

NEXTERA ENERGY INC  
 Form 10-Q  
 November 01, 2016

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

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

For the quarterly period ended September 30, 2016

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

State or other jurisdiction of incorporation or organization: Florida

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

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

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months.

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

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

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

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes  No

Number of shares of NextEra Energy, Inc. common stock, \$0.01 par value, outstanding as of September 30, 2016: 467,267,977

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Number of shares of Florida Power & Light Company common stock, without par value, outstanding as of September 30, 2016, all of which were held, beneficially and of record, by NextEra Energy, Inc.: 1,000

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

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

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DEFINITIONS

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

Term	Meaning
AFUDC	allowance for funds used during construction
AFUDC - equity	equity component of AFUDC
AOCI	accumulated other comprehensive income
capacity clause	capacity cost recovery clause, as established by the FPSC
Duane Arnold	Duane Arnold Energy Center
EPA	U.S. Environmental Protection Agency
FASB	Financial Accounting Standards Board
FERC	U.S. Federal Energy Regulatory Commission
Florida Southeast Connection	Florida Southeast Connection, LLC, a wholly owned NEER subsidiary
FPL	Florida Power & Light Company
FPL FiberNet	fiber-optic telecommunications business
FPSC	Florida Public Service Commission
fuel clause	fuel and purchased power cost recovery clause, as established by the FPSC
GAAP	generally accepted accounting principles in the U.S.
ITC	investment tax credit
kWh	kilowatt-hour(s)
Management's Discussion	Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
MMBtu	One million British thermal units
MW	megawatt(s)
MWh	megawatt-hour(s)
NEE	NextEra Energy, Inc.
NEECH	NextEra Energy Capital Holdings, Inc.
NEER	NextEra Energy Resources, LLC
NEET	NextEra Energy Transmission, LLC
NEP	NextEra Energy Partners, LP
NEP OpCo	NextEra Energy Operating Partners, LP
Note __	Note __ to condensed consolidated financial statements
NRC	U.S. Nuclear Regulatory Commission
O&M expenses	other operations and maintenance expenses in the condensed consolidated statements of income
OCI	other comprehensive income
OTC	over-the-counter
OTTI	other than temporary impairment
PTC	production tax credit
PV	photovoltaic
Recovery Act	American Recovery and Reinvestment Act of 2009, as amended
regulatory ROE	return on common equity as determined for regulatory purposes
Sabal Trail	Sabal Trail Transmission, LLC, an entity in which a wholly owned NEER subsidiary has a 42.5% ownership interest
Seabrook	Seabrook Station
SEC	U.S. Securities and Exchange Commission
U.S.	United States of America

NEE, FPL, NEECH and NEER each has subsidiaries and affiliates with names that may include NextEra Energy, FPL, NextEra Energy Resources, NextEra, FPL Group, FPL Group Capital, FPL Energy, FPLE and similar references. For convenience and simplicity, in this report the terms NEE, FPL, NEECH and NEER are sometimes used as abbreviated references to specific subsidiaries, affiliates or groups of subsidiaries or affiliates. The precise meaning depends on the context.

TABLE OF CONTENTS

	Page No.
<u>Definitions</u>	<u>2</u>
<u>Forward-Looking Statements</u>	<u>4</u>
 <u>PART I - FINANCIAL INFORMATION</u> 	
<u>Item 1. Financial Statements</u>	<u>8</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>42</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>58</u>
<u>Item 4. Controls and Procedures</u>	<u>58</u>
 <u>PART II - OTHER INFORMATION</u> 	
<u>Item 1A. Risk Factors</u>	<u>59</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>59</u>
<u>Item 5. Other Information</u>	<u>59</u>
<u>Item 6. Exhibits</u>	<u>60</u>
 <u>Signatures</u>	 <u>61</u>

## FORWARD-LOOKING STATEMENTS

This report includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions, strategies, future events or performance (often, but not always, through the use of words or phrases such as may result, are expected to, will continue, is anticipated, aim, believe, will, could, should, would, estimated, may, plan, potential, future, projection, goals, target, outlook, predict and intend or words of similar meaning) are not statements of historical facts and may be forward looking. Forward-looking statements involve estimates, assumptions and uncertainties. Accordingly, any such statements are qualified in their entirety by reference to, and are accompanied by, the following important factors (in addition to any assumptions and other factors referred to specifically in connection with such forward-looking statements) that could have a significant impact on NEE's and/or FPL's operations and financial results, and could cause NEE's and/or FPL's actual results to differ materially from those contained or implied in forward-looking statements made by or on behalf of NEE and/or FPL in this combined Form 10-Q, in presentations, on their respective websites, in response to questions or otherwise.

### Regulatory, Legislative and Legal Risks

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

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

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

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

• Any reductions to, or the elimination of, governmental incentives or policies that support utility scale renewable energy, including, but not limited to, tax incentives, renewable portfolio standards, feed-in tariffs or the EPA's final rule under Section 111(d) of the Clean Air Act, or the imposition of additional taxes or other assessments on renewable energy, could result in, among other items, the lack of a satisfactory market for the development of new renewable energy projects, NEER abandoning the development of 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.

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

• NEE's and FPL's business, financial condition, results of operations and prospects could be materially adversely affected if the rules implementing the Dodd-Frank Wall Street Reform and Consumer Protection Act broaden the scope of its provisions regarding the regulation of OTC financial derivatives and make certain provisions applicable to NEE and FPL.

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

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

• Extensive federal regulation of the operations of NEE and FPL exposes NEE and FPL to significant and increasing compliance costs and may also expose them to substantial monetary penalties and other sanctions for compliance failures.

• Changes in tax laws, as well as judgments and estimates used in the determination of tax-related asset and liability amounts, could materially adversely affect NEE's and FPL's business, financial condition, results of operations and prospects.

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

Operational Risks

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

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

The operation and maintenance of NEE's and FPL's electric generation, transmission and distribution facilities, gas infrastructure facilities and other facilities are subject to many operational risks, the consequences of which could have a material adverse effect on NEE's and FPL's business, financial condition, results of operations and prospects. NEE's and FPL's business, financial condition, results of operations and prospects may be negatively affected by a lack of growth or slower growth in the number of customers or in customer usage.

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

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

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

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

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

Due to the potential for significant volatility in market prices for fuel, electricity and renewable and other energy commodities, NEER's inability or failure to manage properly or hedge effectively the commodity risks within its portfolios could materially adversely affect NEE's business, financial condition, results of operations and prospects. Sales of power on the spot market or on a short-term contractual basis may cause NEE's results of operations to be volatile.

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

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

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

If power transmission or natural gas, nuclear fuel or other commodity transportation facilities are unavailable or disrupted, FPL's and NEER's ability to sell and deliver power or natural gas may be limited.

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

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

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

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

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

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

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



Increasing costs associated with health care plans may materially adversely affect NEE's and FPL's results of operations.

NEE's and FPL's business, financial condition, results of operations and prospects could be negatively affected by the lack of a qualified workforce or the loss or retirement of key employees.

- 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.

5

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

NEP's acquisitions may not be completed and, even if completed, NEE may not realize the anticipated benefits of any acquisitions, which could materially adversely affect NEE's business, financial condition, results of operations and prospects.

#### Nuclear Generation Risks

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

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

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

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

Various hazards posed to nuclear generation facilities, along with increased public attention to and awareness of such hazards, could result in increased nuclear licensing or compliance costs which are difficult or impossible to predict and could have a material adverse effect on NEE's and FPL's business, financial condition, results of operations and prospects.

NEER's and FPL's nuclear units are periodically removed from service to accommodate normal refueling and maintenance outages, and for other purposes. If planned outages last longer than anticipated or if there are unplanned outages, NEE's and FPL's results of operations and financial condition could be materially adversely affected.

#### Liquidity, Capital Requirements and Common Stock Risks

Disruptions, uncertainty or volatility in the credit and capital markets may negatively affect NEE's and FPL's ability to fund their liquidity and capital needs and to meet their growth objectives, and can also materially adversely affect the results of operations and financial condition of NEE and FPL.

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

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

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

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

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

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

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

NEP OpCo.

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

These factors should be read together with the risk factors included in Part I, Item 1A. Risk Factors in NEE's and FPL's Annual Report on Form 10-K for the year ended December 31, 2015 (2015 Form 10-K), and investors should refer to that section of the 2015 Form 10-K. Any forward-looking statement speaks only as of the date on which such statement is made, and NEE and FPL undertake no obligation to update any forward-looking statement to reflect events or circumstances, including, but not limited to, unanticipated events, after the date on which such statement is made, unless otherwise required by law. New factors emerge from time to time and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on

6

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the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained or implied in any forward-looking statement.

Website Access to SEC Filings. NEE and FPL make their SEC filings, including the annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports, available free of charge on NEE's internet website, [www.nexteraenergy.com](http://www.nexteraenergy.com), as soon as reasonably practicable after those documents are electronically filed with or furnished to the SEC. The information and materials available on NEE's website (or any of its subsidiaries' websites) are not incorporated by reference into this combined Form 10-Q. The SEC maintains an internet website that contains reports, proxy and information statements, and other information regarding registrants that file electronically with the SEC at [www.sec.gov](http://www.sec.gov).

## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

## NEXTERA ENERGY, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(millions, except per share amounts)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
OPERATING REVENUES	\$4,805	\$4,954	\$12,457	\$13,417
OPERATING EXPENSES				
Fuel, purchased power and interchange	1,217	1,472	3,105	4,151
Other operations and maintenance	833	819	2,474	2,353
Merger-related	123	7	129	20
Depreciation and amortization	983	798	2,262	2,082
Taxes other than income taxes and other - net	370	377	805	1,054
Total operating expenses	3,526	3,473	8,775	9,660
OPERATING INCOME	1,279	1,481	3,682	3,757
OTHER INCOME (DEDUCTIONS)				
Interest expense	(369 )	(311 )	(1,480 )	(912 )
Benefits associated with differential membership interests - net	59	40	220	151
Equity in earnings of equity method investees	70	51	147	87
Allowance for equity funds used during construction	20	20	62	48
Interest income	23	22	61	65
Gains on disposal of assets - net	9	15	36	42
Other than temporary impairment losses on securities held in nuclear decommissioning funds	(2 )	(24 )	(19 )	(32 )
Revaluation of contingent consideration	101	—	118	—
Other - net	17	8	40	27
Total other deductions - net	(72 )	(179 )	(815 )	(524 )
INCOME BEFORE INCOME TAXES	1,207	1,302	2,867	3,233
INCOME TAXES	418	421	879	981
NET INCOME	789	881	1,988	2,252
LESS NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	36	2	42	7
NET INCOME ATTRIBUTABLE TO NEE	\$753	\$879	\$1,946	\$2,245
Earnings per share attributable to NEE:				
Basic	\$1.63	\$1.94	\$4.21	\$5.02
Assuming dilution	\$1.62	\$1.93	\$4.19	\$4.97
Dividends per share of common stock	\$0.87	\$0.77	\$2.61	\$2.31
Weighted-average number of common shares outstanding:				
Basic	463.3	454.1	461.7	447.3
Assuming dilution	466.0	456.0	464.7	451.3

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2015 Form 10-K.

8

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
NET INCOME	\$789	\$881	\$1,988	\$2,252
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX				
Net unrealized gains (losses) on cash flow hedges:				
Effective portion of net unrealized losses (net of \$55 and \$55 tax benefit, respectively)	—	(97 )	—	(107 )
Reclassification from accumulated other comprehensive loss to net income (net of \$3, less than \$1, \$26 and \$16 tax expense, respectively)	17	11	53	50
Net unrealized gains (losses) on available for sale securities:				
Net unrealized gains (losses) on securities still held (net of \$23 tax expense, \$30 tax benefit, \$42 tax expense and \$26 tax benefit, respectively)	31	(38 )	56	(33 )
Reclassification from accumulated other comprehensive loss to net income (net of \$2, \$7, \$6 and \$16 tax benefit, respectively)	(2 )	(8 )	(8 )	(21 )
Defined benefit pension and other benefits plans (net of \$4 and \$10 tax benefit, respectively)	—	—	(7 )	(16 )
Net unrealized gains (losses) on foreign currency translation (net of \$1 tax expense, \$21, \$2 and \$4 tax benefit, respectively)	(9 )	(33 )	19	(5 )
Other comprehensive income (loss) related to equity method investee (net of \$0, \$2, \$3 and \$1 tax benefit, respectively)	3	(3 )	(1 )	(2 )
Total other comprehensive income (loss), net of tax	40	(168 )	112	(134 )
COMPREHENSIVE INCOME	829	713	2,100	2,118
LESS COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTERESTS	30	(1 )	22	1
COMPREHENSIVE INCOME ATTRIBUTABLE TO NEE	\$799	\$714	\$2,078	\$2,117

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2015 Form 10-K.

9

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

	September 30, 2016	December 31, 2015
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Electric plant in service and other property	\$ 76,559	\$ 72,606
Nuclear fuel	2,154	2,067
Construction work in progress	7,150	5,657
Accumulated depreciation and amortization	(20,246 )	(18,944 )
Total property, plant and equipment - net (\$12,331 and \$7,966 related to VIEs, respectively)	65,617	61,386
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	681	571
Customer receivables, net of allowances of \$13 and \$13, respectively	1,921	1,784
Other receivables	938	481
Materials, supplies and fossil fuel inventory	1,309	1,259
Regulatory assets:		
Derivatives	—	218
Other	301	285
Derivatives	612	712
Assets held for sale	526	1,009
Other	459	476
Total current assets	6,747	6,795
<b>OTHER ASSETS</b>		
Special use funds	5,450	5,138
Other investments (\$483 related to a VIE at September 30, 2016)	2,380	1,786
Prepaid benefit costs	1,225	1,155
Regulatory assets:		
Purchased power agreement termination	658	726
Other (\$84 and \$128 related to a VIE, respectively)	1,114	1,052
Derivatives	1,394	1,202
Other	3,279	3,239
Total other assets	15,500	14,298
<b>TOTAL ASSETS</b>	<b>\$ 87,864</b>	<b>\$ 82,479</b>
<b>CAPITALIZATION</b>		
Common stock (\$0.01 par value, authorized shares - 800; outstanding shares - 467 and 461, respectively)	\$ 5	\$ 5
Additional paid-in capital	9,039	8,596
Retained earnings	14,899	14,140
Accumulated other comprehensive loss	(36 )	(167 )
Total common shareholders' equity	23,907	22,574
Noncontrolling interests	962	538
Total equity	24,869	23,112
Long-term debt (\$5,368 and \$684 related to VIEs, respectively)	28,195	26,681
Total capitalization	53,064	49,793
<b>CURRENT LIABILITIES</b>		
Commercial paper	628	374
Notes payable	490	412

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Current maturities of long-term debt	2,364	2,220
Accounts payable	2,800	2,529
Customer deposits	469	473
Accrued interest and taxes	861	449
Derivatives	377	882
Accrued construction-related expenditures	781	921
Liabilities associated with assets held for sale	456	992
Other	1,230	855
Total current liabilities	10,456	10,107
<b>OTHER LIABILITIES AND DEFERRED CREDITS</b>		
Asset retirement obligations	2,637	2,469
Deferred income taxes	10,582	9,827
Regulatory liabilities:		
Accrued asset removal costs	1,940	1,930
Asset retirement obligation regulatory expense difference	2,290	2,182
Other	507	494
Derivatives	999	530
Deferral related to differential membership interests - VIEs	3,274	3,142
Other	2,115	2,005
Total other liabilities and deferred credits	24,344	22,579
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>TOTAL CAPITALIZATION AND LIABILITIES</b>	<b>\$ 87,864</b>	<b>\$ 82,479</b>

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2015 Form 10-K.

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

	Nine Months Ended September 30,	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$1,988	\$2,252
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,262	2,082
Nuclear fuel and other amortization	275	280
Unrealized losses (gains) on marked to market derivative contracts - net	369	(393 )
Foreign currency transaction losses	99	—
Deferred income taxes	766	848
Cost recovery clauses and franchise fees	111	114
Purchased power agreement termination	—	(521 )
Benefits associated with differential membership interests - net	(220 )	(151 )
Allowance for equity funds used during construction	(62 )	(48 )
Gains on sale and disposal of assets - net	(291 )	(39 )
Other - net	(116 )	133
Changes in operating assets and liabilities:		
Customer and other receivables	(150 )	(123 )
Materials, supplies and fossil fuel inventory	(59 )	(52 )
Other current assets	5	(56 )
Other assets	(17 )	(28 )
Accounts payable and customer deposits	54	(131 )
Margin cash collateral	(142 )	(79 )
Income taxes	48	45
Interest and other taxes	384	386
Other current liabilities	18	83
Other liabilities	(28 )	(89 )
Net cash provided by operating activities	5,294	4,513
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures of FPL	(2,976 )	(2,440 )
Independent power and other investments of NEER	(4,610 )	(2,870 )
Nuclear fuel purchases	(194 )	(310 )
Other capital expenditures and other investments	(149 )	(56 )
Sale of independent power and other investments of NEER	395	34
Proceeds from sale or maturity of securities in special use funds and other investments	2,635	3,751
Purchases of securities in special use funds and other investments	(2,711 )	(3,872 )
Proceeds from sale of a noncontrolling interest in subsidiaries	645	319
Other - net	(18 )	(33 )
Net cash used in investing activities	(6,983 )	(5,477 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuances of long-term debt	4,644	3,462
Retirements of long-term debt	(2,654 )	(3,097 )

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Proceeds from differential membership investors	328	46
Payments to differential membership investors	(84 )	(68 )
Proceeds from notes payable	500	1,450
Repayments of notes payable	(362 )	(313 )
Net change in commercial paper	254	(116 )
Issuances of common stock - net	528	1,274
Dividends on common stock	(1,205 )	(1,031 )
Other - net	(150 )	(39 )
Net cash provided by financing activities	1,799	1,568
Net increase in cash and cash equivalents	110	604
Cash and cash equivalents at beginning of period	571	577
Cash and cash equivalents at end of period	\$681	\$1,181
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Accrued property additions	\$2,655	\$1,840
Increase in property, plant and equipment as a result of a settlement	\$(70 )	\$(5 )
Proceeds from differential membership investors used to reduce debt	\$100	\$—

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2015 Form 10-K.

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

	Common Stock Shares	Aggregate Par Value	Additional Paid-In Capital	Unearned ESOP Compensation	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Common Shareholders' Equity	Non- controlling Interests	Total Equity
Balances, December 31, 2015	461	\$ 5	\$ 8,597	\$ (1 )	\$ (167 )	\$ 14,140	\$ 22,574	\$ 538	\$ 23,112
Net income	—	—	—	—	—	1,946	1,946	42	
Issuances of common stock, net of issuance cost of less than \$1	5	—	523	—	—	—	523	—	
Exercise of stock options and other incentive plan activity	1	—	57	—	—	—	57	—	
Dividends on common stock	—	—	—	—	—	(1,205 )	(1,205 )	—	
Earned compensation under ESOP	—	—	38	1	—	—	39	—	
Premium on equity units	—	—	(200 )	—	—	—	(200 )	—	
Other comprehensive income(loss)	—	—	—	—	131	—	131	(19 )	
Issuance costs of equity units	—	—	(25 )	—	—	—	(25 )	—	
Sale of NEER assets to NEP	—	—	49	—	—	—	49	440	
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(37 )	
Other changes in noncontrolling interests in subsidiaries	—	—	—	—	—	—	—	(2 )	
Adoption of accounting standards update	—	—	—	—	—	18	18	—	
Balances, September 30, 2016	467	\$ 5	\$ 9,039	\$ —	\$ (36 )	\$ 14,899	\$ 23,907	\$ 962	\$ 24,869
	Common Stock Shares	Aggregate Par Value	Additional Paid-In Capital	Unearned ESOP Compensation	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Common Shareholders' Equity	Non- controlling Interests	Total Equity
Balances, December 31, 2014	443	\$ 4	\$ 7,193	\$ (14 )	\$ (40 )	\$ 12,773	\$ 19,916	\$ 252	\$ 20,168
Net income	—	—	—	—	—	2,245	2,245	7	
Issuances of common stock, net of issuance cost of less than \$1	17	1	1,289	3	—	—	1,293	—	
Exercise of stock options and other incentive plan activity	1	—	58	—	—	—	58	—	
Dividends on common stock	—	—	—	—	—	(1,031 )	(1,031 )	—	
Earned compensation under ESOP	—	—	31	5	—	—	36	—	
Premium on equity units	—	—	(80 )	—	—	—	(80 )	—	

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Other comprehensive loss	—	—	—	—	(128	)	—	(128	)	(6	)								
Issuance costs of equity units	—	—	(25	)	—	—	—	(25	)	—									
Sale of NEER assets to NEP	—	—	34	—	—	—	—	34		261									
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—		(13	)								
Other changes in noncontrolling interests in subsidiaries	—	—	—	—	—	—	—	—		7									
Balances, September 30, 2015	461	\$	5	\$	8,500	\$	(6	)	\$	(168	)	\$	13,987	\$	22,318	\$	508	\$	22,826

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2015 Form 10-K.

FLORIDA POWER & LIGHT COMPANY  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(millions)  
(unaudited)

	Three Months Ended September 30, 2016		2015		Nine Months Ended September 30, 2016		2015	
OPERATING REVENUES	\$3,283	\$3,274	\$8,337	\$8,812				
OPERATING EXPENSES								
Fuel, purchased and interchange	1,045	1,195	2,556	3,298				
Other operations and maintenance	403	410	1,203	1,147				
Depreciation and amortization	587	485	1,207	1,154				
Taxes other than income taxes and other	327	329	908	910				
- net								
Total operating expenses	2,362	2,419	5,874	6,509				
OPERATING INCOME	921	855	2,463	2,303				
OTHER INCOME (DEDUCTIONS)								
Interest expense	(114)	(110)	(342)	(337)				
Allowance for equity funds	20		55	46				

used			
during			
construction			
Other			
—	(2 )	3	(1 )
net			
Total			
other			
deductions	(92 )	(284 )	(292 )
-			
net			
INCOME			
BEFORE			
TAXES	824	2,179	2,011
INCOME	763		
TAXES			
INCOME	309	823	728
TAXES	274		
NET			
INCOME <sup>(a)</sup>	\$515	\$1,356	\$1,283
	\$489		

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



This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2015 Form 10-K.

FLORIDA POWER & LIGHT COMPANY  
 CONDENSED CONSOLIDATED BALANCE SHEETS

(millions, except share amount)

(unaudited)

September 30, 2016      December 31, 2015

ELECTRIC  
 UTILITY  
 PLANT  
 AND  
 OTHER  
 PROPERTY

Plant in service and other property	\$ 43,700	\$ 41,227
Nuclear fuel	1,333	1,306
Construction work in progress	2,817	2,850
Accumulated depreciation and amortization	(12,406)	(11,862)
Total electric utility plant and other property	35,444	33,521

- net  
 CURRENT  
 ASSETS

Cash and cash equivalents	46	23
Customer receivables, net of allowances	803	849

of	
\$4	
and	
\$3,	
respectively	
Other	123
receivables	
Materials,	
supplies	
and	
868	826
fossil	
fuel	
inventory	
Regulatory	
assets:	
Derivatives	218
Other	284
Other	184
Total	2,507
assets	
OTHER	
ASSETS	
Special	
3,706	3,504
funds	
Prepaid	
1,286	1,243
costs	
Regulatory	
assets:	
Purchased	
power	
658	726
agreement	
termination	
Other	
(\$84	
and	
\$128	
854	787
to	
a	
VIE,	
respectively)	
Other	235
Total	6,495
assets	
TOTAL	\$ 42,523
ASSETS	
CAPITALIZATION	

Common stock (no par value, 1,373 shares authorized, issued and outstanding)	\$ 1,373
Additional paid-in capital	7,733
Retained earnings	6,447
Total common shareholder's equity	15,553
Long-term debt (\$143 and \$210 related to a VIE, respectively)	9,956
Total capitalization	25,509
<b>CURRENT LIABILITIES</b>	
Commercial paper	56
Notes payable	100
Current maturities of long-term debt	64
Accounts payable	664
Customer deposits	469
Accrued interest and taxes	279

Derivatives	222
Accrued	
construction-related	2,449
expenditures	
Other	355
Total	
current	2,449
liabilities	
OTHER	
LIABILITIES	
AND	
DEFERRED	
CREDITS	
Asset	
retirement	1,822
obligations	
Deferred	
income	7,730
taxes	
Regulatory	
liabilities:	
Accrued	
asset	
removal	1,921
costs	
Asset	
retirement	
obligation	2,182
regulatory	
expense	
difference	
Other	492
Other	418
Total	
other	
liabilities	14,565
and	
deferred	
credits	
COMMITMENTS	
AND	
CONTINGENCIES	
TOTAL	
CAPITALIZATION	
\$ 44,617	\$ 42,523
AND	
LIABILITIES	

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2015 Form 10-K.



FLORIDA POWER & LIGHT COMPANY  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions)  
 (unaudited)

Nine Months  
 Ended  
 September 30,  
 2016 2015

CASH  
 FLOWS  
 FROM  
 OPERATING  
 ACTIVITIES

Net  
 \$1,356 \$1,283  
 income

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

Depreciation  
 and amortization

Nuclear  
 fuel

and other  
 amortization

Deferred  
 income taxes

Cost  
 recovery  
 clauses  
 and

franchise  
 fees

Purchased power  
 agreement

111 114

569 107

111 114

521 )

termination		
Allowance		
for		
equity		
contracts	(46	)
used		
during		
construction		
Other		
-23	54	
net		
Changes		
in		
operating		
assets		
and		
liabilities:		
Customer		
and		
other	(169	) (250
receivables		
Materials,		
supplies		
and		
fossil	(42	) (39
fuel		
inventory		
Other		
current	(49	)
assets		
Other		
assets	(41	)
Accounts		
payable		
and	32	
customer		
deposits		
Income	150	366
taxes		
Interest		
and		
other	369	357
taxes		
Other		
current	28	
liabilities		
Other	(94	) (41
liabilities		
Net	790	2,668
cash		
provided		



by  
 operating  
 activities  
 CASH  
 FLOWS  
 FROM  
 INVESTING  
 ACTIVITIES  
 Capital  
 expenditures (2,976 ) (2,440 )  
 Nuclear  
 fuel purchases (178 ) (178 )  
 Proceeds  
 from  
 sale  
 or  
 maturity  
 of securities in  
 special  
 use  
 funds 3,099  
 Purchases  
 of  
 securities in  
 special  
 use  
 funds (1,836 ) (3,149 )  
 Other  
 net (86 ) (86 )  
 Net  
 cash  
 used in  
 investing  
 activities (3,126 ) (2,754 )  
 CASH  
 FLOWS  
 FROM  
 FINANCING  
 ACTIVITIES  
 Issuances  
 of long-term  
 debt 150 85  
 Payments (262 ) (550 )  
 of

long-term  
 debt  
 Proceeds  
 from  
 500 —  
 notes  
 payable  
 Repayments  
 of  
 (150 ) —  
 notes  
 payable  
 Net  
 change  
 in  
 408 (896 )  
 commercial  
 paper  
 Capital  
 contribution  
 from 1,454  
 NEE  
 Dividends  
 (1,300 ) —  
 NEE  
 Other  
 -13 9  
 net  
 Net  
 cash  
 provided  
 by  
 (641 ) 102  
 (used  
 in)  
 financing  
 activities  
 Net  
 increase  
 in  
 cash 16  
 and  
 cash  
 equivalents  
 Cash  
 and  
 cash  
 equivalents  
 23 14  
 at  
 beginning  
 of  
 period  
 Cash \$ 30  
 and  
 cash

equivalents  
at  
end  
of  
period  
SUPPLEMENTAL  
SCHEDULE  
OF  
NONCASH  
INVESTING  
AND  
FINANCING  
ACTIVITIES  
Accrued  
property \$ 355  
additions

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2015 Form 10-K.

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

The accompanying condensed consolidated financial statements should be read in conjunction with the 2015 Form 10-K. In the opinion of NEE and FPL management, all adjustments (consisting of normal recurring accruals) considered necessary for fair financial statement presentation have been made. Certain amounts included in the prior year's condensed consolidated financial statements have been reclassified to conform to the current year's presentation. The results of operations for an interim period generally will not give a true indication of results for the year.

## 1. Employee Retirement Benefits

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

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

	Pension Benefits		Postretirement Benefits		Pension Benefits		Postretirement Benefits	
	Three Months Ended		Three Months Ended		Nine Months Ended		Nine Months Ended	
	September 30,		September 30,		September 30,		September 30,	
	2016	2015	2016	2015	2016	2015	2016	2015
	(millions)							
Service cost	\$16	\$17	\$ —	\$ 1	\$47	\$53	\$ 1	\$ 2
Interest cost	26	23	3	3	78	72	10	10
Expected return on plan assets	(65 )	(63 )	—	—	(195 )	(190 )	—	(1 )
Amortization of prior service (benefit) cost	—	—	—	(1 )	1	1	(2 )	(2 )
Amortization of losses	—	—	—	1	—	—	—	2
Net periodic (income) cost at NEE	\$(23)	\$(23)	\$ 3	\$ 4	\$(69)	\$(64)	\$ 9	\$ 11
Net periodic (income) cost at FPL	\$(15)	\$(14)	\$ 2	\$ 3	\$(44)	\$(41)	\$ 7	\$ 8

## 2. Derivative Instruments

NEE and FPL use derivative instruments (primarily swaps, options, futures and forwards) to manage the commodity price risk inherent in the purchase and sale of fuel and electricity, as well as interest rate and foreign currency exchange rate risk associated primarily with outstanding and expected future debt issuances and borrowings, and to optimize the value of NEER's power generation and gas infrastructure assets.

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

requirements of the assets, where applicable, as well as to hedge all or a portion of the expected output of these assets. These hedges are designed to reduce the effect of adverse changes in the wholesale forward commodity markets associated with NEER's power generation and gas infrastructure assets. With regard to full energy and capacity requirements services, NEER is required to vary the quantity of energy and related services based on the load demands of the customers served. For this type of transaction, derivative instruments are used to hedge the anticipated electricity quantities required to serve these customers and reduce the effect of unfavorable changes in the forward energy markets. Additionally, NEER takes positions in the energy markets based on differences between actual forward market levels and management's view of fundamental market conditions, including supply/demand imbalances, changes in traditional flows of energy, changes in short- and long-term weather patterns and anticipated regulatory and legislative outcomes. NEER uses derivative instruments to realize value from these market dislocations, subject to strict risk management limits around market, operational and credit exposure.

Derivative instruments, when required to be marked to market, are recorded on NEE's and FPL's condensed consolidated balance sheets as either an asset or liability measured at fair value. At FPL, substantially all changes in the derivatives' fair value are deferred as a regulatory asset or liability until the contracts are settled, and, upon settlement, any gains or losses are passed through the fuel clause. For NEE's non-rate regulated operations, predominantly NEER, essentially all changes in the derivatives' fair value for power purchases and sales, fuel sales and trading activities are recognized on a net basis in operating revenues; fuel purchases

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

used in the production of electricity are recognized in fuel, purchased power and interchange expense; and the equity method investees' related activity is recognized in equity in earnings of equity method investees in NEE's condensed consolidated statements of income. Settlement gains and losses are included within the line items in the condensed consolidated statements of income to which they relate. Transactions for which physical delivery is deemed not to have occurred are presented on a net basis in the condensed consolidated statements of income. For commodity derivatives, NEE believes that, where offsetting positions exist at the same location for the same time, the transactions are considered to have been netted and therefore physical delivery has been deemed not to have occurred for financial reporting purposes. Settlements related to derivative instruments are primarily recognized in net cash provided by operating activities in NEE's and FPL's condensed consolidated statements of cash flows.

In January 2016, NEE discontinued hedge accounting for its cash flow and fair value hedges related to interest rate and foreign currency derivative instruments and, therefore, all changes in the derivatives' fair value, as well as the transaction gain or loss on foreign denominated debt, are recognized in interest expense in NEE's condensed consolidated statements of income. In addition, for the three and nine months ended September 30, 2016, NEE reclassified approximately \$2 million (\$1 million after tax) and \$17 million (\$10 million after tax), respectively, from AOCI to interest expense primarily because it became probable that a related future transaction being hedged would not occur. At September 30, 2016, NEE's AOCI included amounts related to the discontinued interest rate cash flow hedges with expiration dates through March 2035 and foreign currency cash flow hedges with expiration dates through September 2030. Approximately \$84 million of net losses included in AOCI at September 30, 2016 is expected to be reclassified into earnings within the next 12 months as the principal and/or interest payments are made. Such amounts assume no change in scheduled principal payments.

Fair Value of Derivative Instruments - The tables below present NEE's and FPL's gross derivative positions at September 30, 2016 and December 31, 2015, as required by disclosure rules. However, the majority of the underlying contracts are subject to master netting agreements and generally would not be contractually settled on a gross basis. Therefore, the tables below also present the derivative positions on a net basis, which reflect the offsetting of positions of certain transactions within the portfolio, the contractual ability to settle contracts under master netting arrangements and the netting of margin cash collateral (see Note 3 - Recurring Fair Value Measurements for netting information), as well as the location of the net derivative position on the condensed consolidated balance sheets.

	September 30, 2016			
	Fair Values of Derivatives Not Designated as Hedging Instruments for Accounting Purposes - Gross Basis		Fair Values of Derivatives Not Designated as Hedging Instruments for Accounting Purposes - Net Basis	
	Assets	Liabilities	Assets	Liabilities
	(millions)			
NEE:				
Commodity contracts	\$5,105	\$ 3,479	\$1,943	\$ 558
Interest rate contracts	60	788	55	782
Foreign currency swaps	9	35	8	36
Total fair values	\$5,174	\$ 4,302	\$2,006	\$ 1,376

FPL:				
Commodity contracts	\$48	\$ 20	\$33	\$ 5
Net fair value by NEE balance sheet line item:				
Current derivative assets <sup>(a)</sup>			\$612	
Noncurrent derivative assets <sup>(b)</sup>			1,394	
Current derivative liabilities				\$ 377
Noncurrent derivative liabilities				999
Total derivatives			\$2,006	\$ 1,376
Net fair value by FPL balance sheet line item:				
Current other assets			\$22	
Noncurrent other assets			11	
Current derivative liabilities				\$ 5
Total derivatives			\$33	\$ 5

(a) Reflects the netting of approximately \$148 million in margin cash collateral received from counterparties.

(b) Reflects the netting of approximately \$93 million in margin cash collateral received from counterparties.

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

	December 31, 2015					
	Fair Values of Derivatives Designated as Hedging Instruments for Accounting Purposes - Gross Basis Assets		Fair Values of Derivatives Not Designated as Hedging Instruments for Accounting Purposes - Gross Basis Liabilities		Total Derivatives Combined - Net Basis	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	(millions)					
NEE:						
Commodity contracts	\$—	\$ —	\$5,906	\$ 4,580	\$1,937	\$ 982
Interest rate contracts	33	155	2	160	34	319
Foreign currency swaps	—	132	—	—	—	127
Total fair values	\$33	\$ 287	\$5,908	\$ 4,740	\$1,971	\$ 1,428
FPL:						
Commodity contracts	\$—	\$ —	\$7	\$ 225	\$4	\$ 222
Net fair value by NEE balance sheet line item:						
Current derivative assets <sup>(a)</sup>					\$712	
Assets held for sale					57	
Noncurrent derivative assets <sup>(b)</sup>					1,202	
Current derivative liabilities <sup>(c)</sup>						\$ 882
Liabilities associated with assets held for sale						16
Noncurrent derivative liabilities <sup>(d)</sup>						530
Total derivatives					\$1,971	\$ 1,428
Net fair value by FPL balance sheet line item:						
Current other assets					\$3	
Noncurrent other assets					1	
Current derivative liabilities						\$ 222
Total derivatives					\$4	\$ 222

(a) Reflects the netting of approximately \$279 million in margin cash collateral received from counterparties.

(b) Reflects the netting of approximately \$151 million in margin cash collateral received from counterparties.

(c) Reflects the netting of approximately \$46 million in margin cash collateral paid to counterparties.

(d) Reflects the netting of approximately \$13 million in margin cash collateral paid to counterparties.

At September 30, 2016 and December 31, 2015, NEE had approximately \$20 million and \$27 million (none at FPL), respectively, in margin cash collateral received from counterparties that was not offset against derivative assets in the above presentation. These amounts are included in current other liabilities on NEE's condensed consolidated balance sheets. Additionally, at September 30, 2016 and December 31, 2015, NEE had approximately \$121 million and \$116 million (none at FPL), respectively, in margin cash collateral paid to counterparties that was not offset against



derivative assets or liabilities in the above presentation. These amounts are included in current other assets on NEE's condensed consolidated balance sheets.

Income Statement Impact of Derivative Instruments - Gains (losses) related to NEE's cash flow hedges, which were previously designated as hedging instruments, are recorded in NEE's condensed consolidated financial statements (none at FPL) as follows:

	Three Months Ended			Nine Months Ended		
	September 30, 2015			September 30, 2015		
	Interest	Foreign	Total	Interest	Foreign	Total
	Rate	Currency		Rate	Currency	
	Contracts Swaps			Contracts Swaps		
	(millions)					
Losses recognized in OCI	\$(151)	\$ (1 )	\$(152)	\$(146)	\$ (16 )	\$(162)
Gains (losses) reclassified from AOCI to net income	\$(18 ) <sup>(a)</sup>	\$ 7 <sup>(b)</sup>	\$(11 )	\$(56 ) <sup>(a)</sup>	\$ (10 ) <sup>(b)</sup>	\$(66 )

(a) Included in interest expense.

(b) For the three and nine months ended September 30, 2015, losses of approximately \$3 million and \$9 million, respectively, are included in interest expense and the balances are included in other - net.

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

Gains (losses) related to NEE's derivatives not designated as hedging instruments are recorded in NEE's condensed consolidated statements of income as follows:

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
	2016	2015	2016	2015
	(millions)			
Commodity contracts: <sup>(a)</sup>				
Operating revenues	\$264	\$397	\$502	\$812
Fuel, purchased power and interchange	1	3	(1)	5
Foreign currency swaps - interest expense	15	—	96	—
Foreign currency swaps - other - net	1	—	(2)	—
Interest rate contracts - interest expense	(58)	(12)	(515)	(1)
Losses reclassified from AOCI to interest expense:				
Interest rate contracts	(18)	—	(71)	—
Foreign currency swaps	(3)	—	(9)	—
Total	\$202	\$388	\$—	\$816

For the three and nine months ended September 30, 2016, FPL recorded approximately \$35 million of losses and \$35 million of gains, respectively, related to commodity contracts as regulatory assets and regulatory liabilities, (a) respectively, on its condensed consolidated balance sheets. For the three and nine months ended September 30, 2015, FPL recorded losses of approximately \$141 million and \$204 million, respectively, related to commodity contracts as regulatory assets on its condensed 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 condensed consolidated financial statements. The table includes significant volumes of transactions that have minimal exposure to commodity price changes because they are variably priced agreements. These volumes are only an indication of the commodity exposure that is managed through the use of derivatives. They do not represent net physical asset positions or non-derivative positions and their hedges, nor do they represent NEE's and FPL's net economic exposure, but only the net notional derivative positions that fully or partially hedge the related asset positions. NEE and FPL had derivative commodity contracts for the following net notional volumes:

Commodity Type	September 30, 2016		December 31, 2015	
	NEE	FPL	NEE	FPL
	(millions)			
Power	(71)	—	(112)	—
Natural gas	1,130	704	1,321	833
Oil	(7)	—	(9)	—

At September 30, 2016 and December 31, 2015, NEE had interest rate contracts with notional amounts totaling approximately \$14.0 billion and \$8.3 billion, respectively, and foreign currency swaps with notional amounts totaling approximately \$720 million and \$715 million, respectively.

Credit-Risk-Related Contingent Features - Certain derivative instruments contain credit-risk-related contingent features including, among other things, the requirement to maintain an investment grade credit rating from specified credit rating agencies and certain financial ratios, as well as credit-related cross-default and material adverse change triggers. At September 30, 2016 and December 31, 2015, the aggregate fair value of NEE's derivative instruments with credit-risk-related contingent features that were in a liability position was approximately \$1.5 billion (\$20 million for FPL) and \$2.2 billion (\$224 million for FPL), respectively.

If the credit-risk-related contingent features underlying these agreements and other commodity-related contracts 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 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 \$200 million (none at FPL) as of September 30, 2016 and \$250 million (\$20 million at FPL) as of December 31, 2015. 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

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

collateral would be approximately \$2.2 billion (\$0.3 billion at FPL) as of September 30, 2016 and \$2.5 billion (\$0.6 billion at FPL) as of December 31, 2015. Some contracts do not contain credit ratings downgrade triggers, but do contain provisions that require certain financial measures to 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 \$530 million (\$135 million at FPL) as of September 30, 2016 and \$660 million (\$120 million at FPL) as of December 31, 2015.

Collateral related to derivatives may be posted in the form of cash or credit support in the normal course of business. At September 30, 2016 and December 31, 2015, applicable NEE subsidiaries have posted approximately \$56 million (none at FPL) and \$123 million (\$3 million at FPL), respectively, in the form of letters of credit which could be applied toward the collateral requirements described above. FPL and NEECH have credit facilities generally in excess of the collateral requirements described above that would be available to support, among other things, derivative activities. Under the terms of the credit facilities, maintenance of a specific credit rating is not a condition to drawing on these credit facilities, although there are other conditions to drawing on these credit facilities.

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

### 3. Fair Value Measurements

The fair value of assets and liabilities are determined using either unadjusted quoted prices in active markets (Level 1) or pricing inputs that are observable (Level 2) whenever that information is available and using unobservable inputs (Level 3) to estimate fair value only when relevant observable inputs are not available. NEE and FPL use several different valuation techniques to measure the fair value of assets and liabilities, relying primarily on the market approach of using prices and other market information for 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 their placement within the fair value hierarchy levels. Non-performance risk, including the consideration of a credit valuation adjustment, is also considered in the determination of fair value for all assets and liabilities measured at fair value.

Cash Equivalents and Restricted Cash - NEE primarily holds investments in money market funds. The fair value of these funds is calculated using current 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 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.

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

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 swaps 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 a discounted cash flows valuation technique based on the net amount of estimated future cash inflows and outflows related to the agreements.

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

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

	September 30, 2016			Netting <sup>(a)</sup>	Total
	Level 1	Level 2	Level 3		
(millions)					
Assets:					
Cash equivalents and restricted cash: <sup>(b)</sup>					
NEE - equity securities	\$417	\$—	\$—		\$417
FPL - equity securities	\$21	\$—	\$—		\$21
Special use funds: <sup>(c)</sup>					
NEE:					
Equity securities	\$1,391	\$1,443 <sup>(d)</sup>	\$—		\$2,834
U.S. Government and municipal bonds	\$321	\$174	\$—		\$495
Corporate debt securities	\$—	\$849	\$—		\$849
Mortgage-backed securities	\$—	\$481	\$—		\$481
Other debt securities	\$—	\$87	\$—		\$87
FPL:					
Equity securities	\$395	\$1,319 <sup>(d)</sup>	\$—		\$1,714
U.S. Government and municipal bonds	\$240	\$146	\$—		\$386
Corporate debt securities	\$—	\$616	\$—		\$616
Mortgage-backed securities	\$—	\$375	\$—		\$375
Other debt securities	\$—	\$73	\$—		\$73
Other investments:					
NEE:					
Equity securities	\$29	\$9	\$—		\$38
Debt securities	\$10	\$166	\$—		\$176
Derivatives:					
NEE:					
Commodity contracts	\$1,757	\$2,007	\$1,341	\$(3,162)	\$1,943 <sup>(e)</sup>
Interest rate contracts	\$—	\$54	\$6	\$(5)	\$55 <sup>(e)</sup>
Foreign currency swaps	\$—	\$9	\$—	\$(1)	\$8 <sup>(e)</sup>
FPL - commodity contracts	\$—	\$46	\$2	\$(15)	\$33 <sup>(e)</sup>
Liabilities:					
Derivatives:					
NEE:					
Commodity contracts	\$1,730	\$1,198	\$551	\$(2,921)	\$558 <sup>(e)</sup>
Interest rate contracts	\$—	\$654	\$134	\$(6)	\$782 <sup>(e)</sup>
Foreign currency swaps	\$—	\$35	\$—	\$1	\$36 <sup>(e)</sup>
FPL - commodity contracts	\$—	\$18	\$2	\$(15)	\$5 <sup>(e)</sup>

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

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- (b) Includes restricted cash of approximately \$81 million (\$21 million for FPL) in other current assets on the condensed consolidated balance sheets.
- (c) Excludes investments accounted for under the equity method and loans not measured at fair value on a recurring basis. See Fair Value of Financial Instruments Recorded at Other than Fair Value below.
- (d) Primarily invested in commingled funds whose underlying securities would be Level 1 if those securities were held directly by NEE or FPL.
- (e) See Note 2 - Fair Value of Derivative Instruments for a reconciliation of net derivatives to NEE's and FPL's condensed consolidated balance sheets.



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

	December 31, 2015			Netting <sup>(a)</sup>	Total
	Level 1	Level 2	Level 3		
(millions)					
Assets:					
Cash equivalents and restricted cash: <sup>(b)</sup>					
NEE - equity securities	\$312	\$—	\$—		\$312
FPL - equity securities	\$36	\$—	\$—		\$36
Special use funds: <sup>(c)</sup>					
NEE:					
Equity securities	\$1,320	\$1,354 <sup>(d)</sup>	\$—		\$2,674
U.S. Government and municipal bonds	\$446	\$166	\$—		\$612
Corporate debt securities	\$—	\$713	\$—		\$713
Mortgage-backed securities	\$—	\$412	\$—		\$412
Other debt securities	\$—	\$52	\$—		\$52
FPL:					
Equity securities	\$364	\$1,234 <sup>(d)</sup>	\$—		\$1,598
U.S. Government and municipal bonds	\$335	\$145	\$—		\$480
Corporate debt securities	\$—	\$531	\$—		\$531
Mortgage-backed securities	\$—	\$327	\$—		\$327
Other debt securities	\$—	\$40	\$—		\$40
Other investments:					
NEE:					
Equity securities	\$30	\$10	\$—		\$40
Debt securities	\$39	\$132	\$—		\$171
Derivatives:					
NEE:					
Commodity contracts	\$2,187	\$2,540	\$1,179	\$(3,969)	\$1,937 <sup>(e)</sup>
Interest rate contracts	\$—	\$35	\$—	\$(1)	\$34 <sup>(e)</sup>
FPL - commodity contracts	\$—	\$1	\$6	\$(3)	\$4 <sup>(e)</sup>
Liabilities:					
Derivatives:					
NEE:					
Commodity contracts	\$2,153	\$1,887	\$540	\$(3,598)	\$982 <sup>(e)</sup>
Interest rate contracts	\$—	\$214	\$101	\$4	\$319 <sup>(e)</sup>
Foreign currency swaps	\$—	\$132	\$—	\$(5)	\$127 <sup>(e)</sup>
FPL - commodity contracts	\$—	\$219	\$6	\$(3)	\$222 <sup>(e)</sup>

Includes the effect of the contractual ability to settle contracts under master netting arrangements and the netting of margin cash collateral payments and receipts. NEE and FPL also have contract settlement receivable and payable

(a) balances that are subject to the master netting arrangements but are not offset within the condensed consolidated balance sheets and are recorded in customer receivables - net and accounts payable, respectively.

(b) Includes restricted cash of approximately \$61 million (\$36 million for FPL) in other current assets on the condensed consolidated balance sheets.

(c)

Excludes investments accounted for under the equity method and loans not measured at fair value on a recurring basis. See Fair Value of Financial Instruments Recorded at Other than Fair Value below.

- (d) Primarily invested in commingled funds whose underlying securities would be Level 1 if those securities were held directly by NEE or FPL.
- (e) See Note 2 - Fair Value of Derivative Instruments for a reconciliation of net derivatives to NEE's and FPL's condensed consolidated balance sheets.

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

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

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

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

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

The significant unobservable inputs used in the valuation of NEE's commodity contracts categorized as Level 3 of the fair value hierarchy at September 30, 2016 are as follows:

Transaction Type	Fair Value at September 30, 2016		Valuation Technique(s)	Significant Unobservable Inputs	Range
	Assets (millions)	Liabilities			
Forward contracts - power	\$716	\$ 237	Discounted cash flow	Forward price (per MWh)	\$— -\$84
Forward contracts - gas	28	20	Discounted cash flow	Forward price (per MMBtu)	\$1 -\$8
Forward contracts - other commodity related	9	—	Discounted cash flow	Forward price (various)	\$(9) -\$52
Options - power	56	30	Option models	Implied correlations	(5)% -100%
				Implied volatilities	9% -123%
Options - primarily gas	192	226	Option models	Implied correlations	(5)% -100%
				Implied volatilities	1% -108%
Full requirements and unit contingent contracts	340	38	Discounted cash flow	Forward price (per MWh)	\$(20)-\$199

Customer migration rate<sup>(a)</sup> —% -20%

Total \$1,341 \$ 551

(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 <sup>(a)</sup>	Decrease (increase)

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

In addition, the fair value measurement of interest rate contract net liabilities related to the solar projects in Spain of approximately \$128 million at September 30, 2016 includes a significant credit valuation adjustment. The credit valuation adjustment, considered

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

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. See Note 9 - Spain Solar Projects for a discussion related to debt restructuring associated with the Spain solar projects.

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

	Three Months Ended			
	September 30,		2015	
	NEE	FPL	NEE	FPL
	(millions)			
Fair value of net derivatives based on significant unobservable inputs at June 30	\$532	\$(1)	\$544	\$4
Realized and unrealized gains (losses):				
Included in earnings <sup>(a)</sup>	153	—	115	—
Included in regulatory assets and liabilities	—	—	(1)	(1)
Purchases	28	—	42	—
Settlements	(72)	1	(109)	(1)
Issuances	(16)	—	(32)	—
Transfers in <sup>(b)</sup>	1	—	3	—
Transfers out <sup>(b)</sup>	36	—	(16)	—
Fair value of net derivatives based on significant unobservable inputs at September 30	\$662	\$—	\$546	\$2
The amount of gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to derivatives still held at the reporting date <sup>(c)</sup>	\$150	\$—	\$107	\$—

For the three months ended September 30, 2016 and 2015, realized and unrealized gains of approximately \$198 (a) million and \$131 million, respectively, are reflected in the condensed consolidated statements of income in operating revenues and the balance is reflected in interest expense.

Transfers into Level 3 were a result of decreased observability of market data. Transfers from Level 3 to Level 2 (b) were a result of increased observability of market data and, in 2016, a favorable change to a credit valuation adjustment. NEE's and FPL's policy is to recognize all transfers at the beginning of the reporting period.

For the three months ended September 30, 2016 and 2015, unrealized gains of approximately \$194 million and (c) \$123 million, respectively, are reflected in the condensed consolidated statements of income in operating revenues and the balance is reflected in interest expense.

Nine Months  
 Ended  
 September 30,  
 2016      2015