

NEXTERA ENERGY INC
 Form 10-K
 February 15, 2019
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549
 FORM 10-K

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

For the fiscal year ended December 31, 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

| | Name of exchange on which registered |
|---|--------------------------------------|
| Securities registered pursuant to Section 12(b) of the Act: | |
| NextEra Energy, Inc.: Common Stock, \$0.01 Par Value | New York Stock Exchange |
| 6.123% Corporate Units | New York Stock Exchange |

Florida Power & Light Company: None

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

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

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

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

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

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

Indicate by check mark whether the registrants have submitted electronically 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 No Florida Power & Light Company Yes No

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

Indicate by check mark whether the registrants are a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company.

NextEra Energy, Inc. Large Accelerated Accelerated Non-Accelerated Filer Smaller Reporting Company Emerging Growth

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| | | | | | |
|-------------------------------|---|--|--|--|---|
| Florida Power & Light Company | Filer <input type="checkbox"/> Large Accelerated Filer <input type="checkbox"/> | Accelerated Filer <input type="checkbox"/> | Non-Accelerated Filer <input type="checkbox"/> | Smaller Reporting Company <input type="checkbox"/> | 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

Aggregate market value of the voting and non-voting common equity of NextEra Energy, Inc. held by non-affiliates at June 29, 2018 (based on the closing market price on the Composite Tape on June 29, 2018) was \$78,550,110,752.

There was no voting or non-voting common equity of Florida Power & Light Company held by non-affiliates at June 29, 2018.

Number of shares of NextEra Energy, Inc. common stock, \$0.01 par value, outstanding at January 31, 2019: 478,167,505

Number of shares of Florida Power & Light Company common stock, without par value, outstanding at January 31, 2019, all of which were held, beneficially and of record, by NextEra Energy, Inc.: 1,000

DOCUMENTS INCORPORATED BY REFERENCE

Portions of NextEra Energy, Inc.'s Proxy Statement for the 2019 Annual Meeting of Shareholders are incorporated by reference in Part III hereof.

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

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

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DEFINITIONS

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

| Term | Meaning |
|------------------------------|---|
| AFUDC - equity | equity component of allowance for funds used during construction |
| AOCI | accumulated other comprehensive income |
| Bcf | billion cubic feet |
| CAISO | California Independent System Operator |
| capacity clause | capacity cost recovery clause, as established by the FPSC |
| CO ₂ | carbon dioxide |
| DOE | U.S. Department of Energy |
| Duane Arnold | Duane Arnold Energy Center |
| environmental clause | environmental cost recovery clause |
| EPA | U.S. Environmental Protection Agency |
| ERCOT | Electric Reliability Council of Texas |
| FERC | U.S. Federal Energy Regulatory Commission |
| Florida Southeast Connection | Florida Southeast Connection, LLC, a wholly owned NEER subsidiary |
| FPL | Florida Power & Light Company |
| FPSC | Florida Public Service Commission |
| fuel clause | fuel and purchased power cost recovery clause, as established by the FPSC |
| GAAP | generally accepted accounting principles in the U.S. |
| GHG | greenhouse gas(es) |
| Gulf Power | Gulf Power Company |
| ISO | independent system operator |
| ISO-NE | ISO New England Inc. |
| ITC | investment tax credit |
| kW | kilowatt |
| kWh | kilowatt-hour(s) |
| Management's Discussion | Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations |
| MISO | Midcontinent Independent System Operator |
| MMBtu | One million British thermal units |
| mortgage | mortgage and deed of trust dated as of January 1, 1944, from FPL to Deutsche Bank Trust Company Americas, as supplemented and amended |
| MW | megawatt(s) |
| MWh | megawatt-hour(s) |
| NEE | NextEra Energy, Inc. |
| NEECH | NextEra Energy Capital Holdings, Inc. |
| NEER | NextEra Energy Resources, LLC |
| NEET | NextEra Energy Transmission, LLC |
| NEP | NextEra Energy Partners, LP |
| NEP OpCo | NextEra Energy Operating Partners, LP |
| NERC | North American Electric Reliability Corporation |
| net generating capacity | net ownership interest in plant(s) capacity |
| net generation | net ownership interest in plant(s) generation |

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| | |
|----------------|--|
| Note __ | Note __ to consolidated financial statements |
| NRC | U.S. Nuclear Regulatory Commission |
| NYISO | New York Independent System Operator |
| O&M expenses | other operations and maintenance expenses in the consolidated statements of income |
| OCI | other comprehensive income |
| OTC | over-the-counter |
| OTTI | other than temporary impairment |
| PJM | PJM Interconnection, L.L.C. |
| PMI | NextEra Energy Marketing, LLC |
| Point Beach | Point Beach Nuclear Power Plant |
| PTC | production tax credit |
| PV | photovoltaic |
| Recovery Act | The American Recovery and Reinvestment Act of 2009, as amended |
| regulatory ROE | return on common equity as determined for regulatory purposes |
| RPS | renewable portfolio standards |
| RTO | regional transmission organization |
| Sabal Trail | Sabal Trail Transmission, LLC, an entity in which a 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.

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FORWARD-LOOKING STATEMENTS

This report includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions, strategies, future events or performance (often, but not always, through the use of words or phrases such as may result, are expected to, will continue, is anticipated, believe, will, could, should, would, estimated, may, plan, potential, future, projection, goals, target, outlook, predict and intend or words of similar meaning) are not statements of

historical facts and may be forward looking. Forward-looking statements involve estimates, assumptions and uncertainties. Accordingly, any such statements are qualified in their entirety by reference to, and are accompanied by, important factors included in Part I, Item 1A. Risk Factors (in addition to any assumptions and other factors referred to specifically in connection with such forward-looking statements) that could have a significant impact on NEE's and/or FPL's operations and financial results, and could cause NEE's and/or FPL's actual results to differ materially from those contained or implied in forward-looking statements made by or on behalf of NEE and/or FPL in this combined Form 10-K, in presentations, on their respective websites, in response to questions or otherwise.

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

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PART I

Item 1. Business

OVERVIEW

NEE is one of the largest electric power and energy infrastructure companies in North America and a leader in the renewable energy industry. NEE has two principal businesses, FPL and NEER. FPL is the largest electric utility in the state of Florida and one of the largest electric utilities in the U.S. FPL's strategic focus is centered on investing in generation, transmission and distribution facilities to continue to deliver on its value proposition of low bills, high reliability, outstanding customer service and clean energy solutions for the benefit of its more than five million customers. NEER is the world's largest generator of renewable energy from the wind and sun. NEER's strategic focus is centered on the development, construction and operation of long-term contracted assets throughout the U.S. and Canada, including renewable generation facilities, natural gas pipelines and battery storage projects. In January 2019, NEE completed the acquisition of Gulf Power, a rate-regulated electric utility engaged in the generation, transmission, distribution and sale of electric energy in northwest Florida. See Gulf Power below.

As described in more detail in the following sections, NEE seeks to create value in its two principal businesses by meeting its customers' needs more economically and more reliably than its competitors. NEE's strategy has resulted in profitable growth over sustained periods at both FPL and NEER. Management seeks to grow each business in a manner consistent with the varying opportunities available to it; however, management believes that the diversification and balance represented by FPL and NEER is a valuable characteristic of the enterprise and recognizes that each business contributes to NEE's financial strength in different ways. FPL and NEER share a common platform with the objective of lowering costs and creating efficiencies for their businesses. NEE and its subsidiaries continue to develop and implement enterprise-wide initiatives focused on improving productivity, process effectiveness and quality.

NEE, which employed approximately 14,300 people at December 31, 2018, was incorporated in 1984 under the laws of Florida. During 2018, NEE conducted its operations principally through its two wholly owned subsidiaries, FPL and NEER, which also constituted NEE's reportable segments for financial reporting purposes. NEECH, another wholly owned subsidiary of NEE, owns and provides funding for NEER's and NEE's operating subsidiaries, other than FPL. NEP was formed in 2014. NEP acquires, manages and owns contracted clean energy projects with stable, long-term cash flows. See NEER section below for further discussion of NEP, including changes to its governance structure, which resulted in the deconsolidation of NEP in January 2018.

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FPL

FPL was incorporated under the laws of Florida in 1925 and is a rate-regulated electric utility engaged primarily in the generation, transmission, distribution and sale of electric energy in Florida. In July 2018, FPL acquired a retail gas business (see Note 8 - Other). FPL is the largest electric utility in the state of Florida and one of the largest electric utilities in the U.S. At December 31, 2018, FPL had approximately 24,500 MW of net generating capacity, approximately 75,200 circuit miles of transmission and distribution lines and 645 substations. FPL provides service to its electric customers through an integrated transmission and distribution system that links its generation facilities to its customers. At December 31, 2018, FPL served more than ten million people through more than five million customer accounts. FPL's service territory, which covers most of the east and lower west coasts of Florida, and plant locations at December 31, 2018 were as follows (see FPL Sources of Generation below):

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CUSTOMERS AND REVENUE

FPL's primary source of operating revenues is from its retail customer base; it also serves a limited number of wholesale customers within Florida. The percentage of FPL's operating revenues and customer accounts by customer class were as follows:

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

FPL seeks to maintain attractive rates for its customers. Since rates are largely cost-based, maintaining low rates requires a strategy focused on developing and maintaining a low-cost position, including the implementation of ideas generated from cost savings initiatives. A common benchmark used in the electric power industry for comparing rates across companies is the price of 1,000 kWh of consumption per month for a residential customer. FPL's 2018 average bill for 1,000 kWh of monthly residential usage was well below both the average of reporting electric utilities within Florida and the July 2018 national average (the latest date for which this data is available) as indicated below:

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FRANCHISE AGREEMENTS AND COMPETITION

FPL's service to its electric retail customers is provided primarily under franchise agreements negotiated with municipalities or counties. During the term of a franchise agreement, which is typically 30 years, the municipality or county agrees not to form its own utility, and FPL has the right to offer electric service to residents. FPL currently holds 184 franchise agreements with various municipalities and counties in Florida with varying expiration dates through 2048. These franchise agreements cover approximately 88% of FPL's retail customer base in Florida. FPL also provides service to 11 other municipalities and to 22 unincorporated areas within its service area without franchise agreements pursuant to the general obligation to serve as a public utility. FPL relies upon Florida law for access to public rights of way.

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

In addition to self-generation by residential, commercial and industrial customers, FPL also faces competition from other suppliers of electrical energy to wholesale customers and from alternative energy sources. In each of 2018, 2017 and 2016, operating revenues from wholesale and industrial electric customers combined represented approximately five percent of FPL's total operating revenues.

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

FPL SOURCES OF GENERATION

At December 31, 2018, FPL's resources for serving load consisted of approximately 24,624 MW, of which 24,510 MW were from FPL-owned facilities and 114 MW were available through purchased power agreements. FPL owned and operated 30 units that used fossil fuels, primarily natural gas, with generating capacity of 19,542 MW and had a joint ownership interest in 1 out-of-state coal unit, which it does not operate, with net generating capacity of 634 MW. In addition, FPL owned, or had undivided interests in, and operated, 4 nuclear units with net generating capacity totaling 3,479 MW (see Nuclear Operations below) and owned and operated 13 solar generation facilities with generating capacity totaling 855 MW (excluding 75 MW of non-incremental solar capability which is provided through a natural gas generation facility). FPL customer usage and operating revenues are typically higher during the summer months, largely due to the prevalent use of air conditioning in FPL's service territory. Occasionally, unusually

cold temperatures during the winter months result in significant increases in electricity usage for short periods of time.

FPL is in the process of constructing a new approximately 1,750 MW natural gas combined-cycle unit as discussed in FPL Regulation - FPL Electric Rate Regulation - Base Rates - Rates Effective January 2017 through December 2020. In addition, FPL is in the process of modernizing two generating units at its Lauderdale facility to a high-efficiency, clean-burning natural gas unit (Dania Beach Clean Energy Center). The Dania Beach Clean Energy Center is expected to provide approximately 1,200 MW of generating capacity and to be in service in 2022.

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Fuel Sources

FPL relies upon a mix of fuel sources for its generation facilities, the ability of some of its generation facilities to operate on both natural gas and oil, and on purchased power to maintain the flexibility to achieve a more economical fuel mix in order to respond to market and industry developments.

*Oil is less than 1% *Oil is less than 1%

Significant Fuel and Transportation Contracts. At December 31, 2018, FPL had the following significant fuel and transportation contracts in place:

FPL has firm transportation contracts with seven different transportation suppliers for natural gas pipeline capacity for an aggregate maximum quantity of 2,769,000 MMBtu/day currently, of which 1,969,000 MMBtu/day have expiration dates ranging from 2019 to 2036. The remaining 800,000 MMBtu/day increases to 1,200,000 MMBtu/day starting in mid-2020 through 2042. See Note 15 - Contracts.

FPL has several contracts for the supply of uranium and the conversion, enrichment and fabrication of nuclear fuel with expiration dates ranging from March 2019 through 2033.

Additionally, FPL enters into short- and medium-term natural gas supply contracts to provide a portion of FPL's anticipated needs for natural gas. The remainder of FPL's natural gas requirements is purchased in the spot market.

Nuclear Operations

At December 31, 2018, FPL owned, or had undivided interests in, and operated the four nuclear units in Florida discussed below. FPL's nuclear units are periodically removed from service to accommodate planned refueling and maintenance outages, including inspections, repairs and certain other modifications. Scheduled nuclear refueling outages typically require the unit to be removed from service for variable lengths of time.

| Facility | FPL's Ownership (MW) | Beginning of Next Scheduled Refueling Outage | Operating License Expiration Date |
|-------------------------|-------------------------|---|--------------------------------------|
| St. Lucie Unit No. 1 | 981 | September 2019 | 2036 |
| St. Lucie Unit No. 2 | 840 ^(a) | February 2020 | 2043 |
| Turkey Point Unit No. 3 | 837 | March 2020 | 2032 ^(b) |
| Turkey Point Unit No. 4 | 821 | March 2019 | 2033 ^(b) |

(a) Excludes 147 MW operated by FPL but owned by non-affiliates.

(b) In January 2018, FPL filed an application with the NRC to renew the operating licenses for Turkey Point Units Nos. 3 and 4 for an additional 20 years, which license renewals are pending.

NRC regulations require FPL to submit a plan for decontamination and decommissioning five years before the projected end of plant operation. FPL's current plans, under the existing operating licenses, provide for prompt dismantlement of Turkey Point Units Nos. 3 and 4 with decommissioning activities commencing in 2032 and 2033, respectively. Current plans provide for St. Lucie Unit No. 1 to be shut down in 2036 with decommissioning activities to be integrated with the prompt dismantlement of St. Lucie Unit No. 2 commencing in 2043.

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

FPL ENERGY MARKETING AND TRADING

FPL's Energy Marketing & Trading division (EMT) buys and sells wholesale energy commodities, such as natural gas, oil and electricity. EMT procures natural gas and oil for FPL's use in power generation and sells excess natural gas, oil and electricity. EMT also uses derivative instruments (primarily swaps, options and forwards) to manage the physical and financial risks inherent in the purchase and sale of fuel and electricity. Substantially all of the results of EMT's activities are passed through to customers in the fuel or capacity clauses. See Management's Discussion - Energy Marketing and Trading and Market Risk Sensitivity and Note 4.

FPL REGULATION

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

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

FPL Electric Rate Regulation

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

Base Rates. In general, the basic costs of providing electric service, other than fuel and certain other costs, are recovered through base rates, which are designed to recover the costs of constructing, operating and maintaining the utility system. These basic costs include O&M expenses, depreciation and taxes, as well as a return on FPL's investment in assets used and useful in providing electric service (rate base). At the time base rates are established, the

allowed rate of return on rate base approximates the FPSC's determination of FPL's estimated weighted-average cost of capital, which includes its costs for outstanding debt and an allowed return on common equity. The FPSC monitors FPL's actual regulatory ROE through a surveillance report that is filed monthly by FPL with the FPSC. The FPSC does not provide assurance that any regulatory ROE will be achieved. Base rates are determined in rate proceedings or through negotiated settlements of those proceedings. Proceedings can occur at the initiative of FPL or upon action by the FPSC. Base rates remain in effect until new base rates are approved by the FPSC.

Rates Effective January 2017 through December 2020 - In December 2016, the FPSC issued a final order approving a stipulation and settlement between FPL and several intervenors in FPL's base rate proceeding (2016 rate agreement). Key elements of the 2016 rate agreement, which is effective from January 2017 through at least December 2020, include, among other things, the following:

• New retail base rates and charges were established resulting in the following increases in annualized retail base revenues:

\$400 million beginning January 1, 2017;

\$211 million beginning January 1, 2018; and

\$200 million when a new approximately 1,750 MW natural gas-fired combined-cycle unit in Okeechobee County, Florida (Okeechobee Clean Energy Center) achieves commercial operation, which is expected to occur in mid-2019.

In addition, FPL is eligible to receive, subject to conditions specified in the 2016 rate agreement, base rate increases associated with the addition of up to 300 MW annually of new solar generation in each of 2017 through 2020 and may carry forward any unused MW to subsequent years during the term of the 2016 rate agreement. To date, approximately 900 MW of new solar generating capacity has become operational, 600 MW during the first quarter of 2018 and 300 MW during the first quarter of 2019. An additional 300 MW is expected to be operational in 2020. FPL will be required to demonstrate that any proposed solar facilities are cost effective and scheduled to be in service before December 31, 2021. FPL has agreed to an installed

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cost cap of \$1,750 per kW.

FPL's allowed regulatory ROE is 10.55%, with a range of 9.60% to 11.60%. If FPL's earned regulatory ROE falls below 9.60%, FPL may seek retail base rate relief. If the earned regulatory ROE rises above 11.60%, any party other than FPL may seek a review of FPL's retail base rates.

Subject to certain conditions, FPL may amortize, over the term of the 2016 rate agreement, up to \$1.0 billion of depreciation reserve surplus plus the reserve amount that remained under FPL's 2012 rate agreement discussed below (approximately \$250 million), provided that in any year of the 2016 rate agreement FPL must amortize at least enough reserve to maintain a 9.60% earned regulatory ROE but may not amortize any reserve that would result in an earned regulatory ROE in excess of 11.60%.

Future storm restoration costs would be recoverable on an interim basis beginning 60 days from the filing of a cost recovery petition, but capped at an amount that could produce a surcharge of no more than \$4 for every 1,000 kWh of usage on residential bills during the first 12 months of cost recovery. Any additional costs would be eligible for recovery in subsequent years. If storm restoration costs exceed \$800 million in any given calendar year, FPL may request an increase to the \$4 surcharge to recover amounts above \$400 million. See Note 1 - Storm Fund and Storm Reserve.

FPL was impacted by Hurricane Irma in September 2017 which resulted in damage throughout much of FPL's service territory. Damage to FPL property from the hurricane was primarily limited to the transmission and distribution systems. In December 2017, following the enactment of tax reform as further discussed in Note 6, FPL determined that it would not seek recovery of Hurricane Irma storm restoration costs of approximately \$1.3 billion 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 in NEE's and FPL's consolidated statements of income. 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.

In December 2018, the State of Florida Office of Public Counsel (OPC), the Florida Retail Federation (FRF) and the Florida Industrial Power Users Group (collectively, joint petitioners) filed with the FPSC a petition regarding FPL's retail rates that were established pursuant to the 2016 rate agreement. The joint petitioners assert that FPL may not continue to use the reserve amortization mechanism and, based on that assertion, they request, among other things, that FPL refund up to \$736.8 million annually related to cost savings created by tax reform and that new permanent base rates be established for FPL to reflect the tax cost savings associated with tax reform and other factors, including a lower regulatory ROE of 9.6% and a lower equity ratio of 55.0%. FPL believes that the actions it took as a result of tax reform are in accordance with the 2016 rate agreement and that the petition is a violation of the 2016 rate agreement on the part of the OPC and FRF who were signatories to that agreement.

Oral argument in the tax reform docket is expected to be held in April 2019. An FPSC decision regarding the amount of tax savings and whether FPL may continue to use the reserve amortization mechanism is expected by mid-May 2019.

Rates Effective January 2013 through December 2016 - Effective January 2013, pursuant to an FPSC final order approving a stipulation and settlement between FPL and several intervenors in FPL's base rate proceeding (2012 rate agreement), new retail base rates and charges for FPL were established resulting in an increase in retail base revenues of \$350 million on an annualized basis. The 2012 rate agreement provided for, among other things, the following:

- a regulatory ROE of 10.50% with a range of plus or minus 100 basis points;

an increase in annualized base revenue requirements as each of three FPL modernized power plants became operational in April 2013, April 2014 and April 2016;

the continuation of cost recovery through the capacity clause (reported as retail base revenues) for a generating unit which was placed in service in May 2011 (beginning January 2017, under the 2016 rate agreement, cost recovery is through base rates);

subject to certain conditions, the right to reduce depreciation expense up to \$400 million (reserve), provided that in any year of the 2012 rate agreement, FPL was required to amortize enough reserve to maintain an earned regulatory ROE within the range of 9.50% to 11.50% (the reserve amount was reduced by \$30 million to up to \$370 million as a result of a settlement in August 2015 related to the acquisition of a 250 MW coal-fired generation facility located in Jacksonville, Florida, which FPL retired in December 2016);

an interim cost recovery mechanism for storm restoration costs (see Note 1 - Storm Fund and Storm Reserve); and

an incentive mechanism whereby customers receive 100% of certain gains, including but not limited to, gains from the purchase and sale of electricity and natural gas (including transportation and storage), up to a specified threshold; gains exceeding that specified threshold were shared by FPL and its customers.

Cost Recovery Clauses. Cost recovery clauses are designed to permit full recovery of certain costs and provide a return on certain assets allowed to be recovered through various clauses. Cost recovery clause costs are recovered through levelized monthly charges per kWh or kW, depending on the customer's rate class. These cost recovery clause charges are calculated annually based on estimated costs and estimated customer usage for the following year, plus or minus true-up adjustments to reflect the estimated over or under recovery of costs for the current and prior periods. An adjustment to the levelized charges may be approved during the course of a year to reflect revised estimates. FPL recovers costs from customers through the following clauses:

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Fuel - primarily fuel costs, the most significant of the cost recovery clauses in terms of operating revenues (see Note 1 - Rate Regulation);

Capacity - primarily certain costs associated with the acquisition of several electric generation facilities (see Note 1 - Rate Regulation);

Energy Conservation - costs associated with implementing energy conservation programs; and

Environmental - certain costs of complying with federal, state and local environmental regulations enacted after April 1993 and costs associated with three of FPL's solar facilities placed in service prior to 2016.

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

FERC

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

NERC

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

FPL Environmental Regulation

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

FPL EMPLOYEES

FPL had approximately 9,100 employees at December 31, 2018, with approximately 32% of these employees represented by the International Brotherhood of Electrical Workers (IBEW), substantially all of which are under a collective bargaining agreement with FPL that expires October 31, 2020.

NEER

NEER, a limited liability company organized under the laws of Delaware, was formed in 1998 to aggregate NEE's competitive energy businesses. NEER is a diversified clean energy company with a business strategy that emphasizes the development, construction and operation of long-term contracted assets with a focus on renewable projects. Through its subsidiaries, NEER currently owns, develops, constructs, manages and operates electric generation facilities in wholesale energy markets primarily in the U.S., as well as in Canada and Spain. NEER, with approximately 21,000 MW of total net generating capacity at December 31, 2018, is one of the largest wholesale generators of electric power in the U.S., with approximately 20,400 MW of net generating capacity across 36 states, and has 500 MW of net generating capacity in 4 Canadian provinces and 99.8 MW of net generating capacity in Spain. At December 31, 2018, NEER operates facilities with a total generating capacity of 23,500 MW. NEER produces the majority of its electricity from clean and renewable sources as described more fully below. NEER is the world's largest generator of renewable energy from the wind and sun based on 2018 MWh produced on a net generation basis. NEER develops and constructs battery storage projects, which when combined with its renewable projects, serve to enhance its ability to meet customer needs for a nearly firm generation source. NEER also owned and operated approximately 185 substations and 1,135 circuit miles of transmission lines at December 31, 2018.

NEER also engages in energy-related commodity marketing and trading activities, including entering into financial and physical contracts, primarily to hedge the production from its generation assets that is not sold under long-term power supply agreements. These contracts primarily include power and gas commodities and their related products, as well as provide full energy and capacity requirements services primarily to distribution utilities in certain markets and offer customized power and gas and related risk management services to wholesale customers. In addition, NEER participates in natural gas, natural gas liquids and oil production primarily through non-operating ownership interests, and in pipeline infrastructure development, construction, management and

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operations, through either wholly owned subsidiaries or noncontrolling or joint venture interests, hereafter referred to as the gas infrastructure business. NEER also hedges the expected output from its gas infrastructure production assets to protect against price movements.

NEP - NEP was formed in 2014 to acquire, manage and own contracted clean energy projects with stable long-term cash flows through a limited partner interest in NEP OpCo. NEP's projects include energy projects contributed by NEER to NEP OpCo in connection with NEP's initial public offering in July 2014 as well as additional energy projects acquired thereafter. Through an indirect wholly owned subsidiary, NEE owns 101,440,000 common units of NEP OpCo representing a noncontrolling interest in NEP's operating projects of approximately 64.4% at December 31, 2018. NEP was deconsolidated from NEE for financial reporting purposes in January 2018 as a result of changes made to NEP's governance structure during 2017 that, among other things, enhanced NEP common unitholder governance rights. The new governance structure established a NEP board of directors, which elected board members commenced service in January 2018. Subsequent to deconsolidation, NEE began reflecting its ownership interest in NEP as an equity method investment with its earnings from NEP as equity in earnings of equity method investees and accounting for NEER's asset sales to NEP as third-party sales in its consolidated financial statements. See Note 1 - NextEra Energy Partners, LP. Prior to the deconsolidation, NEE owned a controlling general partner interest in NEP and consolidated NEP. At December 31, 2018, NEP owned, or had an interest in, a portfolio of 31 wind and solar projects throughout the U.S. with generating capacity totaling approximately 4,720 MW and membership interests in a portfolio of seven intrastate long-term contracted natural gas pipeline assets located in Texas (Texas pipelines) as further discussed in Generation and Other Operations. NEER operates substantially all of the energy projects in NEP's portfolio and its ownership interest in the portfolio's generating capacity was approximately 3,039 MW at December 31, 2018. In addition in 2015, NEP OpCo issued 2 million NEP OpCo Class B Units to NEER in exchange for an approximately 50% ownership interest in three solar projects with a total generating capacity of 277 MW. NEER, as holder of the Class B Units, will retain 100% of the economic interests if, and until, NEER offers to sell the economic interests to NEP and NEP accepts such offer. NEP OpCo has a right of first offer for certain of NEER's assets (ROFO assets) if NEER should seek to sell the assets. The ROFO assets consist of contracted wind and solar projects with a combined generating capacity of approximately 1,056 MW at December 31, 2018. In addition, NEER and its subsidiaries (other than NEP OpCo and its subsidiaries) have a right of first refusal on any proposed sale of any of the NEP OpCo assets.

GENERATION AND OTHER OPERATIONS

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

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At December 31, 2018, NEER managed or participated in the management of essentially all of its generation projects and all of its natural gas pipeline assets in which it has an ownership interest. At December 31, 2018, the locations of NEER's generation facilities and natural gas pipeline assets in North America in which NEER has ownership interests were as follows:

Generation Assets and Other Operations

Generation Assets.

NEER's portfolio of generation assets primarily consist of generation facilities with long-term power sales agreements for substantially all of their capacity and/or energy output. Information related to contracted generation assets at December 31, 2018 was as follows:

• represented approximately 18,938 MW of total net generating capacity;

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weighted-average remaining contract term of the power sales agreements and the remaining life of the PTCs associated with repowered wind facilities of approximately 16 years, based on forecasted contributions to earnings and forecasted amounts of electricity produced by the repowered wind facilities; and contracts for the supply of uranium and the conversion, enrichment and fabrication of nuclear fuel have expiration dates ranging from March 2019 through 2033 (see Note 15 - Contracts).

NEER's merchant generation assets primarily consist of a nuclear generation facility and oil-fired generation facilities that do not have long-term power sales agreements to sell their capacity and/or energy output and therefore require active marketing and hedging. Merchant generation assets at December 31, 2018 represented approximately 2,047 MW of total net generating capacity, including 1,102 MW from nuclear generation and 781 MW from oil-fired peak generation facilities, and are primarily located in the Northeast region of the U.S. NEER utilizes swaps, options, futures and forwards to lock in pricing and manage the commodity price risk inherent in power sales and fuel purchases.

Other Operations.

Gas Infrastructure Business - At December 31, 2018, NEER had ownership interests in the natural gas pipelines discussed below and investments in oil and gas shale formations located primarily in the Midwest and South regions of the U.S.

| | Miles of Pipeline | Pipeline Location/Route | NEER's Ownership | Total Capacity (per day) | Actual/Expected In-Service Dates |
|---|-------------------|---|------------------|--------------------------|----------------------------------|
| Operational: | | | | | |
| Texas Pipelines ^(a) | 542 | South Texas | 61.1% | 4.05 Bcf | 1950 - 2014 |
| Sabal Trail ^(b) | 517 | Southwestern Alabama to Central Florida | 42.5% | 0.83 Bcf - 1.075 Bcf | June 2017 - Mid-2021 |
| Florida Southeast Connection ^(b) | 169 | Central Florida to South Florida | 100% | 0.64 Bcf | June 2017 |
| Under Construction or In Development: | | | | | |
| Mountain Valley Pipeline ^(c) | 303 | Northwestern West Virginia to Southern Virginia | 31% | 2.00 Bcf | End of 2019 |
| Mountain Valley Pipeline - Southgate Expansion ^(d) | 73 | Southern Virginia to Central North Carolina | 47.2% | 0.3 Bcf | End of 2020 |

A NEP portfolio of seven natural gas pipelines, of which a third party owns a 10% interest in a 120-mile pipeline (a) with a daily capacity of approximately 2.3 Bcf. Approximately 3.2 Bcf per day of capacity is contracted with firm ship-or-pay contracts that have expiration dates ranging from 2020 to 2035.

(b) See Note 15 - Contracts for a discussion of transportation contracts with FPL.

(c) Completion of construction of the natural gas pipeline is subject to final permitting. Also, see Note 15 - Contracts for a discussion of a transportation contract with a NEER subsidiary.

(d) Construction of the natural gas pipeline is subject to certain conditions, including FERC approval. See Note 15 - Commitments.

Customer Supply and Proprietary Power and Gas Trading - NEER provides commodities-related products to customers, engages in energy-related commodity marketing and trading activities and includes the operations of a

retail electricity provider. Through its subsidiary PMI, NEER:

- manages risk associated with fluctuating commodity prices and optimizes the value of NEER's power generation and gas infrastructure production assets through the use of swaps, options, futures and forwards;
- sells output from NEER's plants that is not sold under long-term contracts and procures fossil fuel for use by NEER's generation fleet;
- provides full energy and capacity requirements to customers; and
- markets and trades energy-related commodity products and provides a wide range of electricity and fuel commodity products as well as marketing and trading services to customers.

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NEER Fuel/Technology Mix

NEER utilized the following mix of fuel sources for generation facilities in which it has an ownership interest:

*Oil is less than 1%

Wind Facilities

located in 19 states in the U.S. and 4 provinces in Canada;
operated a total generating capacity of 15,058 MW at December 31, 2018;
ownership interests in a total net generating capacity of 13,529 MW at December 31, 2018;
all MW are from contracted wind assets located primarily throughout Texas and the West and Midwest regions of the U.S. and Canada;
added approximately 1,406 MW of new generating capacity and repowered wind generating capacity totaling 899 MW in the U.S. in 2018 and sold assets to NEP (see Note 1 - Disposal of a Business/Assets).

Solar Facilities

located in 22 states in the U.S. and 1 province in Spain;
operated PV and solar thermal facilities with a total generating capacity of 2,322 MW at December 31, 2018;
ownership interests in PV and solar thermal facilities with a total net generating capacity of 2,313 MW at December 31, 2018;
essentially all MW are from contracted solar facilities located primarily throughout the West region of the U.S.;
added approximately 326 MW of generating capacity in the U.S. in 2018 and sold assets to NEP (see Note 1 - Disposal of a Business/Assets).

Fossil Facilities

operated natural gas generation facilities with a total generating capacity of 2,180 MW at December 31, 2018;
ownership interests in natural gas generation facilities with a total net generating capacity of 1,639 MW at December 31, 2018;
approximately 1,481 MW are contracted and 158 MW are merchant;
located in 3 states in the Northeast region of the U.S. and in Florida;
added ownership interests in two natural gas generation facilities located in Florida with a total generating capacity of approximately 1,451 MW (NEER's net generating capacity of 1,219 MW) (see Note 8 - Other); and
operated oil-fired peak generation facilities with a total generating capacity of 878 MW with an ownership or undivided interests in total net generating capacity of 781 MW at December 31, 2018 primarily located in Maine.

Nuclear Facilities

At December 31, 2018, NEER owned, or had undivided interests in, and operated the four nuclear units discussed below. NEER's nuclear units are periodically removed from service to accommodate planned refueling and maintenance outages, including inspections, repairs and certain other modifications. Scheduled nuclear refueling outages typically require the unit to be removed

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from service for variable lengths of time.

| Facility | Location | NEER's Ownership (MW) | Portfolio Category | Next Scheduled Refueling Outage | Operating License Expiration Date |
|------------------------|---------------|-----------------------|---------------------------|---------------------------------|-----------------------------------|
| Seabrook | New Hampshire | 1,102 ^(a) | Merchant | April 2020 | 2030 ^(b) |
| Duane Arnold | Iowa | 431 ^(c) | Contracted ^(d) | None ^(d) | 2034 ^(d) |
| Point Beach Unit No. 1 | Wisconsin | 595 | Contracted ^(e) | March 2019 | 2030 |
| Point Beach Unit No. 2 | Wisconsin | 595 | Contracted ^(e) | March 2020 | 2033 |

(a) Excludes 147 MW operated by NEER but owned by non-affiliates.

(b) In 2010, NEER filed an application with the NRC to renew Seabrook's operating license for an additional 20 years, which license renewal is pending.

(c) Excludes 184 MW operated by NEER but owned by non-affiliates.

NEER sells all of its share of the output of Duane Arnold under an amended long-term contract expiring in December 2020. Operations of Duane Arnold are expected to cease in late 2020, subject to approval by MISO. See Note 5 - Nonrecurring Fair Value Measurements.

(e) NEER sells all of the output of Point Beach Units Nos. 1 and 2 under long-term contracts through their current operating license expiration dates.

NEER is responsible for all nuclear unit operations and the ultimate decommissioning of the nuclear units, the cost of which is shared on a pro-rata basis by the joint owners for the jointly-owned units. NRC regulations require plant owners to submit a plan for decontamination and decommissioning five years before the projected end of plant operation. In the case of Duane Arnold, a plan for decontamination and decommissioning is required to be submitted to the NRC no later than 2 years following shutdown of the facility.

NEER's nuclear facilities use both on-site storage pools and dry storage casks to store spent nuclear fuel generated by these facilities, which are expected to provide sufficient storage of spent nuclear fuel that is generated at these facilities through license expiration or, in the case of Duane Arnold, through shutdown of the facility.

Policy Incentives for Renewable Energy Projects

U.S. federal, state and local governments have established various incentives to support the development of renewable energy projects. These incentives include accelerated tax depreciation, PTCs, ITCs, cash grants, tax abatements and RPS programs. Pursuant to the U.S. federal Modified Accelerated Cost Recovery System, wind and solar projects are fully depreciated for tax purposes over a five-year period even though the useful life of such projects is generally much longer than five years.

Owners of utility-scale wind facilities are eligible to claim an income tax credit (the PTC, or an ITC in lieu of the PTC) upon initially achieving commercial operation. The PTC is determined based on the amount of electricity produced by the wind facility during the first ten years of commercial operation. This incentive was created under the Energy Policy Act of 1992 and has been extended several times. Alternatively, an ITC equal to 30% of the cost of a wind facility may be claimed in lieu of the PTC. Owners of solar facilities are eligible to claim a 30% ITC for new solar facilities. Previously, owners of solar facilities could have elected to receive an equivalent cash payment from the U.S. Department of Treasury for the value of the 30% ITC (convertible ITC) for qualifying solar facilities where construction began before the end of 2011 and the facilities were placed in service before 2017. In order to qualify for

the PTC (or an ITC in lieu of the PTC) for wind or ITC for solar, construction of a facility must begin before a specified date and the taxpayer must maintain a continuous program of construction or continuous efforts to advance the project to completion. The Internal Revenue Service (IRS) issued guidance stating that the safe harbor for continuous efforts and continuous construction requirements will generally be satisfied if the facility is placed in service no more than four years after the year in which construction of the facility began. The IRS also confirmed that retrofitted wind facilities may re-qualify for PTCs or ITCs pursuant to the 5% safe harbor for the begin construction requirement, as long as the cost basis of the new investment is at least 80% of the facility's total fair value. Tax credits for qualifying wind and solar projects are subject to the following phase-down schedule.

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

(a) Percentage of the full PTC available for wind projects that begin construction during the applicable year.

(b) Percentage of eligible project costs that can be claimed as ITC by wind projects that begin construction during the applicable year.

(c) Percentage of eligible project costs that can be claimed as ITC by solar projects that begin construction during the applicable year. ITC is limited to 10% for solar projects not placed in service before January 1, 2024.

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

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MARKETS AND COMPETITION

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

The degree and nature of competition is different in wholesale markets than in retail markets. During 2018, 2017 and 2016, approximately 85% of NEER's revenue was derived from wholesale electricity markets.

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

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

RTOs and ISOs exist throughout much of North America to coordinate generation and transmission across wide geographic areas and to run markets. NEER operates in all RTO and ISO jurisdictions. At December 31, 2018, NEER also had generation facilities with ownership interests in a total net generating capacity of approximately 4,110 MW that fall within reliability regions that are not under the jurisdiction of an established RTO or ISO, including 2,267 MW within the Western Electricity Coordinating Council and 1,219 MW within the Florida Reliability Coordinating Council. Although each RTO and ISO may have differing objectives and structures, some benefits of these entities include regional planning, managing transmission congestion, developing larger wholesale markets for energy and capacity, maintaining reliability and facilitating competition among wholesale electricity providers. NEER has operations that fall within the following RTOs and ISOs:

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NEER competes in different regions to differing degrees, but in general it seeks to enter into long-term bilateral contracts for the full output of its generation facilities. At December 31, 2018, approximately 90% of NEER's net generating capacity was committed under long-term contracts. Where long-term contracts are not in effect, NEER sells the output of its facilities into daily spot markets. In such cases, NEER will frequently enter into shorter term bilateral contracts, typically of less than three years duration, to hedge the price risk associated with selling into a daily spot market. Such bilateral contracts, which may be hedges either for physical delivery or for financial (pricing) offset, serve to protect a portion of the revenue that NEER expects to derive from the associated generation facility. Contracts that serve the economic purpose of hedging some portion of the expected revenue of a generation facility but are not recorded as hedges under GAAP are referred to as "non-qualifying hedges" for adjusted earnings purposes. See Management's Discussion - Overview - Adjusted Earnings.

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

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

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

NEER REGULATION

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

At December 31, 2018, essentially all of NEER's operating independent power projects located in the U.S. have received exempt wholesale generator status as defined under the Public Utility Holding Company Act of 2005. Exempt wholesale generators own or operate a facility exclusively to sell electricity to wholesale customers. They are barred from selling electricity directly to retail customers. While projects with exempt wholesale generator status are exempt from various restrictions, each project must still comply with other federal, state and local laws, including, but not limited to, those regarding siting, construction, operation, licensing, pollution abatement and other environmental laws.

Additionally, most of the NEER facilities located in the U.S. are subject to FERC regulations and market rules and the NERC's mandatory reliability standards, all of its facilities are subject to environmental laws and the EPA's environmental regulations, and its nuclear facilities are also subject to the jurisdiction of the NRC. See FPL - FPL Regulation for additional discussion of FERC, NERC, NRC and EPA regulations. With the exception of facilities located in ERCOT, the FERC has jurisdiction over various aspects of NEER's business in the U.S., including the

oversight and investigation of competitive wholesale energy markets, regulation of the transmission and sale of natural gas, and oversight of environmental matters related to natural gas projects and major electricity policy initiatives. The Public Utility Commission of Texas has jurisdiction, including the regulation of rates and services, oversight of competitive markets, and enforcement of statutes and rules, over NEER facilities located in ERCOT.

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

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

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NEER EMPLOYEES

NEER and its subsidiaries had approximately 5,100 employees at December 31, 2018. Certain subsidiaries of NEER have collective bargaining agreements with the IBEW, the Utility Workers Union of America, the Security Police and Fire Professionals of America and the International Union of Operating Engineers, which collectively represent approximately 17% of NEER's employees. The collective bargaining agreements have three- to five-year terms and expire between May 2019 and 2021.

GULF POWER

On January 1, 2019, NEE completed the previously announced acquisition of all of the outstanding common shares of Gulf Power under a stock purchase agreement with The Southern Company dated May 20, 2018, as amended, for approximately \$4.47 billion in cash consideration, excluding post-closing working capital adjustments, and the assumption of approximately \$1.3 billion of Gulf Power debt. Gulf Power was incorporated under the laws of Maine in 1925 and became a Florida corporation after being domesticated under the laws of Florida in 2005. Gulf Power, a rate-regulated electric utility under the jurisdiction of the FPSC, is engaged in the generation, transmission, distribution and sale of electric energy in northwest Florida. As of January 1, 2019, Gulf Power served more than 460,000 customers in eight counties throughout northwest Florida and had approximately 2,300 MW of fossil-fueled electric generating capacity and 9,400 miles of transmission and distribution lines located in Florida, Mississippi and Georgia. See Note 8 - Gulf Power Company for further discussion.

NEE ENVIRONMENTAL MATTERS

NEE and its subsidiaries, including FPL, are subject to environmental laws and regulations, including extensive federal, state and local environmental statutes, rules and regulations, for the siting, construction and ongoing operations of their facilities. The U.S. government and certain states and regions, as well as the Government of Canada and its provinces, have taken and continue to take certain actions, such as proposing and finalizing regulation or setting targets or goals, regarding the regulation and reduction of GHG emissions and the increase of renewable energy generation. Numerous environmental regulations also affecting FPL, NEER, Gulf Power, and certain other subsidiaries relate to threatened and endangered species and/or their habitats, as well as other avian and bat species. The environmental laws in the U.S., including, among others, the Endangered Species Act, the Migratory Bird Treaty Act, and the Bald and Golden Eagle Protection Act, provide for the protection of endangered species of birds and bats and/or their habitats, migratory birds and eagles. Complying with these environmental laws and regulations could result in, among other things, changes in the design and operation of existing facilities and changes or delays in the location, design, construction and operation of new facilities. Failure to comply could result in fines, penalties, criminal sanctions or injunctions. The impact of complying with current environmental laws and regulations has not had, and, along with compliance with proposed regulations as currently written, is not expected to have, a material adverse effect on the financial statements of NEE and FPL. NEE's rate-regulated subsidiaries expect to seek recovery for compliance costs associated with any new environmental laws and regulations, which recovery for FPL and Gulf Power would be through their respective environmental clause.

WEBSITE ACCESS TO SEC FILINGS

NEE and FPL make their SEC filings, including the annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports, available free of charge on NEE's internet website, www.nexteraenergy.com, as soon as reasonably practicable after those documents are electronically filed with or furnished to the SEC. The information and materials available on NEE's website (or any of its subsidiaries' or

affiliates' websites) are not incorporated by reference into this combined Form 10-K.

Table of ContentsEXECUTIVE OFFICERS OF NEE^(a)

| Name | Age | Position | Effective Date |
|---------------------------------------|-----|--|---|
| Miguel Arechabala | 57 | Executive Vice President, Power Generation Division of NEE Executive Vice President, Power Generation Division of FPL | January 1, 2014 |
| Deborah H. Caplan | 56 | Executive Vice President, Human Resources and Corporate Services of NEE Executive Vice President, Human Resources and Corporate Services of FPL | April 15, 2013 |
| Terrell Kirk Crews, II ^(b) | 40 | Vice President, Controller and Chief Accounting Officer of NEE | September 19, 2016 |
| Paul I. Cutler | 59 | Treasurer of NEE Treasurer of FPL Assistant Secretary of NEE | February 19, 2003 February 18, 2003 December 10, 1997 |
| Joseph T. Kelliher | 58 | Executive Vice President, Federal Regulatory Affairs of NEE | May 18, 2009 |
| John W. Ketchum ^(b) | 48 | Executive Vice President, Finance and Chief Financial Officer of NEE Executive Vice President, Finance and Chief Financial Officer of FPL | March 4, 2016 |
| Manoochehr K. Nazar | 64 | President Nuclear Division and Chief Nuclear Officer of NEE President Nuclear Division and Chief Nuclear Officer of FPL | May 23, 2014 May 30, 2014 |
| Armando Pimentel, Jr. ^(b) | 56 | President and Chief Executive Officer of NEER | October 5, 2011 |
| James L. Robo | 56 | Chairman, President and Chief Executive Officer of NEE Chairman of FPL | December 13, 2013 May 2, 2012 |
| Charles E. Sieving | 46 | Executive Vice President & General Counsel of NEE Executive Vice President of FPL | December 1, 2008 January 1, 2009 |
| Eric E. Silagy | 53 | President and Chief Executive Officer of FPL Executive Vice President, Engineering, Construction and Integrated Supply Chain of NEE | May 30, 2014 |
| William L. Yeager | 60 | Executive Vice President, Engineering, Construction and Integrated Supply Chain of FPL | January 1, 2013 |

Information is as of February 15, 2019. Executive officers are elected annually by, and serve at the pleasure of, their respective boards of directors. Except as noted below, each officer has held his/her present position for five years or more and his/her employment history is continuous. Mr. Crews served as NEE's Vice President, Finance from April 2016 to September 2016. From July 2015 to April 2016, he was a partner in the national office of Deloitte & Touche LLP (Deloitte); and from June 2013 to June 2015, he served as a professional accounting fellow (a) in the Office of the Chief Accountant of the SEC. Mr. Ketchum served as NEE's Senior Vice President, Finance from February 2015 to March 2016, and Senior Vice President, Business Management and Finance from December 2013 to February 2015. Mr. Nazar has been chief nuclear officer of NEE and FPL since January 2010 and was executive vice president, nuclear division of NEE and FPL from January 2010 to May 2014. Mr. Robo has been president and chief executive officer of NEE since July 2012 and was the chief executive officer of FPL from May 2012 to May 2014. Mr. Silagy has been president of FPL since December 2011.

The following information was announced January 25, 2019 and is effective March 1, 2019. Mr. Pimentel will retire as President and Chief Executive Officer of NEER. Mr. Ketchum was appointed President and Chief Executive Officer of NEER and will cease to serve as Executive Vice President, Finance and Chief Financial Officer of NEE and FPL. Rebecca Kujawa, age 43, was appointed Executive Vice President, Finance and Chief Financial Officer of NEE and FPL and, in such capacities, will serve as NEE's and FPL's principal financial officer.

(b) Ms. Kujawa has served as Vice President, Business Management of NEER since March 2012. Mr. Crews was appointed Vice President, Business Management of NEER and will cease to serve as Vice President, Controller and Chief Accounting Officer of NEE. James May, age 42, was appointed Vice President, Controller and Chief Accounting Officer of NEE and, in such capacities, will serve as NEE's principal accounting officer. Mr. May has served as Controller of NEER since April 2015 and was Director of Accounting of NEER from July 2013 to April 2015.

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Item 1A. Risk Factors

Risks Relating to NEE's and FPL's Business

The business, financial condition, results of operations and prospects of NEE and FPL are subject to a variety of risks, many of which are beyond the control of NEE and FPL. These risks, as well as additional risks and uncertainties either not presently known or that are currently believed to not be material to the business, may materially adversely affect the business, financial condition, results of operations and prospects of NEE and FPL and may cause actual results of NEE and FPL to differ substantially from those that NEE or FPL currently expects or seeks. In that event, the market price for the securities of NEE or FPL could decline. Accordingly, the risks described below should be carefully considered together with the other information set forth in this report and in future reports that NEE and FPL file with the SEC.

Regulatory, Legislative and Legal Risks

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

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

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

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

recovered through base rates, cost recovery clauses, other regulatory mechanisms or otherwise. Certain other subsidiaries of NEE are utilities subject to the jurisdiction of their regulators and are subject to similar risks.

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

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

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

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

Any reductions 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, RPS or feed-in tariffs, 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, NEEER abandoning the development of

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renewable energy projects, a loss of NEER's investments in renewable energy projects and reduced project returns, any of which could have a material adverse effect on NEE's business, financial condition, results of operations and prospects.

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

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

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

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

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

restructuring has occurred. Any of these events could have a material adverse effect on NEE's business, financial condition, results of operations and prospects.

NEE's and FPL's OTC financial derivatives are subject to rules implementing certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act and similar international regulations. NEE and FPL cannot predict the impact any proposed or not fully implemented final rules will have on their ability to hedge their commodity and interest rate risks or on OTC derivatives markets as a whole, but such rules and regulations could have a material adverse effect on NEE's and FPL's risk exposure, as well as reduce market liquidity and further increase the cost of hedging activities.

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

NEE and FPL are subject to domestic environmental laws, regulations and other standards, including, but not limited to, extensive federal, state and local environmental statutes, rules and regulations relating to air quality, water quality and usage, soil quality, climate change, emissions of greenhouse gases, including, but not limited to, CO₂, waste management, hazardous wastes, marine, avian and other wildlife mortality and habitat protection, historical artifact preservation, natural resources, health (including, but not limited to, electric and magnetic fields from power lines and substations), safety and RPS, that could, among other things, prevent or delay the development of power generation, power or natural gas transmission, or other infrastructure projects, restrict or enjoin the output of some existing facilities, limit the availability and use of some fuels required for the production of electricity, require additional pollution control equipment, and otherwise increase costs, increase capital expenditures and limit or eliminate certain operations. Certain subsidiaries of NEE are also subject to foreign environmental laws, regulations and other standards and, as such, are subject to similar risks.

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There are significant capital, operating and other costs associated with compliance with these environmental statutes, rules and regulations, and those costs could be even more significant in the future as a result of new requirements and stricter or more expansive application of existing environmental regulations.

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

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

Federal or state laws or regulations may be adopted that would impose new or additional limits on the emissions of greenhouse gases, including, but not limited to, CO₂ and methane, from electric generation units using fossil fuels like coal and natural gas. The potential effects of greenhouse gas emission limits on NEE's and FPL's electric generation units are subject to significant uncertainties based on, among other things, the timing of the implementation of any new requirements, the required levels of emission reductions, the nature of any market-based or tax-based mechanisms adopted to facilitate reductions, the relative availability of greenhouse gas emission reduction offsets, the development of cost-effective, commercial-scale carbon capture and storage technology and supporting regulations and liability mitigation measures, and the range of available compliance alternatives.

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

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

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

Extensive federal regulation of the operations 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.

NEE's and FPL's operations and businesses are subject to extensive federal regulation, which generally imposes significant and increasing compliance costs on their operations and businesses. Additionally, any actual or alleged compliance failures could result in significant costs and other potentially adverse effects of regulatory investigations, proceedings, settlements, decisions and claims, including, among other items, potentially significant monetary penalties. As an example, under the Energy Policy Act of 2005, NEE and FPL, as owners and operators of bulk-power transmission systems and/or electric generation facilities, are subject to mandatory reliability standards. Compliance

with these mandatory reliability standards may subject NEE and FPL to higher operating costs and may result in increased capital expenditures. If FPL or NEE is found not to be in compliance with these standards, they may incur substantial monetary penalties and other sanctions. Both the costs of regulatory compliance and the costs that may be imposed as a result of any actual or alleged compliance failures could have a material adverse effect on NEE's and FPL's business, financial condition, results of operations and prospects.

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

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

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NEE's and FPL's business, financial condition, results of operations and prospects may be materially affected by adverse results of litigation. Unfavorable resolution of legal proceedings in which NEE or FPL is involved or other future legal proceedings may have a material adverse effect on the business, financial condition, results of operations and prospects of NEE and FPL.

Development and Operational Risks

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

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

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

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

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

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

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

- risks associated with facility start-up operations, such as whether the facility will achieve projected operating performance on schedule and otherwise as planned;
- failures in the availability, acquisition or transportation of fuel or other necessary supplies;
- the impact of unusual or adverse weather conditions and natural disasters, including, but not limited to, hurricanes, tornadoes, icing events, floods, earthquakes and droughts;
- performance below expected or contracted levels of output or efficiency;
- breakdown or failure, including, but not limited to, explosions, fires, leaks or other major events, of equipment, transmission and distribution lines or pipelines;
- availability of replacement equipment;
- risks of property damage, human injury or loss of life from energized equipment, hazardous substances or explosions, fires, leaks or other events, especially where facilities are located near populated areas;
- potential environmental impacts of gas infrastructure operations;
- availability of adequate water resources and ability to satisfy water intake and discharge requirements;

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- inability to identify, manage properly or mitigate equipment defects in NEE's and FPL's facilities;
- use of new or unproven technology;
- risks associated with dependence on a specific type of fuel or fuel source, such as commodity price risk, availability of adequate fuel supply and transportation, and lack of available alternative fuel sources;
- increased competition due to, among other factors, new facilities, excess supply, shifting demand and regulatory changes; and
- insufficient insurance, warranties or performance guarantees to cover any or all lost revenues or increased expenses from the foregoing.

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

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

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

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

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

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

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

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

Terrorist acts, cyber attacks or other similar events affecting NEE's and FPL's systems and facilities, or those of third parties on which NEE and FPL rely, could harm NEE's and FPL's business, for example, by limiting their ability to generate, purchase or transmit power, natural gas or other energy-related commodities, by limiting their ability to bill customers and collect and process payments, and by delaying their development and construction of new generation, distribution or transmission facilities or capital improvements to existing facilities. These events, and governmental actions in response, could result in a material decrease in revenues, significant additional costs (for example, to repair assets, implement additional security requirements or maintain or

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acquire insurance), significant fines and penalties, and reputational damage, could materially adversely affect NEE's and FPL's operations (for example, by contributing to disruption of supplies and markets for natural gas, oil and other fuels), and could impair NEE's and FPL's ability to raise capital (for example, by contributing to financial instability and lower economic activity). In addition, the implementation of security guidelines and measures has resulted in and is expected to continue to result in increased costs. Such events or actions may materially adversely affect NEE's and FPL's business, financial condition, results of operations and prospects.

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

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

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

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

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

NEER provides full energy and capacity requirements services primarily to distribution utilities, which include load-following services and various ancillary services, to satisfy all or a portion of such utilities' power supply obligations to their customers. The supply costs for these transactions may be affected by a number of factors,

including, but not limited to, events that may occur after such utilities have committed to supply power, such as weather conditions, fluctuating prices for energy and ancillary services, and the ability of the distribution utilities' customers to elect to receive service from competing suppliers. NEER may not be able to recover all of its increased supply costs, which could have a material adverse effect on NEE's business, financial condition, results of operations and prospects.

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

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

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

NEE is an active participant in energy markets. The liquidity of regional energy markets is an important factor in NEE's ability to manage risks in these operations. Market liquidity is driven in part by the number of active market participants. Liquidity in the energy markets can be adversely affected by price volatility, restrictions on the availability of credit and other factors, and any reduction in the liquidity of energy markets could have a material adverse effect on NEE's business, financial condition, results of operations and prospects.

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

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

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

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

If power transmission or natural gas, nuclear fuel or other commodity transportation facilities are unavailable or disrupted, the ability for subsidiaries of NEE, including FPL, to sell and deliver power or natural gas may be limited.

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

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

NEE and FPL are exposed to risks associated with the creditworthiness and performance of their customers, hedging counterparties and vendors under contracts for the supply of equipment, materials, fuel and other goods and services required for their business operations and for the construction and operation of, and for capital improvements to, their facilities. Adverse conditions in the energy industry or the general economy, as well as circumstances of individual customers, hedging counterparties and vendors, may adversely affect the ability of some customers, hedging

counterparties and vendors to perform as required under their contracts with NEE and FPL.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NEE may not realize the anticipated benefits of the Gulf Power acquisition, which could materially adversely affect NEE's business, financial condition, results of operations and prospects.

NEE may not realize the anticipated benefits from the Gulf Power acquisition, including if the businesses are not integrated successfully or if integration takes longer than anticipated. These risks include potential difficulties in conversion of systems and information, disruption from the acquisition making it more difficult to maintain relationships with customers, employees or suppliers, and diversion of management time and attention to integration and other acquisition-related issues. These consequences could have a material adverse effect on NEE's business, financial condition, results of operations and prospects.

Nuclear Generation Risks

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

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

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

Liability for accidents at nuclear power plants is governed by the Price-Anderson Act, which limits the liability of nuclear reactor owners to the amount of insurance available from both private sources and an industry retrospective payment plan. In accordance with this Act, NEE maintains the maximum amount of private liability insurance obtainable, and participates in a secondary financial protection system, which provides liability insurance coverage for an incident at any nuclear reactor in the U.S. Under the secondary

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financial protection system, NEE is subject to retrospective assessments and/or retrospective insurance premiums, plus any applicable taxes, for an incident at any nuclear reactor in the U.S. or at certain nuclear generation facilities in Europe, regardless of fault or proximity to the incident. Such assessments, if levied, could materially adversely affect NEE's and FPL's business, financial condition, results of operations and prospects.

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

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

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

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

If any of NEE's or FPL's nuclear generation facilities are not operated for any reason through the life of their respective operating licenses or, in the case of Duane Arnold, through expected shutdown, NEE or FPL may be required to increase depreciation rates, incur impairment charges and accelerate future decommissioning expenditures, any of which could materially adversely affect their business, financial condition, results of operations and prospects.

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.

NEE's and FPL's nuclear units are periodically removed from service to accommodate planned refueling and maintenance outages, including, but not limited to, inspections, repairs and certain other modifications as well as to replace equipment. In the event that a scheduled outage lasts longer than anticipated or in the event of an unplanned outage due to, for example, equipment failure, such outages could materially adversely affect NEE's or FPL's business, financial condition, results of operations and prospects.

Liquidity, Capital Requirements and Common Stock Risks

Disruptions, uncertainty or volatility in the credit and capital markets, among other factors, may negatively affect NEE's and FPL's ability to fund their liquidity and capital needs and to meet their growth objectives, and can also

materially adversely affect the results of operations and financial condition of NEE and FPL.

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

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

The inability of subsidiaries that have existing project-specific or other financing arrangements to meet the requirements of various agreements relating to those financings, as well as actions by third parties or lenders, could give rise to a project-specific financing default which, if not cured or waived, might result in the specific project, and potentially in some limited instances its parent companies, being required to repay the associated debt or other borrowings earlier than otherwise anticipated, and if such repayment were not

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made, the lenders or security holders would generally have rights to foreclose against the project assets and related collateral. Such an occurrence also could result in NEE expending additional funds or incurring additional obligations over the shorter term to ensure continuing compliance with project-specific financing arrangements based upon the expectation of improvement in the project's performance or financial returns over the longer term. Any of these actions could materially adversely affect NEE's business, financial condition, results of operations and prospects, as well as the availability or terms of future financings for NEE or its subsidiaries.

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

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

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

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

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

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

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

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

NEE and FPL are required to maintain decommissioning funds to satisfy their future obligations to decommission their nuclear power plants. A decline in the market value of the assets held in the decommissioning funds due to poor investment performance or other factors may increase the funding requirements for these obligations. Any increase in funding requirements may have a material adverse effect on NEE's and FPL's 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 holds certain investments where changes in the fair value affect NEE's financial results. In some cases there may be no observable market values for these investments, requiring fair value estimates to be based on other valuation techniques. This type of analysis requires significant judgment and the actual values realized in a sale of these investments could differ materially from those estimated. A sale of an investment below previously estimated value, or other decline in the fair value of an investment, could result in losses or the write-off of such investment, and may have a material adverse effect on NEE's liquidity, financial condition and results of operations.

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

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

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

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

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

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

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

NEE understands that NEP expects, from time to time, to finance acquisitions of clean energy projects partially or wholly through the issuance of additional securities. NEP needs to be able to access the capital markets on commercially reasonable terms when acquisition opportunities arise. NEP's ability to access the capital markets is dependent on, among other factors, the overall state of the capital markets and investor appetite for investment in clean energy projects in general and NEP's securities in particular. An inability to obtain capital markets financing on commercially reasonable terms could significantly limit NEP's ability to consummate future acquisitions and to effectuate its growth strategy.

Furthermore, there may not be sufficient availability under NEP OpCo's subsidiaries' revolving credit facility or other financing arrangements on commercially reasonable terms when acquisition opportunities arise. An inability to obtain the required or desired financing could significantly limit NEP's ability to consummate acquisitions and effectuate its growth strategy. If financing is available, it may be available only on terms that could significantly increase NEP's interest expense, impose additional or more restrictive covenants and reduce cash distributions to its unitholders. NEP's inability to effectively consummate future acquisitions could have a material adverse effect on NEP's ability to grow its business and make cash distributions to its unitholders.

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

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

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

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Item 1B. Unresolved Staff Comments

None

Item 2. Properties

For a description of NEE's principal properties, see Item 1. Business - FPL and Item 1. Business - NEER.

Character of Ownership

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

Item 3. Legal Proceedings

None

Item 4. Mine Safety Disclosures

Not applicable

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PART II

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

Common Stock Data. All of FPL's common stock is owned by NEE. NEE's common stock is traded on the New York Stock Exchange under the symbol "NEE." As of the close of business on January 31, 2019, there were 17,720 holders of record of NEE's common stock. The amount and timing of dividends payable on NEE's common stock are within the sole discretion of NEE's Board of Directors. The Board of Directors reviews the dividend rate at least annually (generally in February) to determine its appropriateness in light of NEE's financial position and results of operations, legislative and regulatory developments affecting the electric utility industry in general and FPL in particular, competitive conditions, change in business mix and any other factors the Board of Directors deems relevant. In February 2019, NEE announced that it would increase its quarterly dividend on its common stock from \$1.11 per share to \$1.25 per share.

Issuer Purchases of Equity Securities. Information regarding purchases made by NEE of its common stock during the three months ended December 31, 2018 is as follows:

| Period | Total Number of Shares Purchased ^(a) | Average Price Paid Per Share | Total Number of Shares Purchased as Part of a Publicly Announced Program | Maximum Number of Shares that May Yet be Purchased Under the Program ^(b) |
|--------------------|---|------------------------------|--|---|
| 10/1/18 - 10/31/18 | — | — | — | 45,000,000 |
| 11/1/18 - 11/30/18 | 457 | \$ 179.18 | — | 45,000,000 |
| 12/1/18 - 12/31/18 | 445 | \$ 179.65 | — | 45,000,000 |
| Total | 902 | \$ 179.41 | — | |

Includes: (1) in November 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 December 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 (former LTIP) 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.

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Item 6. Selected Financial Data

| | Years Ended December 31, | | | | |
|---|--------------------------|---------------------|---------------------|----------|----------|
| | 2018 | 2017 ^(a) | 2016 ^(a) | 2015 | 2014 |
| SELECTED DATA OF NEE (millions, except per share amounts) ^(b) : | | | | | |
| Operating revenues | \$16,727 | \$17,173 | \$16,138 | \$17,486 | \$17,021 |
| Net income ^(c) | \$5,776 | \$5,323 | \$2,999 | \$2,762 | \$2,469 |
| Net income attributable to NEE ^{(c)(d)} | \$6,638 | \$5,380 | \$2,906 | \$2,752 | \$2,465 |
| Earnings per share attributable to NEE - basic ^{(c)(d)} | \$14.03 | \$11.48 | \$6.27 | \$6.11 | \$5.67 |
| Earnings per share attributable to NEE - assuming dilution ^{(c)(d)} | \$13.88 | \$11.39 | \$6.24 | \$6.06 | \$5.60 |
| Dividends paid per share of common stock | \$4.44 | \$3.93 | \$3.48 | \$3.08 | \$2.90 |
| Total assets ^(e) | \$103,702 | \$97,963 | \$90,474 | \$82,479 | \$74,605 |
| Long-term debt, excluding current portion | \$26,782 | \$31,410 | \$27,765 | \$26,681 | \$24,044 |
| Capital expenditures, independent power and other investments and nuclear fuel purchases: | | | | | |
| FPL | \$5,135 | \$5,291 | \$3,934 | \$3,633 | \$3,241 |
| NEER | 7,138 | 5,375 | 5,521 | 4,661 | 3,701 |
| Corporate and Other | 731 | 74 | 181 | 83 | 75 |
| Total | \$13,004 | \$10,740 | \$9,636 | \$8,377 | \$7,017 |

(a) Amounts have been retrospectively adjusted as discussed in Note 14.

(b) See Note 1 - NextEra Energy Partners, LP for a discussion of the deconsolidation of NEP in January 2018.

2018 includes an after-tax gain of approximately \$3.0 billion related to the deconsolidation of NEP (see Note 1 - NextEra Energy Partners, LP). 2017 includes approximately \$1.8 billion (\$1.9 billion attributable to NEE) of net favorable tax reform impacts (see Note 6). 2017 and 2016 include after-tax gains on sale of the fiber-optic

(c) telecommunications business and natural gas generation facilities of \$685 million and \$219 million, respectively (see Note 1 - Disposal of a Business/Assets). Also, on an after-tax basis, 2017 includes an impairment charge of \$258 million related to Duane Arnold (see Note 5 - Nonrecurring Fair Value Measurements).

2018 reflects approximately \$497 million relating to a reduction of differential membership interests as a result of a (d) change in the federal corporate income tax rate effective January 1, 2018 (see Note 1 - Sales of Differential Membership Interests).

Includes assets held for sale of approximately \$452 million in 2016 related to a fiber-optic telecommunications

(e) business and \$1,009 million in 2015 related to merchant natural gas generation facilities. See Note 1 - Disposal of a Business/Assets.

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

OVERVIEW

NEE's operating performance is driven primarily by the operations of its two principal businesses, FPL, which serves more than 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 generator of renewable energy from the wind and sun based on 2018 MWh produced on a net generation basis. 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 16 for additional segment information). The following discussions should be read in conjunction with the Notes to Consolidated Financial Statements contained herein and all comparisons are with the corresponding items in the prior year. Certain 2017 and 2016 amounts have been retrospectively adjusted as discussed in Note 14.

| | Net Income (Loss) Attributable to NEE | | | Earnings (Loss) Per Share Attributable to NEE, Assuming Dilution | | |
|------------------------|---|---------|---------|---|---------|--------|
| | Years Ended December 31, | | | Years Ended December 31, | | |
| | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| | (millions) | | | | | |
| FPL | \$2,171 | \$1,880 | \$1,727 | \$4.55 | \$3.98 | \$3.71 |
| NEER ^{(a)(b)} | 4,664 | 2,964 | 1,118 | 9.75 | 6.27 | 2.40 |
| Corporate and Other | (197) | 536 | 61 | (0.42) | 1.14 | 0.13 |
| NEE ^(b) | \$6,638 | \$5,380 | \$2,906 | \$13.88 | \$11.39 | \$6.24 |

(a) NEER's results reflect an allocation of interest expense from NEECH based on a deemed capital structure of 70% debt and differential membership interests sold by NEER's subsidiaries.

(b) NEP was deconsolidated from NEER in January 2018. See Note 1 - NextEra Energy Partners, LP.

For the five years ended December 31, 2018, NEE delivered a total shareholder return of approximately 134.4%, above the S&P 500's 50.3% return, the S&P 500 Utilities' 66.6% return and the Dow Jones U.S. Electricity's 65.4% return. The historical stock performance of NEE's common stock shown in the performance graph below is not necessarily indicative of future stock price performance.

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Adjusted Earnings

NEE prepares its financial statements under GAAP. However, management uses earnings excluding certain items (adjusted earnings), a non-GAAP financial measure, internally for financial planning, 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 the excluded amounts are properly included in the determination of net income under GAAP, management believes that the amount and/or nature of such items make period to period comparisons of operations difficult and potentially confusing. Adjusted earnings do not represent a substitute for net income, as prepared under GAAP.

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

| | Years Ended December 31, | | |
|--|--------------------------|----------|---------|
| | 2018 | 2017 | 2016 |
| | (millions) | | |
| Net losses associated with non-qualifying hedge activity ^(a) | \$(186) | \$ (37) | \$ (92) |
| Tax reform-related ^(b) | \$436 | \$ 1,881 | \$ — |
| NEP investment gains, net ^(c) | \$2,863 | \$ — | \$ — |
| Change in unrealized gains (losses) on NEER's nuclear decommissioning funds and OTTI, net ^(d) | \$(125) | \$ 2 | \$ (1) |
| Merger-related - Corporate and Other ^(e) | \$(14) | \$ (63) | \$ (92) |
| Operating results of solar projects in Spain - NEER | \$(9) | \$ 5 | \$ (11) |
| Gain on sale of the fiber-optic telecommunications business - Corporate and Other ^(f) | \$— | \$ 685 | \$ — |
| Gains on sale of natural gas generation facilities ^(g) | \$— | \$ — | \$ 219 |
| Duane Arnold impairment charge ^(h) | \$— | \$ (258) | \$ — |
| Resolution of contingencies related to a previous asset sale - NEER | \$— | \$ — | \$ 5 |

For 2018, 2017 and 2016, approximately \$40 million of gains, \$46 million of gains and \$233 million of losses, 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. In 2017, net losses associated with non-qualifying hedge activity were partly offset by approximately \$95 million of tax reform impacts.

For 2018, approximately \$420 million of favorable tax reform-related impacts relates to NEER and the balance relates to Corporate and Other. For 2017, approximately \$1,929 million of net favorable tax reform impacts and \$50 million of net unfavorable tax reform impacts relate to NEER and FPL, respectively; the balance relates to Corporate and Other. See Note 1 - Rate Regulation and - Sales of Differential Membership Interests and Note 6. Approximately \$2,885 million relates to NEER; the balance relates to Corporate and Other. See Note 1 - NextEra Energy Partners, LP and - Disposal of a Business/Assets.

For 2018, 2017 and 2016, approximately \$127 million of losses, \$2 million of gains and \$2 million of losses, respectively, are included in NEER's net income; the balance for 2018 and 2016 is included in Corporate and Other.

(e) See Note 1 - Merger-Related.

(f) See Note 1 - Disposal of a Business/Assets for a discussion of the sale of the fiber-optic telecommunications business.

(g) Approximately \$276 million of the gains is included in NEER's net income; the balance is included in Corporate and Other. See Note 1 - Disposal of a Business/Assets for a discussion of the sale of the natural gas generation facilities.

(h) Approximately \$246 million of the impairment charge is included in NEER's net income; the balance is included in Corporate and Other. See Note 5 - Nonrecurring Fair Value Measurements.

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 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.

2018 Summary

Net income attributable to NEE for 2018 was higher than 2017 by \$1,258 million, or \$2.49 per share, assuming dilution, due to higher results at FPL and NEER, partly offset by lower results at Corporate and Other.

FPL's increase in net income in 2018 was primarily driven by continued investments in plant in service and other property, increased retail rate base under the 2016 rate agreement and the absence of the 2017 net impact of storm restoration costs due to Hurricane Irma discussed below.

NEER's results increased in 2018 primarily reflecting NEP investment gains upon deconsolidation and the absence of the 2017 Duane Arnold impairment charge, and lower income tax expense related to the reduction in the federal corporate income tax rate partly offset by the income tax benefits recognized on revaluing the deferred taxes upon enactment of tax reform in 2017. In 2018, NEER added approximately 1,406 MW of new wind generating capacity, 899 MW of wind repowering generating capacity and 326 MW of solar generating capacity in the U.S. and increased its backlog of contracted renewable development projects. See Note 1 - NextEra Energy Partners, LP for a discussion of the deconsolidation of NEP in January 2018.

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Corporate and Other's results in 2018 decreased primarily reflecting the absence of the 2017 gain on sale of the fiber-optic telecommunications business and unfavorable non-qualifying hedge activity.

NEE and its subsidiaries require funds to support and grow their businesses. These funds are primarily provided by cash flows from operations, borrowings or issuances of short- and long-term debt, proceeds from differential membership investors, sales of assets to NEP or third parties and, from time to time, issuances of equity securities. See Liquidity and Capital Resources - Liquidity.

RESULTS OF OPERATIONS

Net income attributable to NEE for 2018 was \$6.64 billion, compared to \$5.38 billion in 2017 and \$2.91 billion in 2016. In 2018 and 2017, net income attributable to NEE improved due to higher results at FPL and NEER and, in 2017, higher results at Corporate and Other.

In 2017, the enactment of tax reform required NEE and its subsidiaries to, among other things, revalue their deferred income tax assets and liabilities to the new 21% federal corporate income tax rate. See Note 1 - Rate Regulation and Note 6 for further discussion of the impacts of tax reform.

In January 2019, NEE completed the acquisition of Gulf Power, a rate-regulated electric utility engaged in the generation, transmission, distribution and sale of electric energy in northwest Florida. See Note 8 - Gulf Power Company.

FPL: Results of Operations

FPL obtains its operating revenues primarily from the sale of electricity to retail customers at rates established by the FPSC through base rates and cost recovery clause mechanisms. FPL's net income for 2018, 2017 and 2016 was \$2,171 million, \$1,880 million and \$1,727 million, respectively, representing an increase in 2018 of \$291 million and an increase in 2017 of \$153 million. The increases in 2018 and 2017 were primarily driven by higher earnings from investments in plant in service and other property. Such investments grew FPL's average retail rate base by approximately \$3.1 billion and \$3.5 billion in 2018 and 2017, respectively, and reflect, among other things, solar generation additions, ongoing transmission and distribution additions and the replacement of certain gas turbines with high-efficiency, low-emission turbines.

In September 2017, Hurricane Irma passed through Florida causing damage throughout much of FPL's service territory. In December 2017, following the enactment of tax reform, FPL used available reserve amortization to offset nearly all of the write-off of Hurricane Irma storm restoration costs, and FPL plans to partially restore the reserve amortization through tax savings generated during the term of the 2016 rate agreement. See Note 1 - Rate Regulation.

The use of reserve amortization was permitted under the 2012 rate agreement and continues during the term of the 2016 rate agreement. See Item 1. Business - FPL - FPL Regulation - FPL Electric Rate Regulation - Base Rates for additional information on the 2016 and 2012 rate agreements. In order to earn a targeted regulatory ROE, subject to limitations associated with the 2016 and 2012 rate agreements, 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. In 2018, FPL recorded the reversal of reserve amortization of approximately \$541 million and in 2017 and 2016, FPL recorded reserve amortization of \$1,250 million and \$13 million, respectively. FPL's regulatory ROE for 2018, 2017 and 2016 was approximately 11.60%, 11.08% and 11.50%, respectively.

During 2018, FPL's operating revenues decreased \$110 million primarily related to approximately \$249 million in lower storm-related revenues and a \$233 million decrease in fuel cost recovery revenues, partly offset by higher retail base revenues of \$393 million. During 2017, FPL's operating revenues increased \$1,077 million primarily related to increases of approximately \$404 million in retail base revenues, \$274 million in storm-related revenues and \$262 million in fuel cost recovery revenues.

Retail Base

FPL's retail base revenues for 2018 and 2017 reflect the 2016 rate agreement and for 2016 reflect the 2012 rate agreement. In December 2016, the FPSC issued a final order approving the 2016 rate agreement which became effective January 2017 and will remain in effect until at least December 2020, establishes FPL's allowed regulatory ROE at 10.55%, with a range of 9.60% to 11.60%, and allows for retail rate base increases in 2017, 2018 and upon commencement of commercial operations at the Okeechobee Clean Energy Center and certain solar projects. See Item 1. Business - FPL - FPL Regulation - FPL Electric Rate Regulation - Base Rates for additional information on the 2016 rate agreement. In December 2018, several joint petitioners filed with the FPSC a petition regarding FPL's retail rates that were established pursuant to the 2016 rate agreement and the use of reserve amortization and tax reform savings. See Note 1 - Rate Regulation.

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The increase in retail base revenues in 2018 primarily reflects additional revenues of approximately \$209 million related to retail base rates under the 2016 rate agreement and \$106 million related to retail base rate increases associated with the 2018 addition of approximately 600 MW of new solar generation. Retail base revenues increased approximately \$45 million in 2017 through a retail base rate increase associated with the modernized Port Everglades power plant. In addition, the 2017 increase in retail base revenues reflects additional revenues of approximately \$389 million related to new retail base rates under the 2016 rate agreement. In 2018 and 2017, retail base revenues were also impacted by an increase of 0.2% and a decrease of 2.1%, respectively, in the average usage per retail customer and increases of 1.2% and 1.3%, respectively, in the average number of customer accounts. Although the weather in 2018 was less favorable when compared to 2017, usage per retail customer increased. Despite generally favorable weather in 2017 compared to 2016, usage per retail customer declined. Hurricane Irma contributed to the 2017 decrease in retail usage, resulting in a decrease in retail base revenues of approximately \$60 million which represents a 1.0% decrease in retail base revenues. See Note 1 - Rate Regulation.

Cost Recovery Clauses

Revenues from fuel and other cost recovery clauses and pass-through costs, such as franchise fees, revenue taxes and storm-related surcharges, are largely a pass-through of costs. Such revenues also include a return on investment allowed to be recovered through the cost recovery clauses on certain assets, primarily related to certain solar and environmental projects and the unamortized balance of the regulatory asset associated with FPL's acquisition of certain generation facilities. See Item 1. Business - FPL - FPL Regulation - FPL Electric Rate Regulation - Cost Recovery Clauses. Underrecovery or overrecovery of cost recovery clause and other pass-through costs (deferred clause and franchise expenses and revenues) can significantly affect NEE's and FPL's operating cash flows. The 2018 net underrecovery impacting NEE and FPL's operating cash flows was approximately \$209 million and the impact of the 2017 net overrecovery was approximately \$82 million.

The 2018 decrease in fuel cost recovery revenues primarily reflects a lower average fuel factor resulting in lower revenues of approximately \$218 million. The 2017 increase in fuel cost recovery revenues primarily reflects a higher average fuel factor resulting in higher revenues of approximately \$258 million. Storm-related revenues decreased in 2018 primarily as a result of the conclusion in February 2018 of a surcharge related to hurricanes impacting FPL's service territory in 2016. The 2017 increase in storm-related revenues relates to FPL's recovery of eligible storm restoration costs following hurricanes impacting FPL's service territory in 2016 and replenishment of the storm reserve for a 12-month period beginning on March 1, 2017.

In 2018, 2017 and 2016, cost recovery clauses contributed approximately \$113 million, \$120 million and \$112 million, respectively, to FPL's net income.

Other Items Impacting FPL's Consolidated Statements of Income

Fuel, Purchased Power and Interchange Expense

Fuel, purchased power and interchange expense decreased \$291 million and increased \$294 million during 2018 and 2017, respectively. The decrease for 2018 primarily relates to a higher deferral of fuel expense and approximately \$129 million in lower capacity fees. FPL deferred approximately \$176 million and \$11 million of retail fuel costs in 2018 and 2016, respectively, compared with the recognition of approximately \$49 million of deferred retail fuel costs in 2017. The increase for 2017 primarily relates to approximately \$314 million of higher fuel and energy prices.

Storm Restoration Costs

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 surcharge from customers and, as a result, the regulatory asset associated with Hurricane Irma was written off. 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. See Note 1 - Rate Regulation.

Depreciation and Amortization Expense

The major components of FPL's depreciation and amortization expense are as follows:

| | Years Ended December 31, | | |
|--|--------------------------|-----------|---------|
| | 2018 | 2017 | 2016 |
| | (millions) | | |
| Reserve reversal (amortization) recorded under the 2016 and 2012 rate agreements | \$541 | \$(1,250) | \$(13) |
| Other depreciation and amortization recovered under base rates | 1,739 | 1,615 | 1,366 |
| Depreciation and amortization primarily recovered under cost recovery clauses and securitized storm-recovery cost amortization | 353 | 575 | 347 |
| Total | \$2,633 | \$940 | \$1,700 |

Depreciation expense increased \$1,693 million and decreased \$760 million during 2018 and 2017, respectively. The increase in 2018 primarily reflects the reversal of reserve amortization in 2018 compared to recording reserve amortization in 2017, partly offset

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by lower storm-recovery cost amortization as a result of the conclusion, in February 2018, of the recovery of restoration costs from hurricanes that impacted FPL's service territory in 2016. The decrease in 2017 primarily reflects approximately \$1,237 million of higher reserve amortization, partly offset by higher depreciation recovered under base rates due to higher rates as a result of the 2016 rate agreement, higher storm-recovery cost amortization related to the recovery of restoration costs from hurricanes that impacted FPL's service territory in 2016 and higher plant in service balances. The reserve amortization, or reversal of such amortization, reflects adjustments to accrued asset removal costs provided under the 2016 and 2012 rate agreements in order to achieve the targeted regulatory ROE. Reserve amortization is recorded as a reduction to (or when reversed as an increase to) accrued asset removal costs which is reflected in noncurrent regulatory liabilities on the consolidated balance sheets. At December 31, 2018, approximately \$541 million remains in accrued asset removal costs related to reserve amortization.

Taxes Other Than Income Taxes and Other

Taxes other than income taxes and other increased \$103 million in 2017 primarily due to higher franchise and revenue taxes, neither of which impacts net income, as well as higher property taxes reflecting growth in plant in service balances.

Income Taxes

FPL's income taxes for 2018 decreased \$567 million primarily related to the decrease in the federal corporate income tax rate.

NEER: Results of Operations

NEER owns, develops, constructs, manages and operates electric generation facilities in wholesale energy markets primarily in the U.S., as well as in Canada and Spain. NEER also provides full energy and capacity requirements services, engages in power and gas marketing and trading activities and invests in natural gas, natural gas liquids and oil production and pipeline infrastructure assets. NEER's net income less net income attributable to noncontrolling interests for 2018, 2017 and 2016 was \$4,664 million, \$2,964 million and \$1,118 million, respectively, resulting in an increase in 2018 of \$1,700 million and an increase in 2017 of \$1,846 million. The primary drivers, on an after-tax basis, of these changes are in the following table.

| | Increase (Decrease) From Prior Period Years Ended December 31, | |
|--|---|--------|
| | 2018 | 2017 |
| | (millions) | |
| New investments ^(a) | \$ (21) | \$ 363 |
| Existing assets ^(a) | 46 | (54) |
| Gas infrastructure ^(a) | 82 | (13) |
| Customer supply and proprietary power and gas trading ^(b) | 28 | 3 |
| Revaluation of contingent consideration | — | (80) |
| Interest and other general and administrative expenses ^(c) | (135) | (158) |
| Income taxes, in 2018 - primarily due to federal corporate income tax rate reduction | 214 | 29 |
| Other | 13 | 55 |
| Change in non-qualifying hedge activity ^(d) | (6) | 279 |
| Change in unrealized losses on securities held in nuclear decommissioning funds and OTTI, net | (129) | 4 |

| | | |
|---|----------|----------|
| Tax reform-related ^(d) | (1,509) | 1,929 |
| NEP investment gains, net ^(d) | 2,885 | — |
| Duane Arnold impairment charge ^(d) | 246 | (246) |
| Operating results of the solar projects in Spain | (14) | 16 |
| Gains on sale of natural gas generation facilities ^(d) | — | (276) |
| Resolution of contingencies related to a previous asset sale | — | (5) |
| Increase in net income less net income attributable to noncontrolling interests | \$ 1,700 | \$ 1,846 |

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 (see Note 1 - Electric Plant,

Depreciation and Amortization, - Income Taxes and - Sales of Differential Membership Interests and Note 6), as

(a) well as income tax benefits related to the Canadian tax restructuring, 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.

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

(c) 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.

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

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New Investments

In 2018, results from new investments decreased slightly primarily due to the expected smaller than usual renewable MW additions during 2017 (1,659 MW of wind generating capacity and 326 MW of solar wind generating capacity during or after 2017).

In 2017, results from new investments increased primarily due to higher earnings of approximately \$316 million, including the net effect of deferred income taxes and other benefits associated with ITCs and convertible ITCs, related to the addition of approximately 1,818 MW of wind generating capacity and 1,378 MW of solar generating capacity during or after 2016, and higher earnings of approximately \$44 million related to additional investments in natural gas pipeline projects.

Interest and General and Administrative Expenses

Interest and general and administrative expenses includes interest expense, differential membership interest costs and other corporate general and administrative expenses. In 2018 and 2017, interest and general and administrative expenses reflect higher borrowing costs and other costs to support the growth of the business.

Other Factors

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

Operating Revenues

Operating revenues for 2018 decreased \$286 million primarily due to:

• lower revenues of approximately \$718 million related to the deconsolidation of NEP, partly offset by,

• higher revenues of \$193 million from the customer supply and proprietary power and gas trading business,

• favorable unrealized mark-to-market activity of \$115 million from non-qualifying hedges, and

• higher revenues from new investments of \$105 million.

Operating revenues for 2017 increased \$288 million primarily due to:

• higher revenues from new investments of approximately \$318 million,

• lower unrealized mark-to-market losses from non-qualifying hedges (\$71 million for 2017 compared to \$273 million in 2016), and

• higher revenues of \$125 million from the customer supply and proprietary power and gas trading business, partly offset by,

• lower revenues from existing assets of \$291 million primarily reflecting the sale of certain natural gas generation facilities in 2016, and

• lower revenues from the gas infrastructure business of \$89 million.

Operating Expenses - net

Operating expenses - net for 2018 decreased \$728 million primarily due to:

• the absence of approximately \$412 million of operating expenses related to NEP, which is no longer consolidated, and

•

the absence of the Duane Arnold impairment charge of approximately \$420 million (see Note 5 - Nonrecurring Fair Value Measurements),
partly offset by,
higher O&M expense at the gas infrastructure and customer supply and proprietary power and gas trading businesses,
and
higher operating expenses associated with new investments of approximately \$55 million.

Operating expenses - net for 2017 increased \$885 million primarily due to:
the absence of the 2016 gain on the sale of natural gas generation facilities of approximately \$445 million,
the Duane Arnold impairment charge of approximately \$420 million, and
higher operating expenses associated with new investments of approximately \$167 million,
partly offset by,
lower depreciation expense on existing assets of approximately \$98 million primarily related to the change in the estimated useful lives of certain equipment (see Note 1 - Electric Plant, Depreciation and Amortization) and lower depletion rates, and
lower fuel expense of approximately \$85 million primarily related to the sale of certain natural gas generation facilities in 2016 offset in part by higher fuel purchases for the proprietary power and gas trading business.

Interest Expense

NEER's interest expense for 2018 decreased \$220 million primarily reflecting the absence of approximately \$181 million of interest expense related to NEP, which is no longer consolidated, and favorable impacts of \$64 million related to changes in the fair value of interest rate derivative instruments, partly offset by higher borrowing costs to support growth in the business. NEER's interest expense for 2017 increased \$68 million primarily reflecting higher average debt balances reflecting growth in the business.

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Benefits Associated with Differential Membership Interests - net

For 2017 and 2016, 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. The increase for 2017 primarily relates to additional sales of differential membership interests in 2017 and 2016. For 2018, NEER recognized income related to differential membership interests of approximately \$862 million which, following the adoption of an accounting standards update, is reflected as net loss attributable to noncontrolling interests in the consolidated statements of income. The increase in 2018 primarily relates to an adjustment of approximately \$497 million (\$373 million after tax) related to the decrease in federal corporate income tax rate effective January 1, 2018. See Note 1 - Sales of Differential Membership Interests.

Equity in Earnings of Equity Method Investees

After the deconsolidation of NEP, approximately \$160 million of equity in earnings of NEP was recognized during 2018 as equity in earnings of equity method investees. See Note 1 - NextEra Energy Partners, LP. 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 the federal corporate income tax rate.

Gain on NEP Deconsolidation

The NEP deconsolidation resulted in a gain of approximately \$3.9 billion (\$3.0 billion after tax) in NEE's consolidated statements of income during 2018. See Note 1 - NextEra Energy Partners, LP.

Change in Unrealized Gains (Losses) on Equity Securities Held in NEER's Nuclear Decommissioning Funds - net

After the adoption of an accounting standards update in 2018, NEER reflects changes in the fair value of equity securities in its nuclear decommissioning funds in NEE's consolidated statements of income. See Note 5 - Financial Instruments Accounting Standards Update. 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.

Revaluation of Contingent Consideration

Revaluation of contingent consideration reflects 2016 fair value adjustments to reduce the contingent holdback associated with the acquisition of the Texas pipelines. See Note 5 - Contingent Consideration. Approximately \$65 million of the fair value adjustments was attributable to noncontrolling interests.

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 reflected 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, and were approximately \$88 million, \$132 million and \$120 million in 2018, 2017 and 2016, respectively. ITCs and deferred income taxes associated with convertible ITCs totaled approximately \$131 million, \$236 million and \$150 million in 2018, 2017 and 2016, respectively. A portion of the PTCs and ITCs have been allocated to investors in connection with sales of differential membership interests. PTCs, ITCs and deferred income taxes associated with convertible ITCs can significantly affect the 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 PTC roll off. Also, NEE's effective income tax rate was affected by the favorable tax reform impacts in 2017 and the reversal of a noncash income tax charge associated with structuring Canadian assets in 2016. See Note 6.

Net (Income) Loss Attributable to Noncontrolling Interests

For 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. For 2017 and 2016, 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 1 - NextEra Energy Partners, LP.

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 differential membership interests sold by NEER's subsidiaries. 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 decreased \$733 million and increased \$475 million during 2018 and 2017, respectively, primarily related to the approximately \$685 million after-tax gain on the sale of the fiber-optic telecommunications business in January 2017. See Note 1 - Disposal of a Business/Assets. In addition, Corporate and Other's results reflect 2018 after-tax losses of approximately \$226 million related to non-qualifying hedge activity compared to 2017 after-tax losses of approximately \$83 million and 2016 after-tax gains of approximately \$141 million. The decreases in 2018 were partially offset by lower merger-related costs.

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In November 2018, a wholly owned subsidiary of NEET entered into an agreement to acquire Trans Bay Cable, LLC. See Note 8 - Trans Bay Cable, LLC.

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, proceeds from differential membership investors and sales of assets to NEP or third parties, 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.

In October 2015, NEE authorized a program to purchase, from time to time, up to \$150 million of common units representing limited partner interests in NEP. Under the program, purchases may be made in amounts, at prices and at such times as NEE or its subsidiaries deem appropriate, all subject to market conditions and other considerations. The purchases may be made in the open market or in privately negotiated transactions. Any purchases will be made in such quantities, at such prices, in such manner and on such terms and conditions as determined by NEE or its subsidiaries in their discretion, based on factors such as market and business conditions, applicable legal requirements and other factors. The common unit purchase program does not require NEE to acquire any specific number of common units and may be modified or terminated by NEE at any time. The purpose of the program is not to cause NEP's common units to be delisted from the New York Stock Exchange or to cause the common units to be deregistered with the SEC. As of December 31, 2018, NEE had purchased approximately \$36 million of NEP common units under this program. At December 31, 2018, NEE owned a noncontrolling general partner interest in NEP and beneficially owned approximately 59.9% of NEP's voting power.

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Cash Flows

NEE's sources and uses of cash for 2018, 2017 and 2016 were as follows:

| | Years Ended December 31, | | |
|--|-----------------------------|---------------------|---------------------|
| | 2018 | 2017 ^(a) | 2016 ^(a) |
| | (millions) | | |
| Sources of cash: | | | |
| Cash flows from operating activities | \$6,593 | \$6,458 | \$6,369 |
| Long-term borrowings | 4,399 | 8,354 | 5,657 |
| Proceeds from differential membership investors | 1,841 | 1,414 | 1,859 |
| Proceeds from sale of the fiber-optic telecommunications business | — | 1,454 | — |
| Sale of independent power and other investments of NEER | 1,617 | 178 | 658 |
| Cash grants under the Recovery Act | 3 | 78 | 335 |
| Issuances of common stock - net | 718 | 55 | 537 |
| Net increase in commercial paper and other short-term debt | 6,272 | 1,867 | — |
| Proceeds from sales of noncontrolling interests in NEP | — | — | 645 |
| Proceeds from issuance of NEP convertible preferred units - net | — | 548 | — |
| Distributions from equity method investees | 637 | 7 | — |
| Other sources - net | 120 | 142 | 5 |
| Total sources of cash | 22,200 | 20,555 | 16,065 |
| Uses of cash: | | | |
| Capital expenditures, independent power and other investments and nuclear fuel purchases | (13,004) | (10,740) | (9,636) |
| Retirements of long-term debt | (3,102) | (6,780) | (3,310) |
| Net decrease in commercial paper and other short-term debt | — | — | (268) |
| Payments to related parties under a cash sweep and credit support agreement – net | (21) | — | — |
| Dividends on common stock | (2,101) | (1,845) | (1,612) |
| Other uses - net | (695) | (762) | (492) |
| Total uses of cash | (18,923) | (20,127) | (15,318) |
| Effects of currency translation on cash, cash equivalents and restricted cash | (7) | 26 | 10 |
| Net increase in cash, cash equivalents and restricted cash ^(b) | \$3,270 | \$454 | \$757 |

(a) Amounts have been retrospectively adjusted as discussed in Note 14.

(b) 2018 includes cash restricted for the acquisition of Gulf Power on January 1, 2019. See Note 8 - Gulf Power Company.

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 15 - Commitments for estimated capital expenditures in 2019 through 2023. The following table provides a summary of the major capital investments for 2018, 2017 and 2016.

| | Years Ended December 31, | | |
|-------------|-----------------------------|------|------|
| | 2018 | 2017 | 2016 |
| | (millions) | | |
| FPL: | | | |
| Generation: | | | |

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| | | | |
|--|----------|----------|---------|
| New | \$976 | \$1,198 | \$1,128 |
| Existing | 1,142 | 1,285 | 723 |
| Transmission and distribution | 2,456 | 2,151 | 1,848 |
| Nuclear fuel | 123 | 117 | 158 |
| General and other | 334 | 431 | 331 |
| Other, primarily change in accrued property additions and exclusion of AFUDC - equity | 104 | 109 | (254) |
| Total | 5,135 | 5,291 | 3,934 |
| NEER: | | | |
| Wind | 4,093 | 2,824 | 2,474 |
| Solar | 698 | 759 | 1,554 |
| Nuclear, including nuclear fuel | 233 | 220 | 255 |
| Natural gas pipelines | 873 | 785 | 853 |
| Other | 1,241 | 787 | 385 |
| Total | 7,138 | 5,375 | 5,521 |
| Corporate and Other | 731 | 74 | 181 |
| Total capital expenditures, independent power and other investments and nuclear fuel purchases | \$13,004 | \$10,740 | \$9,636 |

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Liquidity

At December 31, 2018, NEE's total net available liquidity was approximately \$7.0 billion. The table below provides the components of FPL's and NEECH's net available liquidity at December 31, 2018.

| | FPL | NEECH | Total | Maturity Date | |
|---|----------|------------|----------|---------------|-------------|
| | | | | FPL | NEECH |
| | | (millions) | | | |
| Bank revolving line of credit facilities ^(a) | \$2,943 | \$ 4,997 | \$7,940 | 2019 - 2023 | 2019 - 2023 |
| Issued letters of credit | (3) | (221) | (224) | | |
| | 2,940 | 4,776 | 7,716 | | |
| Revolving credit facilities | 1,000 | 1,150 | 2,150 | 2019 - 2020 | 2019 - 2021 |
| Borrowings | — | — | — | | |
| | 1,000 | 1,150 | 2,150 | | |
| Letter of credit facilities ^(b) | — | 900 | 900 | | 2020 - 2021 |
| Issued letters of credit | — | (664) | (664) | | |
| | — | 236 | 236 | | |
| Subtotal | 3,940 | 6,162 | 10,102 | | |
| Cash and cash equivalents | 112 | 525 | 637 | | |
| Commercial paper and other short-term borrowings outstanding ^(c) | (1,256) | (2,458) | (3,714) | | |
| Net available liquidity | \$2,796 | \$ 4,229 | \$7,025 | | |

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 \$893 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, as well as, the repayment of approximately \$193 million of floating rate notes in the event an individual noteholder requires repayment 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.

(c) Excludes short-term borrowings to purchase Gulf Power. See Note 8 - Gulf Power Company.

At December 31, 2018, 66 banks participate in FPL's and NEECH's revolving credit facilities, with no one bank providing more than 8% of the combined revolving credit facilities. European banks provide approximately 24% of the combined revolving credit facilities. Pursuant to a 1998 guarantee agreement, NEE guarantees the payment of NEECH's debt obligations under its revolving credit facilities. In order for FPL or NEECH to borrow or to have letters of credit issued under the terms of their respective revolving credit facilities and, also for NEECH, its letter of credit facilities, FPL, in the case of FPL, and NEE, in the case of NEECH, are required, among other things, to maintain a ratio of funded debt to total capitalization that does not exceed a stated ratio. The FPL and NEECH revolving credit

facilities also contain default and related acceleration provisions relating to, among other things, failure of FPL and NEE, as the case may be, to maintain the respective ratio of funded debt to total capitalization at or below the specified ratio. At December 31, 2018, each of NEE and FPL was in compliance with its required ratio.

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 December 31, 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 development and construction and a related natural gas transportation agreement. Commitments associated with these activities are included in the contracts table in Note 15.

In addition, at December 31, 2018, NEE subsidiaries had approximately \$5.3 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 (see Note 8 - Trans Bay Cable, LLC).

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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 December 31, 2018, these guarantees totaled approximately \$651 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 December 31, 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 December 31, 2018) plus contract settlement net payables, net of collateral posted for obligations under these guarantees totaled approximately \$812 million.

At December 31, 2018, subsidiaries of NEE also had approximately \$1.3 billion of standby letters of credit and approximately \$329 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. For a discussion of credit rating downgrade triggers, see Credit Ratings below. 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.

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Contractual Obligations and Estimated Capital Expenditures

NEE's commitments at December 31, 2018 were as follows:

| | 2019 | 2020 | 2021 | 2022 | 2023 | Thereafter | Total |
|--|------------|---------|----------|---------|---------|------------|-----------|
| | (millions) | | | | | | |
| Long-term debt, including interest: ^(a) | | | | | | | |
| FPL ^(b) | \$590 | \$520 | \$556 | \$606 | \$1,014 | \$18,746 | \$22,032 |
| NEER | 501 | 493 | 491 | 469 | 638 | 4,269 | 6,861 |
| Corporate and Other | 2,530 | 1,978 | 3,246 | 1,150 | 996 | 13,342 | 23,242 |
| Purchase obligations: | | | | | | | |
| FPL ^(c) | 7,165 | 5,865 | 6,635 | 5,675 | 5,155 | 11,495 | 41,990 |
| NEER ^(d) | 2,215 | 390 | 170 | 185 | 105 | 1,360 | 4,425 |
| Corporate and Other ^(d) | 45 | 30 | 15 | 10 | 5 | — | 105 |
| Elimination of FPL's purchase obligations to NEER ^(d) | (111) | (108) | (105) | (102) | (99) | (1,411) | (1,936) |
| Asset retirement activities: ^(e) | | | | | | | |
| FPL ^(f) | 34 | 13 | 25 | 5 | — | 8,651 | 8,728 |
| NEER ^(g) | 1 | 1 | — | 2 | — | 12,442 | 12,446 |
| Other commitments: ^(h) | | | | | | | |
| FPL | 11 | 11 | 11 | 11 | 6 | 17 | 67 |
| NEER ⁽ⁱ⁾ | 26 | 26 | 35 | 35 | 34 | 336 | 492 |
| Corporate and Other ^(j) | 4,471 | 1 | 1 | 1 | 1 | 2 | 4,477 |
| Total | \$17,478 | \$9,220 | \$11,080 | \$8,047 | \$7,855 | \$69,249 | \$122,929 |

(a) Includes principal, interest, interest rate contracts and payments by NEE under stock purchase contracts.

Variable rate interest was computed using December 31, 2018 rates. See Note 12.

(b) Includes tax exempt bonds of approximately \$9 million in 2020, \$46 million in 2021, \$96 million in 2022, \$15 million in 2023 and \$727 million thereafter that permit individual bondholders to tender the bonds for purchase at any time prior to maturity. In the event bonds are tendered for purchase, they would be remarketed by a designated remarketing agent in accordance with the related indenture. If the remarketing is unsuccessful, FPL would be

(c) required to purchase the tax exempt bonds. As of December 31, 2018, all tax exempt bonds tendered for purchase have been successfully remarketed. Also includes floating rate notes of approximately \$193 million maturing after 2023 that permit individual noteholders to require repayment prior to maturity. FPL's bank revolving line of credit facilities are available to support the purchase of tax exempt bonds and the repayment of floating rate notes.

(d) Represents required minimum payments primarily under long-term fuel transportation contracts and projected capital expenditures through 2023 (see Note 15 - Commitments and - Contracts).

(e) See Note 15 - Contracts.

(f) Represents expected cash payments adjusted for inflation for estimated costs to perform asset retirement activities.

(g) At December 31, 2018, FPL had approximately \$3,987 million in restricted funds for the payment of its portion of future expenditures to decommission the Turkey Point and St. Lucie nuclear units, which are included in NEE's and FPL's special use funds. See Note 13.

(h) At December 31, 2018, NEER had approximately \$1,831 million in restricted funds for the payment of its portion of future expenditures to decommission Seabrook, Duane Arnold and Point Beach nuclear units which are included in NEE's special use funds. See Note 13.

(i) Includes lease payment obligations. See Note 14.

(j)

Includes payments related to the acquisition of certain development rights.

(j) 2019 includes cash consideration required for the acquisition of Gulf Power. See Note 8 - Gulf Power Company.

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Credit Ratings

NEE's liquidity, ability to access credit and capital markets, cost of borrowings and collateral posting requirements under certain agreements is dependent on its and its subsidiaries credit ratings. At February 15, 2019, Moody's Investors Service, Inc. (Moody's), S&P Global Ratings (S&P) and Fitch Ratings, Inc. (Fitch) had assigned the following credit ratings to NEE, FPL and NEECH:

| | Moody's ^(a) | S&P ^(a) | Fitch ^(a) |
|---|------------------------|--------------------|----------------------|
| NEE: ^(b) | | | |
| Corporate credit rating | Baa1 | A- | A- |
| FPL: ^(b) | | | |
| Corporate credit rating | A1 | A- | A |
| First mortgage bonds | Aa2 | A | AA- |
| Senior unsecured notes | A1 | A- | A+ |
| Pollution control, solid waste disposal and industrial development revenue bonds ^(c) | VMIG-1/P-1 | A-2 | F1 |
| Commercial paper | P-1 | A-2 | F1 |
| NEECH: ^(b) | | | |
| Corporate credit rating | Baa1 | A- | A- |
| Debentures | Baa1 | BBB+ | A- |
| Junior subordinated debentures | Baa2 | BBB | BBB |
| Commercial paper | P-2 | A-2 | F2 |

(a) A security rating is not a recommendation to buy, sell or hold securities and should be evaluated independently of any other rating. The rating is subject to revision or withdrawal at any time by the assigning rating organization.

(b) The outlook indicated by each of Moody's, S&P and Fitch is stable.

(c) Short-term ratings are presented as all bonds outstanding are currently paying a short-term interest rate. At FPL's election, a portion or all of the bonds may be adjusted to a long-term interest rate.

NEE and its subsidiaries have no credit rating downgrade triggers that would accelerate the maturity dates of outstanding debt. A change in ratings is not an event of default under applicable debt instruments, and while there are conditions to drawing on the credit facilities noted above, the maintenance of a specific minimum credit rating is not a condition to drawing on these credit facilities.

Commitment fees and interest rates on loans under these credit facilities' agreements are tied to credit ratings. A ratings downgrade also could reduce the accessibility and increase the cost of commercial paper and other short-term debt issuances and borrowings and additional or replacement credit facilities. In addition, a ratings downgrade could result in, among other things, the requirement that NEE subsidiaries post collateral under certain agreements and guarantee arrangements, including, but not limited to, those related to fuel procurement, power sales and purchases, nuclear decommissioning funding, debt-related reserves and trading activities. FPL's and NEECH's credit facilities are available to support these potential requirements.

Covenants

NEE's charter does not limit the dividends that may be paid on its common stock. As a practical matter, the ability of NEE to pay dividends on its common stock is dependent upon, among other things, dividends paid to it by its

subsidiaries. For example, FPL pays dividends to NEE in a manner consistent with FPL's long-term targeted capital structure. However, the mortgage securing FPL's first mortgage bonds contains provisions which, under certain conditions, restrict the payment of dividends to NEE and the issuance of additional first mortgage bonds. Additionally, in some circumstances, the mortgage restricts the amount of retained earnings that FPL can use to pay cash dividends on its common stock. The restricted amount may change based on factors set out in the mortgage. Other than this restriction on the payment of common stock dividends, the mortgage does not restrict FPL's use of retained earnings. At December 31, 2018, no retained earnings were restricted by these provisions of the mortgage and, in light of FPL's current financial condition and level of earnings, management does not expect that planned financing activities or dividends would be affected by these limitations.

FPL may issue first mortgage bonds under its mortgage subject to its meeting an adjusted net earnings test set forth in the mortgage, which generally requires adjusted net earnings to be at least twice the annual interest requirements on, or at least 10% of the aggregate principal amount of, FPL's first mortgage bonds including those to be issued and any other non-junior FPL indebtedness. At December 31, 2018, coverage for the 12 months ended December 31, 2018 would have been approximately 8.6 times the annual interest requirements and approximately 4.0 times the aggregate principal requirements. New first mortgage bonds are also limited to an amount equal to the sum of 60% of unfunded property additions after adjustments to offset property retirements, the amount of retired first mortgage bonds or qualified lien bonds and the amount of cash on deposit with the mortgage trustee. At December 31, 2018, FPL could have issued in excess of \$22 billion of additional first mortgage bonds based on the unfunded property additions and retired first mortgage bonds. At December 31, 2018, no cash was deposited with the mortgage trustee for these purposes.

In September 2006, NEE and NEECH executed a Replacement Capital Covenant (as amended, September 2006 RCC) in connection with NEECH's offering of \$350 million principal amount of Series B Enhanced Junior Subordinated Debentures due 2066 (Series B junior subordinated debentures). The September 2006 RCC is for the benefit of persons that buy, hold or sell a specified series

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of long-term indebtedness (covered debt) of NEECH (other than the Series B junior subordinated debentures) or, in certain cases, of NEE. NEECH's 3.625% Debentures, Series due June 15, 2023 have been designated as the covered debt under the September 2006 RCC. The September 2006 RCC provides that NEECH may redeem, and NEE or NEECH may purchase, any Series B junior subordinated debentures on or before October 1, 2036, only to the extent that the redemption or purchase price does not exceed a specified amount of proceeds from the sale of qualifying securities, subject to certain limitations described in the September 2006 RCC. Qualifying securities are securities that have equity-like characteristics that are the same as, or more equity-like than, the Series B junior subordinated debentures at the time of redemption or purchase, which are sold within 365 days prior to the date of the redemption or repurchase of the Series B junior subordinated debentures.

In June 2007, NEE and NEECH executed a Replacement Capital Covenant (as amended, June 2007 RCC) in connection with NEECH's offering of \$400 million principal amount of its Series C Junior Subordinated Debentures due 2067 (Series C junior subordinated debentures). The June 2007 RCC is for the benefit of persons that buy, hold or sell a specified series of covered debt of NEECH (other than the Series C junior subordinated debentures) or, in certain cases, of NEE. NEECH's 3.625% Debentures, Series due June 15, 2023 have been designated as the covered debt under the June 2007 RCC. The June 2007 RCC provides that NEECH may redeem or purchase, or satisfy, discharge or defease (collectively, defease), and NEE and any majority-owned subsidiary of NEE or NEECH may purchase, any Series C junior subordinated debentures on or before June 15, 2037, only to the extent that the principal amount defeased or the applicable redemption or purchase price does not exceed a specified amount raised from the issuance, during the 365 days prior to the date of that redemption, purchase or defeasance, of qualifying securities that have equity-like characteristics that are the same as, or more equity-like than, the applicable characteristics of the Series C junior subordinated debentures at the time of redemption, purchase or defeasance, subject to certain limitations described in the June 2007 RCC.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

NEE's significant accounting policies are described in Note 1 to the consolidated financial statements, which were prepared under GAAP. Critical accounting policies are those that NEE believes are both most important to the portrayal of its financial condition and results of operations, and require complex, subjective judgments, often as a result of the need to make estimates and assumptions about the effect of matters that are inherently uncertain. Judgments and uncertainties affecting the application of those policies may result in materially different amounts being reported under different conditions or using different assumptions.

NEE considers the following policies to be the most critical in understanding the judgments that are involved in preparing its consolidated financial statements:

Accounting for Derivatives and Hedging Activities

NEE uses 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. 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.

Nature of Accounting Estimates

Accounting pronouncements require the use of fair value accounting if certain conditions are met, which requires significant judgment to measure the fair value of assets and liabilities. This applies not only to traditional financial derivative instruments, but to any contract having the accounting characteristics of a derivative. As a result, significant judgment must be used in applying derivatives accounting guidance to contracts. In the event changes in interpretation occur, it is possible that contracts that currently are excluded from derivatives accounting rules would have to be recorded on the balance sheet at fair value, with changes in the fair value recorded in the statement of income.

Assumptions and Accounting Approach

Derivative instruments, when required to be marked to market, are recorded on the balance sheet at fair value using a combination of market and income approaches. Fair values for some of the longer-term contracts where liquid markets are not available are derived through the use of industry-standard valuation techniques, such as internally developed models which estimate the fair value of a contract by calculating the present value of the difference between the contract price and the forward prices. Forward prices represent the price at which a buyer or seller could contract today to purchase or sell a commodity at a future date. The near-term forward market for electricity is generally liquid and therefore the prices in the early years of the forward curves reflect observable market quotes. However, in the later years, the market is much less liquid and forward price curves must be developed using factors including the forward prices for the commodities used as fuel to generate electricity, the expected system heat rate (which measures the efficiency of power plants in converting fuel to electricity) in the region where the purchase or sale takes place, and a fundamental forecast of expected spot prices based on modeled supply and demand in the region. NEE estimates the fair value of interest rate and foreign currency derivatives using an income approach based on a discounted cash flows valuation technique utilizing the net

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amount of estimated future cash inflows and outflows related to the derivative agreements. The assumptions in these models are critical since any changes therein could have a significant impact on the fair value of the derivative.

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.

In NEE's non-rate regulated operations, predominantly NEER, essentially all changes in the derivatives' fair value for power purchases and sales, fuel sales and trading activities are recognized on a net basis in operating revenues; fuel purchases used in the production of electricity are recognized in fuel, purchased power and interchange expense; and the equity method investees' related activity is recognized in equity in earnings of equity method investees in NEE's consolidated statements of income.

For interest rate and foreign currency derivative instruments, essentially all changes in the derivatives' fair value 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 consolidated statements of income. NEE estimates the fair value of these derivatives using an income approach based on a discounted cash flows valuation technique utilizing observable inputs.

Certain derivative transactions at NEER are entered into as economic hedges but the transactions do not meet the requirements for hedge accounting, hedge accounting treatment is not elected or hedge accounting has been discontinued. Changes in the fair value of those transactions are marked to market and reported in the consolidated statements of income, resulting in earnings volatility. These changes in fair value are reflected in the non-qualifying hedge category in computing adjusted earnings and could be significant to NEER's results because the economic offset to the positions are not marked to market. As a consequence, NEE's net income reflects only the movement in one part of economically-linked transactions. For example, a gain (loss) in the non-qualifying hedge category for certain energy derivatives is offset by decreases (increases) in the fair value of related physical asset positions in the portfolio or contracts, which are not marked to market under GAAP. For this reason, NEE's management views results expressed excluding the unrealized mark-to-market impact of the non-qualifying hedges as a meaningful measure of current period performance. For additional information regarding derivative instruments, see Note 4, Overview and Energy Marketing and Trading and Market Risk Sensitivity.

Accounting for Pension Benefits

NEE sponsors a qualified noncontributory defined benefit pension plan for substantially all employees of NEE and its subsidiaries. Management believes that, based on actuarial assumptions and the well-funded status of the pension plan, NEE will not be required to make any cash contributions to the qualified pension plan in the near future. The qualified pension plan has a fully funded trust dedicated to providing benefits under the plan. NEE allocates net periodic income associated with the pension plan to its subsidiaries annually using specific criteria.

Nature of Accounting Estimates

For the pension plan, the benefit obligation is the actuarial present value, as of the December 31 measurement date, of all benefits attributed by the pension benefit formula to employee service rendered to that date. The amount of benefit to be paid depends on a number of future events incorporated into the pension benefit formula, including an estimate of the average remaining life of employees/survivors as well as the average years of service rendered. The projected benefit obligation is measured based on assumptions concerning future interest rates and future employee

compensation levels. NEE derives pension income from actuarial calculations based on the plan's provisions and various management assumptions including discount rate, rate of increase in compensation levels and expected long-term rate of return on plan assets.

Assumptions and Accounting Approach

Accounting guidance requires recognition of the funded status of the pension plan in the balance sheet, with changes in the funded status recognized in other comprehensive income within shareholders' equity in the year in which the changes occur. Since NEE is the plan sponsor, and its subsidiaries do not have separate rights to the plan assets or direct obligations to their employees, this accounting guidance is reflected at NEE and not allocated to the subsidiaries. The portion of previously unrecognized actuarial gains and losses and prior service costs or credits that are estimated to be allocable to FPL as net periodic (income) cost in future periods and that otherwise would be recorded in AOCI are classified as regulatory assets and liabilities at NEE in accordance with regulatory treatment.

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Net periodic pension income is calculated using a number of actuarial assumptions. Those assumptions for the years ended December 31, 2018, 2017 and 2016 include:

| | 2018 | 2017 | 2016 |
|--|-------|-------|-------|
| Discount rate | 3.59% | 4.09% | 4.35% |
| Salary increase | 4.10% | 4.10% | 4.10% |
| Expected long-term rate of return, net of investment management fees | 7.35% | 7.35% | 7.35% |

In developing these assumptions, NEE evaluated input, including other qualitative and quantitative factors, from its actuaries and consultants, as well as information available in the marketplace. In addition, for the expected long-term rate of return on pension plan assets, NEE considered different models, capital market return assumptions and historical returns for a portfolio with an equity/bond asset mix similar to its pension fund, as well as its pension fund's historical compounded returns. NEE believes that 7.35% is a reasonable long-term rate of return, net of investment management fees, on its pension plan assets. NEE will continue to evaluate all of its actuarial assumptions, including its expected rate of return, at least annually, and will adjust them as appropriate.

NEE utilizes in its determination of pension income a market-related valuation of plan assets. This market-related valuation reduces year-to-year volatility and recognizes investment gains or losses over a five-year period following the year in which they occur. Investment gains or losses for this purpose are the difference between the expected return calculated using the market-related value of plan assets and the actual return realized on those plan assets. Since the market-related value of plan assets recognizes gains or losses over a five-year period, the future value of plan assets will be affected as previously deferred gains or losses are recognized. Such gains and losses together with other differences between actual results and the estimates used in the actuarial valuations are deferred and recognized in determining pension income only to the extent they exceed 10% of the greater of projected benefit obligations or the market-related value of plan assets.

The following table illustrates the effect on net periodic pension income of changing the critical actuarial assumptions discussed above, while holding all other assumptions constant:

| Change in Assumption | Decrease in 2018 Net Periodic Pension Income | |
|-----------------------------------|--|---------------|
| | NEE | FPL |
| | (millions) | |
| Expected long-term rate of return | (0.5)% | \$(19) \$(12) |
| Discount rate | 0.5% | \$(2) \$(1) |
| Salary increase | 0.5% | \$(2) \$(1) |

NEE also utilizes actuarial assumptions about mortality to help estimate obligations of the pension plan. NEE has adopted the latest revised mortality tables and mortality improvement scales released by the Society of Actuaries, which did not have a material impact on the pension plan's obligation.

See Note 3.

Carrying Value of Long-Lived Assets

NEE evaluates long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Nature of Accounting Estimates

The amount of future net cash flows, the timing of the cash flows and the determination of an appropriate interest rate all involve estimates and judgments about future events. In particular, the aggregate amount of cash flows determines whether an impairment exists, and the timing of the cash flows is critical in determining fair value. Because each assessment is based on the facts and circumstances associated with each long-lived asset, the effects of changes in assumptions cannot be generalized.

Assumptions and Accounting Approach

An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounting estimated future cash flows using an appropriate interest rate. See Note 5 - Nonrecurring Fair Value Measurements.

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Decommissioning and Dismantlement

NEE accounts for asset retirement obligations and conditional asset retirement obligations (collectively, AROs) under accounting guidance that requires a liability for the fair value of an ARO to be recognized in the period in which it is incurred if it can be reasonably estimated, with the offsetting associated asset retirement costs capitalized as part of the carrying amount of the long-lived assets.

Nature of Accounting Estimates

The calculation of the future cost of retiring long-lived assets, including nuclear decommissioning and plant dismantlement costs, involves estimating the amount and timing of future expenditures and making judgments concerning whether or not such costs are considered a legal obligation. Estimating the amount and timing of future expenditures includes, among other things, making projections of when assets will be retired and ultimately decommissioned and how costs will escalate with inflation. In addition, NEE also makes interest rate and rate of return projections on its investments in determining recommended funding requirements for nuclear decommissioning costs. Periodically, NEE is required to update these estimates and projections which can affect the annual expense amounts recognized, the liabilities recorded and the annual funding requirements for nuclear decommissioning costs. For example, an increase of 0.25% in the assumed escalation rates for nuclear decommissioning costs would increase NEE's AROs at December 31, 2018 by \$219 million.

Assumptions and Accounting Approach

FPL - For ratemaking purposes, FPL accrues and funds for nuclear plant decommissioning costs over the expected service life of each unit based on studies that are approved by the FPSC. The studies reflect, among other things, the expiration dates of the operating licenses for FPL's nuclear units. The most recent studies, filed in 2015, indicate that FPL's portion of the future cost of decommissioning its four nuclear units, including spent fuel storage above what is expected to be refunded by the DOE under a spent fuel settlement agreement, is approximately \$7.5 billion, or \$3.2 billion expressed in 2018 dollars.

FPL accrues the cost of dismantling its fossil and solar plants over the expected service life of each unit based on studies filed with the FPSC. Unlike nuclear decommissioning, dismantlement costs are not funded. The most recent studies became effective January 1, 2017. At December 31, 2018, FPL's portion of the ultimate cost to dismantle its fossil and solar units is approximately \$1.2 billion, or \$513 million expressed in 2018 dollars. The majority of the dismantlement costs are not considered AROs. FPL accrues for interim removal costs over the life of the related assets based on depreciation studies approved by the FPSC. Any differences between the ARO amount recorded and the amount recorded for ratemaking purposes are reported as a regulatory liability in accordance with regulatory accounting.

The components of FPL's decommissioning of nuclear plants, dismantlement of plants and other accrued asset removal costs are as follows:

| Nuclear Decommissioning | Fossil/Solar Dismantlement | Interim Removal Costs and Other | Total |
|----------------------------|-------------------------------|--|--------------|
| December 31, | December 31, | December 31, | December 31, |

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| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
|---|------------|---------|--------|--------|-------|-------|---------|---------|
| | (millions) | | | | | | | |
| AROs | \$2,045 | \$1,947 | \$ 97 | \$ 95 | \$ 6 | \$ 5 | \$2,148 | \$2,047 |
| Less capitalized ARO asset net of accumulated depreciation | 316 | 335 | 33 | 45 | 1 | 1 | 350 | 381 |
| Accrued asset removal costs ^(a) | 319 | 326 | 164 | 162 | 489 | 97 | 972 | 585 |
| Asset retirement obligation regulatory expense difference ^(a) | 2,358 | 2,565 | (3) | 7 | (3) | (3) | 2,352 | 2,569 |
| Accrued decommissioning, dismantlement and other accrued asset removal costs ^(b) | \$4,406 | \$4,503 | \$ 225 | \$ 219 | \$491 | \$ 98 | \$5,122 | \$4,820 |

(a) Included in noncurrent regulatory liabilities on NEE's and FPL's consolidated balance sheets.

(b) Represents total amount accrued for ratemaking purposes.

NEER - NEER records liabilities for the present value of its expected nuclear plant decommissioning costs which are determined using various internal and external data and applying a probability percentage to a variety of scenarios regarding the life of the plant and timing of decommissioning. The liabilities are being accreted using the interest method through the date decommissioning activities are expected to be complete. At December 31, 2018, the AROs for decommissioning of NEER's nuclear plants totaled approximately \$588 million. NEER's portion of the ultimate cost of decommissioning its nuclear plants, including costs associated with spent fuel storage above what is expected to be refunded by the DOE under a spent fuel settlement agreement, is estimated to be approximately \$10.8 billion, or \$2.1 billion expressed in 2018 dollars.

See Note 1 - Asset Retirement Obligations and - Decommissioning of Nuclear Plants, Dismantlement of Plants and Other Accrued Asset Removal Costs and Note 13.

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Regulatory Accounting

Certain of NEE's businesses are subject to rate regulation which results in the recording of regulatory assets and liabilities. See Note 1 - Rate Regulation for a detail of NEE's regulatory assets and liabilities.

Nature of Accounting Estimates

Regulatory assets and liabilities represent probable future revenues that will be recovered from or refunded to customers through the ratemaking process. Regulatory assets and liabilities are included in rate base or otherwise earn (pay) a return on investment during the recovery period.

Assumptions and Accounting Approach

Accounting guidance allows regulators to create assets and impose liabilities that would not be recorded by non-rate regulated entities. If NEE's rate-regulated entities, primarily FPL, were no longer subject to cost-based rate regulation, the existing regulatory assets and liabilities would be written off unless regulators specify an alternative means of recovery or refund. In addition, the regulators, including the FPSC for FPL, have the authority to disallow recovery of costs that they consider excessive or imprudently incurred. Such costs may include, among others, fuel and O&M expenses, the cost of replacing power lost when fossil and nuclear units are unavailable, storm restoration costs and costs associated with the construction or acquisition of new facilities. The continued applicability of regulatory accounting is assessed at each reporting period.

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 Critical Accounting Policies and Estimates - Accounting for Derivatives and Hedging Activities and Note 4.

During 2017 and 2018, the changes in the fair value of NEE's consolidated subsidiaries' energy contract derivative instruments were as follows:

| | | | |
|---------|--------------------|---------------------------------|--------------|
| | Hedges on Owned | | |
| | Assets | | |
| Trading | Non- Qualifying | FPL Cost Recovery Clauses | NEE Total |

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| | (millions) | | | |
|--|------------|--------|----------|---------|
| Fair value of contracts outstanding at December 31, 2016 | \$430 | \$ 984 | \$ 208 | \$1,622 |
| Reclassification to realized at settlement of contracts | (248) | (366) | (39) | (653) |
| Inception value of new contracts | 8 | 2 | — | 10 |
| Net option premium purchases (issuances) | (85) | 5 | — | (80) |
| Changes in fair value excluding reclassification to realized | 337 | 103 | (169) | 271 |
| Fair value of contracts outstanding at December 31, 2017 | 442 | 728 | — | 1,170 |
| Reclassification to realized at settlement of contracts | (159) | (28) | (6) | (193) |
| Inception value of new contracts | (3) | (2) | (15) | (20) |
| Net option premium purchases (issuances) | 47 | 9 | — | 56 |
| Impact of adoption of new revenue standard | 3 | (27) | — | (24) |
| Changes in fair value excluding reclassification to realized | 263 | 114 | (20) | 357 |
| Fair value of contracts outstanding at December 31, 2018 | 593 | 794 | (41) | 1,346 |
| Net margin cash collateral paid (received) | | | | (189) |
| Total mark-to-market energy contract net assets (liabilities) at December 31, 2018 | \$593 | \$ 794 | \$ (41) | \$1,157 |

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NEE's total mark-to-market energy contract net assets (liabilities) at December 31, 2018 shown above are included on the consolidated balance sheets as follows:

| | December 31, 2018 (millions) |
|---|------------------------------------|
| Current derivative assets | \$ 553 |
| Noncurrent derivative assets | 1,287 |
| Current derivative liabilities | (392) |
| Noncurrent derivative liabilities | (291) |
| NEE's total mark-to-market energy contract net assets | \$ 1,157 |

The sources of fair value estimates and maturity of energy contract derivative instruments at December 31, 2018 were as follows:

| | Maturity | | | | | | |
|--|------------|--------|-------|--------|-------|------------|---------|
| | 2019 | 2020 | 2021 | 2022 | 2023 | Thereafter | Total |
| | (millions) | | | | | | |
| Trading: | | | | | | | |
| Quoted prices in active markets for identical assets | \$58 | \$(5) | \$11 | \$(4) | \$— | \$ — | \$60 |
| Significant other observable inputs | 44 | 61 | (1) | (10) | (2) | 22 | 114 |
| Significant unobservable inputs | 74 | 30 | 31 | 52 | 60 | 172 | 419 |
| Total | 176 | 86 | 41 | 38 | 58 | 194 | 593 |
| Owned Assets - Non-Qualifying: | | | | | | | |
| Quoted prices in active markets for identical assets | 13 | (18) | (5) | — | — | — | (10) |
| Significant other observable inputs | 138 | 115 | 82 | 57 | 27 | (16) | 403 |
| Significant unobservable inputs | 4 | 15 | 26 | 29 | 36 | 291 | 401 |
| Total | 155 | 112 | 103 | 86 | 63 | 275 | 794 |
| Owned Assets - FPL Cost Recovery Clauses: | | | | | | | |
| Quoted prices in active markets for identical assets | — | — | — | — | — | — | — |
| Significant other observable inputs | (4) | — | — | — | — | — | (4) |
| Significant unobservable inputs | (28) | (9) | — | — | — | — | (37) |
| Total | (32) | (9) | — | — | — | — | (41) |
| Total sources of fair value | \$299 | \$189 | \$144 | \$124 | \$121 | \$ 469 | \$1,346 |

With respect to commodities, NEE's Exposure Management Committee (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 | Total |
|---------|--|-------|
|---------|--|-------|

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Clauses^(a)

| | FPL | NEE | FPL | NEE | FPL | NEE | FPL | NEE |
|--|------------|------|----------|-------|----------|-------|------|-----|
| | NEER | NEE | NEER | NEE | NEER | NEE | NEER | NEE |
| | (millions) | | | | | | | |
| December 31, 2017 | \$-\$ 7 | \$ 7 | \$-\$ 41 | \$ 41 | \$-\$ 35 | \$ 35 | | |
| December 31, 2018 | \$-\$ 5 | \$ 5 | \$-\$ 47 | \$ 48 | \$-\$ 43 | \$ 44 | | |
| Average for the year ended December 31, 2018 | \$-\$ 3 | \$ 3 | \$-\$ 36 | \$ 36 | \$-\$ 34 | \$ 35 | | |

(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.

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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:

| | December 31, 2018 | | December 31, 2017 | |
|---|--------------------|---|--------------------|---|
| | Carrying Amount | Estimated Fair Value ^(a) | Carrying Amount | Estimated Fair Value ^(a) |
| | (millions) | | | |
| NEE: | | | | |
| Fixed income securities: | | | | |
| Special use funds | \$1,956 | \$1,956 | \$1,946 | \$1,946 |
| Other investments: | | | | |
| Debt securities | \$126 | \$126 | \$136 | \$136 |
| Primarily notes receivable | \$54 | \$54 | \$500 | \$680 |
| Long-term debt, including current portion | \$29,498 | \$30,043 | \$33,134 | \$35,447 |
| Interest rate contracts - net unrealized gains (losses) | \$(416) | \$(416) | \$(225) | \$(225) |
| FPL: | | | | |
| Fixed income securities - special use funds | \$1,513 | \$1,513 | \$1,462 | \$1,462 |
| Long-term debt, including current portion | \$11,783 | \$12,613 | \$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. See Note 1 - Storm Fund and Storm Reserve. 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.

At December 31, 2018, NEE had interest rate contracts with a notional amount of approximately \$18.2 billion related to outstanding and expected future debt issuances and borrowings, of which \$15.8 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 \$1,784 million (\$589 million for FPL) at December 31, 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 carried at their market value of approximately \$3,046 million and \$3,314 million (\$1,850 million and \$2,035 million for FPL) at December 31, 2018 and 2017, respectively. NEE's and FPL's investment strategy for equity securities in their nuclear decommissioning reserve funds emphasizes marketable securities which are broadly diversified. At December 31, 2018, a hypothetical 10% decrease in the prices quoted on stock exchanges, which is a reasonable near-term market change, would result in a \$279 million (\$173 million for FPL) reduction in fair value. For FPL, a corresponding adjustment would be made to the related regulatory asset or 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 consolidated statements of income. See Note 5 - Financial Instruments Accounting Standards Update.

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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 December 31, 2018, approximately 92% 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 7A. Quantitative and Qualitative Disclosures About Market Risk

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

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Item 8. Financial Statements and Supplementary Data

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

NextEra Energy, Inc.'s (NEE) and Florida Power & Light Company's (FPL) management are responsible for establishing and maintaining adequate internal control over financial reporting as defined in the Securities Exchange Act of 1934 Rules 13a-15(f) and 15d-15(f). The consolidated financial statements, which in part are based on informed judgments and estimates made by management, have been prepared in conformity with generally accepted accounting principles applied on a consistent basis.

To aid in carrying out this responsibility, we, along with all other members of management, maintain a system of internal accounting control which is established after weighing the cost of such controls against the benefits derived. In the opinion of management, the overall system of internal accounting control provides reasonable assurance that the assets of NEE and FPL and their subsidiaries are safeguarded and that transactions are executed in accordance with management's authorization and are properly recorded for the preparation of financial statements. In addition, management believes the overall system of internal accounting control provides reasonable assurance that material errors or irregularities would be prevented or detected on a timely basis by employees in the normal course of their duties. Any system of internal accounting control, no matter how well designed, has inherent limitations, including the possibility that controls can be circumvented or overridden and misstatements due to error or fraud may occur and not be detected. Also, because of changes in conditions, internal control effectiveness may vary over time. Accordingly, even an effective system of internal control will provide only reasonable assurance with respect to financial statement preparation and reporting.

The system of internal accounting control is supported by written policies and guidelines, the selection and training of qualified employees, an organizational structure that provides an appropriate division of responsibility and a program of internal auditing. NEE's written policies include a Code of Business Conduct & Ethics that states management's policy on conflicts of interest and ethical conduct. Compliance with the Code of Business Conduct & Ethics is confirmed annually by key personnel.

The Board of Directors pursues its oversight responsibility for financial reporting and accounting through its Audit Committee. This Committee, which is comprised entirely of independent directors, meets regularly with management, the internal auditors and the independent auditors to make inquiries as to the manner in which the responsibilities of each are being discharged. The independent auditors and the internal audit staff have free access to the Committee without management's presence to discuss auditing, internal accounting control and financial reporting matters.

Management assessed the effectiveness of NEE's and FPL's internal control over financial reporting as of December 31, 2018, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in the Internal Control - Integrated Framework (2013). Based on this assessment, management believes that NEE's and FPL's internal control over financial reporting was effective as of December 31, 2018.

NEE's and FPL's independent registered public accounting firm, Deloitte & Touche LLP, is engaged to express an opinion on NEE's and FPL's consolidated financial statements and an opinion on NEE's and FPL's internal control over financial reporting. Their reports are based on procedures believed by them to provide a reasonable basis to support such opinions. These reports appear on the following pages.

JAMES L. ROBO

James L. Robo

Chairman, President and Chief Executive Officer of NEE
and Chairman of FPL

JOHN W. KETCHUM

John W. Ketchum

Executive Vice President, Finance and Chief Financial
Officer of NEE and FPL

TERRELL KIRK CREWS, II

Terrell Kirk Crews, II

Vice President, Controller and Chief Accounting Officer
of NEE

ERIC E. SILAGY

Eric E. Silagy

President and Chief Executive Officer of FPL

KEITH FERGUSON

Keith Ferguson

Vice President, Accounting and Controller of FPL

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of
NextEra Energy, Inc. and Florida Power & Light Company

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of NextEra Energy, Inc. and subsidiaries (NEE) and Florida Power & Light Company and subsidiaries (FPL) as of December 31, 2018, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, NEE and FPL maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2018 of NEE and FPL and our report dated February 15, 2019 expressed unqualified opinions on those financial statements and included an explanatory paragraph regarding NEE's adoption of a new accounting standard and an emphasis of a matter paragraph regarding NEE deconsolidating NextEra Energy Partners, LP effective January 1, 2018.

Basis for Opinion

NEE's and FPL's management are responsible for maintaining effective internal control over financial reporting and for their assessments of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on NEE's and FPL's internal control over financial reporting based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to NEE and FPL in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audits included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally

accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

DELOITTE & TOUCHE LLP

Boca Raton, Florida
February 15, 2019

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of
NextEra Energy, Inc. and Florida Power & Light Company

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of NextEra Energy, Inc. and subsidiaries (NEE) and the separate consolidated balance sheets of Florida Power & Light Company and subsidiaries (FPL) as of December 31, 2018 and 2017, and NEE's and FPL's related consolidated statements of income and of cash flows, NEE's consolidated statements of comprehensive income and of equity, and FPL's consolidated statements of common shareholder's equity, for each of the three years in the period ended December 31, 2018, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of NEE and the consolidated financial position of FPL as of December 31, 2018 and 2017, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), NEE's and FPL's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 15, 2019 expressed unqualified opinions on NEE's and FPL's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, NEE has changed its method of accounting for differential membership interests in 2018 due to adoption of accounting standards update 2017-05, Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets: Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets.

Basis for Opinion

These financial statements are the responsibility of NEE's and FPL's management. Our responsibility is to express opinions on NEE's and FPL's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to NEE and FPL in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our

audits provide a reasonable basis for our opinions.

Emphasis of a Matter

As discussed in Note 1 to the consolidated financial statements, NextEra Energy Partners, LP (NEP) was deconsolidated from NEE for financial reporting purposes effective January 1, 2018. Subsequent to deconsolidation, NEE began reflecting its ownership interest in NEP as an equity method investment.

DELOITTE & TOUCHE LLP

Boca Raton, Florida
February 15, 2019

We have served as NEE's and FPL's auditor since 1950.

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NEXTERA ENERGY, INC.
CONSOLIDATED STATEMENTS OF INCOME
(millions, except per share amounts)

| | Years Ended December 31, | | |
|---|--------------------------|---------------------|---------------------|
| | 2018 | 2017 ^(a) | 2016 ^(a) |
| OPERATING REVENUES | \$16,727 | \$17,173 | \$16,138 |
| OPERATING EXPENSES (INCOME) | | | |
| Fuel, purchased power and interchange | 3,732 | 4,071 | 3,992 |
| Other operations and maintenance | 3,330 | 3,458 | 3,529 |
| Storm restoration costs | 3 | 1,255 | — |
| Impairment charges | 11 | 446 | 7 |
| Merger-related | 32 | 69 | 135 |
| Depreciation and amortization | 3,911 | 2,357 | 3,120 |
| Losses (gains) on disposal of a business/assets - net | (80) | (1,111) | (447) |
| Taxes other than income taxes and other - net | 1,508 | 1,455 | 1,343 |
| Total operating expenses - net | 12,447 | 12,000 | 11,679 |
| OPERATING INCOME | 4,280 | 5,173 | 4,459 |
| OTHER INCOME (DEDUCTIONS) | | | |
| Interest expense | (1,498) | (1,558) | (1,098) |
| Benefits associated with differential membership interests - net | — | 460 | 309 |
| Equity in earnings of equity method investees | 358 | 141 | 148 |
| Allowance for equity funds used during construction | 96 | 92 | 86 |
| Interest income | 51 | 81 | 82 |
| Gain on NEP deconsolidation | 3,927 | — | — |
| Gains on disposal of investments and other property - net | 111 | 112 | 40 |
| Change in unrealized gains (losses) on equity securities held in NEER's nuclear decommissioning funds - net | (189) | — | — |
| Revaluation of contingent consideration | — | — | 189 |
| Other net periodic benefit income | 168 | 151 | 144 |
| Other - net | 48 | 11 | 19 |
| Total other income (deductions) - net | 3,072 | (510) | (81) |
| INCOME BEFORE INCOME TAXES | 7,352 | 4,663 | 4,378 |
| INCOME TAX EXPENSE (BENEFIT) | 1,576 | (660) | 1,379 |
| NET INCOME | 5,776 | 5,323 | 2,999 |
| NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS | 862 | 57 | (93) |
| NET INCOME ATTRIBUTABLE TO NEE | \$6,638 | \$5,380 | \$2,906 |
| Earnings per share attributable to NEE: | | | |
| Basic | \$14.03 | \$11.48 | \$6.27 |
| Assuming dilution | \$13.88 | \$11.39 | \$6.24 |
| Weighted-average number of common shares outstanding: | | | |
| Basic | 473.2 | 468.8 | 463.1 |
| Assuming dilution | 477.0 | 472.5 | 465.8 |

(a) Amounts have been retrospectively adjusted as discussed in Note 14 and Note 3 - Amendments to Presentation of Retirement Benefits.

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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NEXTERA ENERGY, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(millions)

| | Years Ended December 31, | | |
|--|-----------------------------|---------------------|---------------------|
| | 2018 | 2017 ^(a) | 2016 ^(a) |
| NET INCOME | \$5,776 | \$5,323 | \$2,999 |
| 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 \$8, \$13 and \$32 tax expense, respectively) | 26 | 32 | 70 |
| Net unrealized gains (losses) on available for sale securities: | | | |
| Net unrealized gains (losses) on securities still held (net of \$5 tax benefit, \$94 and \$50 tax expense, respectively) | (12 |) 127 | 69 |
| Reclassification from accumulated other comprehensive income (loss) to net income (net of less than \$1, \$25 and \$13 tax benefit, respectively) | 1 | (36 |) (18 |
| Defined benefit pension and other benefits plans: | | | |
| Net unrealized gain (loss) and unrecognized prior service benefit (cost) (net of \$5 tax benefit, \$29 tax expense and \$13 tax benefit, respectively) | (14 |) 46 | (21 |
| Reclassification from accumulated other comprehensive income (loss) to net income (net of \$1 and \$1 tax benefit, respectively) | (3 |) (2 |) — |
| Net unrealized gains (losses) on foreign currency translation (net of \$0, \$1 tax expense and \$2 tax benefit, respectively) | (31 |) 23 | (5 |
| Other comprehensive income related to equity method investee (net of \$1, \$1 and \$2 tax expense, respectively) | 4 | 2 | 2 |
| Total other comprehensive income (loss), net of tax | (29 |) 192 | 97 |
| IMPACT OF NEP DECONSOLIDATION (NET OF \$15 TAX EXPENSE) | 58 | — | — |
| COMPREHENSIVE INCOME | 5,805 | 5,515 | 3,096 |
| COMPREHENSIVE (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS | 862 | 46 | (93 |
| COMPREHENSIVE INCOME ATTRIBUTABLE TO NEE | \$6,667 | \$5,561 | \$3,003 |

(a) Amounts have been retrospectively adjusted as discussed in Note 14.

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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NEXTERA ENERGY, INC.

CONSOLIDATED BALANCE SHEETS

(millions, except par value)

| | December 31, | |
|--|------------------|---------------------|
| | 2018 | 2017 ^(a) |
| PROPERTY, PLANT AND EQUIPMENT | | |
| Electric plant in service and other property | \$81,986 | \$85,119 |
| Nuclear fuel | 1,740 | 1,767 |
| Construction work in progress | 8,357 | 6,679 |
| Accumulated depreciation and amortization | (21,749) | (21,276) |
| Total property, plant and equipment - net (\$10,553 and \$16,485 related to VIEs, respectively) | 70,334 | 72,289 |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 638 | 1,714 |
| Customer receivables, net of allowances of \$10 and \$7, respectively | 2,302 | 2,220 |
| Other receivables | 667 | 517 |
| Materials, supplies and fossil fuel inventory | 1,223 | 1,273 |
| Regulatory assets (\$41 and \$71 related to a VIE, respectively) | 448 | 336 |
| Derivatives | 564 | 489 |
| Other | 551 | 632 |
| Total current assets | 6,393 | 7,181 |
| OTHER ASSETS | | |
| Special use funds | 5,886 | 6,003 |
| Investment in equity method investees | 6,748 | 2,321 |
| Prepaid benefit costs | 1,284 | 1,427 |
| Regulatory assets (\$37 related to a VIE at December 31, 2017) | 3,290 | 2,469 |
| Derivatives | 1,355 | 1,315 |
| Other (\$470 related to a VIE at December 31, 2017) | 8,412 | 4,958 |
| Total other assets | 26,975 | 18,493 |
| TOTAL ASSETS | \$103,702 | \$97,963 |
| CAPITALIZATION | | |
| Common stock (\$0.01 par value, authorized shares - 800; outstanding shares - 478 and 471, respectively) | \$5 | \$5 |
| Additional paid-in capital | 10,490 | 9,100 |
| Retained earnings | 23,837 | 19,020 |
| Accumulated other comprehensive income (loss) | (188) | 111 |
| Total common shareholders' equity | 34,144 | 28,236 |
| Noncontrolling interests (\$3,265 and \$1,011 related to VIEs, respectively) | 3,269 | 1,295 |
| Total equity | 37,413 | 29,531 |
| Redeemable noncontrolling interests | 468 | — |
| Long-term debt (\$1,020 and \$5,941 related to VIEs, respectively) | 26,782 | 31,410 |
| Total capitalization | 64,663 | 60,941 |
| CURRENT LIABILITIES | | |
| Commercial paper | 2,749 | 1,687 |
| Other short-term debt | 5,465 | 255 |
| Current portion of long-term debt (\$74 and \$70 related to a VIE, respectively) | 2,716 | 1,673 |
| Accounts payable | 2,386 | 3,235 |

| | | |
|--|------------------|-----------------|
| Customer deposits | 445 | 448 |
| Accrued interest and taxes | 477 | 621 |
| Derivatives | 675 | 364 |
| Accrued construction-related expenditures | 1,195 | 1,033 |
| Regulatory liabilities | 325 | 346 |
| Other | 1,130 | 1,581 |
| Total current liabilities | 17,563 | 11,243 |
| OTHER LIABILITIES AND DEFERRED CREDITS | | |
| Asset retirement obligations | 3,135 | 3,031 |
| Deferred income taxes | 7,367 | 5,764 |
| Regulatory liabilities | 9,009 | 8,765 |
| Derivatives | 516 | 535 |
| Deferral related to differential membership interests - VIEs | — | 5,403 |
| Other | 1,449 | 2,281 |
| Total other liabilities and deferred credits | 21,476 | 25,779 |
| COMMITMENTS AND CONTINGENCIES | | |
| TOTAL CAPITALIZATION AND LIABILITIES | \$103,702 | \$97,963 |

(a) Amounts have been retrospectively adjusted as discussed in Note 14.

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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

| | Years Ended | | |
|---|--------------|---------------------|---------------------|
| | December 31, | | |
| | 2018 | 2017 ^(a) | 2016 ^(a) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income | \$5,776 | \$5,323 | \$2,999 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | | |
| Depreciation and amortization | 3,911 | 2,357 | 3,120 |
| Nuclear fuel and other amortization | 236 | 281 | 308 |
| Impairment charges | 11 | 446 | 7 |
| Unrealized losses (gains) on marked to market derivative contracts - net | 54 | 436 | (44) |
| Foreign currency transaction losses (gains) | 16 | (25) | 13 |
| Deferred income taxes | 1,463 | (882) | 1,226 |
| Cost recovery clauses and franchise fees | (225) | 82 | 94 |
| Acquisition of purchased power agreement | (52) | (243) | — |
| Benefits associated with differential membership interests - net | — | (460) | (309) |
| Equity in earnings of equity method investees | (358) | (141) | (148) |
| Distributions of earnings from equity method investees | 328 | 160 | 102 |
| Gains on disposal of a business, assets and investments - net | (191) | (1,223) | (487) |
| Gain on NEP deconsolidation | (3,927) | — | — |
| Recoverable storm-related costs | — | (108) | (223) |
| Other - net | 156 | 109 | (32) |
| Changes in operating assets and liabilities: | | | |
| Current assets | (631) | (333) | (146) |
| Noncurrent assets | (220) | (60) | (58) |
| Current liabilities | 163 | 758 | (32) |
| Noncurrent liabilities | 83 | (19) | (21) |
| Net cash provided by operating activities | 6,593 | 6,458 | 6,369 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Capital expenditures of FPL | (5,012) | (5,174) | (3,776) |
| Independent power and other investments of NEER | (6,994) | (5,295) | (5,396) |
| Cash grants under the American Recovery and Reinvestment Act of 2009 | 3 | 78 | 335 |
| Nuclear fuel purchases | (267) | (197) | (283) |
| Other capital expenditures and other investments | (731) | (74) | (181) |
| Proceeds from sale of the fiber-optic telecommunications business | — | 1,454 | — |
| Sale of independent power and other investments of NEER | 1,617 | 178 | 658 |
| Proceeds from sale or maturity of securities in special use funds and other investments | 3,410 | 3,207 | 3,776 |
| Purchases of securities in special use funds and other investments | (3,733) | (3,244) | (3,829) |
| Proceeds from sales of noncontrolling interests in NEP | — | — | 645 |
| Distributions from equity method investees | 637 | 7 | — |
| Other - net | 120 | 142 | 5 |
| Net cash used in investing activities | (10,950) | (8,918) | (8,046) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |

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| | | | |
|--|----------|----------|----------|
| Issuances of long-term debt | 4,399 | 8,354 | 5,657 |
| Retirements of long-term debt | (3,102) | (6,780) | (3,310) |
| Proceeds from differential membership investors | 1,841 | 1,414 | 1,859 |
| Net change in commercial paper | 1,062 | 1,419 | (106) |
| Proceeds from other short-term debt | 5,665 | 450 | 500 |
| Repayments of other short-term debt | (455) | (2) | (662) |
| Payments to related parties under a cash sweep and credit support agreement – net | (21) | — | — |
| Issuances of common stock - net | 718 | 55 | 537 |
| Proceeds from issuance of NEP convertible preferred units - net | — | 548 | — |
| Dividends on common stock | (2,101) | (1,845) | (1,612) |
| Other - net | (372) | (725) | (439) |
| Net cash provided by financing activities | 7,634 | 2,888 | 2,424 |
| Effects of currency translation on cash, cash equivalents and restricted cash | (7) | 26 | 10 |
| Net increase in cash, cash equivalents and restricted cash | 3,270 | 454 | 757 |
| Cash, cash equivalents and restricted cash at beginning of year | 1,983 | 1,529 | 772 |
| Cash, cash equivalents and restricted cash at end of year | \$5,253 | \$1,983 | \$1,529 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | | |
| Cash paid for interest (net of amount capitalized) | \$1,209 | \$1,186 | \$1,194 |
| Cash paid for income taxes - net | \$200 | \$142 | \$91 |
| SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES | | | |
| Accrued property additions | \$2,138 | \$3,029 | \$3,626 |
| Increase (decrease) in property, plant and equipment - net as a result of cash grants primarily under the American Recovery and Reinvestment Act of 2009 | \$— | \$(154) | \$419 |
| Increase in property, plant and equipment - net as a result of a settlement/noncash exchange | \$(5) | \$(108) | \$(72) |
| Proceeds from differential membership investors used to reduce debt | \$— | \$— | \$100 |

(a) Amounts have been retrospectively adjusted as discussed in Note 14.

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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

| | Common Stock Shares | Aggregate Par Value | Additional Paid-In Capital | Accumulated Other Comprehensive Income (Loss) | Retained Earnings ^(a) | Total Common Shareholders' Equity ^(a) | Non- controlling Interests ^(a) | Total Equity ^(a) |
|---|---------------------------|---------------------------|----------------------------------|---|-------------------------------------|---|---|--------------------------------|
| Balances, December 31, 2015 | 461 | \$ 5 | \$8,596 | \$ (167) | \$ 14,140 | \$ 22,574 | \$ 538 | \$23,112 |
| Net income | — | — | — | — | 2,906 | 2,906 | 93 | |
| Issuances of common stock, net of issuance cost of less than \$1 | 6 | — | 527 | — | — | 527 | — | |
| Share-based payment activity | 1 | — | 135 | — | — | 135 | — | |
| Dividends on common stock ^(b) | — | — | — | — | (1,612) | (1,612) | — | |
| Other comprehensive income | — | — | — | 97 | — | 97 | — | |
| Premium on equity units | — | — | (200) | — | — | (200) | — | |
| Sale of NEER assets to NEP | — | — | — | — | — | — | 433 | |
| Adoption of accounting standards update ^(a) | — | — | — | — | 32 | 32 | 1 | |
| Other | — | — | (110) | — | 18 | (92) | (74) | |
| Balances, December 31, 2016 | 468 | 5 | 8,948 | (70) | 15,484 | 24,367 | 991 | \$25,358 |
| Net income (loss) | — | — | — | — | 5,380 | 5,380 | (57) | |
| Issuances of common stock, net of issuance cost of less than \$1 | 2 | — | 33 | — | — | 33 | — | |
| Share-based payment activity | 1 | — | 122 | — | — | 122 | — | |
| Dividends on common stock ^(b) | — | — | — | — | (1,845) | (1,845) | — | |
| Other comprehensive income | — | — | — | 181 | — | 181 | 11 | |
| Sale of NEER assets to NEP | — | — | — | — | — | — | 460 | |
| Other | — | — | (3) | — | 1 | (2) | (110) | |
| Balances, December 31, 2017 | 471 | 5 | 9,100 | 111 | 19,020 | 28,236 | 1,295 | \$29,531 |
| Net income (loss) | — | — | — | — | 6,638 | 6,638 | (862) | |
| Issuances of common stock, net of issuance cost of less than \$1 | 6 | — | 700 | — | — | 700 | — | |
| Share-based payment activity | 1 | — | 121 | — | — | 121 | — | |
| Dividends on common stock ^(b) | — | — | — | — | (2,101) | (2,101) | — | |
| Other comprehensive loss | — | — | — | (29) | — | (29) | — | |
| Impact of NEP deconsolidation ^(c) | — | — | — | 58 | — | 58 | (2,700) | |
| Sales of differential membership interests to NEP | — | — | — | — | — | — | (941) | |
| Adoption of accounting standards updates ^(d) | — | — | 590 | (328) | 280 | 542 | 5,303 | |
| Differential membership interests activity | — | — | (21) | — | — | (21) | 1,243 | |
| Other | — | — | — | — | — | — | (69) | |
| Balances, December 31, 2018 | 478 | \$ 5 | \$10,490 | \$ (188) | \$23,837 | \$34,144 | \$3,269 | \$37,413 |

- (a) Prior period amounts have been retrospectively adjusted as discussed in Note 14.
- (b) Dividends per share were \$4.44, \$3.93 and \$3.48 for the years ended December 31, 2018, 2017 and 2016, respectively.
- (c) See Note 1 - NextEra Energy Partners, LP.
- (d) See Note 1 - NextEra Energy Partners, LP and - Sales of Differential Membership Interests, Note 2, Note 5 - Financial Instruments Accounting Standards Update and Note 6.

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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

| | Years Ended December 31, | | |
|---|--------------------------|---------------------|---------------------|
| | 2018 | 2017 ^(a) | 2016 ^(a) |
| OPERATING REVENUES | \$11,862 | \$11,972 | \$10,895 |
| OPERATING EXPENSES (INCOME) | | | |
| Fuel, purchased power and interchange | 3,250 | 3,541 | 3,247 |
| Other operations and maintenance | 1,514 | 1,554 | 1,598 |
| Storm restoration costs | 3 | 1,255 | — |
| Depreciation and amortization | 2,633 | 940 | 1,700 |
| Taxes other than income taxes and other - net | 1,308 | 1,292 | 1,189 |
| Total operating expenses - net | 8,708 | 8,582 | 7,734 |
| OPERATING INCOME | 3,154 | 3,390 | 3,161 |
| OTHER INCOME (DEDUCTIONS) | | | |
| Interest expense | (541) | (481) | (459) |
| Allowance for equity funds used during construction | 90 | 79 | 74 |
| Other - net | 7 | (2) | 2 |
| Total other deductions - net | (444) | (404) | (383) |
| INCOME BEFORE INCOME TAXES | 2,710 | 2,986 | 2,778 |
| INCOME TAXES | 539 | 1,106 | 1,051 |
| NET INCOME ^(b) | \$2,171 | \$1,880 | \$1,727 |

(a) Amounts have been retrospectively adjusted as discussed in Note 14.

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

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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FLORIDA POWER & LIGHT COMPANY
CONSOLIDATED BALANCE SHEETS
(millions, except share amount)

| | December 31, | |
|--|-----------------|---------------------|
| | 2018 | 2017 ^(a) |
| ELECTRIC UTILITY PLANT AND OTHER PROPERTY | | |
| Plant in service and other property | \$49,640 | \$47,100 |
| Nuclear fuel | 1,189 | 1,192 |
| Construction work in progress | 3,888 | 3,623 |
| Accumulated depreciation and amortization | (13,218) | (12,791) |
| Total electric utility plant and other property - net | 41,499 | 39,124 |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 112 | 33 |
| Customer receivables, net of allowances of \$3 and \$2, respectively | 1,026 | 1,073 |
| Other receivables | 284 | 160 |
| Materials, supplies and fossil fuel inventory | 670 | 840 |
| Regulatory assets (\$41 and \$71 related to a VIE, respectively) | 447 | 335 |
| Other | 239 | 243 |
| Total current assets | 2,778 | 2,684 |
| OTHER ASSETS | | |
| Special use funds | 4,056 | 4,090 |
| Prepaid benefit costs | 1,407 | 1,351 |
| Regulatory assets (\$37 related to a VIE at December 31, 2017) | 2,843 | 2,249 |
| Other | 901 | 756 |
| Total other assets | 9,207 | 8,446 |
| TOTAL ASSETS | \$53,484 | \$50,254 |
| CAPITALIZATION | | |
| Common stock (no par value, 1,000 shares authorized, issued and outstanding) | \$1,373 | \$1,373 |
| Additional paid-in capital | 10,601 | 8,291 |
| Retained earnings | 9,040 | 7,376 |
| Total common shareholder's equity | 21,014 | 17,040 |
| Long-term debt (\$74 related to a VIE at December 31, 2017) | 11,688 | 11,187 |
| Total capitalization | 32,702 | 28,227 |
| CURRENT LIABILITIES | | |
| Commercial paper | 1,256 | 1,687 |
| Other short-term debt | — | 250 |
| Current portion of long-term debt (\$74 and \$70 related to a VIE, respectively) | 95 | 464 |
| Accounts payable | 731 | 893 |
| Customer deposits | 442 | 445 |
| Accrued interest and taxes | 376 | 438 |
| Accrued construction-related expenditures | 323 | 300 |
| Regulatory liabilities | 310 | 333 |
| Other | 543 | 993 |
| Total current liabilities | 4,076 | 5,803 |
| OTHER LIABILITIES AND DEFERRED CREDITS | | |

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| | | |
|--|----------|----------|
| Asset retirement obligations | 2,147 | 2,047 |
| Deferred income taxes | 5,165 | 5,005 |
| Regulatory liabilities | 8,886 | 8,642 |
| Other | 508 | 530 |
| Total other liabilities and deferred credits | 16,706 | 16,224 |
| COMMITMENTS AND CONTINGENCIES | | |
| TOTAL CAPITALIZATION AND LIABILITIES | \$53,484 | \$50,254 |

(a) Amounts have been retrospectively adjusted as discussed in Note 14.

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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FLORIDA POWER & LIGHT COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(millions)

| | Years Ended | | |
|---|--------------|---------------------|---------------------|
| | December 31, | | |
| | 2018 | 2017 ^(a) | 2016 ^(a) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income | \$2,171 | \$1,880 | \$1,727 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | | |
| Depreciation and amortization | 2,633 | 940 | 1,700 |
| Nuclear fuel and other amortization | 144 | 159 | 220 |
| Deferred income taxes | 180 | 905 | 932 |
| Cost recovery clauses and franchise fees | (225) | 82 | 94 |
| Acquisition of purchased power agreement | (52) | (243) | — |
| Recoverable storm-related costs | — | (108) | (223) |
| Other - net | 7 | (139) | 42 |
| Changes in operating assets and liabilities: | | | |
| Current assets | 97 | (190) | 25 |
| Noncurrent assets | (64) | (37) | (31) |
| Current liabilities | (509) | 699 | 14 |
| Noncurrent liabilities | 40 | (32) | (86) |
| Net cash provided by operating activities | 4,422 | 3,916 | 4,414 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Capital expenditures | (5,012) | (5,174) | (3,776) |
| Nuclear fuel purchases | (123) | (117) | (158) |
| Proceeds from sale or maturity of securities in special use funds | 2,232 | 1,986 | 2,495 |
| Purchases of securities in special use funds | (2,402) | (2,082) | (2,506) |
| Other - net | 239 | 18 | 28 |
| Net cash used in investing activities | (5,066) | (5,369) | (3,917) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Issuances of long-term debt | 1,748 | 1,961 | 309 |
| Retirements of long-term debt | (1,591) | (882) | (262) |
| Net change in commercial paper | (431) | 1,419 | 212 |
| Proceeds from other short-term debt | — | 450 | 500 |
| Repayments of other short-term debt | (250) | (2) | (450) |
| Capital contributions from NEE | 1,785 | — | 600 |
| Dividends to NEE | (500) | (1,450) | (1,300) |
| Other - net | (37) | (22) | (51) |
| Net cash provided by (used in) financing activities | 724 | 1,474 | (442) |
| Net increase in cash, cash equivalents and restricted cash | 80 | 21 | 55 |
| Cash, cash equivalents and restricted cash at beginning of year | 174 | 153 | 98 |
| Cash, cash equivalents and restricted cash at end of year | \$254 | \$174 | \$153 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | | |
| Cash paid for interest (net of amount capitalized) | \$520 | \$473 | \$435 |
| Cash paid for income taxes - net | \$415 | \$2 | \$147 |

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING
ACTIVITIES

| | | | |
|---|--------|----------|-------|
| Accrued property additions | \$549 | \$668 | \$664 |
| Increase in electric utility plant and other property - net as a result of a noncash exchange | \$(5) | \$(112) | \$— |
| NEE's noncash contribution of a consolidated subsidiary - net | \$526 | \$— | \$— |

(a) Amounts have been retrospectively adjusted as discussed in Note 14.

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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FLORIDA POWER & LIGHT COMPANY
 CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDER'S EQUITY
 (millions)

| | Common Stock | Additional Paid-In Capital | Retained Earnings | Common Shareholder's Equity |
|---|-----------------|----------------------------------|----------------------|-----------------------------------|
| Balances, December 31, 2015 | \$ 1,373 | \$ 7,733 | \$ 6,447 | \$ 15,553 |
| Net income | — | — | 1,727 | |
| Capital contributions from NEE | — | 600 | — | |
| Dividends to NEE | — | — | (1,300) | |
| Other | — | (1) | 1 | |
| Balances, December 31, 2016 | 1,373 | 8,332 | 6,875 | \$ 16,580 |
| Net income | — | — | 1,880 | |
| Dividends to NEE | — | — | (1,450) | |
| Other | — | (41) | 71 | |
| Balances, December 31, 2017 | 1,373 | 8,291 | 7,376 | \$ 17,040 |
| Net income | — | — | 2,171 | |
| Capital contributions from NEE | — | 1,785 | — | |
| Dividends to NEE | — | — | (500) | |
| NEE's contribution of a consolidated subsidiary | — | 526 | — | |
| Other | — | (1) | (7) | |
| Balances, December 31, 2018 | \$ 1,373 | \$ 10,601 | \$ 9,040 | \$ 21,014 |

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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NEXTERA ENERGY, INC. AND FLORIDA POWER & LIGHT COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2018, 2017 and 2016

1. Summary of Significant Accounting and Reporting Policies

Basis of Presentation - The operations of NextEra Energy, Inc. (NEE) are conducted primarily through Florida Power & Light Company (FPL), a wholly owned subsidiary, and NextEra Energy Resources, LLC (NEER), a wholly owned indirect subsidiary. FPL's principal business is a rate-regulated electric utility which supplies electric service to more than five million customer accounts throughout most of the east and lower west coasts of Florida. NEER invests in independent power projects through both controlled and consolidated entities and noncontrolling ownership interests in joint ventures. NEER also participates in natural gas, natural gas liquids and oil production primarily through non-operating ownership interests and in pipeline infrastructure through either wholly owned subsidiaries or noncontrolling or joint venture interests.

The consolidated financial statements of NEE and FPL include the accounts of their respective controlled subsidiaries. They also include NEE's and FPL's share of the undivided interest in certain assets, liabilities, revenues and expenses. Amounts representing NEE's interest in entities it does not control, but over which it exercises significant influence, are included in investment in equity method investees; the net income of these entities is included in equity in earnings of equity method investees. Intercompany balances and transactions have been eliminated in consolidation. Certain amounts included in prior years' consolidated financial statements have been reclassified to conform to the current year's presentation. In addition, certain prior year amounts have been retrospectively adjusted as discussed in Note 14 and Note 3 - Amendments to Presentation of Retirement Benefits. The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

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 presentation for the sales of differential membership interests to third-party investors and the sales of NEER assets to indirect subsidiaries of NextEra Energy Partners, LP (NEP). See NextEra Energy Partners, LP for a discussion of sales of NEER assets to indirect subsidiaries of NEP and Sales of Differential Membership Interests below. The adoption of this standards update did not have an impact on FPL. Also, see NextEra Energy Partners, LP below for a discussion of the deconsolidation of NEP in January 2018.

NextEra Energy Partners, LP - NEP was formed in 2014 to acquire, manage and own contracted clean energy projects with stable long-term cash flows through a limited partner interest in NextEra Energy Operating Partners, LP (NEP OpCo). NEP owns or has an interest in a portfolio of wind and solar projects and a portfolio of seven long-term contracted natural gas pipeline assets located in Texas. NEP was deconsolidated from NEE for financial reporting purposes in January 2018 as a result of changes made to NEP's governance structure during 2017 that, among other things, enhanced NEP common unitholder governance rights. The new governance structure established a NEP board of directors whereby NEP unitholders have the ability to nominate and elect board members, subject to certain limitations and requirements, which elected board members commenced service in January 2018. Subsequent to deconsolidation, NEE owns a noncontrolling interest in NEP and began reflecting its ownership interest in NEP as an equity method investment with its earnings from NEP as equity in earnings of equity method investees and accounting for NEER's assets sales to NEP as third-party sales in its consolidated financial statements. 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.

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 the investment in equity method investees on NEE's consolidated balance sheet at December 31, 2018. See Note 10. 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) for the year ended December 31, 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.

Prior to the deconsolidation, NEE owned a controlling general partner interest in NEP and consolidated NEP for financial reporting purposes. NEE presented its limited partner interests in NEP as a noncontrolling interest in NEE's consolidated financial statements. NEE's partnership interest in NEP OpCo's operating projects based on the number of outstanding NEP OpCo common units was approximately 65.1% and 65.2% at December 31, 2017 and 2016, respectively. Certain equity and asset transactions between NEP, NEER and NEP OpCo involve the exchange of cash, energy projects and ownership interests in NEP OpCo. These exchanges were previously accounted for under the profit sharing method and resulted in a profit sharing liability, net of amortization, of approximately \$862 million at December 31, 2017, which is reflected in noncurrent other liabilities on NEE's consolidated balance sheets. In 2016 and 2017, a portion of the profit sharing liability was amortized into income on a straight-line basis over the estimated useful lives of the underlying energy projects held by NEP OpCo. Accordingly, the profit sharing liability amortization totaled approximately \$28 million and \$37 million during 2017 and 2016 and is included in taxes other than income taxes and other - net in NEE's consolidated statements of income. Upon adoption of the accounting standards update regarding the accounting for partial sales of nonfinancial assets as discussed in Basis of Presentation above, the profit sharing liability was eliminated and NEE recorded

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an increase to additional paid-in capital of approximately \$839 million (\$649 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.

Operating Revenues - FPL and NEER generate substantially all of NEE's operating revenues, which primarily include revenues from contracts with customers as further discussed in Note 2, as well as, at NEER, derivative and lease transactions. FPL's operating revenues include amounts resulting from base rates, cost recovery clauses (see Rate Regulation below), franchise fees, gross receipts taxes and surcharges related to storms (see Storm Fund and Storm Reserve below). Franchise fees and gross receipts taxes are imposed on FPL; however, the Florida Public Service Commission (FPSC) allows FPL to include in the amounts charged to customers the amount of the gross receipts tax for all customers and the franchise fee for those customers located in the jurisdiction that imposes the amount. Accordingly, franchise fees and gross receipts taxes are reported gross in operating revenues and taxes other than income taxes and other in NEE's and FPL's consolidated statements of income and were approximately \$738 million, \$767 million and \$700 million in 2018, 2017 and 2016, respectively. FPL also collects municipal utility taxes which are reported gross in customer receivables and accounts payable on NEE's and FPL's consolidated balance sheets. Certain NEER commodity contracts for the purchase and sale of power that meet the definition of a derivative are recorded at fair value with subsequent changes in fair value recognized as revenue. See Energy Trading below and Note 4.

Rate Regulation - FPL is subject to rate regulation by the FPSC and the Federal Energy Regulatory Commission (FERC). Its rates are designed to recover the cost of providing service to its customers including a reasonable rate of return on invested capital. As a result of this cost-based regulation, FPL follows the accounting guidance that allows regulators to create assets and impose liabilities that would not be recorded by non-rate regulated entities. Regulatory assets and liabilities represent probable future revenues that will be recovered from or refunded to customers through the ratemaking process.

NEE's and FPL's regulatory assets and liabilities are as follows:

| | NEE | | FPL | |
|---|--------------|----------|--------------|----------|
| | December 31, | | December 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| | (millions) | | | |
| Regulatory assets: | | | | |
| Current: | | | | |
| Acquisition of purchased power agreements | \$ 165 | \$ 165 | \$ 165 | \$ 165 |
| Deferred clause and franchise expenses | 146 | 10 | \$ 146 | \$ 10 |
| Other | 137 | 161 | 136 | 160 |
| Total | \$ 448 | \$ 336 | \$ 447 | \$ 335 |
| Noncurrent: | | | | |
| Acquisition of purchased power agreements | \$ 798 | \$ 963 | \$ 798 | \$ 963 |
| Other | 2,492 | 1,506 | 2,045 | 1,286 |
| Total | \$ 3,290 | \$ 2,469 | \$ 2,843 | \$ 2,249 |
| Regulatory liabilities: | | | | |
| Current: | | | | |

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| | | | | |
|---|---------|---------|---------|---------|
| Deferred clause revenues | \$265 | \$296 | \$265 | \$296 |
| Other | 60 | 50 | 45 | 37 |
| Total | \$325 | \$346 | \$310 | \$333 |
| Noncurrent: | | | | |
| Asset retirement obligation regulatory expense difference | \$2,352 | \$2,569 | \$2,352 | \$2,569 |
| Deferred taxes | 4,815 | 4,981 | 4,736 | 4,903 |
| Other | 1,842 | 1,215 | 1,798 | 1,170 |
| Total | \$9,009 | \$8,765 | \$8,886 | \$8,642 |

Cost recovery clauses, which are designed to permit full recovery of certain costs and provide a return on certain assets allowed to be recovered through various clauses, include substantially all fuel, purchased power and interchange expense, certain costs associated with the acquisition of several electric generation facilities, certain construction-related costs for certain of FPL's solar generation facilities, and conservation and certain environmental-related costs. Revenues from cost recovery clauses are recorded when billed; FPL achieves matching of costs and related revenues by deferring the net underrecovery or overrecovery. Any underrecovered costs or overrecovered revenues are collected from or returned to customers in subsequent periods.

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At December 31, 2018 and 2017, FPL had regulatory assets, net of amortization, of approximately \$963 million and \$1,128 million, respectively, (included in current and noncurrent regulatory assets on NEE's and FPL's consolidated balance sheets) related to acquisitions during 2015, 2017 and 2018 associated with three coal-fired electric generation facilities located in Florida with which FPL had long-term purchased power agreements. The majority of these regulatory assets are being amortized over approximately nine years. Two of the three facilities have been retired and FPL has reduced the third facility's operations with the intention of phasing the facility out of service.

In 2018, FPL early retired three of its generation facilities. As a result of the retirements, FPL reclassified the net book value of these units (approximately \$875 million) from plant in service and other property to current and noncurrent regulatory assets. Recovery of \$729 million of these regulatory assets has been deferred until FPL's base rates are next reset in a general base rate proceeding. The remainder of these regulatory assets will be amortized over 15 years. At December 31, 2018, the regulatory assets, net of amortization, totaled approximately \$870 million and are included in current and noncurrent regulatory assets on NEE's and FPL's consolidated balance sheets. Additionally, other regulatory assets and liabilities are discussed within various subsections in Note 1 below.

If FPL were no longer subject to cost-based rate regulation, the existing regulatory assets and liabilities would be written off unless regulators specify an alternative means of recovery or refund. In addition, the FPSC has the authority to disallow recovery of costs that it considers excessive or imprudently incurred. The continued applicability of regulatory accounting is assessed at each reporting period.

FPL Rates Effective January 2017 through December 2020 - In December 2016, the FPSC issued a final order approving a stipulation and settlement between FPL and several intervenors in FPL's base rate proceeding (2016 rate agreement). Key elements of the 2016 rate agreement, which is effective from January 2017 through at least December 2020, include, among other things, the following:

New retail base rates and charges were established resulting in the following increases in annualized retail base revenues:

\$400 million beginning January 1, 2017;

\$211 million beginning January 1, 2018; and

\$200 million when a new approximately 1,750 MW natural gas-fired combined-cycle unit in Okeechobee County, Florida achieves commercial operation, which is expected to occur in mid-2019.

In addition, FPL is eligible to receive, subject to conditions specified in the 2016 rate agreement, base rate increases associated with the addition of up to 300 MW annually of new solar generation in each of 2017 through 2020 and may carry forward any unused MW to subsequent years during the term of the 2016 rate agreement. To date, approximately 900 MW of new solar generating capacity has become operational, 600 MW during the first quarter of 2018 and 300 MW during the first quarter of 2019. An additional 300 MW is expected to be operational in 2020. FPL will be required to demonstrate that any proposed solar facilities are cost effective and scheduled to be in service before December 31, 2021. FPL has agreed to an installed cost cap of \$1,750 per kilowatt (kW).

FPL's allowed regulatory return on common equity (ROE) is 10.55%, with a range of 9.60% to 11.60%. If FPL's earned regulatory ROE falls below 9.60%, FPL may seek retail base rate relief. If the earned regulatory ROE rises above 11.60%, any party other than FPL may seek a review of FPL's retail base rates.

Subject to certain conditions, FPL may amortize, over the term of the 2016 rate agreement, up to \$1.0 billion of depreciation reserve surplus plus the reserve amount that remained under FPL's 2012 rate agreement discussed below (approximately \$250 million), provided that in any year of the 2016 rate agreement FPL must amortize at least enough reserve to maintain a 9.60% earned regulatory ROE but may not amortize any reserve that would result in an

earned regulatory ROE in excess of 11.60%.

Future storm restoration costs would be recoverable on an interim basis beginning 60 days from the filing of a cost recovery petition, but capped at an amount that could produce a surcharge of no more than \$4 for every 1,000 kilowatt-hour (kWh) of usage on residential bills during the first 12 months of cost recovery. Any additional costs would be eligible for recovery in subsequent years. If storm restoration costs exceed \$800 million in any given calendar year, FPL may request an increase to the \$4 surcharge to recover amounts above \$400 million. See Storm Fund and Storm Reserve below.

FPL was impacted by Hurricane Irma in September 2017 which resulted in damage throughout much of FPL's service territory. Damage to FPL property from the hurricane was primarily limited to the transmission and distribution systems. In December 2017, following the enactment of the Tax Cuts and Jobs Act (tax reform) as further discussed in Note 6, FPL determined that it would not seek recovery of Hurricane Irma storm restoration costs of approximately \$1.3 billion 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 in NEE's and FPL's consolidated statements of income. 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.

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In December 2018, the State of Florida Office of Public Counsel (OPC), the Florida Retail Federation (FRF) and the Florida Industrial Power Users Group (collectively, joint petitioners) filed with the FPSC a petition regarding FPL's retail rates that were established pursuant to the 2016 rate agreement. The joint petitioners assert that FPL may not continue to use the reserve amortization mechanism and, based on that assertion, they request, among other things, that FPL refund up to \$736.8 million annually related to cost savings created by tax reform and that new permanent base rates be established for FPL to reflect the tax cost savings associated with tax reform and other factors, including a lower regulatory ROE of 9.6% and a lower equity ratio of 55.0%. FPL believes that the actions it took as a result of tax reform are in accordance with the 2016 rate agreement and that the petition is a violation of the 2016 rate agreement on the part of the OPC and FRF who were signatories to that agreement.

Oral argument in the tax reform docket is expected to be held in April 2019. An FPSC decision regarding the amount of tax savings and whether FPL may continue to use the reserve amortization mechanism is expected by mid-May 2019.

FPL Rates Effective January 2013 through December 2016 - Effective January 2013, pursuant to an FPSC final order approving a stipulation and settlement between FPL and several intervenors in FPL's base rate proceeding (2012 rate agreement), new retail base rates and charges for FPL were established resulting in an increase in retail base revenues of \$350 million on an annualized basis. The 2012 rate agreement, provided for, among other things, the following:

- a regulatory ROE of 10.50% with a range of plus or minus 100 basis points;
- an increase in annualized base revenue requirements as each of three FPL modernized power plants became operational in April 2013, April 2014 and April 2016;
 - the continuation of cost recovery through the capacity cost recovery clause (capacity clause) (reported as retail base revenues) for a generating unit which was placed in service in May 2011 (beginning January 2017, under the 2016 rate agreement, cost recovery is through base rates);
- subject to certain conditions, the right to reduce depreciation expense up to \$400 million (reserve), provided that in any year of the 2012 rate agreement, FPL was required to amortize enough reserve to maintain an earned regulatory ROE within the range of 9.50% to 11.50% (the reserve amount was reduced by \$30 million to up to \$370 million as a result of a settlement in August 2015 related to the acquisition of a 250 MW coal-fired generation facility located in Jacksonville, Florida, which FPL retired in December 2016);
- an interim cost recovery mechanism for storm restoration costs (see Storm Fund and Storm Reserve below); and
- an incentive mechanism whereby customers receive 100% of certain gains, including but not limited to, gains from the purchase and sale of electricity and natural gas (including transportation and storage), up to a specified threshold; gains exceeding that specified threshold were shared by FPL and its customers.

Electric Plant, Depreciation and Amortization - The cost of additions to units of property of FPL and NEER is added to electric plant in service and other property. In accordance with regulatory accounting, the cost of FPL's units of utility property retired, less estimated net salvage value, is charged to accumulated depreciation. Maintenance and repairs of property as well as replacements and renewals of items determined to be less than units of utility property are charged to other operations and maintenance (O&M) expenses. At December 31, 2018, the electric generation, transmission, distribution and general facilities of FPL represented approximately 46%, 12%, 36% and 6%, respectively, of FPL's gross investment in electric utility plant in service and other property. Substantially all of FPL's properties are subject to the lien of FPL's mortgage, which secures most debt securities issued by FPL. A number of NEER's generation and pipeline facilities are encumbered by liens securing various financings. The net book value of NEER's assets serving as collateral was approximately \$9.1 billion at December 31, 2018. The American Recovery

and Reinvestment Act of 2009, as amended (Recovery Act), provided for an option to elect a cash grant (convertible investment tax credits (ITCs)) for certain renewable energy property (renewable property). Convertible ITCs are recorded as a reduction in property, plant and equipment on NEE's and FPL's consolidated balance sheets and are amortized as a reduction to depreciation and amortization expense over the estimated life of the related property. At December 31, 2018 and 2017, convertible ITCs, net of amortization, were approximately \$1.2 billion (\$134 million at FPL) and \$1.9 billion (\$140 million at FPL). At December 31, 2018 and 2017, approximately \$138 million of such convertible ITCs are included primarily in other receivables on NEE's consolidated balance sheets.

Depreciation of FPL's electric property is primarily provided on a straight-line average remaining life basis. FPL includes in depreciation expense a provision for fossil and solar plant dismantlement, interim asset removal costs, accretion related to asset retirement obligations (see Decommissioning of Nuclear Plants, Dismantlement of Plants and Other Accrued Asset Removal Costs below), storm recovery amortization and amortization of pre-construction costs associated with planned nuclear units recovered through a cost recovery clause. For substantially all of FPL's property, depreciation studies are typically performed and filed with the FPSC every four years. As part of the 2016 rate agreement, the FPSC approved new depreciation rates which became effective January 1, 2017. As discussed in Rate Regulation above, the use of reserve amortization is permitted under the 2016 rate agreement and was also permitted under the 2012 rate agreement. In accordance with the 2016 rate agreement and the 2012 rate agreement, FPL recorded reserve amortization (reversal) of approximately \$(541) million, \$1,250 million and \$13 million in 2018, 2017 and 2016, respectively. Reserve amortization is recorded as a reduction to (or when reversed as an increase to) accrued asset removal costs which is reflected in noncurrent regulatory liabilities on NEE's and FPL's consolidated balance sheets. In December 2017, following the enactment of tax reform, FPL used available reserve amortization to offset nearly all of the write-off of Hurricane Irma storm restoration costs, and FPL plans to partially restore the reserve amortization through tax savings generated during the term of the 2016 rate agreement. See Rate Regulation above and Note 6. The weighted annual composite depreciation and amortization

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rate for FPL's electric utility plant in service, including capitalized software, but excluding the effects of decommissioning, dismantlement and the depreciation adjustments discussed above, was approximately 3.8%, 3.7% and 3.4% for 2018, 2017 and 2016, respectively. FPL files a twelve-month forecast with the FPSC each year which contains a regulatory ROE intended to be earned based on the best information FPL has at that time assuming normal weather. This forecast establishes a fixed targeted regulatory ROE. In order to earn the targeted regulatory ROE in each reporting period under the effective 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 is adjusted, in part, by reserve amortization or its reversal to earn the targeted regulatory ROE.

NEER's electric plant in service less salvage value, if any, are depreciated primarily using the straight-line method over their estimated useful lives. At December 31, 2018 and 2017, wind, solar and nuclear plants represented approximately 55% and 61%, 15% and 15% and 11% and 9%, respectively, of NEER's depreciable electric plant in service and other property. The estimated useful lives of NEER's plants range primarily from 25 to 35 years for wind plants, 25 to 30 years for solar plants and from 20 to 47 years for nuclear plants (see Note 5 - Nonrecurring Fair Value Measurements). NEER reviews the estimated useful lives of its fixed assets on an ongoing basis. In 2017, this review indicated that the actual lives of certain equipment at its wind plants are expected to be longer than those previously estimated for depreciation purposes. As a result, effective January 1, 2017, NEER changed the estimated useful lives of certain wind plant equipment from 30 years to 35 years to better reflect the period during which these assets are expected to remain in service. This change increased net income attributable to NEE by approximately \$60 million and basic and diluted earnings per share attributable to NEE by approximately \$0.12 for the year ended December 31, 2017. NEER's oil and gas production assets, representing approximately 14% and 9%, respectively, of NEER's depreciable electric plant in service and other property at December 31, 2018 and 2017, are accounted for under the successful efforts method. Depletion expenses for the acquisition of reserve rights and development costs are recognized using the unit of production method.

Nuclear Fuel - FPL and NEER have several contracts for the supply of uranium and the conversion, enrichment and fabrication of nuclear fuel. See Note 15 - Contracts. FPL's and NEER's nuclear fuel costs are charged to fuel expense on a unit of production method.

Construction Activity - Allowance for funds used during construction (AFUDC) is a noncash item which represents the allowed cost of capital, including an ROE, used to finance construction projects. The portion of AFUDC attributable to borrowed funds is recorded as a reduction of interest expense and the remainder is recorded as other income. For FPL, FPSC rules limit the recording of AFUDC to projects that have an estimated cost in excess of 0.5% of a utility's plant in service balance and require more than one year to complete. FPSC rules allow construction projects below the 0.5% threshold as a component of rate base. During 2018, 2017 and 2016, FPL capitalized AFUDC at a rate of 5.97%, 6.16% and 6.34%, respectively, which amounted to approximately \$114 million, \$101 million and \$97 million, respectively. See Note 15 - Commitments.

FPL's construction work in progress includes construction materials, progress payments on major equipment contracts, engineering costs, AFUDC and other costs directly associated with the construction of various projects. Upon completion of the projects, these costs are transferred to electric utility plant in service and other property. Capitalized costs associated with construction activities are charged to O&M expenses when recoverability is no longer probable.

NEER capitalizes project development costs once it is probable that such costs will be realized through the ultimate construction of a power plant or sale of development rights. At December 31, 2018 and 2017, NEER's capitalized development costs totaled approximately \$630 million and \$433 million, respectively, which are included in noncurrent other assets on NEE's consolidated balance sheets. These costs include land rights and other third-party costs directly associated with the development of a new project. Upon commencement of construction, these costs either are transferred to construction work in progress or remain in other assets, depending upon the nature of the cost. Capitalized development costs are charged to O&M expenses when it is no longer probable that these costs will be realized.

NEER's construction work in progress includes construction materials, progress payments on major equipment contracts, third-party engineering costs, capitalized interest and other costs directly associated with the construction and development of various projects. Interest capitalized on construction projects amounted to approximately \$94 million, \$89 million and \$107 million during 2018, 2017 and 2016, respectively. Interest expense allocated from NextEra Energy Capital Holdings, Inc. (NEECH) to NEER is based on a deemed capital structure of 70% debt and differential membership interests sold by NEER's subsidiaries. Upon commencement of project operation, costs associated with construction work in progress are transferred to electric plant in service and other property.

Asset Retirement Obligations - NEE and FPL each account for asset retirement obligations and conditional asset retirement obligations (collectively, AROs) under accounting guidance that requires a liability for the fair value of an ARO to be recognized in the period in which it is incurred if it can be reasonably estimated, with the offsetting associated asset retirement costs capitalized as part of the carrying amount of the long-lived assets. The asset retirement cost is subsequently allocated to expense, for NEE's non-rate regulated operations, and regulatory liability, for FPL, using a systematic and rational method over the asset's estimated useful life. Changes in the ARO resulting from the passage of time are recognized as an increase in the carrying amount of the

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liability and as accretion expense, which is included in depreciation and amortization expense in the consolidated statements of income for NEE's non-rate regulated operations, and ARO and regulatory liability, in the case of FPL. Changes resulting from revisions to the timing or amount of the original estimate of cash flows are recognized as an increase or a decrease in the asset retirement cost, or income when asset retirement cost is depleted, in the case of NEE's non-rate regulated operations, and ARO and regulatory liability, in the case of FPL. See Decommissioning of Nuclear Plants, Dismantlement of Plants and Other Accrued Asset Removal Costs below and Note 13.

Decommissioning of Nuclear Plants, Dismantlement of Plants and Other Accrued Asset Removal Costs - For ratemaking purposes, FPL accrues for the cost of end of life retirement and disposal of its nuclear, fossil and solar plants over the expected service life of each unit based on nuclear decommissioning and fossil and solar dismantlement studies periodically filed with the FPSC. In addition, FPL accrues for interim removal costs over the life of the related assets based on depreciation studies approved by the FPSC. As approved by the FPSC, FPL previously suspended its annual decommissioning accrual. For financial reporting purposes, FPL recognizes decommissioning and dismantlement liabilities in accordance with accounting guidance that requires a liability for the fair value of an ARO to be recognized in the period in which it is incurred. Any differences between expense recognized for financial reporting purposes and the amount recovered through rates are reported as a regulatory liability in accordance with regulatory accounting. See Revenues and Rates, Electric Plant, Depreciation and Amortization, Asset Retirement Obligations above and Note 13.

Nuclear decommissioning studies are performed at least every five years and are submitted to the FPSC for approval. FPL filed updated nuclear decommissioning studies with the FPSC in December 2015. These studies reflect FPL's current plans, under the operating licenses, for prompt dismantlement of Turkey Point Units Nos. 3 and 4 following the end of plant operation with decommissioning activities commencing in 2032 and 2033, respectively, and provide for St. Lucie Unit No. 1 to be mothballed beginning in 2036 with decommissioning activities to be integrated with the prompt dismantlement of St. Lucie Unit No. 2 in 2043. These studies also assume that FPL will be storing spent fuel on site pending removal to a United States (U.S.) government facility. The studies indicate FPL's portion of the ultimate costs of decommissioning its four nuclear units, including costs associated with spent fuel storage above what is expected to be refunded by the U.S. Department of Energy (DOE) under a spent fuel settlement agreement, to be approximately \$7.5 billion, or \$3.2 billion expressed in 2018 dollars.

Restricted funds for the payment of future expenditures to decommission FPL's nuclear units are included in nuclear decommissioning reserve funds, which are included in special use funds on NEE's and FPL's consolidated balance sheets. Marketable securities held in the decommissioning funds are primarily carried at fair value. See Note 5. Fund earnings, consisting of dividends, interest and realized gains and losses, net of taxes, are reinvested in the funds. Fund earnings, as well as any changes in unrealized gains and losses, are not recognized in income and are reflected as a corresponding offset in the related regulatory asset or liability accounts. FPL does not currently make contributions to the decommissioning funds, other than the reinvestment of fund earnings. During 2018, 2017 and 2016 fund earnings on decommissioning funds were approximately \$94 million, \$114 million and \$102 million, respectively. The tax effects of amounts not yet recognized for tax purposes are included in deferred income taxes.

Fossil and solar plant dismantlement studies are typically performed at least every four years and are submitted to the FPSC for approval. Fossil and solar dismantlement studies in effect during the 2012 rate agreement resulted in an annual expense of \$18 million which is recorded in depreciation and amortization expense in NEE's and FPL's consolidated statements of income. As part of the 2016 rate agreement, the FPSC approved a new annual expense of \$26 million based on FPL's 2016 fossil and solar dismantlement studies which became effective January 1, 2017. At

December 31, 2018, FPL's portion of the ultimate cost to dismantle its fossil and solar units is approximately \$1.2 billion, or \$513 million expressed in 2018 dollars.

NEER records nuclear decommissioning liabilities for Seabrook Station (Seabrook), Duane Arnold Energy Center (Duane Arnold) and Point Beach Nuclear Power Plant (Point Beach) and dismantlement liabilities for its wind and solar facilities, when required in accordance with accounting guidance that requires a liability for the fair value of an ARO to be recognized in the period in which it is incurred. The liabilities are being accreted using the interest method through the date decommissioning or dismantlement activities are expected to be complete. See Note 13. At December 31, 2018 and 2017, NEER's ARO, which is primarily related to nuclear decommissioning and wind and solar dismantlement, was approximately \$988 million and \$984 million, respectively, and was primarily determined using various internal and external data and applying a probability percentage to a variety of scenarios regarding the life of the plant and timing of decommissioning or dismantlement. NEER's portion of the ultimate cost of decommissioning its nuclear plants, including costs associated with spent fuel storage above what is expected to be refunded by the DOE under a spent fuel settlement agreement, is estimated to be approximately \$10.8 billion, or \$2.1 billion expressed in 2018 dollars. The ultimate cost to dismantle NEER's wind and solar facilities is estimated to be approximately \$1.6 billion.

Seabrook files a comprehensive nuclear decommissioning study with the New Hampshire Nuclear Decommissioning Financing Committee (NDFC) every four years; the most recent study was filed in 2015. Seabrook's decommissioning funding plan is also subject to annual review by the NDFC. Currently, there are no ongoing decommissioning funding requirements for Seabrook, Duane Arnold and Point Beach, however, the U.S. Nuclear Regulatory Commission (NRC), and in the case of Seabrook, the NDFC, has the authority to require additional funding in the future. NEER's portion of Seabrook's, Duane Arnold's and Point Beach's restricted funds for the payment of future expenditures to decommission these plants is included in nuclear decommissioning reserve funds, which are included in special use funds on NEE's consolidated balance sheets. Marketable securities held in the decommissioning

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funds are primarily carried at fair value. See Note 5. Market adjustments for debt securities result in a corresponding adjustment to other comprehensive income (OCI), except for unrealized losses associated with marketable debt securities considered to be other than temporary, including any credit losses, which are recognized in other - net in NEE's consolidated statements of income. Market adjustments for equity securities are recorded in change in unrealized gains (losses) on equity securities held in NEER's nuclear decommissioning funds - net in NEE's consolidated statements of income. Prior to the adoption of an accounting standards update on January 1, 2018 (see Note 5 - Financial Instruments Accounting Standards Update), changes in fair value of both debt and equity securities resulted in a corresponding adjustment to OCI, except for unrealized losses associated with marketable securities considered to be other than temporary, including any credit losses, which were recognized in other - net in NEE's consolidated statements of income. Fund earnings, consisting of dividends, interest and realized gains and losses are recognized in income and are reinvested in the funds. The tax effects of amounts not yet recognized for tax purposes are included in deferred income taxes.

Major Maintenance Costs - FPL expenses costs associated with planned fossil maintenance as incurred. FPL recognizes costs associated with planned major nuclear maintenance in accordance with regulatory treatment. As part of the 2016 rate agreement, the FPSC authorized FPL to change its regulatory accounting treatment of nuclear maintenance costs. Therefore, in 2017, FPL began deferring the actual nuclear maintenance costs for each nuclear unit's planned outage to a regulatory asset as the costs were incurred and amortizing the costs to O&M expense over the period from the end of the current outage to the end of the next planned outage. Prior to 2017, FPL's estimated nuclear maintenance costs for each nuclear unit's next planned outage were accrued over the period from the end of the last outage to the end of the next planned outage. Any difference between the estimated and actual costs was included in O&M expenses when known.

NEER uses the deferral method to account for certain planned major maintenance costs. NEER's major maintenance costs for its nuclear generation units and combustion turbines are capitalized (included in noncurrent other assets on NEE's consolidated balance sheets) and amortized to O&M expenses on a unit of production method over the period from the end of the last outage to the beginning of the next planned outage.

Cash Equivalents - Cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less.

Restricted Cash - At December 31, 2018 and 2017, NEE had approximately \$4,615 million (\$142 million for FPL) and \$269 million (\$141 million for FPL), respectively, of restricted cash, of which approximately \$89 million (\$81 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 consolidated balance sheets. Restricted cash is primarily related to debt service payments, bond proceeds held for construction at FPL and margin cash collateral requirements, and, at December 31, 2018, also related to cash restricted for the acquisition of Gulf Power Company (see Note 8 - Gulf Power Company). In addition, where offsetting positions exist, restricted cash related to margin cash collateral is netted against derivative instruments, which totaled \$184 million at December 31, 2018. See Note 4.

Allowance for Doubtful Accounts - FPL maintains an accumulated provision for uncollectible customer accounts receivable that is estimated primarily using a percentage, derived from historical revenue and write-off trends, of the previous four months of revenue. Additional amounts are included in the provision to address specific items that are not considered in the calculation described above. NEER regularly reviews collectibility of its receivables and

establishes a provision for losses estimated as a percentage of accounts receivable based on the historical bad debt write-off trends for its retail electricity provider operations and, when necessary, using the specific identification method for all other receivables.

Inventory - FPL values materials, supplies and fossil fuel inventory using a weighted-average cost method. NEER's materials, supplies and fossil fuel inventories are carried at the lower of weighted-average cost and net realizable value, unless evidence indicates that the weighted-average cost (even if in excess of net realizable value) will be recovered with a normal profit upon sale in the ordinary course of business.

Energy Trading - NEE provides full energy and capacity requirements services primarily to distribution utilities, which include load-following services and various ancillary services, in certain markets and engages in power and gas marketing and trading activities to optimize the value of electricity and fuel contracts, generation facilities and gas infrastructure assets, as well as to take advantage of projected favorable commodity price movements. Trading contracts that meet the definition of a derivative are accounted for at fair value and realized gains and losses from all trading contracts, including those where physical delivery is required, are recorded net for all periods presented. See Note 4.

Storm Fund and Storm Reserve - The storm and property insurance reserve fund (storm fund) provides coverage toward FPL's storm damage costs. Marketable securities held in the storm fund are carried at fair value. See Note 5. Fund earnings, consisting of dividends, interest and realized gains and losses, net of taxes, are reinvested in the fund. Fund earnings, as well as any changes in unrealized gains and losses, are not recognized in income and are reflected as a corresponding adjustment to the storm and property insurance reserve (storm reserve). The tax effects of amounts not yet recognized for tax purposes are included in deferred income taxes. The storm fund and storm reserve are included in special use funds and noncurrent regulatory liabilities on NEE's and FPL's consolidated balance sheets.

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FPL was impacted by Hurricane Hermine and Hurricane Matthew in 2016. Hurricane Matthew resulted in damage throughout much of FPL's service territory. Damage to FPL property from the hurricane was primarily limited to the transmission and distribution systems. In March 2017, FPL began recovering from its retail customers, through an interim storm surcharge over a 12-month period, eligible storm restoration costs associated with Hurricane Matthew of approximately \$201 million (\$294 million of recoverable costs less \$93 million available in FPL's storm reserve prior to the storm), plus approximately \$117 million to replenish the storm reserve to the level authorized in FPL's 2012 rate agreement. As the portion of the Hurricane Matthew surcharge applicable to the replenishment of the storm reserve was billed to customers (which was recorded as operating revenues), the storm reserve was recognized as a regulatory liability and charged to depreciation and amortization expense in NEE's and FPL's consolidated statements of income. In July 2018, the FPSC approved a settlement agreement between FPL and the OPC regarding the recovery of storm costs related to Hurricane Matthew. As part of the settlement agreement, FPL issued a one-time refund to customers in August 2018 totaling approximately \$28 million, of which \$20 million was for storm costs that were reclassified to property, plant and equipment. Accrued storm restoration costs were approximately \$428 million at December 31, 2017 and are included in current other liabilities on NEE's and FPL's consolidated balance sheets. See Rate Regulation - FPL Rates Effective January 2017 through December 2020 for a discussion of Hurricane Irma.

Impairment of Long-Lived Assets - NEE evaluates long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounting estimated future cash flows using an appropriate interest rate. See Note 5 - Nonrecurring Fair Value Measurements.

Goodwill and Other Intangible Assets - NEE's goodwill and other intangible assets are as follows:

| | Weighted- Average Useful Lives (years) | December 31, 2018 2017 (millions) | |
|---|---|--|----------|
| Goodwill (by reporting unit): | | | |
| FPL segment | | \$ 304 | \$ 11 |
| NEER segment: | | | |
| Gas infrastructure | | 487 | 641 |
| Customer supply | | 72 | 72 |
| Generation assets | | 28 | 40 |
| Total goodwill | | \$ 891 | \$ 764 |
| Other intangible assets not subject to amortization, primarily land easements | | \$ 135 | \$ 138 |
| Other intangible assets subject to amortization: | | | |
| Customer relationships associated with gas infrastructure | 41 | \$— | \$ 700 |
| Purchased power agreements | 21 | 625 | 521 |
| Other, primarily transmission and development rights and customer lists | 22 | 34 | 79 |
| Total | | 659 | 1,300 |
| Accumulated amortization | | (86) | (151) |
| Total other intangible assets subject to amortization - net | | \$ 573 | \$ 1,149 |

NEE's goodwill relates to various acquisitions which were accounted for using the purchase method of accounting. Other intangible assets subject to amortization are amortized, primarily on a straight-line basis, over their estimated useful lives. Amortization expense was approximately \$19 million, \$35 million and \$35 million for the years ended December 31, 2018, 2017 and 2016, respectively, and is expected to be approximately \$25 million, \$26 million, \$24 million, \$21 million and \$21 million for 2019, 2020, 2021, 2022 and 2023, respectively. The reduction in the NEER segment goodwill and other intangible assets subject to amortization in 2018 is largely due to the deconsolidation of NEP (see NextEra Energy Partners, LP above).

Goodwill and other intangible assets are primarily included in noncurrent other assets on NEE's consolidated balance sheets. Goodwill and other intangible assets not subject to amortization are assessed for impairment at least annually by applying a fair value-based analysis. Other intangible assets subject to amortization are periodically reviewed when impairment indicators are present to assess recoverability from future operations using undiscounted future cash flows.

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.

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Pension Plan - NEE records the service cost component of net periodic benefit income to O&M expense and the non-service cost component to other net periodic benefit income in NEE's consolidated statements of income. NEE allocates net periodic pension income to its subsidiaries based on the pensionable earnings of the subsidiaries' employees. Accounting guidance requires recognition of the funded status of the pension plan in the balance sheet, with changes in the funded status recognized in other comprehensive income within shareholders' equity in the year in which the changes occur. Since NEE is the plan sponsor, and its subsidiaries do not have separate rights to the plan assets or direct obligations to their employees, this accounting guidance is reflected at NEE and not allocated to the subsidiaries. The portion of previously unrecognized actuarial gains and losses and prior service costs or credits that are estimated to be allocable to FPL as net periodic (income) cost in future periods and that otherwise would be recorded in accumulated other comprehensive income (AOCI) are classified as regulatory assets and liabilities at NEE in accordance with regulatory treatment.

Stock-Based Compensation - NEE accounts for stock-based payment transactions based on grant-date fair value. Compensation costs for awards with graded vesting are recognized on a straight-line basis over the requisite service period for the entire award. Forfeitures of stock-based awards are recognized as they occur. See Note 11 - Stock-Based Compensation.

Retirement of Long-Term Debt - Gains and losses that result from differences in FPL's reacquisition cost and the net book value of long-term debt which is retired are deferred as a regulatory asset or liability and amortized to interest expense ratably over the remaining life of the original issue, which is consistent with its treatment in the ratemaking process. NEECH and NEER recognize such differences in interest expense at the time of retirement.

Income Taxes - Deferred income taxes are recognized on all significant temporary differences between the financial statement and tax bases of assets and liabilities, and are presented as noncurrent on NEE's and FPL's consolidated balance sheets. In connection with the tax sharing agreement between NEE and certain of its subsidiaries, the income tax provision at each applicable subsidiary reflects the use of 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 the corporate level. Included in other regulatory assets and other regulatory liabilities on NEE's and FPL's consolidated balance sheets is the revenue equivalent of the difference in deferred income taxes computed under accounting rules, as compared to regulatory accounting rules. The net regulatory liability totaled \$4,074 million (\$4,042 million for FPL) and \$4,213 million (\$4,180 million for FPL) at December 31, 2018 and 2017, respectively, and is being amortized in accordance with the regulatory treatment over the estimated lives of the assets or liabilities for which the deferred tax amount was initially recognized.

Production tax credits (PTCs) are recognized as wind energy is generated and sold based on a per kWh rate prescribed in applicable federal and state statutes and are recorded as a reduction of current income taxes payable, unless limited by tax law in which instance they are recorded as deferred tax assets. NEER recognizes ITCs as a reduction to income tax expense when the related energy property is placed into service. FPL recognizes ITCs as a reduction to income tax expense over the depreciable life of the related energy property. At December 31, 2018 and 2017, FPL's accumulated deferred ITCs were approximately \$326 million and \$119 million, respectively, and are included in noncurrent regulatory liabilities on NEE's and FPL's consolidated balance sheets. NEE and FPL record a deferred income tax benefit created by the convertible ITCs on the difference between the financial statement and tax bases of renewable property. For NEER, this deferred income tax benefit is recorded in income tax expense in the year that the renewable property is placed in service. For FPL, this deferred income tax benefit is offset by a regulatory liability, which is

amortized as a reduction of depreciation expense over the approximate lives of the related renewable property in accordance with the regulatory treatment. At December 31, 2018 and 2017, the net deferred income tax benefits associated with FPL's convertible ITCs were approximately \$42 million and \$44 million, respectively, and are included in noncurrent regulatory assets and noncurrent regulatory liabilities on NEE's and FPL's consolidated balance sheets.

A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets when it is more likely than not that such assets will not be realized. NEE recognizes interest income (expense) related to unrecognized tax benefits (liabilities) in interest income and interest expense, respectively, net of the amount deferred at FPL. At FPL, the offset to accrued interest receivable (payable) on income taxes is classified as a regulatory liability (regulatory asset) which will be amortized to income (expense) over a five-year period upon settlement in accordance with regulatory treatment. All tax positions taken by NEE in its income tax returns that are recognized in the financial statements must satisfy a more-likely-than-not threshold. NEE and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various states, the most significant of which is Florida, and certain foreign jurisdictions. Federal tax liabilities, with the exception of certain refund claims, are effectively settled for all years prior to 2015. State and foreign tax liabilities, which have varied statutes of limitations regarding additional assessments, are generally effectively settled for years prior to 2009. At December 31, 2018, NEE had unrecognized tax benefits of approximately \$61 million that, if disallowed, could impact the annual effective income tax rate. The amounts of unrecognized tax benefits and related interest accruals may change within the next 12 months; however, NEE and FPL do not expect these changes to have a significant impact on NEE's or FPL's financial statements. See Note 6.

Sales of Differential Membership Interests - Certain subsidiaries of NEER sold Class B membership interests in entities that have ownership interests in wind and solar facilities, with generating capacity totaling approximately 6,803 MW and 473 MW, respectively, at December 31, 2018, to third-party investors. NEE retains a controlling interest in the entities and therefore presents the Class B

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member interests as noncontrolling interests. Noncontrolling interests represents the portion of net assets in consolidated entities that are not owned by NEE and are reported as a component of equity in NEE's consolidated balance sheet. The third-party investors are allocated earnings, tax attributes and cash flows in accordance with the respective limited liability company agreements. Those economics are allocated primarily to the third-party investors until they receive a targeted return (the flip date) and thereafter to NEE. NEE has the right to call the third-party interests at specified amounts if and when the flip date occurs. NEE has determined the allocation of economics between the controlling party and third-party investor should not follow the respective ownership percentages for each wind and solar project but rather the hypothetical liquidation of book value (HLBV) method based on the governing provisions in each respective limited liability company agreement. Under the HLBV method, the amounts of income and loss attributable to the noncontrolling interest reflects changes in the amount the owners would hypothetically receive at each balance sheet date under the respective liquidation provisions, assuming the net assets of these entities were liquidated at the recorded amounts, after taking into account any capital transactions, such as contributions and distributions, between the entities and the owners. At the point in time that the third-party investor, in hypothetical liquidation, would achieve its targeted return, NEE attributes the additional hypothetical proceeds to the Class B membership interests based on the call price. A loss attributable to noncontrolling interest on NEE's consolidated statements of income represents earnings attributable to NEE. Additionally, net (income) loss attributable to noncontrolling interests in NEE's consolidated statement of income for the year ended December 31, 2018 includes a benefit to NEE of approximately \$497 million (\$373 million after tax) related to a reduction of differential membership interests as a result of a change in the federal corporate income tax rate effective January 1, 2018.

Prior to 2018, the proceeds received on the sale of Class B membership interest in entities were deferred and recorded as a liability in deferral related to differential membership interests - VIEs on NEE's consolidated balance sheets. The deferred amount was being recognized in benefits associated with differential membership interests - net in NEE's consolidated statements of income as the Class B members received their portion of the economic attributes. On January 1, 2018, upon the adoption of the accounting standards update regarding the accounting for partial sales of nonfinancial assets as discussed in Basis of Presentation above, 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). In addition, the liability reflected as deferral related to differential membership interests - VIEs at December 31, 2017 was reclassified to noncontrolling interests.

Redeemable Noncontrolling Interests - Certain subsidiaries of NEER sold Class B membership interests in entities that have ownership interests in wind facilities to third-party investors. As specified in the respective limited liability company agreements, if, subject to certain contingencies, certain events occur, including, among others, those that would delay construction or cancel any of the underlying projects, an investor has the option to require NEER to return all or part of its investment. As these potential redemptions are outside of NEER's control, these balances were classified as redeemable noncontrolling interests on NEE's consolidated balance sheet as of December 31, 2018. These contingencies are expected to be resolved in 2019.

Variable Interest Entities (VIEs) - An entity is considered to be a VIE when its total equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support, or its equity investors, as a group, lack the characteristics of having a controlling financial interest. A reporting company is required to consolidate a VIE as its primary beneficiary when it has both the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, and the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. NEE and FPL evaluate whether an entity is a VIE whenever reconsideration events as defined by the accounting guidance occur. See Note 9.

Leases - During the fourth quarter of 2018, NEE and FPL elected to early adopt an accounting standards update which requires, among other things, that lessees recognize a right-of-use asset and a lease liability for all leases (new lease standard). Certain amounts included in prior years' consolidated financial statements have been retrospectively adjusted for the new lease standard. See Note 14.

Merger-Related - During 2018, 2017 and 2016, NEE and certain of its affiliates incurred costs related to several proposed mergers, including transaction costs, integration costs and the payment of certain termination fees, which are included in merger-related expenses in NEE's consolidated statements of income. See Note 8.

Disposal of a Business/Assets - In December 2018, subsidiaries of NEER completed the sale of its 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 to a subsidiary of NEP for net cash proceeds of approximately \$1.3 billion, after transaction costs and working capital adjustments and NEP's assumption of approximately \$941 million in existing noncontrolling interests related to differential membership investors. In connection with the sale and the related consolidating state income tax effects, a gain of approximately \$36 million (\$32 million after tax) was recorded in NEE's consolidated statements of income for the year ended December 31, 2018 and is included in losses (gains) on disposal of a business/assets - net.

In 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 (\$685 million after tax) was recorded in NEE's consolidated statements of income for the year ended December 31, 2017 and is included in losses (gains) on disposal of a business/assets - net.

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In 2016, a subsidiary of NEER completed the sale of its ownership interest in merchant natural gas generation facilities located in Texas with a total generating capacity of 2,884 MW for net cash proceeds of approximately \$456 million, after transaction costs and working capital adjustments. In connection with the sale and the related consolidating state income tax effects, a gain of approximately \$254 million (\$106 million after tax) was recorded in NEE's consolidated statements of income for the year ended December 31, 2016 and is included in losses (gains) on disposal of a business/assets - net.

In 2016, a subsidiary of NEER completed the sale of its ownership interest in natural gas generation facilities located primarily in Pennsylvania with a total generating capacity of 840 MW for net cash proceeds of approximately \$260 million, after transaction costs and working capital adjustments. In connection with the sale and the related consolidating state income tax effects, a gain of approximately \$191 million (\$113 million after tax) was recorded in NEE's consolidated statements of income for the year ended December 31, 2016 and is included in losses (gains) on disposal of a business/assets - net.

2. 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 December 31, 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 derivative and lease transactions at NEER. 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. In 2018, NEE's and FPL's revenue from contracts with customers was approximately \$15.4 billion and \$11.8 billion, respectively. NEE's and FPL's receivables are primarily associated with revenues earned from contracts with customers, as well as derivative and lease transactions at NEER, and consist of both billed and unbilled amounts, which are recorded in customer receivables and other receivables on NEE's and FPL's 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. At December 31, 2018 and 2017, FPL's unbilled revenues amounted to approximately \$432 million and \$428 million, respectively, and are included in customer receivables on NEE's and FPL's consolidated balance sheets.

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 2019 to 2053, 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 December 31, 2018, NEER expects to record approximately \$860 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.

Upon the adoption of the new lease standard, certain of NEER's renewable power sales agreements that were accounted for under the previous lease guidance are now accounted for under the revenue standard. See Note 14.

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3. Employee Retirement Benefits

Employee Pension Plan and Other Benefits Plans - NEE sponsors a qualified noncontributory defined benefit pension plan for substantially all employees of NEE and its subsidiaries. NEE also has a supplemental executive retirement plan (SERP), which includes a non-qualified supplemental defined benefit pension component that provides benefits to a select group of management and highly compensated employees, and sponsors a contributory postretirement plan for other benefits for retirees of NEE and its subsidiaries meeting certain eligibility requirements. The total accrued benefit cost of the SERP and postretirement plans is approximately \$226 million (\$187 million for FPL) and \$241 million (\$208 million for FPL) at December 31, 2018 and 2017, respectively.

Pension Plan Assets, Benefit Obligations and Funded Status - The changes in assets, benefit obligations and the funded status of the pension plan are as follows:

| | 2018 | 2017 |
|--|------------|---------|
| | (millions) | |
| Change in pension plan assets: | | |
| Fair value of plan assets at January 1 | \$4,020 | \$3,651 |
| Actual return on plan assets | (69) | 574 |
| Benefit payments | (160) | (205) |
| Acquisitions ^(a) | 15 | — |
| Fair value of plan assets at December 31 | \$3,806 | \$4,020 |
| Change in pension benefit obligation: | | |
| Obligation at January 1 | \$2,593 | \$2,474 |
| Service cost | 70 | 66 |
| Interest cost | 82 | 83 |
| Acquisitions ^(a) | 15 | — |
| Special termination benefits ^(b) | 35 | 38 |
| Plan amendments | — | 12 |
| Actuarial losses (gains) - net | (113) | 125 |
| Benefit payments | (160) | (205) |
| Obligation at December 31 ^(c) | \$2,522 | \$2,593 |
| Funded status: | | |
| Prepaid pension benefit costs at NEE at December 31 | \$1,284 | \$1,427 |
| Prepaid pension benefit costs at FPL at December 31 ^(d) | \$1,407 | \$1,351 |

(a) Relates to fully funded pension obligations acquired in 2018, see Note 8.

(b) Reflects enhanced early retirement programs.

(c) NEE's accumulated pension benefit obligation, which includes no assumption about future salary levels, at December 31, 2018 and 2017 was approximately \$2,479 million and \$2,548 million, respectively.

(d) Reflects FPL's allocated benefits under NEE's pension plan.

NEE's unrecognized amounts included in accumulated other comprehensive income (loss) yet to be recognized as components of prepaid pension benefit costs are as follows:

| | 2018 | 2017 |
|---|------------|------|
| | (millions) | |
| Unrecognized prior service benefit (net of \$2 and \$2 tax expense, respectively) | \$2 | \$2 |

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| | | |
|--|--------|--------|
| Unrecognized losses (net of \$27 and \$32 tax benefit, respectively) | (71) | (49) |
| Total | \$(69) | \$(47) |

NEE's unrecognized amounts included in regulatory assets yet to be recognized as components of net prepaid pension benefit costs are as follows:

| | 2018 | 2017 |
|------------------------------------|------------|--------|
| | (millions) | |
| Unrecognized prior service benefit | \$(3) | \$(4) |
| Unrecognized losses | 376 | 160 |
| Total | \$373 | \$156 |

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The following table provides the assumptions used to determine the benefit obligation for the pension plan. These rates are used in determining net periodic income in the following year.

| | 2018 | 2017 |
|------------------------------|--------|--------|
| Discount rate ^(a) | 4.26 % | 3.59 % |
| Salary increase | 4.40 % | 4.10 % |

(a) The method of estimating the interest cost component of net periodic benefit costs uses a full yield curve approach by applying a specific spot rate along the yield curve.

NEE's investment policy for the pension plan recognizes the benefit of protecting the plan's funded status, thereby avoiding the necessity of future employer contributions. Its broad objectives are to achieve a high rate of total return with a prudent level of risk taking while maintaining sufficient liquidity and diversification to avoid large losses and preserve capital over the long term.

The NEE pension plan fund's current target asset allocation, which is expected to be reached over time, is 45% equity investments, 32% fixed income investments, 13% alternative investments and 10% convertible securities. The pension fund's investment strategy emphasizes traditional investments, broadly diversified across the global equity and fixed income markets, using a combination of different investment styles and vehicles. The pension fund's equity and fixed income holdings consist of both directly held securities as well as commingled investment arrangements such as common and collective trusts, pooled separate accounts, registered investment companies and limited partnerships. The pension fund's convertible security assets are principally direct holdings of convertible securities and include a convertible security oriented limited partnership. The pension fund's alternative investments consist primarily of private equity and real estate oriented investments in limited partnerships as well as absolute return oriented limited partnerships that use a broad range of investment strategies on a global basis.

The fair value measurements of NEE's pension plan assets by fair value hierarchy level are as follows:

| | December 31, 2018 ^(a) | | | |
|---|--|---|--|----------|
| | Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| | (millions) | | | |
| Equity securities ^(b) | \$ 1,030 | \$ 11 | \$ 2 | \$ 1,043 |
| Equity commingled vehicles ^(c) | — | 638 | — | 638 |
| U.S. Government and municipal bonds | 84 | 11 | — | 95 |
| Corporate debt securities ^(d) | — | 252 | — | 252 |
| Asset-backed securities | — | 253 | — | 253 |

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| | | | | |
|--|---------|----------|------|---------|
| Debt security commingled vehicles | — | 133 | — | 133 |
| Convertible securities ^(e) | 17 | 303 | — | 320 |
| Total investments in the fair value hierarchy | \$1,131 | \$ 1,601 | \$ 2 | 2,734 |
| Total investments measured at net asset value ^(f) | | | | 1,072 |
| Total fair value of plan assets | | | | \$3,806 |

(a) See Note 5 for discussion of fair value measurement techniques and inputs.

(b) Includes foreign investments of \$459 million.

(c) Includes foreign investments of \$193 million.

(d) Includes foreign investments of \$77 million.

(e) Includes foreign investments of \$30 million.

(f) Includes foreign investments of \$214 million.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

| | December 31, 2017 ^(a) | | | |
|--|----------------------------------|-------------|--------------|---------|
| | Quoted | | | |
| | Prices | | | |
| | in | | | |
| | Active | Significant | Significant | |
| | Markets | Other | Unobservable | Total |
| | for | Observable | Inputs | |
| | Identical | Inputs | (Level 3) | |
| | Assets | (Level 2) | | |
| | or | | | |
| | Liabilities | | | |
| | (Level | | | |
| | 1) | | | |
| | (millions) | | | |
| Equity securities ^(b) | \$1,077 | \$ 16 | \$ 2 | \$1,095 |
| Equity commingled vehicles ^(c) | — | 853 | — | 853 |
| U.S. Government and municipal bonds | 118 | 13 | — | 131 |
| Corporate debt securities ^(d) | 3 | 238 | 10 | 251 |
| Asset-backed securities | — | 170 | — | 170 |
| Debt security commingled vehicles ^(e) | — | 155 | — | 155 |
| Convertible securities ^(f) | 19 | 307 | — | 326 |
| Total investments in the fair value hierarchy | \$1,217 | \$ 1,752 | \$ 12 | 2,981 |
| Total investments measured at net asset value ^(g) | | | | 1,039 |
| Total fair value of plan assets | | | | \$4,020 |

(a) See Note 5 for discussion of fair value measurement techniques and inputs.

(b) Includes foreign investments of \$480 million.

(c) Includes foreign investments of \$287 million.

(d) Includes foreign investments of \$73 million.

(e) Includes foreign investments of \$2 million.

(f) Includes foreign investments of \$35 million.

(g) Includes foreign investments of \$233 million

Expected Cash Flows - The following table provides information about benefit payments expected to be paid by the pension plan for each of the following calendar years (in millions):

| | |
|-------------|-------|
| 2019 | \$226 |
| 2020 | \$160 |
| 2021 | \$167 |
| 2022 | \$167 |
| 2023 | \$172 |
| 2024 - 2028 | \$877 |

Net Periodic (Income) Cost - The components of net periodic (income) cost for the plans are as follows:

| | |
|------------------|-------------------------|
| Pension Benefits | Postretirement Benefits |
|------------------|-------------------------|

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| | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
|--|------------|--------|--------|-------|------|------|
| | (millions) | | | | | |
| Service cost | \$70 | \$66 | \$62 | \$1 | \$ 1 | \$2 |
| Interest cost | 82 | 83 | 105 | 7 | 8 | 13 |
| Expected return on plan assets | (276) | (270) | (260) | — | — | (1) |
| Amortization of prior service cost (benefit) | (1) | (1) | 1 | (15) | (10) | (2) |
| Special termination benefits | 35 | 38 | — | — | — | — |
| Postretirement benefits settlement | — | — | — | — | 1 | — |
| Net periodic (income) cost at NEE | \$(90) | \$(84) | \$(92) | \$(7) | \$ — | \$12 |
| Net periodic (income) cost allocated to FPL | \$(57) | \$(51) | \$(58) | \$(6) | \$ — | \$9 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other Comprehensive Income - The components of net periodic income (cost) recognized in OCI for the pension plan are as follows:

| | 2018 | 2017 | 2016 |
|--|------------|-------|--------|
| | (millions) | | |
| Prior service benefit (net of \$3 tax expense) | \$— | \$— | \$4 |
| Net gains (losses) (net of \$4 tax benefit, \$23 tax expense and \$16 tax benefit, respectively) | (13) | 37 | (26) |
| Total | \$(13) | \$ 37 | \$(22) |

Regulatory Assets (Liabilities) - The components of net periodic (income) cost recognized during the year in regulatory assets (liabilities) for the pension plan are as follows:

| | 2018 | 2017 |
|------------------------------------|------------|---------|
| | (millions) | |
| Unrecognized losses (gains) | \$216 | \$(120) |
| Amortization of prior service cost | 1 | 1 |
| Total | \$217 | \$(119) |

The assumptions used to determine net periodic income for the pension plan are as follows:

| | 2018 | 2017 | 2016 |
|---|-------|-------|-------|
| Discount rate | 3.59% | 4.09% | 4.35% |
| Salary increase | 4.10% | 4.10% | 4.10% |
| Expected long-term rate of return, net of investment management fees ^(a) | 7.35% | 7.35% | 7.35% |

In developing the expected long-term rate of return on assets assumption for its pension plan, NEE evaluated input, including other qualitative and quantitative factors, from its actuaries and consultants, as well as information (a) available in the marketplace. NEE considered different models, capital market return assumptions and historical returns for a portfolio with an equity/bond asset mix similar to its pension fund. NEE also considered its pension fund's historical compounded returns.

Employee Contribution Plan - NEE offers an employee retirement savings plan which allows eligible participants to contribute a percentage of qualified compensation through payroll deductions. NEE makes matching contributions to participants' accounts. Defined contribution expense pursuant to this plan was approximately \$54 million, \$53 million and \$52 million for NEE (\$34 million, \$33 million and \$32 million for FPL) for the years ended December 31, 2018, 2017 and 2016, respectively.

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 (income) cost table above from O&M expense to other net periodic benefit income in NEE's 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 NEER's power generation and gas infrastructure assets. NEE and FPL do not utilize hedge accounting for their cash flow and fair value hedges.

With respect to commodities related to NEE's competitive energy business, NEER employs risk management procedures to conduct its activities related to optimizing the value of its power generation and gas infrastructure assets, providing full energy and capacity requirements services primarily to distribution utilities, and engaging in power and gas marketing and trading activities to take advantage of expected future favorable price movements and changes in the expected volatility of prices in the energy markets. These risk management activities involve the use of derivative instruments executed within prescribed limits to manage the risk associated with fluctuating commodity prices. Transactions in derivative instruments are executed on recognized exchanges or via the over-the-counter (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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 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 and purchased power cost recovery clause (fuel clause). For NEE's non-rate regulated operations, predominantly NEER, essentially all changes in the derivatives' fair value for power purchases and sales, fuel sales and trading activities are recognized on a net basis in operating revenues; fuel purchases used in the production of electricity are recognized in fuel, purchased power and interchange expense; and the equity method investees' related activity is recognized in equity in earnings of equity method investees in NEE's consolidated statements of income. Settlement gains and losses are included within the line items in the 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 consolidated statements of income. For commodity derivatives, NEE believes that, where offsetting positions exist at the same location for the same time, the transactions are considered to have been netted and therefore physical delivery has been deemed not to have occurred for financial reporting purposes. Settlements related to derivative instruments are primarily recognized in net cash provided by operating activities in NEE's and FPL's 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 consolidated statements of income. In addition, for the years ended December 31, 2018, 2017 and 2016 NEE reclassified approximately \$3 million (\$2 million after tax), \$2 million (\$1 million after tax) and \$18 million (\$11 million after tax), respectively, from AOCI to interest expense primarily because it became probable that related future transactions being hedged would not occur. At December 31, 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 \$20 million of net losses included in AOCI at December 31, 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Fair Value of Derivative Instruments - The tables below present NEE's and FPL's gross derivative positions at December 31, 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 consolidated balance sheets.

| | December 31, 2018 | | | |
|--|-------------------|-------------|-----------|-------------|
| | Gross Basis | | Net Basis | |
| | Assets | Liabilities | Assets | Liabilities |
| | (millions) | | | |
| NEE: | | | | |
| Commodity contracts | \$4,651 | \$ 3,305 | \$1,840 | \$ 683 |
| Interest rate contracts | 56 | 472 | 49 | 465 |
| Foreign currency contracts | 17 | 30 | 30 | 43 |
| Total fair values | \$4,724 | \$ 3,807 | \$1,919 | \$ 1,191 |
| FPL: | | | | |
| Commodity contracts | \$2 | \$ 43 | \$— | \$ 41 |
| Net fair value by NEE balance sheet line item: | | | | |
| Current derivative assets ^(a) | | | \$564 | |
| Noncurrent derivative assets ^(b) | | | 1,355 | |
| Current derivative liabilities | | | | \$ 675 |
| Noncurrent derivative liabilities | | | | 516 |
| Total derivatives | | | \$1,919 | \$ 1,191 |
| Net fair value by FPL balance sheet line item: | | | | |
| Current other liabilities | | | | \$ 32 |
| Noncurrent other liabilities | | | | 9 |
| Total derivatives | | | \$— | \$ 41 |

(a) Reflects the netting of approximately \$124 million in margin cash collateral received from counterparties.

(b) Reflects the netting of approximately \$65 million in margin cash collateral received from counterparties.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

| | 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 ^(a) | | | \$489 | |
| Noncurrent derivative assets | | | 1,315 | |
| Current derivative liabilities | | | | \$ 364 |
| Noncurrent derivative liabilities ^(b) | | | | 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 December 31, 2018 and 2017, NEE had approximately \$16 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 consolidated balance sheets. Additionally, at December 31, 2018 and 2017, NEE had approximately \$157 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 consolidated balance sheets.

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

| | Years Ended | | |
|---|--------------|-------|-------|
| | December 31, | | |
| | 2018 | 2017 | 2016 |
| | (millions) | | |
| Commodity contracts: ^(a) | | | |
| Operating revenues | \$377 | \$454 | \$459 |
| Fuel, purchased power and interchange | (2) | — | (1) |
| Foreign currency contracts - interest expense | 19 | 55 | 14 |

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| | | | |
|--|--------|--------|-------|
| Foreign currency contracts - other - net | — | (4) | (1) |
| Interest rate contracts - interest expense | (280) | (223) | 181 |
| Losses reclassified from AOCI to interest expense: | | | |
| Interest rate contracts | (30) | (48) | (90) |
| Foreign currency contracts | (4) | (81) | (11) |
| Total | \$80 | \$153 | \$551 |

For the years ended December 31, 2018, 2017 and 2016, FPL recorded gains (losses) of approximately \$(31) (a) million, \$(169) million and \$203 million, respectively, related to commodity contracts as regulatory liabilities (assets) on its consolidated balance sheets.

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 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 | December 31, 2018 | | December 31, 2017 | |
|----------------|----------------------------|--------------------------|----------------------------|--------------------------|
| | NEE | FPL | NEE | FPL |
| | (millions) | | | |
| Power | (100) MWh ^(a) | 1 | (109) MWh ^(a) | — |
| Natural gas | (491) MMBtu ^(b) | 231 MMBtu ^(b) | (74) MMBtu ^(b) | 142 MMBtu ^(b) |
| Oil | (30) barrels | — | (15) barrels | — |

(a) Megawatt-hours

(b) One million British thermal units

At December 31, 2018 and 2017, NEE had interest rate contracts with notional amounts totaling approximately \$18.2 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 December 31, 2018 and 2017, the aggregate fair value of NEE's derivative instruments with credit-risk-related contingent features that were in a liability position was approximately \$1.8 billion (\$34 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 \$270 million (none at FPL) and \$145 million (none at FPL) at December 31, 2018 and 2017, respectively. 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 \$1.5 billion (\$45 million at FPL) and \$1.2 billion (\$45 million at FPL) at December 31, 2018 and 2017, respectively. 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 \$610 million (\$145 million at FPL) and \$210 million (\$95 million at FPL) at December 31, 2018 and 2017, respectively.

Collateral related to derivatives may be posted in the form of cash or credit support in the normal course of business. At December 31, 2018 and 2017, applicable NEE subsidiaries have posted approximately \$2 million (none at FPL) and \$2 million (none at FPL), respectively, in cash and \$88 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. 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.

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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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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:

| | December 31, 2018 | | | Netting ^(a) | Total |
|--|-------------------|------------------------|---------|------------------------|------------------------|
| | Level 1 | Level 2 | Level 3 | | |
| | (millions) | | | | |
| Assets: | | | | | |
| Cash equivalents and restricted cash equivalents: ^(b) | | | | | |
| NEE - equity securities | \$486 | \$— | \$— | | \$486 |
| FPL - equity securities | \$206 | \$— | \$— | | \$206 |
| Special use funds: ^(c) | | | | | |
| NEE: | | | | | |
| Equity securities | \$1,445 | \$1,601 ^(d) | \$— | | \$3,046 |
| U.S. Government and municipal bonds | \$449 | \$155 | \$— | | \$604 |
| Corporate debt securities | \$— | \$728 | \$— | | \$728 |
| Mortgage-backed securities | \$— | \$478 | \$— | | \$478 |
| Other debt securities | \$— | \$145 | \$1 | | \$146 |
| FPL: | | | | | |
| Equity securities | \$398 | \$1,452 ^(d) | \$— | | \$1,850 |
| U.S. Government and municipal bonds | \$350 | \$120 | \$— | | \$470 |
| Corporate debt securities | \$— | \$544 | \$— | | \$544 |
| Mortgage-backed securities | \$— | \$367 | \$— | | \$367 |
| Other debt securities | \$— | \$131 | \$1 | | \$132 |
| Other investments: ^(e) | | | | | |
| NEE: | | | | | |
| Equity securities | \$13 | \$11 | \$— | | \$24 |
| Debt securities | \$36 | \$90 | \$— | | \$126 |
| Derivatives: | | | | | |
| NEE: | | | | | |
| Commodity contracts | \$1,379 | \$1,923 | \$1,349 | \$(2,811) | \$1,840 ^(f) |
| Interest rate contracts | \$— | \$56 | \$— | \$(7) | \$49 ^(f) |
| Foreign currency contracts | \$— | \$17 | \$— | \$13 | \$30 ^(f) |
| FPL - commodity contracts | \$— | \$2 | \$— | \$(2) | \$— ^(f) |
| Liabilities: | | | | | |
| Derivatives: | | | | | |
| NEE: | | | | | |
| Commodity contracts | \$1,329 | \$1,410 | \$566 | \$(2,622) | \$683 ^(f) |
| Interest rate contracts | \$— | \$336 | \$136 | \$(7) | \$465 ^(f) |
| Foreign currency contracts | \$— | \$30 | \$— | \$13 | \$43 ^(f) |
| FPL - commodity contracts | \$— | \$7 | \$36 | \$(2) | \$41 ^(f) |

^(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 consolidated balance sheets and are recorded in customer receivables - net and accounts payable, respectively.

- (b) Includes restricted cash equivalents of approximately \$85 million (\$81 million for FPL) in current other assets on the 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 consolidated balance sheets.
- (f) See Note 4 - Fair Value of Derivative Instruments for a reconciliation of net derivatives to NEE's and FPL's consolidated balance sheets.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

| | December 31, 2017 | | | Netting ^(a) | Total |
|--|-------------------|------------------------|---------|------------------------|------------------------|
| | Level 1 | Level 2 | Level 3 | | |
| | (millions) | | | | |
| Assets: | | | | | |
| Cash equivalents and restricted cash equivalents: ^(b) | | | | | |
| NEE - equity securities | \$1,294 | \$— | \$— | | \$1,294 |
| FPL - equity securities | \$144 | \$— | \$— | | \$144 |
| Special use funds: ^(c) | | | | | |
| NEE: | | | | | |
| Equity securities | \$1,595 | \$1,719 ^(d) | \$— | | \$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 ^(d) | \$— | | \$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: ^(e) | | | | | |
| 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 ^(f) |
| Interest rate contracts | \$— | \$50 | \$— | \$5 | \$55 ^(f) |
| Foreign currency contracts | \$— | \$— | \$— | \$12 | \$12 ^(f) |
| FPL - commodity contracts | \$— | \$1 | \$2 | \$(1) | \$2 ^(f) |
| Liabilities: | | | | | |
| Derivatives: | | | | | |
| NEE: | | | | | |
| Commodity contracts | \$1,217 | \$915 | \$660 | \$(2,225) | \$567 ^(f) |
| Interest rate contracts | \$— | \$143 | \$132 | \$5 | \$280 ^(f) |
| Foreign currency contracts | \$— | \$40 | \$— | \$12 | \$52 ^(f) |
| FPL - commodity contracts | \$— | \$1 | \$2 | \$(1) | \$2 ^(f) |

(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 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 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 consolidated balance sheets.
- (f) See Note 4 - Fair Value of Derivative Instruments for a reconciliation of net derivatives to NEE's and FPL's consolidated balance sheets.

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

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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 December 31, 2018 are as follows:

| Transaction Type | Fair Value at December 31, 2018 | | Valuation Technique(s) | Significant Unobservable Inputs | Range |
|---|---------------------------------------|-------------|---------------------------|--|--------------|
| | Assets (millions) | Liabilities | | | |
| Forward contracts - power | \$804 | \$ 201 | Discounted cash flow | Forward price (per MWh) | \$(30)-\$180 |
| Forward contracts - gas | 81 | 49 | Discounted cash flow | Forward price (per MMBtu) | \$1 -\$8 |
| Forward contracts - other commodity related | 2 | 1 | Discounted cash flow | Forward price (various) | \$1 -\$63 |
| Options - power | 44 | 8 | Option models | Implied correlations | 1% -100% |
| | | | | Implied volatilities | 8% -430% |
| Options - primarily gas | 148 | 152 | Option models | Implied correlations | 1% -100% |
| | | | | Implied volatilities | 1% -283% |
| Full requirements and unit contingent contracts | 270 | 155 | Discounted cash flow | Forward price (per MWh) | \$(87)-\$801 |
| | | | | Customer migration rate ^(a) | —% -20% |
| Total | \$1,349 | \$ 566 | | | |

(a) Applies only to full requirements contracts.

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

| Significant Unobservable Input | Position | Impact on 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 ^(a) | 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 \$136 million at December 31, 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.

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

| | Years Ended December 31, | | | | | |
|---|--------------------------|--------|--------|------|--------|-----|
| | 2018 | | 2017 | | 2016 | |
| | NEE | FPL | NEE | FPL | NEE | FPL |
| | (millions) | | | | | |
| Fair value of net derivatives based on significant unobservable inputs at December 31 of prior year | \$566 | \$— | \$578 | \$1 | \$538 | \$— |
| Realized and unrealized gains (losses): | | | | | | |
| Included in earnings ^(a) | 35 | (1) | 376 | — | 333 | — |
| Included in other comprehensive income (loss) ^(b) | 7 | — | (18) | — | 8 | — |
| Included in regulatory assets and liabilities | (18) | (18) | — | — | 1 | 1 |
| Purchases | 152 | (16) | 126 | — | 261 | — |
| Settlements | 28 | (2) | (317) | (1) | (390) | — |
| Issuances | (115) | — | (197) | — | (195) | — |
| Impact of adoption of new revenue standard ^(c) | (30) | — | — | — | — | — |
| Transfers in ^(d) | — | — | 17 | — | 19 | — |
| Transfers out ^(d) | 22 | 1 | 1 | — | 3 | — |
| Fair value of net derivatives based on significant unobservable inputs at December 31 | \$647 | \$(36) | \$566 | \$— | \$578 | \$1 |
| Gains (losses) included in earnings attributable to the change in unrealized gains (losses) relating to derivatives held at the reporting date ^(e) | | | | | | |