

## **FITCH AFFIRMS RATINGS OF NEXTERA AND FLORIDA POWER & LIGHT; OUTLOOK REVISED TO STABLE**

Fitch Ratings-New York-02 May 2011: Fitch affirmed the issuer default ratings (IDR) of NextEra Energy, Inc. (NextEra) and NextEra Energy Capital Holdings, Inc. (Capital Holdings) at 'A-' and affirmed the 'A' IDR of Florida Power & Light (FP&L). Also, Fitch revised the Rating Outlooks for all three credits to Stable from Negative. Approximately \$15 billion of recourse debt is affected by today's rating actions, and the instrument ratings are listed at the end of this release.

The affirmations of the ratings of NextEra, Capital Holdings, and FP&L and the change in the Rating Outlook to Stable recognize the improved economic and utility regulatory environment in Florida. An indicator of the change is the December 2010 rate settlement that will enable FP&L to collect revenues and to begin recovering its investment in the new West County 3 power facility when that unit starts commercial operation this year. The membership of the Public Service Commission has stabilized following Governor Rick Scott's appointment of four commissioners, confirmed by the state senate on April 29.

There are signs of gradual improvement in employment statistics in South Florida, although regional unemployment remains above the national average. Favorably, FP&L has reported modest increases for five consecutive quarters in the number of customers connected to its system. The affirmation of FP&L's ratings also reflects: the availability of tariff adjustment mechanisms and trackers that result in timely recovery of purchased power, fuel and environmental costs; the utility's low debt leverage; and strong interest coverage in excess of Fitch's norms for comparable 'A' rated utility credits.

NextEra's consolidated parent-level credit ratios are not as robust as those of its 'A-' peers, but Fitch also takes into consideration several factors that enhance credit quality. First, the NextEra group has a stable core of cash flows from a combination of utility and long-term contractual businesses. Over the next five years, Fitch anticipates that FP&L and regulated electric transmission assets in Texas will account for half of NextEra's EBITDA, and combined with NextEra Energy wholesale generation assets subject to committed contractual sales contracts, Fitch forecasts that three-quarters of EBITDA will be from predictable or stable sources. Second, NextEra's forward power sales are hedged for a materially longer contract duration than other major U.S. competitive generators. Third, NextEra Energy's non-utility generation portfolio has an extremely low exposure to coal-fired generating facilities due to its concentration in nuclear, natural gas, and renewable generation technologies. Finally, approximately \$5.25 billion of project finance debts included in the group's Dec. 31, 2010 consolidated debt balance have either limited recourse or no recourse to corporate support, which is a risk mitigant that offsets the higher leverage resulting from project financing.

The Stable Outlooks for NextEra, Capital Holdings, and FP&L also consider the strong liquidity position of the group and favorable access to capital markets.

Fitch's ratings presume that the group will fund its capital expenditures with retained internal cash flow supplemented by a balanced mix of debt, equity or hybrid equity financing. Fitch's ratings also assume that FP&L will continue to recover fuel, purchased power, and storm recovery costs consistent with current Florida Public Service Commission (FPSC) policies.

### **Credit Concerns:**

Among the risks that Fitch considered in the ratings are the continuing high rate of capital expenditures at both NextEra Energy Resources and FP&L and the group's reliance on tax credits and tax incentives for cash flow. Ratings of NextEra and Capital Holdings could be adversely affected if NextEra Energy Resources pursues speculative power project development without assured off-take arrangement, undertakes increased energy marketing and trading activities or is

unable to renew expiring contracts on terms that maintain the current credit profile. Changes in tax laws or regulations that impair the ability to utilize the group's accumulated tax credits would be a credit negative; on the other hand, NextEra's credit would not be sensitive to elimination of the availability of production tax credits on new projects.

Ratings of FP&L would be adversely affected if the FPSC adopts less supportive policies on recovery of purchased power costs, fuel expense, environmental compliance costs, new renewal resources, or storm related expenses.

Capital Holdings' ratings and outlook are identical with those of its parent NextEra, reflecting the unconditional and irrevocable guarantee by the parent of the debt obligations of Capital Holdings. Aside from those guarantees, NextEra has no debt.

Ratings affected by these actions are listed below.

Ratings affirmed and all on Rating Outlook Stable:

NextEra Energy, Inc.

--Issuer Default Rating (IDR) at 'A-';

--Equity Units at 'A-'.

NextEra Energy Capital Holdings, Inc.

--IDR at 'A-';

--Senior unsecured debentures 'A-';

--Jr. Subordinate hybrids 'BBB';

--Short-term IDR and commercial paper at 'F1'.

FPL Group Capital Trust I

--Trust preferred stock at 'BBB'.

Florida Power & Light Company

--IDR at 'A';

--First mortgage bonds 'AA-';

--Unsecured pollution control revenue bonds 'A+';

--Short-term IDR and commercial paper 'F1'.

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Additional information is available at 'www.fitchratings.com'.

Applicable Criteria and Related Research:

- 'Corporate Rating Methodology' (August 16, 2010);
- 'U.S. Power and Gas Comparative Operating Risk (COR) Evaluation and Financial Guidelines' (Aug. 22, 2007).
- 'Utility Sector Notching and Recovery Ratings' (March 16, 2010).

Applicable Criteria and Related Research:

Corporate Rating Methodology

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=546646](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=546646)

U.S. Power and Gas Comparative Operating Risk (COR) Evaluation and Financial Guidelines

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=338030](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=338030)

Utilities Sector Notching and Recovery Ratings

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=504546](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=504546)

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