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CREDIT OPINION
31 March 2016

Update

Rate this Research

RATINGS

Florida Power & Light Company

Domicile	Juno Beach, Florida, United States
Long Term Rating	A1
Type	LT Issuer Rating
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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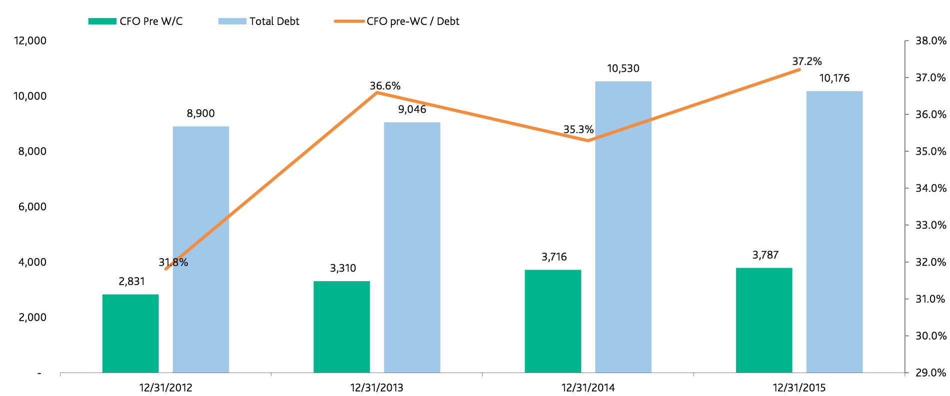
Florida Power & Light Company

Major Florida Electric Utility

Summary Rating Rationale

FPL is one of the strongest regulated electric utilities in the US. The political and regulatory environment for Florida utilities is stable, allaying some of the uncertainties that this year's rate case will entail. FPL has good cost recovery mechanisms that produce consistently above-average financial performance. Its large, mainly residential service territory is growing, and the economic recovery will result in organic growth in sales and a need for new infrastructure. To meet those needs, FPL continues to make substantial capital investments in its rate base, which will increase earnings as they are completed.

Exhibit 1



Source: Moody's Investors Service

SFHHA 010778
FPL RC-16

Credit Strengths

» Stable regulatory environment, very supportive of utility credit quality

» Superior cash flow metrics

Credit Challenges

» Uncertainty surrounding rate case

» Geographic concentration in Florida

Rating Outlook

The stable rating outlook reflects the our expectation that the current rate case will result in a constructive outcome that will maintain its existing credit-supportive ratemaking features. The ratings assume its timely cost recovery mechanisms and regular capital contributions from NextEra will maintain FPL's strong credit metrics, including CFO Pre-WC-to-debt in the low to mid 30% range.

Factors that Could Lead to an Upgrade

An upgrade is constrained by the circumstances of the utility's location (geographic concentration in Florida, event risk from storms) and its substantial capital expenditure program. Its rate-regulation will limit much more upside in its financial performance. FPL's A1 issuer rating is also constrained by the three-notch gap with NextEra's Baa1 rating, but longer term, FPL could be upgraded in conjunction with an upgrade of NextEra.

Factors that Could Lead to a Downgrade

A downgrade could be considered if there are significant cost disallowances or other changes to Florida's credit-supportive regulatory and cost recovery framework, or if there is a sustained decline in cash flow coverage metrics, including CFO Pre-WC-to-debt below 25%, or an increase in debt-to-capitalization above the 40% range.

Key Indicators

Exhibit 2

KEY INDICATORS [1]

Florida Power & Light Company

	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
CFO pre-WC + Interest / Interest	7.8x	7.4x	8.5x	9.5x	9.5x
CFO pre-WC / Debt	33.2%	31.8%	36.6%	35.3%	37.2%
CFO pre-WC – Dividends / Debt	28.1%	31.8%	24.8%	20.6%	30.3%
Debt / Capitalization	33.8%	33.0%	31.8%	34.5%	30.4%

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. Source: Moody's Financial Metrics™
Source: Moody's Financial Metrics™

Detailed Rating Considerations

GEOGRAPHIC CONCENTRATION IN FLORIDA

Since FPL's service territory is entirely in the state of Florida, the utility is entirely dependent on the Florida Public Service Commission (FPSC) for ratemaking decisions and subject to the economic and political environment in the state.

Florida's economy continues to recover from the Great Recession. Migration into the state has increased the number of FPL's retail customers (1.4% in 2015, better than the flat industry trend) which, in turn, has generated incremental retail sales. Growth in the service territory has also necessitated additional investments in the utility infrastructure, on which FPL will earn a return.

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With its service territory concentrated around the eastern and southern coasts of Florida, FPL is exposed to weather risk from hurricanes. Although the company has mitigated this risk through investments in storm hardening obtaining storm recovery clauses, it could still incur facilities damage and additional costs in a severe weather event.

RATE CASE OUTCOME UNCERTAIN, THOUGH LIKELY TO BE CONTRUCTIVE

Ahead of its current rate settlement expires at year-end 2016, FPL has filed a rate case with the FPSC for new rates starting in January 2017. The filing requests $1.3 billion of base rate increases phased in over the four-year plan, and a return on equity (ROE) of 11.0% plus a 0.5% performance adder on its longstanding equity ratio of 59.6%. The FPSC will likely render its decision in November 2016.

We believe that the Florida regulatory environment is stable and very supportive of utility credit quality; therefore, we expect this rate case will result in a constructive outcome that maintain its existing favorable ratemaking features. For example, FPL's current rate settlement provides a high degree of rate certainty. The four-year plan was based on forward test years, and FPL is allowed to earn 1% above or below a regulatory ROE of 10.5%, which the company has been able to achieve through its reserve amortization mechanism and operating efficiency. A key positive feature of the settlement is the Generation Base Rate Adjustment, which allows base rates to be increased as each of its three plant modernization projects becomes operational. The company has completed two of these projects (Cape Canaveral in 2013, Riviera Beach in 2014), adding roughly $400 million to the company's rate base. It expects to complete its final project, Port Everglades, in April 2016 and add another $216 million to its rate base.

FPL earns the vast majority of its net income through its base rates but it also has various clauses that provide for adequate and timely cost recovery and returns on certain other investments. The company has experienced very little in disallowances and lag in recovery. For example, its fuel and capacity clauses are adjusted annually based on expected fuel and purchased power prices and for prior period differences between projected and actual costs. FPL may also recover pre-construction costs and carrying charges for construction work in progress for nuclear capital expenditures, and has been able to recover costs associated with the utility's solar generating facilities. Additionally, FPL has an environmental cost recovery clause that is adjusted annually for capital spending and operating expenses related to emission controls.

LARGE CAPEX PROGRAM FOR CLEANER, MOSTLY GAS-FUELED POWER

FPL has a relatively clean emissions profile, generating the majority of its power from natural gas (69% in 2015), the rest coming from nuclear (22%), purchased power(5%), and coal (4%). Already a top gas user among US utilities, FPL is becoming increasingly reliant on natural gas.

Much of the $3-$4 billion in capital that FPL plans to spend annually over the next few years will result in cleaner, more fuel-efficient power generation. Most of the new generation capacity will use natural gas. For example, in 2016, capex will be somewhat higher to complete modernizing its Port Everglades power plant ($1.2 billion project, 1,240 megawatts (MW) of generation capacity) and to replace old gas turbine peakers with more advanced combustion turbines ($750-$800 million). FPL is next building a new combined cycle facility at the Okeechobee Clean Energy Center ($1.2 billion project, 1,600MW, in-service 2019). It plans eventually to replace the Cedar Bay coal facility that it acquired in late 2015 (approximately $520 million) with a combined cycle facility.

As both a gas cost hedge and a long-term investment, the company has invested $191 million in gas reserves in the Woodford shale play, and the FPSC has approved FPL to make up to $500 million per year in additional gas reserve investments. FPL is also the principal customer on two pipelines that are being constructed to serve Florida: Sabal Trail (33% owned by NextEra, 59.5% by Spectra Energy, 7.5% by Duke Energy) and Florida Southeast Connection (100% owned by NextEra). These new pipelines will start service in 2017, helping to secure more gas supply for FPL.

SUPERIOR CASH FLOW METRICS

FPL has some of the strongest cash flow coverage metrics in the US utilities sector, because a high percentage of its revenues is recovered through cost recovery clauses and it is well capitalized. FPL's cash flow from operations before working capital changes (CFO Pre-WC) interest coverage and CFO Pre-WC-to-debt have averaged 9.2x and 36.3%, respectively, over the last three years ending December 2015. These metrics are strongly positioned for the company's current rating category.

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FPL RC-16

The company's debt-to-capitalization of 30.4% at 31 December 2015 is among the lowest in its peer group, much of it due to a fully funded pension plan, which is unusual in the industry. FPL receives capital contributions from and pays dividends to NextEra, maintaining its reported equity ratio just below 60%, consistent with its last approved capital structure. We expect the utility to continue to finance its capital expenditure program with a mix of long-term debt and capital contributions from the parent, limiting the amount of additional leverage incurred and maintaining its debt-to-capitalization below 35% on a Moody's adjusted basis.

Liquidity Analysis

FPL maintains an ample liquidity profile with a total of $3.2 billion of bank credit facilities, with $235 million expiring in May 2016 (which we expect will be renewed), $200 million in 2018, and $2.3 billion in 2021. FPL uses these facilities to back up commercial paper borrowings ($56 million outstanding as of 31 December 2015), letters of credit, and $718 million of revenue bonds in case they are put back to the company and not remarketed. The company has no material adverse change clause in its bank credit agreements and was in compliance with the debt-to-capitalization financial covenant contained in these agreements as of 31 December 2015.

FPL generated cash flow from operations of $3.4 billion in 2015, while investing $3.6 billion in capital expenditures and distributing $0.7 billion in dividends to NextEra. In 2016, capital expenditures will likely exceed $4 billion. In terms of scheduled debt maturities, the company has $100 million note payable due on 30 November 2016 and $63 million of amortization payments. After that, FPL's next major maturity is in November 2017 when $300 million of first mortgage bonds mature.

Profile

Headquartered in Juno Beach, Florida, Florida Power and Light Company (FPL, A1 stable) is the largest vertically integrated regulated utility in Florida, with approximately 25,300 megawatts of generating capacity and 4.8 million customer accounts. A subsidiary of NextEra Energy, Inc. (NextEra, Baa1 stable), one of the largest providers of electricity-related services in the US. FPL accounted for about 60% of NextEra's earnings in 2015.

SFHHA 010781
FPL RC-16

Rating Methodology and Scorecard Factors

Exhibit 3

Rating Factors				
Florida Power & Light Company				
Regulated Electric and Gas Utilities Industry Grid [1][2]	**Current FY 12/31/2015**		**Moody's 12-18 Month Forward View As of 3/2016 [3]**	
Factor 1 : Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	Aa	Aa	Aa	Aa
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	Aa	Aa	Aa	Aa
b) Sufficiency of Rates and Returns	Baa	Baa	Baa	Baa
Factor 3 : Diversification (10%)				
a) Market Position	A	A	A	A
b) Generation and Fuel Diversity	A	A	A	A
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	8.8x	Aaa	8.8x - 9.5x	Aaa
b) CFO pre-WC / Debt (3 Year Avg)	34.6%	Aa	34% - 36%	Aa
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	23.4%	Aa	24% - 26%	Aa
d) Debt / Capitalization (3 Year Avg)	32.2%	Aa	31% - 33%	Aa
Rating:				
Grid-Indicated Rating Before Notching Adjustment		Aa3		Aa3
HoldCo Structural Subordination Notching				
a) Indicated Rating from Grid		Aa3		Aa3
b) Actual Rating Assigned		A1		A1

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 12/31/2015
[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Financial Metrics™

Ratings

Exhibit 4

Category	Moody's Rating
FLORIDA POWER & LIGHT COMPANY	
Outlook	Stable
Issuer Rating	A1
First Mortgage Bonds	Aa2
Senior Secured Shelf	(P)Aa2
Senior Unsecured Shelf	(P)A1
Commercial Paper	P-1
PARENT: NEXTERA ENERGY, INC.	
Outlook	Stable
Issuer Rating	Baa1
Senior Unsecured Shelf	(P)Baa1
Jr Subordinate Shelf	(P)Baa2
Pref. Shelf	(P)Baa3

Source: Moody's Investors Service

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