and NEP OpCo as noncontrolling interests in NEE's consolidated financial statements. At December 31, 2017, NEE owned common units of NEP OpCo representing a noncontrolling interest in NEP's operating projects of approximately 65.1%. The assets and liabilities of NEP were approximately \$8.4 billion and \$6.2 billion, respectively, at December 31, 2017, and primarily consisted of property, plant and equipment and long-term debt. During the third quarter of 2017, changes to NEP's governance structure were made that, among other things, enhanced NEP unitholder governance rights. As a result of these governance changes, NEP is no longer a VIE and NEP was deconsolidated from NEE in January 2018 (see Note 2) resulting in NEE no longer indirectly consolidating NEP OpCo. NEP OpCo continues to be a VIE and NEE records its noncontrolling interest in NEP OpCo as an equity method investment (See Other below).

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 \$64 million and \$18 million, respectively, at September 30, 2018 and \$89 million and \$29 million, respectively, at December 31, 2017, and consisted primarily of property, plant and equipment and long-term debt.

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

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 \$549 million and \$554 million, respectively, at September 30, 2018 and \$548 million and \$594 million, respectively, at December 31, 2017, and consisted primarily of property, plant and equipment and long-term debt.

In February 2018, NEER sold a special purpose entity for net cash proceeds of approximately \$71 million. In connection with the sale and the related consolidating state income tax effects, a gain of approximately \$50 million (approximately \$37 million after tax) was recorded in gains on disposal of investments and other property - net in NEE's condensed consolidated statements of income during the nine months ended September 30, 2018. Prior to the sale, the special purpose entity had insufficient equity at risk and was considered a VIE. The entity provided a loan in the form of a note receivable (see Note 5 - Fair Value of Financial Instruments Recorded at Other than Fair Value) to an unrelated third party, and also issued senior secured bonds which were collateralized by the note receivable. The assets and liabilities of the VIE were approximately \$490 million and \$502 million, respectively, at December 31, 2017, and consisted primarily of the note receivable (included in noncurrent other assets and classified as held for sale) and long-term debt.

The other twenty-three 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 6,035 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 2051 or in the spot market. These entities are considered VIEs because the holders of differential membership interests do not have substantive rights over the significant activities of these entities. 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 \$9.5 billion and \$1.1 billion, respectively, at September 30, 2018, including amounts classified as held for sale (see Note 11 - Assets and Liabilities Associated with Assets Held for Sale). There were thirty-one consolidated VIEs at December 31, 2017 which included seven NEP-owned projects prior to the NEP deconsolidation; the assets and liabilities of those VIEs totaled approximately \$13.1 billion and \$6.9 billion, respectively. At September 30, 2018 and December 31, 2017, the assets and liabilities of the VIEs consisted primarily of property, plant and equipment and long-term debt, and also deferral related to differential membership interests at December 31, 2017.

Other - At September 30, 2018 and December 31, 2017, several NEE subsidiaries had investments totaling approximately \$2,883 million (\$2,390 million at FPL) and \$2,634 million (\$2,195 million at FPL), respectively, which are included in special use funds and noncurrent other assets 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 beneficiaries 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.

Beginning in January 2018, as a result of the deconsolidation of NEP, NEE records its noncontrolling interest in NEP OpCo as an equity method investment. NEE's investment in these entities totaled approximately \$4,782 million and \$248 million at September 30, 2018 and December 31, 2017, respectively. Subsidiaries of NEE had committed to invest an additional approximately \$60 million and \$75 million in three of these entities at September 30, 2018 and December 31, 2017, respectively.

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

## 9. Equity

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

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
	(millions, except per share amounts)			
Numerator:				
Net income attributable to NEE - basic	\$1,007	\$847	\$6,229	\$3,223
Adjustment for the impact of dilutive securities at NEP	(4)	—	(33)	—
Net income attributable to NEE - assuming dilution	\$1,003	\$847	\$6,196	\$3,223
Denominator:				
Weighted-average number of common shares outstanding - basic	473.1	469.4	471.7	468.3
Equity units, stock options, performance share awards, forward sale agreements and restricted stock <sup>(a)</sup>	4.3	4.1	3.9	3.7
Weighted-average number of common shares outstanding - assuming dilution	477.4	473.5	475.6	472.0
Earnings per share attributable to NEE:				
Basic	\$2.13	\$1.80	\$13.21	\$6.88
Assuming dilution	\$2.10	\$1.79	\$13.03	\$6.83

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 stock options, performance share awards and/or equity units, as well as restricted stock which were not included in the denominator above due to their antidilutive effect were 0.2 million and 4.1 million for the nine months ended September 30, 2018 and 2017, respectively.

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

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

Three Months Ended September 30, 2018

Edgar Filing: NEXTERA ENERGY INC - Form 10-Q

Balances, June 30, 2018	\$(67)	\$ (5 )	\$ (51 )	\$ (52 )	\$ 2	\$(173)
Other comprehensive income (loss) before reclassifications	—	(2 )	(1 )	10	1	8
Amounts reclassified from AOCI	7	<sup>(a)</sup> —	<sup>(b)</sup> —	—	—	7
Net other comprehensive income (loss)	7	(2 )	(1 )	10	1	15
Balances, September 30, 2018	\$(60)	\$ (7 )	\$ (52 )	\$ (42 )	\$ 3	\$(158)

31

---

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

	Accumulated Other Comprehensive Income (Loss)					Total
	Net Unrealized Gains (Losses) on Cash Flow Hedges (millions)	Net Unrealized Gains (Losses) on Available for Sale Securities	Defined Benefit Pension and Other Benefits Plans	Net Unrealized Gains (Losses) on Foreign Currency Translation	Other Comprehensive Income (Loss) Related to Equity Method Investees	
Three Months Ended September 30, 2017						
Balances, June 30, 2017	\$ (96)	\$ 268	\$ (76 )	\$ (71 )	\$ (22 )	\$ 3
Other comprehensive income before reclassifications	—	31	—	10	1	42
Amounts reclassified from AOCI	10	(a) (6 )	(b) (1 )	—	—	3
Net other comprehensive income (loss)	10	25	(1 )	10	1	45
Other comprehensive income (loss) attributable to noncontrolling interests	1	—	—	(1 )	—	—
Balances, September 30, 2017	\$ (85)	\$ 293	\$ (77 )	\$ (62 )	\$ (21 )	\$ 48

	Accumulated Other Comprehensive Income (Loss)					Total
	Net Unrealized Gains (Losses) on Cash Flow Hedges (millions)	Net Unrealized Gains (Losses) on Available for Sale Securities	Defined Benefit Pension and Other Benefits Plans	Net Unrealized Gains (Losses) on Foreign Currency Translation	Other Comprehensive Income (Loss) Related to Equity Method Investees	
Nine Months Ended September 30, 2018						
Balances, December 31, 2017	\$ (77)	\$ 316	\$ (39 )	\$ (69 )	\$ (20 )	\$ 111
Other comprehensive income (loss) before reclassifications	—	(11 )	(4 )	(10 )	5	(20 )
Amounts reclassified from AOCI	21	(a) —	(b) —	—	—	21
Net other comprehensive income (loss)	21	(11 )	(4 )	(10 )	5	1
Impact of NEP deconsolidation <sup>(c)</sup>	3	—	—	37	18	58
Adoption of accounting standards updates <sup>(d)</sup>	(7 )	(312 )	(9 )	—	—	(328 )
Balances, September 30, 2018	\$ (60)	\$ (7 )	\$ (52 )	\$ (42 )	\$ 3	\$ (158)

Accumulated Other Comprehensive Income (Loss)					Total
Net Unrealized Gains (Losses) on	Net Unrealized Gains (Losses) on	Defined Benefit Pension and Other	Net Unrealized Gains (Losses) on	Other Comprehensive Income (Loss) Related to	



Edgar Filing: NEXTERA ENERGY INC - Form 10-Q

	Cash Flow Hedges (millions)	Available for Sale Securities	Benefits Plans	Foreign Currency Translation	Equity Method Investees	
Nine Months Ended September 30, 2017						
Balances, December 31, 2016	\$(100)	\$ 225	\$ (83 )	\$ (90 )	\$ (22 )	\$(70)
Other comprehensive income before reclassifications	—	91	7	30	1	129
Amounts reclassified from AOCI	24	(a) (23 )	(b) (1 )	—	—	—
Net other comprehensive income	24	68	6	30	1	129
Other comprehensive income attributable to noncontrolling interests	(9 )	—	—	(2 )	—	(11 )
Balances, September 30, 2017	\$(85 )	\$ 293	\$ (77 )	\$ (62 )	\$ (21 )	\$48

(a) Reclassified to interest expense in NEE's condensed consolidated statements of income. See Note 4 - 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.

(c) Reclassified and included in gain on NEP deconsolidation. See Note 2.

(d) Reclassified to retained earnings. See Notes 5 - Financial Instruments Accounting Standards Update and 6.

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

## 10. Debt

Significant long-term debt issuances during the nine months ended September 30, 2018 were as follows:

	Principal Amount (millions)	Interest Rate	Maturity Date
FPL - First mortgage bonds	\$ 1,500	3.950%-4.125%	2048
NEECH - Debentures	\$ 2,341	Variable	<sup>(a)</sup> 2019 - 2021

(a) Variable rate is based on an underlying index plus a margin.

In August 2018, NEECH completed a remarketing of approximately \$700 million aggregate principal amount of its Series H Debentures due September 1, 2020 (Series H Debentures) that were issued in September 2015 as components of equity units issued concurrently by NEE (September 2015 equity units). The Series H Debentures are fully and unconditionally guaranteed by NEE. In connection with the remarketing of the Series H Debentures, the interest rate on the Series H Debentures was reset to 3.342% per year, and interest is payable on March 1 and September 1 of each year, commencing September 1, 2018. In connection with the settlement of the contracts to purchase NEE common stock that were issued as components of the September 2015 equity units, in the third quarter of 2018, NEE issued 6,215,998 shares of common stock in exchange for \$700 million.

## 11. Summary of Significant Accounting and Reporting Policies

**Revenue and Rates** - In May 2018, the Florida Supreme Court affirmed the FPSC's final order approving the 2016 rate agreement, which had been appealed by the Sierra Club.

**Goodwill and Other Intangible Assets** - Effective January 1, 2018, NEE and FPL adopted an accounting standards update that clarified the definition of a business. The revised guidance affects the evaluation of whether a transaction should be accounted for as an acquisition or disposition of an asset or a business. NEE and FPL adopted this guidance on a prospective basis effective January 1, 2018.

**Restricted Cash** - In the fourth quarter of 2017, NEE and FPL early adopted an accounting standards update which requires that restricted cash be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statements of cash flows. NEE and FPL adopted the standards update retrospectively, which adoption did not have a material impact on NEE's or FPL's consolidated statements of cash flows.

At September 30, 2018 and December 31, 2017, NEE had approximately \$224 million (\$102 million for FPL) and \$269 million (\$141 million for FPL), respectively, of restricted cash, of which approximately \$198 million (\$76 million for FPL) and \$247 million (\$128 million for FPL), respectively, is included in current other assets and the remaining balance is included in noncurrent other assets on NEE's and FPL's condensed consolidated balance sheets. Restricted cash is primarily related to debt service payments, bond proceeds held for construction at FPL and margin cash collateral requirements. In addition, where offsetting positions exist, restricted cash related to margin cash collateral is netted against derivative instruments, which totaled \$70 million at September 30, 2018. See Note 4.

Leases - In February 2016, the FASB issued an accounting standards update which requires, among other things, that lessees recognize a lease liability, initially measured at the present value of the future lease payments, and a right-of-use asset for all leases (with the exception of short-term leases) (new lease standard). The new lease standard also requires new qualitative and quantitative disclosures for both lessees and lessors. The new lease standard will be effective for NEE and FPL beginning January 1, 2019. Early adoption is permitted. The new lease standard 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 reviewing their portfolio of contracts and evaluating the proper application of the new lease standard to these contracts in order to determine the impact the adoption will have on their consolidated financial statements, including timing of adoption. NEE and FPL are implementing a number of system enhancements to facilitate the identification, tracking and reporting of leases based upon the requirements of the new lease standard. NEE and FPL are continuing to assess the transition options and practical expedients and monitoring industry implementation issues.

Accounting for Partial Sales of Nonfinancial Assets - Effective January 1, 2018, NEE and FPL adopted an accounting standards update regarding the accounting for partial sales of nonfinancial assets using the modified retrospective approach, resulting in cumulative effects being recognized on January 1, 2018. This standards update affects the accounting and related financial statement

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

presentation for the sales of differential membership interests to third-party investors and the sales of NEER assets to indirect subsidiaries of NEP. The adoption of this standards update did not have an impact on FPL.

For the sales of differential membership interests to third-party investors, NEE recorded an increase to retained earnings of approximately \$34 million (\$56 million pretax) and a reduction to additional paid-in capital of \$77 million (\$59 million after tax) on January 1, 2018. In addition, the liability reflected as deferral related to differential membership interests - VIEs on NEE's consolidated balance sheets at December 31, 2017 was reclassified to noncontrolling interests. Beginning in 2018, as the third-party investors receive their portion of the economic attributes of the related facilities, NEE records such amounts as net loss attributable to noncontrolling interests. Prior to the adoption of this standards update, the income related to differential membership interests was recognized in benefits associated with differential membership interests - net in NEE's condensed consolidated statements of income. Additionally, net (income) loss attributable to noncontrolling interests for the nine months ended September 30, 2018 includes approximately \$497 million (\$373 million after tax) related to a reduction of differential membership interests as a result of the change in federal income tax rates effective January 1, 2018.

Also upon adoption of the standards update, the profit sharing liability associated with the sales of NEER assets to NEP was eliminated and NEE recorded an increase to additional paid-in capital of approximately \$842 million (\$652 million after tax) and a reduction to retained earnings of approximately \$52 million (\$69 million pretax) on January 1, 2018. Due to the deconsolidation of NEP, the previous accounting guidance would not have had an impact on NEE's 2018 financial statements, but rather the profit sharing liability would have increased the gain on NEP deconsolidation.

**Assets and Liabilities Associated with Assets Held for Sale** - In August 2018, subsidiaries of NEER entered into an agreement with a subsidiary of NEP to sell ownership interests in ten wind generation facilities and one solar generation facility located in the Midwest, South and West regions of the U.S. with a total generating capacity of 1,388 MW at September 30, 2018, for a cash purchase price of approximately \$1.3 billion, subject to certain adjustments, and NEP's assumption of approximately \$930 million in existing noncontrolling interests related to differential membership investors. A NEER affiliate will continue to operate the facilities included in the sale under an existing service agreement. The transaction is expected to close in the fourth quarter of 2018, pending the receipt of necessary regulatory approvals and satisfaction of other customary closing conditions. The carrying amounts of the major classes of assets related to the facilities that were classified as held for sale on NEE's condensed consolidated balance sheets at September 30, 2018 primarily represent property, plant and equipment. Liabilities associated with assets held for sale, which is included in current other liabilities on NEE's condensed consolidated balance sheets, was approximately \$80 million at September 30, 2018 and primarily represent long-term debt.

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 nine months ended September 30, 2017 and is included in losses (gains) on disposal of a business/assets - net.

## 12. 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 equity contributions to joint ventures for the construction of natural gas pipeline assets. Capital expenditures for Corporate and Other primarily include the cost to maintain existing transmission facilities at NEET.

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

At September 30, 2018, estimated capital expenditures for the remainder of 2018 through 2022 for which applicable internal approvals (and also, if required, regulatory approvals such as FPSC approvals for FPL) have been received were as follows:

	Remainder of 2018 (millions)	2019	2020	2021	2022	Total
<b>FPL:</b>						
<b>Generation:<sup>(a)</sup></b>						
New <sup>(b)(c)</sup>	\$ 140	\$ 1,090	\$ 680	\$ 1,130	\$ 985	\$ 4,025
Existing	340	960	475	560	490	2,825
Transmission and distribution	570	2,235	2,175	2,550	2,570	10,100
Nuclear fuel	50	150	135	145	165	645
General and other	165	400	325	340	325	1,555
<b>Total</b>	<b>\$ 1,265</b>	<b>\$ 4,835</b>	<b>\$ 3,790</b>	<b>\$ 4,725</b>	<b>\$ 4,535</b>	<b>\$ 19,150</b>
<b>NEER:</b>						
Wind <sup>(d)</sup>	\$ 750	\$ 2,155	\$ 1,455	\$ 20	\$ 15	\$ 4,395
Solar <sup>(e)</sup>	170	260	170	—	—	600
Nuclear, including nuclear fuel	55	205	160	165	180	765
Natural gas pipelines	340	660	20	10	20	1,050
Other	160	55	40	40	35	330
<b>Total</b>	<b>\$ 1,475</b>	<b>\$ 3,335</b>	<b>\$ 1,845</b>	<b>\$ 235</b>	<b>\$ 250</b>	<b>\$ 7,140</b>
Corporate and Other	\$ 10	\$ 20	\$ 30	\$ 15	\$ —	\$ 75

(a) Includes AFUDC of approximately \$29 million, \$57 million, \$30 million, \$36 million and \$38 million for the remainder of 2018 through 2022, respectively.

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

(c) Excludes capital expenditures of approximately \$800 million for the modernization of two generating units at FPL's Lauderdale facility to a high-efficiency natural gas-fired unit (Dania Beach Clean Energy Center), which is pending approval by the Florida Power Plant Siting Board, comprised of the Florida governor and cabinet.

(d) Consists of capital expenditures for new wind projects, repowering of existing wind projects and related transmission totaling approximately 6,100 MW.

(e) Includes capital expenditures for new solar projects and related transmission totaling approximately 580 MW.

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 Commitments above, FPL has commitments under long-term purchased power and fuel contracts. FPL 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. These contracts provide for capacity and energy payments. Energy payments are based on the actual power taken under these contracts and capacity payments are subject to the facilities meeting certain contract conditions. FPL has contracts with expiration dates through 2042 for the purchase and transportation of natural gas and coal, and storage of natural gas.

At September 30, 2018, NEER has entered into contracts with expiration dates ranging from November 2018 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 natural gas pipelines. Approximately \$3.2 billion of related commitments are included in the estimated capital expenditures table in Commitments above. In addition, NEER has contracts primarily for the transportation and storage of natural gas with expiration dates ranging from late October 2018 through 2038.

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

The required capacity and/or minimum payments under contracts, including those discussed above, at September 30, 2018 were estimated as follows:

	Remainder of 2018 (millions)	2019	2020	2021	2022	Thereafter
FPL:						
Capacity charges <sup>(a)</sup>	\$5	\$15	\$15	\$15	\$20	\$195
Minimum charges, at projected prices: <sup>(b)</sup>						
Natural gas, including transportation and storage <sup>(c)</sup>	\$495	\$1,420	\$1,055	\$940	\$925	\$11,660
Coal, including transportation	\$15	\$5	\$—	\$—	\$—	\$—
NEER <sup>(d)</sup>	\$1,110	\$1,760	\$195	\$160	\$180	\$1,470
Corporate and Other <sup>(e)(f)</sup>	\$155	\$25	\$10	\$10	\$5	\$—

Capacity charges, substantially all of which are recoverable through the capacity clause, totaled approximately \$6 million and \$18 million for the three months ended September 30, 2018 and 2017, respectively, and approximately \$16 million and \$58 million for the nine months ended September 30, 2018 and 2017, respectively. Energy

(a) charges, which are recoverable through the fuel clause, totaled approximately \$8 million and \$28 million for the three months ended September 30, 2018 and 2017, respectively, and approximately \$23 million and \$70 million for the nine months ended September 30, 2018 and 2017, respectively.

(b) Recoverable through the fuel clause.

Includes approximately \$80 million, \$320 million, \$385 million, \$415 million, \$415 million and \$7,585 million for (c) the remainder of 2018 through 2022 and thereafter, respectively, of firm commitments related to the natural gas transportation agreements with Sabal Trail and Florida Southeast Connection.

Includes approximately \$15 million, \$65 million, \$65 million, \$65 million and \$1,085 million in 2019 through (d) 2022 and thereafter, respectively, of firm commitments related to a natural gas transportation agreement with a joint venture, in which NEER has a 31% equity investment, that is constructing a natural gas pipeline. These firm commitments are subject to the completion of construction of the pipeline which is expected by the end of 2019.

(e) Includes an approximately \$60 million commitment to invest in clean power and technology businesses through 2022.

(f) Excludes approximately \$200 million and \$250 million for the remainder of 2018 and 2019, respectively, of joint obligations of NEECH and NEER which are included in the NEER amounts above.

FPL made an approximately \$90 million payment to JEA, the 80% owner of St. Johns River Power Park coal units (SJRPP), in connection with the shutdown of SJRPP in January 2018, which had the effect of terminating a 375 MW take-or-pay purchased power contract, retiring SJRPP and eliminating FPL's 20% ownership interest. In connection with the FPSC's approval of the retirement, FPL recorded a regulatory asset of approximately \$90 million at December 31, 2017, which is being amortized over the remaining life of the take-or-pay purchased power contract (October 2021) and recovered through the capacity clause. In January 2018, NEE and FPL reclassified the SJRPP net book value of approximately \$191 million to a regulatory asset. Approximately \$150 million of the regulatory asset will be amortized over 15 years in base rates beginning July 1, 2018 and the remainder will be amortized over 10 years through the environmental cost recovery clause beginning when FPL's base rates are next adjusted in a general base rate case. In addition, in connection with the shutdown of the plant, FPL had regulatory liabilities of approximately \$62 million at December 31, 2017, which is being refunded to customers through the capacity clause over the remaining life of the take-or-pay purchased power contract.



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 \$12.6 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, 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, except for Duane Arnold which has a sublimit of \$1.0 billion. NEE participates in co-insurance of 10% of the first \$400 million of losses per site per occurrence. 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 \$177 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.

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

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. If FPL's future storm restoration costs exceed the storm reserve, 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 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.

### 13. Segment Information

NEE's reportable segments are FPL, a rate-regulated utility business, 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 September 30, 2018				2017			
	FPL	NEER <sup>(a)(b)</sup>	Corporate and Other	NEE Consoli- dated <sup>(b)</sup> (millions)	FPL	NEER <sup>(a)</sup>	Corporate and Other	NEE Consoli- dated
Operating revenues	\$3,399	\$ 1,020	\$ (1 )	\$4,418	\$3,477	\$ 1,333	\$ (2 )	\$ 4,808
Operating expenses - net	\$2,482	\$ 924	\$ 42	\$3,448	\$2,455	\$ 964	\$ 38	\$ 3,457 <sup>(d)</sup>
Net income (loss) attributable to NEE	\$654	\$ 214	<sup>(c)</sup> \$ 139	\$1,007	\$566	\$ 292	<sup>(c)</sup> \$ (11 )	\$ 847
	Nine Months Ended September 30, 2018				2017			
	FPL	NEER <sup>(a)(b)</sup>	Corporate and Other	NEE Consoli- dated <sup>(b)</sup> (millions)	FPL	NEER <sup>(a)</sup>	Corporate and Other	NEE Consoli- dated
Operating revenues	\$8,927	\$ 3,429	\$ (5 )	\$12,351	\$9,095	\$ 4,052	\$ 38	\$13,185
Operating expenses (income) - net	\$6,381	\$ 2,663	\$ 128	\$9,172	\$6,322	\$ 2,852	\$ (978 )	\$8,196 <sup>(d)</sup>
Net income attributable to NEE	\$1,764	\$ 4,414	<sup>(c)</sup> \$ 51	\$6,229	\$1,537	\$ 1,069	<sup>(c)</sup> \$ 617	\$3,223

Interest expense allocated from NEECH is based on a deemed capital structure of 70% debt. For this

(a) purpose, differential membership interests sold by NEER subsidiaries are included with debt. Residual NEECH corporate interest expense is included in Corporate and Other.

(b) NEP was deconsolidated from NEER in January 2018. See Note 2.

(c) See Note 6 for a discussion of NEER's tax benefits related to PTCs.

(d) Prior period amounts have been retrospectively adjusted as discussed in Note 3 - Amendments to Presentation of Retirement Benefits.

September 30, 2018

December 31, 2017

Edgar Filing: NEXTERA ENERGY INC - Form 10-Q

	FPL	NEER <sup>(a)</sup>	Corporate and Other	NEE Consoli- dated <sup>(a)</sup> (millions)	FPL	NEER	Corporate and Other	NEE Consoli- dated
Total assets	\$52,978	\$43,681	\$ 1,944	\$98,603	\$50,244	\$45,549	\$ 2,034	\$97,827

(a) NEP was deconsolidated from NEER in January 2018. See Note 2.

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

14. 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 September 30,							
	2018			2017				
	NEE (Guarantor)	NEECH	Other <sup>(a)</sup>	NEE Consoli- dated (millions)	NEE (Guarantor) <sup>(b)</sup>	NEECH <sup>(b)</sup>	Other <sup>(a)</sup>	NEE Consoli- dated <sup>(b)</sup>
Operating revenues	\$—	\$1,054	\$3,364	\$4,418	\$—	\$1,365	\$3,443	\$4,808
Operating expenses - net	(46 )	(941 )	(2,461 )	(3,448 )	(51 )	(982 )	(2,424 )	(3,457 )
Interest expense	(5 )	(26 )	(136 )	(167 )	(1 )	(259 )	(121 )	(381 )
Equity in earnings of subsidiaries	963	—	(963 )	—	830	—	(830 )	—
Equity in earnings of equity method investees	—	122	—	122	—	56	—	56
Other income - net	37	82	25	144	48	125	21	194
Income (loss) before income taxes	949	291	(171 )	1,069	826	305	89	1,220
Income tax expense (benefit)	(58 )	52	132	126	(21 )	30	355	364
Net income (loss)	1,007	239	(303 )	943	847	275	(266 )	856
Net (income) loss attributable to noncontrolling interests	—	64	—	64	—	(9 )	—	(9 )
Net income (loss) attributable to NEE	\$1,007	\$303	\$(303 )	\$1,007	\$847	\$266	\$(266 )	\$847

	Nine Months Ended September 30,							
	2018			2017				
	NEE (Guarantor)	NEECH	Other <sup>(a)</sup>	NEE Consoli- dated (millions)	NEE (Guarantor) <sup>(b)</sup>	NEECH <sup>(b)</sup>	Other <sup>(a)</sup>	NEE Consoli- dated <sup>(b)</sup>
Operating revenues	\$—	\$3,526	\$8,825	\$12,351	\$—	\$4,154	\$9,031	\$13,185
Operating expenses - net	(159 )	(2,715 )	(6,298 )	(9,172 )	(114 )	(1,806 )	(6,276 )	(8,196 )
Interest expense	(16 )	(360 )	(411 )	(787 )	(2 )	(809 )	(360 )	(1,171 )
Equity in earnings of subsidiaries	6,132	—	(6,132 )	—	3,179	—	(3,179 )	—
Equity in earnings of equity method investees	—	372	—	372	—	153	—	153
Gain on NEP deconsolidation	—	3,935	—	3,935	—	—	—	—
Other income - net	138	174	69	381	102	477	31	610
Income (loss) before income taxes	6,095	4,932	(3,947 )	7,080	3,165	2,169	(753 )	4,581
Income tax expense (benefit)	(134 )	1,319	420	1,605	(58 )	468	919	1,329
Net income (loss)	6,229	3,613	(4,367 )	5,475	3,223	1,701	(1,672 )	3,252
	—	754	—	754	—	(29 )	—	(29 )

Net (income) loss attributable to  
noncontrolling interests

Net income (loss) attributable to NEE    \$6,229    \$4,367    \$(4,367)    \$6,229    \$3,223    \$1,672    \$(1,672)    \$3,223

---

(a) Represents primarily FPL and consolidating adjustments.

(b) Prior period amounts have been retrospectively adjusted as discussed in Note 3 - Amendments to Presentation of Retirement Benefits.

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

Condensed Consolidating Statements of Comprehensive Income

	Three Months Ended September 30,							
	2018			2017				
	NEE (Guarantor)	NEECH	Other <sup>(a)</sup>	NEE Consoli- dated (millions)	NEE (Guarantor)	NEECH	Other <sup>(a)</sup>	NEE Consoli- dated
Comprehensive income (loss) attributable to NEE	\$ 1,022	\$ 319	\$ (319)	\$ 1,022	\$ 892	\$ 312	\$ (312)	\$ 892
	Nine Months Ended September 30,							
	2018			2017				
	NEE (Guarantor)	NEECH	Other <sup>(a)</sup>	NEE Consoli- dated (millions)	NEE (Guarantor)	NEECH	Other <sup>(a)</sup>	NEE Consoli- dated
Comprehensive income (loss) attributable to NEE	\$6,288	\$4,430	\$ (4,430)	\$6,288	\$3,341	\$1,784	\$ (1,784)	\$3,341

(a) Represents primarily FPL and consolidating adjustments.

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

## Condensed Consolidating Balance Sheets

	September 30, 2018			December 31, 2017			NEE Consoli- dated	
	NEE (Guaran- tor)	NEECH	Other <sup>(a)</sup>	NEE Consoli- dated (millions)	NEE (Guaran- tor)	NEECH		Other <sup>(a)</sup>
<b>PROPERTY, PLANT AND EQUIPMENT</b>								
Electric plant in service and other property	\$199	\$35,648	\$54,478	\$90,325	\$20	\$41,782	\$51,981	\$93,783
Accumulated depreciation and amortization	(49)	(8,378)	(13,326)	(21,753)	(15)	(8,551)	(12,801)	(21,367)
Total property, plant and equipment - net	150	27,270	41,152	68,572	5	33,231	39,180	72,416
<b>CURRENT ASSETS</b>								
Cash and cash equivalents	1	391	105	497	1	1,679	34	1,714
Receivables	474	1,660	985	3,119	442	1,633	662	2,737
Other	5	3,402	1,326	4,733	5	1,283	1,418	2,706
Total current assets	480	5,453	2,416	8,349	448	4,595	2,114	7,157
<b>OTHER ASSETS</b>								
Investment in subsidiaries	33,569	—	(33,569)	—	27,825	—	(27,825)	—
Investment in equity method investees	—	6,493	—	6,493	—	2,321	—	2,321
Other	666	6,339	8,184	15,189	591	7,620	7,722	15,933
Total other assets	34,235	12,832	(25,385)	21,682	28,416	9,941	(20,103)	18,254
<b>TOTAL ASSETS</b>	<b>\$34,865</b>	<b>\$45,555</b>	<b>\$18,183</b>	<b>\$98,603</b>	<b>\$28,869</b>	<b>\$47,767</b>	<b>\$21,191</b>	<b>\$97,827</b>
<b>CAPITALIZATION</b>								
Common shareholders' equity	\$34,252	\$12,453	\$(12,453)	\$34,252	\$28,208	\$10,745	\$(10,745)	\$28,208
Noncontrolling interests	—	3,086	—	3,086	—	1,290	—	1,290
Long-term debt	—	15,453	11,595	27,048	—	20,227	11,236	31,463
Total capitalization	34,252	30,992	(858)	64,386	28,208	32,262	491	60,961
<b>CURRENT LIABILITIES</b>								
Debt due within one year	—	5,239	300	5,539	—	1,215	2,403	3,618
Accounts payable	27	2,302	671	3,000	3	2,427	805	3,235
Other	322	2,043	1,903	4,268	325	2,073	1,981	4,379
Total current liabilities	349	9,584	2,874	12,807	328	5,715	5,189	11,232
<b>OTHER LIABILITIES AND DEFERRED CREDITS</b>								
Asset retirement obligations	—	943	2,122	3,065	—	984	2,047	3,031
Deferred income taxes	(100)	2,757	4,763	7,420	(82)	1,247	4,589	5,754
Other	364	1,279	9,282	10,925	415	7,559	8,875	16,849
Total other liabilities and deferred credits	264	4,979	16,167	21,410	333	9,790	15,511	25,634

COMMITMENTS AND  
CONTINGENCIES

TOTAL CAPITALIZATION AND LIABILITIES	\$34,865	\$45,555	\$18,183	\$98,603	\$28,869	\$47,767	\$21,191	\$97,827
---	----------	----------	----------	----------	----------	----------	----------	----------

---

(a) Represents primarily FPL and consolidating adjustments.

40

---



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

Condensed Consolidating Statements of Cash Flows

	Nine Months Ended September 30,							
	2018			2017 <sup>(a)</sup>				
	NEE (Guaran- tor)	NEECH	Other <sup>(b)</sup>	NEE Consoli- dated (millions)	NEE (Guaran- tor)	NEECH	Other <sup>(b)</sup>	NEE Consoli- dated
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	\$2,839	\$1,578	\$ 808	\$5,225	\$1,464	\$1,937	\$1,928	\$5,329
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Capital expenditures, independent power and other investments and nuclear fuel purchases	(124 )	(5,536 )	(3,597 )	(9,257 )	—	(4,808 )	(3,779 )	(8,587 )
Proceeds from sale of the fiber-optic telecommunications business	—	—	—	—	—	1,482	—	1,482
Capital contributions from NEE	(1,798 )	—	1,798	—	(46 )	—	46	—
Sale of independent power and other investments of NEER	—	327	—	327	—	159	—	159
Proceeds from sale or maturity of securities in special use funds and other investments	—	955	1,624	2,579	—	819	1,240	2,059
Purchases of securities in special use funds and other investments	—	(1,074 )	(1,786 )	(2,860 )	—	(827 )	(1,319 )	(2,146 )
Distributions from equity method investees	—	637	—	637	—	—	7	7
Other - net	12	(203 )	204	13	7	177	(9 )	175
Net cash used in investing activities	(1,910 )	(4,894 )	(1,757 )	(8,561 )	(39 )	(2,998 )	(3,814 )	(6,851 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
Issuances of long-term debt	—	2,434	1,594	4,028	—	4,995	201	5,196
Retirements of long-term debt	—	(1,014 )	(1,579 )	(2,593 )	—	(3,819 )	(73 )	(3,892 )
Proceeds from differential membership investors	—	103	—	103	—	340	—	340
Net change in commercial paper	—	2,255	(1,482 )	773	—	995	811	1,806
Proceeds from other short-term debt	—	625	—	625	—	—	200	200
Repayments of other short-term debt	—	(200 )	(250 )	(450 )	—	—	(2 )	(2 )
Payments from related parties under CSCS agreement - net	—	720	—	720	—	—	—	—
Issuances of common stock - net	714	—	—	714	36	—	—	36
Dividends on common stock	(1,570 )	—	—	(1,570 )	(1,382 )	—	—	(1,382 )
Contributions from (dividends to) NEE	—	(2,727 )	2,727	—	—	(722 )	722	—
Other - net	(73 )	(172 )	(30 )	(275 )	(79 )	(457 )	(4 )	(540 )
Net cash provided by (used in) financing activities	(929 )	2,024	980	2,075	(1,425 )	1,332	1,855	1,762
Effects of currency translation on cash, cash equivalents and restricted cash	—	(1 )	—	(1 )	—	—	—	—

Edgar Filing: NEXTERA ENERGY INC - Form 10-Q

Net increase (decrease) in cash, cash equivalents and restricted cash	—	(1,293 )	31	(1,262 )	—	271	(31 )	240
Cash, cash equivalents and restricted cash at beginning of period	1	1,807	175	1,983	1	1,375	153	1,529
Cash, cash equivalents and restricted cash at end of period	\$ 1	\$ 514	\$ 206	\$ 721	\$ 1	\$ 1,646	\$ 122	\$ 1,769

(a) Prior period amounts have been retrospectively adjusted as discussed in Note 11 - Restricted Cash.

(b) Represents primarily FPL and consolidating adjustments.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

## OVERVIEW

NEE's operating performance is driven primarily by the operations of its two principal subsidiaries, FPL, which serves nearly five million customer accounts in Florida and is one of the largest electric utilities in the U.S., and NEER, which together with affiliated entities is the world's largest operator of wind and solar projects based on 2017 MWh produced. The table below presents net income (loss) attributable to NEE and earnings (loss) per share attributable to NEE, assuming dilution, by reportable segment, FPL and NEER, and by Corporate and Other, which is primarily comprised of the operating results of NEET and other business activities, as well as other income and expense items, including interest expense, income taxes and eliminating entries (See Note 13 for additional segment information). The following discussions should be read in conjunction with the Notes contained herein and Management's Discussion and Analysis of Financial Condition and Results of Operations appearing in the 2017 Form 10-K. The results of operations for an interim period generally will not give a true indication of results for the year. In the following discussions, all comparisons are with the corresponding items in the prior year periods.

	Net Income (Loss) Attributable to NEE		Earnings (Loss) Per Share Attributable to NEE, Assuming Dilution		Net Income Attributable to NEE		Earnings Per Share Attributable to NEE, Assuming Dilution	
			Three Months Ended September 30,	Three Months Ended September 30,			Nine Months Ended September 30,	Nine Months Ended September 30,
	2018	2017	2018	2017	2018	2017	2018	2017
FPL	\$654	\$566	\$1.37	\$1.19	\$1,764	\$1,537	\$3.71	\$3.26
NEER <sup>(a)(b)</sup>	214	292	0.44	0.62	4,414	1,069	9.21	2.26
Corporate and Other	139	(11 )	0.29	(0.02 )	51	617	0.11	1.31
NEE <sup>(b)</sup>	\$1,007	\$847	\$2.10	\$1.79	\$6,229	\$3,223	\$13.03	\$6.83

(a) NEER's results reflect an allocation of interest expense from NEECH based on a deemed capital structure of 70% debt.

(b) NEP was deconsolidated from NEER in January 2018. See Note 2.

## Adjusted Earnings

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

represent a substitute for net income, as prepared under GAAP.

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

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
	2018	2017	2018	2017
Net losses associated with non-qualifying hedge activity <sup>(a)</sup>	\$(26)	\$(39)	\$(49 )	\$(21 )
Tax reform-related <sup>(b)</sup>	\$(19)	\$—	\$429	\$—
NEP investment gains, net <sup>(c)</sup>	\$(18)	\$—	\$2,867	\$—
Change in unrealized gains (losses) on NEER's nuclear decommissioning funds and OTTI, net <sup>(d)</sup>	\$23	\$5	\$23	\$4
Operating results of solar projects in Spain - NEER	\$3	\$8	\$(5 )	\$8
Merger-related - Corporate and Other	\$5	\$(2 )	\$5	\$(28 )
Gain on sale of the fiber-optic telecommunications business - Corporate and Other <sup>(e)</sup>	\$—	\$—	\$—	\$685

For the three months ended September 30, 2018 and 2017, approximately \$106 million and \$13 million of losses, respectively, and for the nine months ended September 30, 2018 and 2017, approximately \$47 million of losses and \$57 million of gains, respectively, are included in NEER's net income; the balance is included in Corporate and Other. The change in non-qualifying hedge activity is primarily attributable to changes in forward power and natural gas prices, interest rates and foreign currency exchange rates, as well as the reversal of previously recognized unrealized mark-to-market gains or losses as the underlying transactions were realized.

For the three and nine months ended September 30, 2018, approximately \$36 million of unfavorable and \$412 million of favorable tax reform-related impacts, respectively, relates to NEER and the balance relates to Corporate and Other. See Note 11 - Accounting for Partial Sales of Nonfinancial Assets for a discussion of the impact of tax reform on differential membership interests.

For the three and nine months ended September 30, 2018, approximately \$18 million and \$2,892 million, respectively, relates to NEER and, for the nine months ended September 30, 2018, the balance relates to Corporate and Other. See Note 2.

For the nine months ended September 30, 2018, approximately \$21 million of gains are included in NEER's net income; the balance is included in Corporate and Other. Amounts shown for the remaining periods are included in NEER's net income.

See Note 11 - Assets and Liabilities Associated with Assets Held for Sale for a discussion of the sale of the fiber-optic telecommunications business.

NEE segregates into two categories unrealized mark-to-market gains and losses and timing impacts related to derivative transactions. The first category, referred to as non-qualifying hedges, represents certain energy derivative, interest rate derivative and foreign currency transactions entered into as economic hedges, which do not meet the requirements for hedge accounting, or for which hedge accounting treatment is not elected or has been discontinued. Changes in the fair value of those transactions are marked to market and reported in the condensed consolidated statements of income, resulting in earnings volatility because the economic offset to certain of the positions are generally not marked to market. As a consequence, NEE's net income reflects only the movement in one part of economically-linked transactions. For example, a gain (loss) in the non-qualifying hedge category for certain energy derivatives is offset by decreases (increases) in the fair value of related physical asset positions in the portfolio or contracts, which are not marked to market under GAAP. For this reason, NEE's management views results expressed excluding the impact of the non-qualifying hedges as a meaningful measure of current period performance. The second category, referred to as trading activities, which is included in adjusted earnings, represents the net unrealized effect of actively traded positions entered into to take advantage of expected market price movements and all other commodity hedging activities. At FPL, substantially all changes in the fair value of energy derivative transactions are deferred as a regulatory asset or liability until the contracts are settled, and, upon settlement, any gains or losses are passed through the fuel clause. See Note 4.

## RESULTS OF OPERATIONS

### Summary

Net income attributable to NEE for the three months ended September 30, 2018 was higher than the prior year period by \$160 million, reflecting higher results at FPL and Corporate and Other, partly offset by lower results at NEER. Net income attributable to NEE for the nine months ended September 30, 2018 was higher than the prior year period by \$3,006 million, reflecting higher results at FPL and NEER, partly offset by lower results at Corporate and Other.

FPL's increase in net income for the three and nine months ended September 30, 2018 was primarily driven by continued investments in plant in service and other property. FPL earned an 11.60% regulatory ROE on its retail rate base, based on a thirteen month trailing average retail rate base as of September 30, 2018, compared to an 11.50% regulatory ROE for the comparable period in 2017.

NEER's results decreased for the three months ended September 30, 2018 primarily reflecting higher losses from non-qualifying hedge activity, partly offset by lower income tax expense primarily related to the reduction in the corporate federal income tax rate. For the nine months ended September 30, 2018, NEER's results increased primarily reflecting NEP investment gains upon deconsolidation and favorable tax reform-related impacts.

Corporate and Other's results increased for the three months ended September 30, 2018 primarily due to net gains from non-qualifying hedge activity and favorable consolidating income tax adjustments. Corporate and Other's results decreased for the nine months ended September 30, 2018 primarily due to the absence of the 2017 gain on sale of the fiber-optic telecommunications business partly offset by lower net losses from non-qualifying hedge activity.

NEE's effective income tax rates for the three months ended September 30, 2018 and 2017 were approximately 12% and 30%, respectively, and for the nine months ended September 30, 2018 and 2017 were 23% and 29%, respectively. The decrease in rates for the three and nine months ended September 30, 2018 primarily reflects lower federal corporate income tax rates due to tax reform, partly offset by the impact of state income taxes net of federal income tax benefits and the impact of PTCs and ITCs. Additionally, for the nine months ended September 30, 2018, the effective income tax rate was impacted by an adjustment related to differential membership interests. See Note 6.

In May 2018, NEE and a wholly owned subsidiary of NEE entered into three separate agreements with Southern to acquire Gulf Power, FCG and the entities holding Southern's ownership interests in two natural gas generation facilities. In July 2018, NEE completed the acquisition of FCG. See Note 7.

FPL: Results of Operations

Investments in plant in service and other property grew FPL's average retail rate base for the three and nine months ended September 30, 2018 by approximately \$3.4 billion and \$3.1 billion, respectively, when compared to the same periods in the prior year, reflecting, among other things, solar generation additions and ongoing transmission and distribution additions.

The use of reserve amortization is permitted by a December 2016 FPSC final order approving a stipulation and settlement between FPL and several intervenors in FPL's base rate proceeding (2016 rate agreement). In order to earn a targeted regulatory ROE, subject to limitations associated with the 2016 rate agreement, reserve amortization is calculated using a trailing thirteen-month average of retail rate base and capital structure in conjunction with the trailing twelve months regulatory retail base net operating income, which primarily includes the retail base portion of base and other revenues, net of O&M, depreciation and amortization, interest and tax expenses. In general, the net impact of these income statement line items must be adjusted, in part, by reserve amortization to earn the targeted regulatory ROE. In certain periods, reserve amortization is reversed so as not to exceed the targeted regulatory ROE. The drivers of FPL's net income not reflected in the reserve amortization calculation typically include wholesale and transmission service revenues and expenses, cost recovery clause revenues and expenses, AFUDC - equity and revenue and costs not recoverable from retail customers by the FPSC. During both the three and nine months ended September 30, 2018, FPL recorded the reversal of reserve amortization of approximately \$301 million, partially restoring the reserve amortization used in December 2017 as discussed below. During the three and nine months ended September 30, 2017, FPL recorded the reversal of reserve amortization of approximately \$124 million and reserve amortization of \$104 million, respectively.

In September 2017, Hurricane Irma passed through Florida causing damage to much of FPL's service territory. In December 2017, following the enactment of tax reform, FPL determined that it would not seek recovery of Hurricane Irma storm restoration costs through a storm surcharge from customers and, as a result, the regulatory asset associated with Hurricane Irma was written off in December 2017 as storm restoration costs. The FPSC has scheduled a hearing in February 2019 to evaluate FPL's Hurricane Irma storm restoration costs. As allowed under the 2016 rate agreement, FPL used available reserve amortization to offset nearly all of the expense, and plans to partially restore the reserve amortization through tax savings generated during the term of the 2016 rate agreement. In February 2018, the FPSC opened separate dockets for FPL and several other utilities in Florida to address the impacts of tax reform. FPL's hearing before the FPSC to address tax reform has been scheduled for February 2019. FPL believes that the benefits of tax reform will be realized by FPL's customers in accordance with the 2016 rate agreement as discussed above.

In July 2018, the FPSC approved a settlement agreement between FPL and the Office of Public Counsel regarding the recovery of storm costs related to Hurricane Matthew. As part of the settlement agreement, FPL issued a one-time refund to customers totaling approximately \$28 million in August 2018.

#### Operating Revenues

During the three and nine months ended September 30, 2018, FPL's operating revenues decreased \$78 million and \$168 million, respectively. Retail base revenues increased approximately \$127 million and \$266 million for the three and nine months ended September 30, 2018, respectively, reflecting additional revenues of approximately \$92 million and \$237 million, respectively, related to new retail base rates under the 2016 rate agreement. Retail base revenues during the three and nine months ended September 30, 2018 were also impacted by an increase of 1.4% and a decrease of 0.5%, respectively, in the average usage per retail customer and increases of 1.2% and 1.1% in the average number of customer accounts for the respective periods. In September 2017, Hurricane Irma contributed to lower retail usage, resulting in an approximately \$60 million reduction in retail base revenues for the three and nine months ended September 30, 2017. In addition, for the three and nine months ended September 30, 2018, FPL's operating revenues decreased by approximately \$79 million and \$212 million, respectively, due to a decrease in fuel cost recovery revenues primarily as a result of lower average fuel factors and decreased \$122 million and \$174 million, respectively, due to lower storm-related revenues primarily as a result of the conclusion of the Hurricane Matthew surcharge in February 2018.

#### Fuel, Purchased Power and Interchange Expense

Fuel, purchased power and interchange expense decreased \$95 million and \$278 million for the three and nine months ended September 30, 2018, respectively, reflecting lower fuel charges of approximately \$33 million and \$66 million, respectively, primarily due to lower fuel prices. The decreases also reflect the deferral of approximately \$19 million and \$83 million of retail fuel costs for the three and nine months ended September 30, 2018, respectively, compared to the recognition of approximately \$16 million and \$35 million of deferred retail fuel costs in the respective prior year periods. Fuel, purchased power and interchange expense also reflects decreases of approximately \$26 million and \$93 million during the three and nine months ended September 30, 2018, respectively, primarily as a result of the shutdown of SJRPP in January 2018, which had the effect of terminating a 375 MW take-or-pay purchased power contract. See Note 12 - Contracts.

#### Depreciation and Amortization Expense

Depreciation and amortization expense increased \$100 million and \$346 million during the three and nine months ended September 30, 2018, respectively. FPL recorded a reversal of \$301 million reserve amortization in the three and nine months ended September 30, 2018 compared to a reversal of \$124 million in the three months ended September 30, 2017 and reserve amortization of \$104 million in the nine months ended September 30, 2017. Reserve amortization reflects adjustments to accrued asset removal costs provided under the 2016 rate agreement in order to achieve the targeted regulatory ROE. Reserve amortization is recorded as a reduction to accrued asset removal costs which is included in noncurrent regulatory liabilities on the condensed consolidated balance sheets. At September 30, 2018, there were approximately \$301 million of accrued asset removal costs related to reserve amortization. The increase in depreciation and amortization expense during the three and nine months ended September 30, 2018 was partially offset by lower storm-recovery cost amortization as a result of the conclusion of the Hurricane Matthew surcharge in February 2018.



Income Taxes

During the three and nine months ended September 30, 2018, FPL's income taxes decreased \$204 million and \$493 million, respectively, primarily related to the decrease in federal corporate income tax rates.

NEER: Results of Operations

NEER's net income less net loss attributable to noncontrolling interests decreased \$78 million and increased \$3,345 million for the three and nine months ended September 30, 2018, respectively. The primary drivers, on an after-tax basis, of the changes are in the following table.

	Increase (Decrease) From Prior Year Period
	Three Months Ended September 30, 2018
	Nine Months Ended September 30, 2018
	(millions)
New investments <sup>(a)</sup>	\$1 \$ (57 )
Existing assets <sup>(a)</sup>	6 65
Gas infrastructure <sup>(a)</sup>	21 66
Customer supply and proprietary power and gas trading <sup>(b)</sup>	1 (18 )
Asset sales	— 22
Interest and other general and administrative expenses <sup>(c)</sup>	(22 ) (112 )
Income taxes, primarily due to corporate federal income tax rate reduction	56 180
Other	(7 ) (5 )
Change in non-qualifying hedge activity <sup>(d)</sup>	(93 ) (104 )
Tax reform-related <sup>(d)</sup>	(36 ) 412
NEP investment gains, net <sup>(d)</sup>	(18 ) 2,892
Change in unrealized losses on securities held in NEER's nuclear decommissioning funds and OTTI, net	18 17
Operating results of the solar projects in Spain	(5 ) (13 )
Increase (decrease) in net income less net loss attributable to noncontrolling interests	\$(78) \$ 3,345

Reflects after-tax project contributions, including PTCs, ITCs and deferred income taxes and other benefits associated with convertible ITCs for wind and solar projects, as applicable, but excludes allocation of interest expense or corporate general and administrative expenses. Results from projects and pipelines are included in new investments during the first twelve months of operation or ownership. Project results are included in existing assets and pipeline results are included in gas infrastructure beginning with the thirteenth month of operation or ownership.

(a) Excludes allocation of interest expense and corporate general and administrative expenses.

(b) Includes differential membership interest costs. Excludes unrealized mark-to-market gains and losses related to interest rate derivative contracts, which are included in change in non-qualifying hedge activity.

(c) See Overview - Adjusted Earnings for additional information.

Supplemental to the primary drivers of the changes in NEER's net income less net loss attributable to noncontrolling interests discussed above, the discussion below describes changes in certain line items set forth in NEE's condensed consolidated statements of income as they relate to NEER.

#### Operating Revenues

Operating revenues for the three months ended September 30, 2018 decreased \$313 million primarily due to:

- higher losses from non-qualifying commodity hedges (\$226 million for the three months ended September 30, 2018 compared to \$24 million for the comparable period in 2017), and
- lower revenues of approximately \$173 million related to the deconsolidation of NEP, partly offset by,
- other increases in revenues of \$62 million, primarily related to the gas infrastructure business and new investments.

Operating revenues for the nine months ended September 30, 2018 decreased \$623 million primarily due to:

- lower revenues of approximately \$544 million related to the deconsolidation of NEP, and
- the impact of losses from non-qualifying commodity hedges (\$231 million of losses for the nine months ended September 30, 2018 compared to \$117 million of gains for the comparable period in 2017), partly offset by,
- other increases in revenues of \$269 million, primarily related to the gas infrastructure business and new investments.

#### Operating Expenses - net

Operating expenses - net for the three months ended September 30, 2018 decreased \$40 million primarily due to:

- the absence of approximately \$100 million of operating expenses related to NEP which is no longer consolidated, partly offset by,

higher O&M expense of \$33 million at the customer supply and proprietary power and gas trading and gas infrastructure businesses, and  
higher operating expenses associated with new investments of \$12 million.

Operating expenses - net for the nine months ended September 30, 2018 decreased \$189 million primarily due to:  
the absence of approximately \$303 million of operating expenses related to NEP which is no longer consolidated, partly offset by,  
higher O&M expense of \$102 million at the customer supply and proprietary power and gas trading and gas infrastructure businesses, and  
higher operating expenses associated with new investments of \$37 million.

#### Interest Expense

NEER's interest expense for the three months ended September 30, 2018 decreased approximately \$84 million primarily reflecting \$45 million of favorable changes in the fair value of interest rate derivative instruments compared to \$7 million of favorable changes in the comparable period in 2017 as well as the absence of approximately \$48 million of interest expense related to NEP which is no longer consolidated. NEER's interest expense for the nine months ended September 30, 2018 decreased approximately \$291 million primarily reflecting \$148 million of favorable changes in the fair value of interest rate derivative instruments compared to \$38 million of unfavorable changes in the comparable period in 2017 as well as the absence of approximately \$133 million of interest expense related to NEP which is no longer consolidated. The decreases discussed above were partly offset by higher borrowing costs to support growth of the business.

#### Benefits Associated with Differential Membership Interests - net

For the three and nine months ended September 30, 2017, benefits associated with differential membership interests - net reflect benefits recognized by NEER as third-party investors received their portion of the economic attributes, including income tax attributes, of the underlying wind and solar projects, net of associated costs. For the three and nine months ended September 30, 2018, NEER recognized income related to differential membership interests of approximately \$64 million and \$754 million, respectively, as net loss attributable to noncontrolling interests in the condensed consolidated statements of income. The increase for the nine months ended September 30, 2018 primarily relates to an adjustment of approximately \$497 million (\$373 million after tax) related to the decrease in federal corporate income tax rates effective January 1, 2018. See Note 11 - Accounting for Partial Sales of Nonfinancial Assets.

#### Equity in Earnings of Equity Method Investees

After the deconsolidation of NEP, approximately \$77 million and \$235 million of equity in earnings of NEP was recognized during the three and nine months ended September 30, 2018, respectively, as equity in earnings of equity method investees. See Note 2. For the nine months ended September 30, 2018, equity in earnings of NEP included approximately \$150 million related to a favorable adjustment at NEP to the differential membership interests due to the decrease in federal corporate income tax rates.

#### Gain on NEP Deconsolidation

The NEP deconsolidation resulted in a gain of approximately \$3.9 billion (\$3.0 billion after tax) in NEE's condensed consolidated statements of income during the nine months ended September 30, 2018. See Note 2.

#### Tax Credits, Benefits and Expenses

PTCs from wind projects and ITCs and deferred income taxes associated with convertible ITCs from solar and certain wind projects are included in NEER's earnings. PTCs are recognized as wind energy is generated and sold based on a per kWh rate prescribed in applicable federal and state statutes. A portion of the PTCs and ITCs have been allocated

to investors in connection with sales of differential membership interests. Also see Note 6 for a discussion of tax reform-related impacts and PTCs, ITCs and deferred income taxes associated with convertible ITCs.

#### Net (Income) Loss Attributable to Noncontrolling Interests

For the three and nine months ended September 30, 2018, net loss attributable to noncontrolling interests primarily represents the activity related to the sales of differential membership interests. See Benefits Associated with Differential Membership Interests - net above and Note 11 - Accounting for Partial Sales of Nonfinancial Assets. For the three and nine months ended September 30, 2017, net income attributable to noncontrolling interests primarily represented the income attributable to the noncontrolling ownership interest in NEP. After the deconsolidation of NEP, NEE's earnings from its noncontrolling interest in NEP are included in equity in earnings of equity method investees. See Note 2.

#### NEP

In August 2018, subsidiaries of NEER entered into an agreement with a subsidiary of NEP to sell ownership interests in ten wind generation facilities and one solar generation facility with a generating capacity totaling approximately 1,388 MW. See Note 11 - Assets and Liabilities Associated with Assets Held for Sale.

## Corporate and Other: Results of Operations

Corporate and Other is primarily comprised of the operating results of NEET and other business activities, as well as corporate interest income and expenses. Corporate and Other allocates a portion of NEECH's corporate interest expense to NEER. Interest expense is allocated based on a deemed capital structure of 70% debt and, for purposes of allocating NEECH's corporate interest expense, differential membership interests sold by NEER's subsidiaries are included with debt. Each subsidiary's income taxes are calculated based on the "separate return method," except that tax benefits that could not be used on a separate return basis, but are used on the consolidated tax return, are recorded by the subsidiary that generated the tax benefits. Any remaining consolidated income tax benefits or expenses are recorded at Corporate and Other.

Corporate and Other's results increased \$150 million and decreased \$566 million during the three and nine months ended September 30, 2018, respectively. The increase for the three months ended September 30, 2018 primarily reflects net gains from non-qualifying hedge activity and favorable consolidating income tax adjustments. The decrease for the nine months is primarily due to the absence of the approximately \$685 million after-tax gain on sale of the fiber-optic telecommunications business in January 2017 (see Note 11 - Assets and Liabilities Associated with Assets Held for Sale) partly offset by lower net losses from non-qualifying hedge activity.

## LIQUIDITY AND CAPITAL RESOURCES

NEE and its subsidiaries require funds to support and grow their businesses. These funds are used for, among other things, working capital, capital expenditures, investments in or acquisitions of assets and businesses, payment of maturing debt obligations and, from time to time, redemption or repurchase of outstanding debt or equity securities. It is anticipated that these requirements will be satisfied through a combination of cash flows from operations, short- and long-term borrowings, the issuance of short- and long-term debt and, from time to time, equity securities, and proceeds from differential membership investors, consistent with NEE's and FPL's objective of maintaining, on a long-term basis, a capital structure that will support a strong investment grade credit rating. NEE, FPL and NEECH rely on access to credit and capital markets as significant sources of liquidity for capital requirements and other operations that are not satisfied by operating cash flows. The inability of NEE, FPL and NEECH to maintain their current credit ratings could affect their ability to raise short- and long-term capital, their cost of capital and the execution of their respective financing strategies, and could require the posting of additional collateral under certain agreements.

### Cash Flows

NEE's sources and uses of cash for the nine months ended September 30, 2018 and 2017 were as follows:

	Nine Months Ended September 30, 2018      2017 <sup>(a)</sup> (millions)	
Sources of cash:		
Cash flows from operating activities	\$5,225	\$5,329
Long-term borrowings	4,028	5,196
Proceeds from differential membership investors	103	340
Proceeds from sale of the fiber-optic telecommunications business	—	1,482
Sale of independent power and other investments of NEER	327	159
Distributions from equity method investees	637	7

Edgar Filing: NEXTERA ENERGY INC - Form 10-Q

Payments from related parties under CSCS agreement – net	720	—
Issuances of common stock - net	714	36
Net increase in commercial paper and other short-term debt	948	2,004
Other sources - net	13	175
Total sources of cash	12,715	14,728
Uses of cash:		
Capital expenditures, independent power and other investments and nuclear fuel purchases	(9,257 )	(8,587 )
Retirements of long-term debt	(2,593 )	(3,892 )
Dividends	(1,570 )	(1,382 )
Other uses - net	(556 )	(627 )
Total uses of cash	(13,976 )	(14,488 )
Effects of currency translation on cash, cash equivalents and restricted cash	(1 )	—
Net increase (decrease) in cash, cash equivalents and restricted cash	\$(1,262)	\$240

(a) Prior period amounts have been retrospectively adjusted as discussed in Note 11 - Restricted Cash.

NEE's primary capital requirements are for expanding and enhancing FPL's electric system and generation facilities to continue to provide reliable service to meet customer electricity demands and for funding NEER's investments in independent power and other projects. See Note 12 – Commitments for estimated capital expenditures for the remainder of 2018 through 2022. The following table provides a summary of the major capital investments for the nine months ended September 30, 2018 and 2017.

	Nine Months Ended September 30, 2018    2017 (millions)	
FPL:		
Generation:		
New	\$592	\$890
Existing	805	726
Transmission and distribution	1,875	1,560
Nuclear fuel	104	104
General and other	294	266
Other, primarily change in accrued property additions and the exclusion of AFUDC - equity	(73)	) 234
Total	3,597	3,780
NEER:		
Wind	2,949	2,662
Solar	495	577
Nuclear, including nuclear fuel	179	171
Natural gas pipelines	527	727
Other	788	612
Total	4,938	4,749
Corporate and Other	722	58
Total capital expenditures, independent power and other investments and nuclear fuel purchases	\$9,257	\$8,587

## Liquidity

At September 30, 2018, NEE's total net available liquidity was approximately \$8.4 billion. The table below provides the components of FPL's and NEECH's net available liquidity at September 30, 2018:

	FPL	NEECH	Total	Maturity Date	
				FPL	NEECH
		(millions)			
Bank revolving line of credit facilities <sup>(a)</sup>	\$2,943	\$ 4,997	\$7,940	2019 - 2023	2019 - 2023
Issued letters of credit	(3 )	(298 )	(301 )		
	2,940	4,699	7,639		
Revolving credit facilities	2,000	1,150	3,150	2018 - 2019	2018 - 2021
Borrowings	—	—	—		
	2,000	1,150	3,150		
Letter of credit facilities <sup>(b)</sup>	—	800	800		2020 - 2021
Issued letters of credit	—	(780 )	(780 )		
	—	20	20		
Subtotal	4,940	5,869	10,809		
Cash and cash equivalents	103	391	494		
Commercial paper and other short-term borrowings outstanding	(205 )	(2,685 )	(2,890 )		
Net available liquidity	\$4,838	\$ 3,575	\$8,413		

Provide for the funding of loans up to \$7,940 million (\$2,943 million for FPL) and the issuance of letters of credit up to \$2,450 million (\$575 million for FPL). The entire amount of the credit facilities is available for general corporate purposes and to provide additional liquidity in the event of a loss to the companies' or their subsidiaries' operating facilities (including, in the case of FPL, a transmission and distribution property loss). FPL's bank revolving line of credit facilities are also available to support the purchase of \$838 million of pollution control, solid waste disposal and industrial development revenue bonds (tax exempt bonds) in the event they are tendered by individual bondholders and not remarketed prior to maturity. Approximately \$2,389 million of FPL's and \$3,871 million of NEECH's bank revolving line of credit facilities expire in 2023.

(b) Only available for the issuance of letters of credit.

## Capital Support

## Guarantees, Letters of Credit, Surety Bonds and Indemnifications (Guarantee Arrangements)

Certain subsidiaries of NEE issue guarantees and obtain letters of credit and surety bonds, as well as provide indemnities, to facilitate commercial transactions with third parties and financings. Substantially all of the guarantee arrangements are on behalf of NEE's consolidated subsidiaries, as discussed in more detail below. NEE is not required to recognize liabilities associated with guarantee arrangements issued on behalf of its consolidated subsidiaries unless it becomes probable that they will be required to perform. At September 30, 2018, NEE believes that there is no material exposure related to these guarantee arrangements.

NEE subsidiaries issue guarantees related to equity contribution agreements associated with the development, construction and financing of certain power generation facilities, engineering, procurement and construction



agreements and equity contributions associated with natural gas pipeline projects under construction and a related natural gas transportation agreement. Commitments associated with these activities are included in the contracts table in Note 12.

In addition, at September 30, 2018, NEE subsidiaries had approximately \$4.1 billion in guarantees related to obligations under purchased power agreements, nuclear-related activities, payment obligations related to PTCs, as well as other types of contractual obligations.

In some instances, subsidiaries of NEE elect to issue guarantees instead of posting other forms of collateral required under certain financing arrangements, as well as for other project-level cash management activities. At September 30, 2018, these guarantees totaled approximately \$684 million and support, among other things, cash management activities, including those related to debt service and O&M service agreements, as well as other specific project financing requirements.

Subsidiaries of NEE also issue guarantees to support customer supply and proprietary power and gas trading activities, including the buying and selling of wholesale and retail energy commodities. At September 30, 2018, the estimated mark-to-market exposure (the total amount that these subsidiaries of NEE could be required to fund based on energy commodity market prices at September 30, 2018) plus contract settlement net payables, net of collateral posted for obligations under these guarantees totaled approximately \$802 million.

At September 30, 2018, subsidiaries of NEE also had approximately \$1.4 billion of standby letters of credit and approximately \$327 million of surety bonds to support certain of the commercial activities discussed above. FPL's and NEECH's credit facilities are available to support the amount of the standby letters of credit.

In addition, as part of contract negotiations in the normal course of business, certain subsidiaries of NEE have agreed and in the future may agree to make payments to compensate or indemnify other parties, including those associated with asset divestitures, for possible unfavorable financial consequences resulting from specified events. The specified events may include, but are not limited to, an adverse judgment in a lawsuit or the imposition of additional taxes due to a change in tax law or interpretations of the tax law, or the triggering of cash grant recapture provisions under the Recovery Act. NEE is unable to estimate the maximum potential amount of future payments under some of these contracts because events that would obligate them to make payments have not yet occurred or, if any such event has occurred, they have not been notified of its occurrence.

Certain guarantee arrangements described above contain requirements for NEECH and FPL to maintain a specified credit rating. NEE has guaranteed certain payment obligations of NEECH, including most of its debt and all of its debentures and commercial paper issuances, as well as most of its payment guarantees and indemnifications, and NEECH has guaranteed certain debt and other obligations of NEER and its subsidiaries.

#### Shelf Registration

In July 2018, NEE, NEECH and FPL filed a shelf registration statement with the SEC for an unspecified amount of securities, which became effective upon filing. The amount of securities issuable by the companies is established from time to time by their respective boards of directors. Securities that may be issued under the registration statement include, depending on the registrant, senior debt securities, subordinated debt securities, junior subordinated debentures, first mortgage bonds, common stock, preferred stock, stock purchase contracts, stock purchase units, warrants and guarantees related to certain of those securities.

#### New Accounting Rules and Interpretations

Leases - In February 2016, the FASB issued an accounting standards update which requires, among other things, that lessees recognize a lease liability and a right-of-use asset for all leases. See Note 11 - Leases.

### ENERGY MARKETING AND TRADING AND MARKET RISK SENSITIVITY

NEE and FPL are exposed to risks associated with adverse changes in commodity prices, interest rates and equity prices. Financial instruments and positions affecting the financial statements of NEE and FPL described below are held primarily for purposes other than trading. Market risk is measured as the potential loss in fair value resulting from hypothetical reasonably possible changes in commodity prices, interest rates or equity prices over the next year. Management has established risk management policies to monitor and manage such market risks, as well as credit risks.

#### Commodity Price Risk

NEE and FPL use derivative instruments (primarily swaps, options, futures and forwards) to manage the physical and financial risks inherent in the purchase and sale of fuel and electricity. In addition, NEE, through NEER, uses derivatives to optimize the value of its power generation and gas infrastructure assets and engages in power and gas marketing and trading activities to take advantage of expected future favorable price movements. See Note 4.

The changes in the fair value of NEE's consolidated subsidiaries' energy contract derivative instruments for the three and nine months ended September 30, 2018 were as follows:

Hedges on  
Owned Assets  
Trading

Edgar Filing: NEXTERA ENERGY INC - Form 10-Q

	(millions)			
	Non- Qualifying	FPL Cost Recovery	NEE Total Clauses	Total
Three months ended September 30, 2018				
Fair value of contracts outstanding at June 30, 2018	\$464	\$725	\$ —	\$1,189
Reclassification to realized at settlement of contracts	(48 )	21	1	(26 )
Inception value of new contracts	(1 )	(2 )	—	(3 )
Net option premium purchases (issuances)	5	—	—	5
Changes in fair value excluding reclassification to realized	42	(228 )	(1 )	(187 )
Fair value of contracts outstanding at September 30, 2018	462	516	—	978
Net margin cash collateral paid (received)				(76 )
Total mark-to-market energy contract net assets (liabilities) at September 30, 2018	\$462	\$516	\$ —	\$902

50

---

Edgar Filing: NEXTERA ENERGY INC - Form 10-Q

	Hedges on Owned Assets			NEE Total
	Trading	Non- Qualifying	FPL Cost Recovery Clauses	
(millions)				
Nine months ended September 30, 2018				
Fair value of contracts outstanding at December 31, 2017	\$442	\$728	\$ —	\$1,170
Reclassification to realized at settlement of contracts	(189 )	(16 )	(3 )	(208 )
Inception value of new contracts	(2 )	(1 )	—	(3 )
Net option premium purchases (issuances)	42	5	—	47
Impact of adoption of new revenue standard	3	(27 )	—	(24 )
Changes in fair value excluding reclassification to realized	166	(173 )	3	(4 )
Fair value of contracts outstanding at September 30, 2018	462	516	—	978
Net margin cash collateral paid (received)				(76 )
Total mark-to-market energy contract net assets (liabilities) at September 30, 2018	\$462	\$516	\$ —	\$902

NEE's total mark-to-market energy contract net assets (liabilities) at September 30, 2018 shown above are included on the condensed consolidated balance sheets as follows:

	September 30, 2018 (millions)
Current derivative assets	\$ 451
Noncurrent derivative assets	1,218
Current derivative liabilities	(399 )
Noncurrent derivative liabilities	(368 )
NEE's total mark-to-market energy contract net assets	\$ 902

The sources of fair value estimates and maturity of energy contract derivative instruments at September 30, 2018 were as follows:

	Maturity						Total (millions)
	2018	2019	2020	2021	2022	Thereafter	
Trading:							
Quoted prices in active markets for identical assets	\$4	\$73	\$30	\$—	\$(1)	\$ —	\$106
Significant other observable inputs	36	52	(8 )	1	(23 )	11	69
Significant unobservable inputs	(7 )	(26 )	50	39	52	179	287
Total	33	99	72	40	28	190	462
Owned Assets - Non-Qualifying:							
Quoted prices in active markets for identical assets	(11 )	(52 )	(8 )	(3 )	—	—	(74 )
Significant other observable inputs	13	38	46	48	38	22	205
Significant unobservable inputs	8	1	14	22	26	314	385
Total	10	(13 )	52	67	64	336	516
Owned Assets - FPL Cost Recovery Clauses:							
Quoted prices in active markets for identical assets	—	—	—	—	—	—	—
Significant other observable inputs	2	—	—	—	—	—	2
Significant unobservable inputs	—	(2 )	—	—	—	—	(2 )
Total	2	(2 )	—	—	—	—	—

Total sources of fair value	\$45	\$84	\$124	\$107	\$92	\$ 526	\$978
-----------------------------	------	------	-------	-------	------	--------	-------

51

---

Edgar Filing: NEXTERA ENERGY INC - Form 10-Q

The changes in the fair value of NEE's consolidated subsidiaries' energy contract derivative instruments for the three and nine months ended September 30, 2017 were as follows:

	Trading	Hedges on Owned Assets Non- Qualifying	FPL Cost Recovery Clauses	NEE Total
	(millions)			
Three months ended September 30, 2017				
Fair value of contracts outstanding at June 30, 2017	\$436	\$1,074	\$ 16	\$1,526
Reclassification to realized at settlement of contracts	(74 )	(4 )	1	(77 )
Inception value of new contracts	4	—	—	4
Net option premium purchases (issuances)	(23 )	—	—	(23 )
Changes in fair value excluding reclassification to realized	81	37	(13 )	105
Fair value of contracts outstanding at September 30, 2017	424	1,107	4	1,535
Net margin cash collateral paid (received)				(53 )
Total mark-to-market energy contract net assets (liabilities) at September 30, 2017	\$424	\$1,107	\$ 4	\$1,482

	Trading	Hedges on Owned Assets Non- Qualifying	FPL Cost Recovery Clauses	NEE Total
	(millions)			
Nine months ended September 30, 2017				
Fair value of contracts outstanding at December 31, 2016	\$430	\$984	\$ 208	\$1,622
Reclassification to realized at settlement of contracts	(194 )	(151 )	(40 )	(385 )
Inception value of new contracts	8	—	—	8
Net option premium purchases (issuances)	(91 )	4	—	(87 )
Changes in fair value excluding reclassification to realized	271	270	(164 )	377
Fair value of contracts outstanding at September 30, 2017	424	1,107	4	1,535
Net margin cash collateral paid (received)				(53 )
Total mark-to-market energy contract net assets (liabilities) at September 30, 2017	\$424	\$1,107	\$ 4	\$1,482

With respect to commodities, the EMC, which is comprised of certain members of senior management, and NEE's chief executive officer are responsible for the overall approval of market risk management policies and the delegation of approval and authorization levels. The EMC and NEE's chief executive officer receive periodic updates on market positions and related exposures, credit exposures and overall risk management activities.

NEE uses a value-at-risk (VaR) model to measure commodity price market risk in its trading and mark-to-market portfolios. The VaR is the estimated loss of market value based on a one-day holding period at a 95% confidence level using historical simulation methodology. The VaR figures are as follows:

	Trading	Non-Qualifying Hedges and Hedges in FPL Cost Recovery Clauses <sup>(a)</sup>	Total
	FPINEER	NEE	FPINEER
	NEE	FPINEER	NEE
	FPINEER	NEE	FPINEER
	NEE	FPINEER	NEE
	(millions)		

Edgar Filing: NEXTERA ENERGY INC - Form 10-Q

December 31, 2017	\$—	7	\$ 7	\$—	41	\$ 41	\$—	35	\$ 35
September 30, 2018	\$—	2	\$ 2	\$—	34	\$ 33	\$—	34	\$ 34
Average for the nine months ended September 30, 2018	\$—	3	\$ 3	\$—	31	\$ 31	\$—	29	\$ 30

- 
- (a) Non-qualifying hedges are employed to reduce the market risk exposure to physical assets or contracts which are not marked to market. The VaR figures for the non-qualifying hedges and hedges in FPL cost recovery clauses category do not represent the economic exposure to commodity price movements.

## Interest Rate Risk

NEE's and FPL's financial results are exposed to risk resulting from changes in interest rates as a result of their respective outstanding and expected future issuances of debt, investments in special use funds and other investments. NEE and FPL manage their respective interest rate exposure by monitoring current interest rates, entering into interest rate contracts and using a combination of fixed rate and variable rate debt. Interest rate contracts are used to mitigate and adjust interest rate exposure when deemed appropriate based upon market conditions or when required by financing agreements.

The following are estimates of the fair value of NEE's and FPL's financial instruments that are exposed to interest rate risk:

	September 30, 2018		December 31, 2017	
	Carrying Amount	Estimated Fair Value <sup>(a)</sup>	Carrying Amount	Estimated Fair Value <sup>(a)</sup>
	(millions)			
NEE:				
Fixed income securities:				
Special use funds	\$1,934	\$1,934	\$1,946	\$1,946
Other investments:				
Debt securities	\$131	\$131	\$136	\$136
Primarily notes receivable	\$30	\$30	\$500	\$680
Long-term debt, including current maturities	\$29,694	\$30,326	\$33,134	\$35,447
Interest rate contracts - net unrealized gains (losses)	\$(40 )	\$(40 )	\$(225 )	\$(225 )
FPL:				
Fixed income securities - special use funds	\$1,497	\$1,497	\$1,462	\$1,462
Long-term debt, including current maturities	\$11,691	\$12,438	\$11,702	\$13,285

(a) See Note 5.

The special use funds of NEE and FPL consist of restricted funds set aside to cover the cost of storm damage for FPL and for the decommissioning of NEE's and FPL's nuclear power plants. A portion of these funds is invested in fixed income debt securities primarily carried at estimated fair value. At FPL, changes in fair value, including any OTTI losses, result in a corresponding adjustment to the related regulatory asset or liability accounts based on current regulatory treatment. The changes in fair value of NEE's non-rate regulated operations result in a corresponding adjustment to OCI, except for impairments deemed to be other than temporary, including any credit losses, which are reported in current period earnings. Because the funds set aside by FPL for storm damage could be needed at any time, the related investments are generally more liquid and, therefore, are less sensitive to changes in interest rates. The nuclear decommissioning funds, in contrast, are generally invested in longer-term securities, as decommissioning activities are not scheduled to begin in the near term.

At September 30, 2018, NEE had interest rate contracts with a notional amount of approximately \$15.9 billion related to outstanding and expected future debt issuances and borrowings, of which approximately \$13.5 billion manages exposure to the variability of cash flows associated with outstanding and expected future debt issuances at NEECH and NEER. The remaining \$2.4 billion of notional amount of interest rate contracts effectively convert fixed-rate debt to variable-rate debt instruments at NEECH. See Note 4.



Based upon a hypothetical 10% decrease in interest rates, which is a reasonable near-term market change, the fair value of NEE's net liabilities would increase by approximately \$1,629 million (\$598 million for FPL) at September 30, 2018.

#### Equity Price Risk

NEE and FPL are exposed to risk resulting from changes in prices for equity securities. For example, NEE's nuclear decommissioning reserve funds include marketable equity securities primarily carried at their market value of approximately \$3,560 million and \$3,314 million (\$2,179 million and \$2,035 million for FPL) at September 30, 2018 and December 31, 2017, respectively. NEE's and FPL's investment strategy for equity securities in their nuclear decommissioning reserve funds emphasizes primarily marketable securities which are broadly diversified. At September 30, 2018, a hypothetical 10% decrease in the prices quoted on stock exchanges, which is a reasonable near-term market change, would result in a \$328 million (\$203 million for FPL) reduction in fair value. For FPL, a corresponding adjustment would be made to the related regulatory liability accounts based on current regulatory treatment, and for NEE's non-rate regulated operations, a corresponding amount would be recorded in change in unrealized gains (losses) on equity securities held in NEE's nuclear decommissioning funds - net in NEE's condensed consolidated statements of income.

#### Credit Risk

NEE and its subsidiaries are also exposed to credit risk through their energy marketing and trading operations. Credit risk is the risk that a financial loss will be incurred if a counterparty to a transaction does not fulfill its financial obligation. NEE manages counterparty credit risk for its subsidiaries with energy marketing and trading operations through established policies, including counterparty credit limits, and in some cases credit enhancements, such as cash prepayments, letters of credit, cash and other collateral and guarantees.

Credit risk is also managed through the use of master netting agreements. NEE's credit department monitors current and forward credit exposure to counterparties and their affiliates, both on an individual and an aggregate basis. For all derivative and contractual transactions, NEE's energy marketing and trading operations, which include FPL's energy marketing and trading division, are exposed to losses in the event of nonperformance by counterparties to these transactions. Some relevant considerations when assessing NEE's energy marketing and trading operations' credit risk exposure include the following:

• Operations are primarily concentrated in the energy industry.

• Trade receivables and other financial instruments are predominately with energy, utility and financial services related companies, as well as municipalities, cooperatives and other trading companies in the U.S.

• Overall credit risk is managed through established credit policies and is overseen by the EMC.

• Prospective and existing customers are reviewed for creditworthiness based upon established standards, with customers not meeting minimum standards providing various credit enhancements or secured payment terms, such as letters of credit or the posting of margin cash collateral.

• Master netting agreements are used to offset cash and noncash gains and losses arising from derivative instruments with the same counterparty. NEE's policy is to have master netting agreements in place with significant counterparties.

Based on NEE's policies and risk exposures related to credit, NEE and FPL do not anticipate a material adverse effect on their financial statements as a result of counterparty nonperformance. At September 30, 2018, approximately 90% of NEE's and 99% of FPL's energy marketing and trading counterparty credit risk exposure is associated with companies that have investment grade credit ratings.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

See Management's Discussion - Energy Marketing and Trading and Market Risk Sensitivity.

### Item 4. Controls and Procedures

#### (a) Evaluation of Disclosure Controls and Procedures

As of September 30, 2018, each of NEE and FPL had performed an evaluation, under the supervision and with the participation of its management, including NEE's and FPL's chief executive officer and chief financial officer, of the effectiveness of the design and operation of each company's disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)). Based upon that evaluation, the chief executive officer and the chief financial officer of each of NEE and FPL concluded that the company's disclosure controls and procedures were effective as of September 30, 2018.

#### (b) Changes in Internal Control Over Financial Reporting

NEE and FPL are continuously seeking to improve the efficiency and effectiveness of their operations and of their internal controls. This results in refinements to processes throughout NEE and FPL. However, there has been no change in NEE's or FPL's internal control over financial reporting (as defined in the Securities Exchange Act of 1934 Rules 13a-15(f) and 15d-15(f)) that occurred during NEE's and FPL's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, NEE's or FPL's internal control over financial reporting.

## PART II - OTHER INFORMATION

## Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in the 2017 Form 10-K. The factors discussed in Part I, Item 1A. Risk Factors in the 2017 Form 10-K, as well as other information set forth in this report, which could materially adversely affect NEE's and FPL's business, financial condition, results of operations and prospects should be carefully considered. The risks described in the 2017 Form 10-K are not the only risks facing NEE and FPL. Additional risks and uncertainties not currently known to NEE or FPL, or that are currently deemed to be immaterial, also may materially adversely affect NEE's or FPL's business, financial condition, results of operations and prospects.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) Information regarding purchases made by NEE of its common stock during the three months ended September 30, 2018 is as follows:

Period	Total Number of Shares Purchased <sup>(a)</sup>	Average Price Paid Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program	Maximum Number of Shares that May Yet be Purchased Under the Program <sup>(b)</sup>
7/1/18 - 7/31/18	—	—	—	45,000,000
8/1/18 - 8/31/18	989	\$ 172.77	—	45,000,000
9/1/18 - 9/30/18	457	\$ 173.54	—	45,000,000
Total	1,446	\$ 173.01	—	

(a) Includes: (1) in August 2018, shares of common stock withheld from employees to pay certain withholding taxes upon the vesting of stock awards granted to such employees under the NextEra Energy, Inc. Amended and Restated 2011 Long Term Incentive Plan; and (2) in September 2018, shares of common stock purchased as a reinvestment of dividends by the trustee of a grantor trust in connection with NEE's obligation under a February 2006 grant under the NextEra Energy, Inc. Amended and Restated Long-Term Incentive Plan to an executive officer of deferred retirement share awards.

(b) In May 2017, NEE's Board of Directors authorized repurchases of up to 45 million shares of common stock over an unspecified period.

## Item 5. Other Information

(a) None

(b) None

(c) Other events

(i) Reference is made to Item 1. Business - NEER - Generation and Other Operations - NEER Fuel/Technology Mix - Nuclear Facilities in the 2017 Form 10-K.

In July 2018, a wholly owned subsidiary of NEER entered into an amendment to the power purchase agreement (PPA) with Duane Arnold's primary customer for the energy and capacity related to NEER's 70% ownership share of Duane

Arnold to shorten the term of the PPA by five years. The amended PPA will expire on December 31, 2020, pending approval by the Iowa Utilities Board. NEER expects to cease operations of Duane Arnold after the expiration of the amended PPA, subject to required approvals.

## Item 6. Exhibits

Exhibit Number	Description	NEE	FPL
*4(a)	<u>Officer's Certificate of NextEra Energy Capital Holdings, Inc., dated September 16, 2015, creating the Series H Debentures due September 1, 2020 (filed as Exhibit 4(c) to Form 8-K dated September 16, 2015, File No. 1-8841)</u>	x	
*4(b)	<u>Letter, dated August 9, 2018, from NextEra Energy Capital Holdings, Inc. to The Bank of New York Mellon, as trustee, setting forth certain terms of the Series H Debentures due September 1, 2020, effective August 9, 2018 (filed as Exhibit 4(b) to Form 8-K dated August 9, 2018, File No. 1-8841)</u>	x	
*4(c)	<u>Officer's Certificate of NextEra Energy Capital Holdings, Inc., dated August 28, 2018, creating the Floating Rate Debentures, Series due August 21, 2020 (filed as Exhibit 4(a) to Form 8-K dated August 28, 2018, File No. 1-8841)</u>	x	
*4(d)	<u>Officer's Certificate of NextEra Energy Capital Holdings, Inc., dated August 28, 2018, creating the Floating Rate Debentures, Series due August 28, 2021 (filed as Exhibit 4(b) to Form 8-K dated August 28, 2018, File No. 1-8841)</u>	x	
12(a)	<u>Computation of Ratios</u>	x	
12(b)	<u>Computation of Ratios</u>		x
31(a)	<u>Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of NextEra Energy, Inc.</u>	x	
31(b)	<u>Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of NextEra Energy, Inc.</u>	x	
31(c)	<u>Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of Florida Power &amp; Light Company</u>		x
31(d)	<u>Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of Florida Power &amp; Light Company</u>		x
32(a)	<u>Section 1350 Certification of NextEra Energy, Inc.</u>	x	
32(b)	<u>Section 1350 Certification of Florida Power &amp; Light Company</u>		x
101.INS	XBRL Instance Document	x	x
101.SCH	XBRL Schema Document	x	x
101.PRE	XBRL Presentation Linkbase Document	x	x
101.CAL	XBRL Calculation Linkbase Document	x	x
101.LAB	XBRL Label Linkbase Document	x	x
101.DEF	XBRL Definition Linkbase Document	x	x

\*Incorporated herein by reference

NEE and FPL agree to furnish to the SEC upon request any instrument with respect to long-term debt that NEE and FPL have not filed as an exhibit pursuant to the exemption provided by Item 601(b)(4)(iii)(A) of Regulation S-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

Date: October 23, 2018

NEXTERA ENERGY, INC.  
(Registrant)

TERRELL KIRK CREWS, II  
Terrell Kirk Crews, II  
Vice President, Controller and Chief Accounting Officer  
of NextEra Energy, Inc.  
(Principal Accounting Officer of NextEra Energy, Inc.)

FLORIDA POWER & LIGHT COMPANY  
(Registrant)

KEITH FERGUSON  
Keith Ferguson  
Controller  
of Florida Power & Light Company  
(Principal Accounting Officer of  
Florida Power & Light Company)