

FLORIDA POWER & LIGHT CO  
 Form 10-Q  
 July 27, 2012

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 June 30, 2012

| 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<br>700 Universe Boulevard<br>Juno Beach, Florida 33408<br>(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  Florida Power & Light Company Yes  No

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 (or for such shorter period that the registrants were required to submit and post such files).

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

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 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  Accelerated Filer  Non-Accelerated Filer  Smaller Reporting Company   
 Florida Power & Light Company Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer  Smaller Reporting Company

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

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The number of shares outstanding of NextEra Energy, Inc. common stock, as of the latest practicable date: Common Stock, \$0.01 par value, outstanding as of June 30, 2012: 422,757,848 shares.

As of June 30, 2012, there were issued and outstanding 1,000 shares of Florida Power & Light Company common stock, without par value, all of which were held, beneficially and of record, by NextEra Energy, Inc.

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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NextEra Energy, Inc., Florida Power & Light Company, NextEra Energy Capital Holdings, Inc. and NextEra Energy Resources, LLC each has subsidiaries and affiliates with names that may include NextEra Energy, FPL, NextEra Energy Resources, 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.

## 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 will, will likely result, are expected to, will continue, is anticipated, aim, believe, 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 NextEra Energy, Inc.'s (NEE) and/or Florida Power & Light Company's (FPL) 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 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 an appropriate return on 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 Florida Public Service Commission (FPSC).

• Any reductions to, or the elimination of, governmental incentives that support renewable energy, including, but not limited to, tax incentives, renewable portfolio standards (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 of new renewable energy projects, NextEra Energy Resources, LLC (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 or 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 (Dodd-Frank Act) broaden the scope of its provisions regarding the regulation of over-the-counter (OTC) financial derivatives and make them applicable to NEE and FPL.

• NEE and FPL are subject to numerous environmental laws and regulations that require capital expenditures, increase their cost of operations and may expose them to liabilities.

• 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 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 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.

If supply costs necessary to provide NEE's full energy and capacity requirement services are not favorable, operating costs could increase and 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, NEE's inability or failure to hedge effectively its assets or positions against changes in commodity prices, volumes, interest rates, counterparty credit risk or other risk measures could significantly impair NEE's results of operations.

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.

If price movements significantly or persistently deviate from historical behavior, NEE's and FPL's hedging and trading procedures and associated risk management tools 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 NEE'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 an 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 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.

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

industry.

#### Nuclear Generation Risks

The construction, 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.

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In the event of an incident at any nuclear generation facility in the United States (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.

U.S. Nuclear Regulatory Commission (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 NEE's or FPL's nuclear generation units through the end of their respective operating licenses could have a material adverse effect on NEE's and FPL's business, financial condition, results of operations and prospects.

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.

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

NEE's, NextEra Energy Capital Holdings, Inc.'s (NEECH) and FPL's inability to maintain their current credit ratings may 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 creditors 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 and FPL's defined benefit pension plan's funded status, which may materially adversely affect NEE's and FPL's liquidity and results of operations.

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 adversely affect NEE's liquidity and financial results.

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.

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, 2011 (2011 Form 10-K) and Part II, Item 1A. Risk Factors in NEE's and FPL's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012 (March 2012 Form 10-Q), and investors should refer to those sections of the 2011 Form 10-K and the March 2012 Form 10-Q. Any forward-looking statement speaks only as of the date on which such statement is made, and NEE and FPL undertake no obligation to update any forward-looking statement to reflect events or circumstances, including, but not limited to, unanticipated events, after the date on which such statement is made, unless otherwise required by law. New factors emerge from time to time and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or



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

Website Access to U.S. Securities and Exchange Commission (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 |         | Six Months Ended |         |
|---|--------------------|---------|------------------|---------|
|   | June 30,           |         | June 30,         |         |
|   | 2012               | 2011    | 2012             | 2011    |
| OPERATING REVENUES                                    | \$3,667            | \$3,961 | \$7,038          | \$7,094 |
| OPERATING EXPENSES                                    |                    |         |                  |         |
| Fuel, purchased power and interchange                 | 1,236              | 1,557   | 2,418            | 2,962   |
| Other operations and maintenance                      | 795                | 771     | 1,571            | 1,463   |
| Impairment charges                                    | —                  | 51      | —                | 51      |
| Depreciation and amortization                         | 335                | 408     | 655              | 740     |
| Taxes other than income taxes and other               | 279                | 267     | 528              | 543     |
| Total operating expenses                              | 2,645              | 3,054   | 5,172            | 5,759   |
| OPERATING INCOME                                      | 1,022              | 907     | 1,866            | 1,335   |
| OTHER INCOME (DEDUCTIONS)                             |                    |         |                  |         |
| Interest expense                                      | (270 )             | (256 )  | (536 )           | (510 )  |
| Equity in earnings of equity method investees         | 4                  | 18      | 1                | 29      |
| Allowance for equity funds used during construction   | 18                 | 10      | 31               | 22      |
| Interest income                                       | 22                 | 16      | 42               | 37      |
| Gains on disposal of assets - net                     | 57                 | 25      | 67               | 42      |
| Other - net   | (3 )               | 7       | (4 )             | 8       |
| Total other deductions - net                          | (172 )             | (180 )  | (399 )           | (372 )  |
| INCOME BEFORE INCOME TAXES                            | 850                | 727     | 1,467            | 963     |
| INCOME TAXES  | 243                | 147     | 399              | 115     |
| NET INCOME  | \$607              | \$580   | \$1,068          | \$848   |
| Earnings per share of common stock:                   |                    |         |                  |         |
| Basic   | \$1.46             | \$1.39  | \$2.58           | \$2.04  |
| Assuming dilution                                     | \$1.45             | \$1.38  | \$2.57           | \$2.03  |
| Dividends per share of common stock                   | \$0.60             | \$0.55  | \$1.20           | \$1.10  |
| Weighted-average number of common shares outstanding: |                    |         |                  |         |
| Basic   | 415.0              | 416.9   | 413.7            | 416.4   |
| Assuming dilution                                     | 417.2              | 419.3   | 416.0            | 418.9   |

This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements (Notes) herein and the Notes to Consolidated Financial Statements appearing in the 2011 Form 10-K.

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## NEXTERA ENERGY, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(millions)

(unaudited)

|  | Three Months Ended |       | Six Months Ended |       |
|--|--------------------|-------|------------------|-------|
|  | June 30,           |       | June 30,         |       |
|  | 2012               | 2011  | 2012             | 2011  |
| NET INCOME   | \$607              | \$580 | \$1,068          | \$848 |
| OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX  |                    |       |                  |       |
| Net unrealized gains (losses) on cash flow hedges:   |                    |       |                  |       |
| Effective portion of net unrealized losses (net of \$24, \$28, \$26 and \$33 tax benefit, respectively)  | (42                | ) (81 | ) (49            | ) (91 |
| Reclassification from accumulated other comprehensive income to net income (net of \$2 tax expense, \$1 tax benefit, \$11 and \$7 tax expense, respectively) | 5                  | 4     | 21               | 21    |
| Net unrealized gains (losses) on available for sale securities:  |                    |       |                  |       |
| Net unrealized gains (losses) on securities still held (net of \$6 tax benefit, \$1, \$25 and \$15 tax expense, respectively)                                | (9                 | ) 1   | 38               | 23    |
| Reclassification from accumulated other comprehensive income to net income (net of \$21, \$9, \$25 and \$14 tax benefit, respectively)                       | (32                | ) (13 | ) (37            | ) (22 |
| Defined benefit pension and other benefits plans (net of \$5 tax expense, \$3 tax benefit and \$4 tax expense, respectively)                                 | 6                  | —     | (6               | ) 6   |
| Net unrealized gains (losses) on foreign currency translation (net of \$1 tax benefit, \$1, \$2 and \$6 tax expense, respectively)                           | (3                 | ) 2   | 3                | 12    |
| Other comprehensive loss related to equity method investee (net of \$1 tax expense and \$4 tax benefit, respectively)  | (21                | ) —   | (6               | ) —   |
| Total other comprehensive loss, net of tax   | (96                | ) (87 | ) (36            | ) (51 |
| COMPREHENSIVE INCOME   | \$511              | \$493 | \$1,032          | \$797 |

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2011 Form 10-K.

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

|  | June 30,<br>2012 | December 31,<br>2011 |
|--|------------------|----------------------|
| <b>PROPERTY, PLANT AND EQUIPMENT</b>   |                  |                      |
| Electric utility plant in service and other property   | \$52,479         | \$50,768             |
| Nuclear fuel   | 1,952            | 1,795                |
| Construction work in progress  | 6,517            | 4,989                |
| Less accumulated depreciation and amortization   | (15,453          | ) (15,062 )          |
| Total property, plant and equipment - net (\$3,790 and \$3,063 related to VIEs, respectively)            | 45,495           | 42,490               |
| <b>CURRENT ASSETS</b>  |                  |                      |
| Cash and cash equivalents  | 295              | 377                  |
| Customer receivables, net of allowances of \$12 and \$11, respectively                                   | 1,466            | 1,372                |
| Other receivables  | 542              | 430                  |
| Materials, supplies and fossil fuel inventory  | 1,082            | 1,074                |
| Regulatory assets:   |                  |                      |
| Deferred clause and franchise expenses   | 91               | 112                  |
| Derivatives  | 316              | 502                  |
| Other  | 86               | 84                   |
| Derivatives  | 632              | 611                  |
| Other  | 344              | 310                  |
| Total current assets   | 4,854            | 4,872                |
| <b>OTHER ASSETS</b>  |                  |                      |
| Special use funds  | 4,071            | 3,867                |
| Other investments  | 957              | 907                  |
| Prepaid benefit costs  | 1,060            | 1,021                |
| Regulatory assets:   |                  |                      |
| Securitized storm-recovery costs (\$297 and \$317 related to a VIE, respectively)                        | 483              | 517                  |
| Other  | 522              | 621                  |
| Derivatives  | 1,158            | 973                  |
| Other  | 1,790            | 1,920                |
| Total other assets   | 10,041           | 9,826                |
| <b>TOTAL ASSETS</b>  | <b>\$60,390</b>  | <b>\$57,188</b>      |
| <b>CAPITALIZATION</b>  |                  |                      |
| Common stock (\$0.01 par value, authorized shares - 800; outstanding shares - 423 and 416, respectively) | \$4              | \$4                  |
| Additional paid-in capital   | 5,530            | 5,217                |
| Retained earnings  | 10,444           | 9,876                |
| Accumulated other comprehensive loss   | (190             | ) (154 )             |
| Total common shareholders' equity  | 15,788           | 14,943               |
| Long-term debt (\$1,271 and \$1,364 related to VIEs, respectively)                                       | 21,580           | 20,810               |
| Total capitalization   | 37,368           | 35,753               |
| <b>CURRENT LIABILITIES</b>   |                  |                      |
| Commercial paper   | 1,327            | 1,349                |
| Short-term debt  | 188              | —                    |
| Current maturities of long-term debt   | 1,755            | 808                  |

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|  |                 |                 |
|--|-----------------|-----------------|
| Accounts payable   | 1,134           | 1,191           |
| Customer deposits  | 517             | 547             |
| Accrued interest and taxes                                   | 625             | 464             |
| Derivatives  | 882             | 1,090           |
| Accrued construction-related expenditures                    | 497             | 518             |
| Other  | 718             | 752             |
| Total current liabilities                                    | 7,643           | 6,719           |
| <b>OTHER LIABILITIES AND DEFERRED CREDITS</b>                |                 |                 |
| Asset retirement obligations                                 | 1,659           | 1,611           |
| Accumulated deferred income taxes                            | 5,987           | 5,681           |
| <b>Regulatory liabilities:</b>                               |                 |                 |
| Accrued asset removal costs                                  | 2,030           | 2,197           |
| Asset retirement obligation regulatory expense difference    | 1,736           | 1,640           |
| Other  | 423             | 419             |
| Derivatives  | 633             | 541             |
| Deferral related to differential membership interests - VIEs | 1,471           | 1,203           |
| Other  | 1,440           | 1,424           |
| Total other liabilities and deferred credits                 | 15,379          | 14,716          |
| <b>COMMITMENTS AND CONTINGENCIES</b>                         |                 |                 |
| <b>TOTAL CAPITALIZATION AND LIABILITIES</b>                  | <b>\$60,390</b> | <b>\$57,188</b> |

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2011 Form 10-K.

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

|   | Six Months Ended June 30, |           |
|---|---------------------------|-----------|
|   | 2012                      | 2011      |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                           |           |
| Net income  | \$1,068                   | \$848     |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: |                           |           |
| Depreciation and amortization   | 655                       | 740       |
| Nuclear fuel amortization   | 130                       | 131       |
| Impairment charges  | —                         | 51        |
| Unrealized losses (gains) on marked to market energy contracts                              | (270)                     | ) 86      |
| Deferred income taxes   | 373                       | 156       |
| Cost recovery clauses and franchise fees  | 73                        | (32)      |
| Equity in earnings of equity method investees   | (1)                       | ) (29)    |
| Distributions of earnings from equity method investees                                      | 15                        | 48        |
| Allowance for equity funds used during construction   | (31)                      | ) (22)    |
| Gains on disposal of assets - net   | (67)                      | ) (42)    |
| Other - net   | 129                       | 91        |
| Changes in operating assets and liabilities:  |                           |           |
| Customer receivables  | (88)                      | ) (123)   |
| Other receivables   | (57)                      | ) 113     |
| Materials, supplies and fossil fuel inventory   | (6)                       | ) (214)   |
| Other current assets  | (86)                      | ) (75)    |
| Other assets  | (5)                       | ) (119)   |
| Accounts payable  | (12)                      | ) 193     |
| Margin cash collateral  | 113                       | 4         |
| Income taxes  | (3)                       | ) 94      |
| Interest and other taxes  | 192                       | 193       |
| Other current liabilities   | (114)                     | ) (64)    |
| Other liabilities   | (80)                      | ) (37)    |
| Net cash provided by operating activities   | 1,928                     | 1,991     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                           |           |
| Capital expenditures of FPL   | (2,146)                   | ) (1,471) |
| Independent power and other investments of NEER   | (1,456)                   | ) (1,074) |
| Cash grants under the American Recovery and Reinvestment Act of 2009                        | 3                         | 486       |
| Nuclear fuel purchases  | (157)                     | ) (159)   |
| Other capital expenditures  | (271)                     | ) (156)   |
| Change in loan proceeds restricted for construction   | 95                        | —         |
| Proceeds from sale or maturity of securities in special use funds                           | 2,937                     | 2,575     |
| Purchases of securities in special use funds  | (3,012)                   | ) (2,621) |
| Proceeds from sale or maturity of other securities  | 174                       | 319       |
| Purchases of other securities   | (203)                     | ) (343)   |
| Other - net   | 15                        | 85        |
| Net cash used in investing activities   | (4,021)                   | ) (2,359) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                           |           |



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|   |       |        |   |
|---|-------|--------|---|
| Issuances of long-term debt                                     | 2,330 | 1,453  |   |
| Retirements of long-term debt                                   | (646  | ) (991 | ) |
| Proceeds from sale of differential membership interests         | 337   | 210    |   |
| Net change in short-term debt                                   | 170   | 160    |   |
| Issuances of common stock - net                                 | 372   | 33     |   |
| Repurchases of common stock                                     | (19   | ) —    |   |
| Dividends on common stock                                       | (500  | ) (459 | ) |
| Other - net   | (33   | ) (53  | ) |
| Net cash provided by financing activities                       | 2,011 | 353    |   |
| Net decrease in cash and cash equivalents                       | (82   | ) (15  | ) |
| Cash and cash equivalents at beginning of period                | 377   | 302    |   |
| Cash and cash equivalents at end of period                      | \$295 | \$287  |   |
| <b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING</b> |       |        |   |
| <b>ACTIVITIES</b>   |       |        |   |
| Accrued property additions                                      | \$880 | \$570  |   |

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2011 Form 10-K.

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

|   | Three Months Ended<br>June 30, |         | Six Months Ended June 30, |         |   |
|---|--------------------------------|---------|---------------------------|---------|---|
|   | 2012                           | 2011    | 2012                      | 2011    |   |
| OPERATING REVENUES                                  | \$2,580                        | \$2,801 | \$4,804                   | \$5,047 |   |
| OPERATING EXPENSES                                  |                                |         |                           |         |   |
| Fuel, purchased power and interchange               | 1,086                          | 1,304   | 2,021                     | 2,375   |   |
| Other operations and maintenance                    | 442                            | 434     | 879                       | 808     |   |
| Depreciation and amortization                       | 125                            | 212     | 243                       | 354     |   |
| Taxes other than income taxes and other             | 265                            | 280     | 518                       | 532     |   |
| Total operating expenses                            | 1,918                          | 2,230   | 3,661                     | 4,069   |   |
| OPERATING INCOME                                    | 662                            | 571     | 1,143                     | 978     |   |
| OTHER INCOME (DEDUCTIONS)                           |                                |         |                           |         |   |
| Interest expense                                    | (107                           | ) (96   | ) (210                    | ) (187  | ) |
| Allowance for equity funds used during construction | 12                             | 9       | 22                        | 21      |   |
| Other - net   | 1                              | 1       | —                         | (1      | ) |
| Total other deductions - net                        | (94                            | ) (86   | ) (188                    | ) (167  | ) |
| INCOME BEFORE INCOME TAXES                          | 568                            | 485     | 955                       | 811     |   |
| INCOME TAXES  | 215                            | 184     | 363                       | 305     |   |
| NET INCOME <sup>(a)</sup>                           | \$353                          | \$301   | \$592                     | \$506   |   |

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(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 2011 Form 10-K.

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

|   | June 30,<br>2012 | December 31,<br>2011 |
|---|------------------|----------------------|
| <b>ELECTRIC UTILITY PLANT</b>   |                  |                      |
| Plant in service  | \$32,519         | \$31,564             |
| Nuclear fuel  | 1,122            | 1,005                |
| Construction work in progress   | 3,237            | 2,601                |
| Less accumulated depreciation and amortization                                    | (10,854          | ) (10,916            |
| Total electric utility plant - net  | 26,024           | 24,254               |
| <b>CURRENT ASSETS</b>   |                  |                      |
| Cash and cash equivalents   | 26               | 36                   |
| Customer receivables, net of allowances of \$7 and \$8, respectively              | 809              | 682                  |
| Other receivables   | 378              | 312                  |
| Materials, supplies and fossil fuel inventory                                     | 761              | 759                  |
| Regulatory assets:  |                  |                      |
| Deferred clause and franchise expenses  | 91               | 112                  |
| Derivatives   | 316              | 502                  |
| Other   | 83               | 80                   |
| Other   | 170              | 166                  |
| Total current assets  | 2,634            | 2,649                |
| <b>OTHER ASSETS</b>   |                  |                      |
| Special use funds   | 2,867            | 2,737                |
| Prepaid benefit costs   | 1,112            | 1,088                |
| Regulatory assets:  |                  |                      |
| Securitized storm-recovery costs (\$297 and \$317 related to a VIE, respectively) | 483              | 517                  |
| Other   | 337              | 395                  |
| Other   | 198              | 176                  |
| Total other assets  | 4,997            | 4,913                |
| <b>TOTAL ASSETS</b>   | <b>\$33,655</b>  | <b>\$31,816</b>      |
| <b>CAPITALIZATION</b>   |                  |                      |
| Common stock (no par value, 1,000 shares authorized, issued and outstanding)      | \$1,373          | \$1,373              |
| Additional paid-in capital  | 5,704            | 5,464                |
| Retained earnings   | 4,605            | 4,013                |
| Total common shareholder's equity   | 11,682           | 10,850               |
| Long-term debt (\$410 and \$437 related to a VIE, respectively)                   | 7,656            | 7,483                |
| Total capitalization  | 19,338           | 18,333               |
| <b>CURRENT LIABILITIES</b>  |                  |                      |
| Commercial paper  | 538              | 330                  |
| Current maturities of long-term debt  | 451              | 50                   |
| Accounts payable  | 628              | 678                  |
| Customer deposits   | 512              | 541                  |
| Accrued interest and taxes  | 393              | 221                  |
| Derivatives   | 327              | 512                  |
| Accrued construction-related expenditures   | 240              | 261                  |

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|   |                 |                 |
|---|-----------------|-----------------|
| Other   | 334             | 373             |
| Total current liabilities                                 | 3,423           | 2,966           |
| <b>OTHER LIABILITIES AND DEFERRED CREDITS</b>             |                 |                 |
| Asset retirement obligations                              | 1,175           | 1,144           |
| Accumulated deferred income taxes                         | 5,010           | 4,593           |
| Regulatory liabilities:                                   |                 |                 |
| Accrued asset removal costs                               | 2,030           | 2,197           |
| Asset retirement obligation regulatory expense difference | 1,736           | 1,640           |
| Other   | 423             | 416             |
| Other   | 520             | 527             |
| Total other liabilities and deferred credits              | 10,894          | 10,517          |
| <b>COMMITMENTS AND CONTINGENCIES</b>                      |                 |                 |
| <b>TOTAL CAPITALIZATION AND LIABILITIES</b>               | <b>\$33,655</b> | <b>\$31,816</b> |

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2011 Form 10-K.

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

|   | Six Months Ended June 30, |         |
|---|---------------------------|---------|
|   | 2012                      | 2011    |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                           |         |
| Net income  | \$592                     | \$506   |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: |                           |         |
| Depreciation and amortization   | 243                       | 354     |
| Nuclear fuel amortization   | 49                        | 72      |
| Deferred income taxes   | 446                       | 358     |
| Cost recovery clauses and franchise fees  | 73                        | (32)    |
| Allowance for equity funds used during construction   | (22)                      | (21)    |
| Other - net   | 28                        | 1       |
| Changes in operating assets and liabilities:  |                           |         |
| Customer receivables  | (127)                     | (122)   |
| Other receivables   | 11                        | 33      |
| Materials, supplies and fossil fuel inventory   | (1)                       | (182)   |
| Other current assets  | (60)                      | (65)    |
| Other assets  | (22)                      | (34)    |
| Accounts payable  | 51                        | 147     |
| Income taxes  | (75)                      | (133)   |
| Interest and other taxes  | 173                       | 166     |
| Other current liabilities   | (76)                      | 6       |
| Other liabilities   | (16)                      | (18)    |
| Net cash provided by operating activities   | 1,267                     | 1,036   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                           |         |
| Capital expenditures  | (2,146)                   | (1,471) |
| Cash grants under the American Recovery and Reinvestment Act of 2009                        | —                         | 185     |
| Nuclear fuel purchases  | (117)                     | (111)   |
| Proceeds from sale or maturity of securities in special use funds                           | 2,357                     | 1,808   |
| Purchases of securities in special use funds  | (2,416)                   | (1,841) |
| Other - net   | 27                        | 32      |
| Net cash used in investing activities   | (2,295)                   | (1,398) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                           |         |
| Issuances of long-term debt   | 594                       | 248     |
| Retirements of long-term debt   | (25)                      | (24)    |
| Net change in short-term debt   | 208                       | 554     |
| Capital contribution from NEE   | 240                       | —       |
| Dividends to NEE  | —                         | (400)   |
| Other - net   | 1                         | 5       |
| Net cash provided by financing activities   | 1,018                     | 383     |
| Net increase (decrease) in cash and cash equivalents  | (10)                      | 21      |
| Cash and cash equivalents at beginning of period  | 36                        | 20      |
| Cash and cash equivalents at end of period  | \$26                      | \$41    |
| <b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>                  |                           |         |
| Accrued property additions  | \$430                     | \$263   |

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2011 Form 10-K.

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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 2011 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 has a supplemental executive retirement plan, which includes a non-qualified supplemental defined benefit pension component that provides benefits to a select group of management and highly compensated employees (collectively, pension benefits). In addition to pension benefits, NEE sponsors a contributory postretirement plan for health care and life insurance benefits (other benefits) for retirees of NEE and its subsidiaries meeting certain eligibility requirements.

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

|  | Pension Benefits                 |        | Other Benefits                   |      | Pension Benefits               |        | Other Benefits                 |      |
|--|----------------------------------|--------|----------------------------------|------|--------------------------------|--------|--------------------------------|------|
|  | Three Months Ended June 30, 2012 |        | Three Months Ended June 30, 2011 |      | Six Months Ended June 30, 2012 |        | Six Months Ended June 30, 2011 |      |
|  | 2012                             | 2011   | 2012                             | 2011 | 2012                           | 2011   | 2012                           | 2011 |
|  | (millions)                       |        |                                  |      |                                |        |                                |      |
| Service cost                                 | \$16                             | \$16   | \$1                              | \$2  | \$33                           | \$32   | \$3                            | \$3  |
| Interest cost                                | 25                               | 25     | 5                                | 5    | 49                             | 49     | 9                              | 11   |
| Expected return on plan assets               | (60)                             | (60)   | —                                | (1)  | (119)                          | (119)  | (1)                            | (1)  |
| Amortization of transition obligation        | —                                | —      | 1                                | 1    | —                              | —      | 1                              | 1    |
| Amortization of prior service cost (benefit) | 1                                | (1)    | —                                | —    | 2                              | (1)    | 1                              | —    |
| Net periodic benefit (income) cost at NEE    | \$(18)                           | \$(20) | \$7                              | \$7  | \$(35)                         | \$(39) | \$13                           | \$14 |
| Net periodic benefit (income) cost at FPL    | \$(11)                           | \$(13) | \$5                              | \$5  | \$(23)                         | \$(26) | \$10                           | \$10 |

### 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 with outstanding and forecasted debt issuances, and to optimize the value of NEE's power generation assets.

With respect to commodities related to NEE's competitive energy business, NEE employs risk management procedures to conduct its activities related to optimizing the value of its power generation 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 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 energy output of these assets. These hedges protect NEER against adverse changes in the wholesale forward commodity markets associated with its generation 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 customer served by the distribution utility. For this type of transaction, derivative instruments are used to hedge the anticipated electricity quantities required to serve these customers and protect against 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. 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 and purchased power cost recovery clause (fuel clause) or the capacity cost recovery clause (capacity clause). For NEE's non-rate regulated operations, predominantly NEER, unless hedge accounting is applied, essentially all changes in the derivatives'

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

fair value for power purchases and sales and trading activities are recognized on a net basis in operating revenues; fuel purchases and sales are recognized on a net basis 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. 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. Transactions for which physical delivery is deemed not to have occurred are presented on a net basis in the condensed consolidated statements of income. 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.

While most of NEE's derivatives are entered into for the purpose of managing commodity price risk, reducing the impact of volatility in interest rates on outstanding and forecasted debt issuances and managing foreign currency risk, hedge accounting is only applied where specific criteria are met and it is practicable to do so. In order to apply hedge accounting, the transaction must be designated as a hedge and it must be highly effective in offsetting the hedged risk. Additionally, for hedges of forecasted transactions, the forecasted transactions must be probable. For interest rate swaps and foreign currency derivative instruments, generally NEE assesses a hedging instrument's effectiveness by using nonstatistical methods including dollar value comparisons of the change in the fair value of the derivative to the change in the fair value or cash flows of the hedged item. Hedge effectiveness is tested at the inception of the hedge and on at least a quarterly basis throughout its life. The effective portion of the gain or loss on a derivative instrument designated as a cash flow hedge is reported as a component of other comprehensive income (OCI) and is reclassified into earnings in the period(s) during which the transaction being hedged affects earnings or when it becomes probable that a forecasted transaction being hedged would not occur. The ineffective portion of net unrealized gains (losses) on these hedges is reported in earnings in the current period. At June 30, 2012, NEE's accumulated other comprehensive income (AOCI) included amounts related to discontinued commodity cash flow hedges with expiration dates through December 2012; interest rate cash flow hedges with expiration dates through December 2030; and foreign currency cash flow hedges with expiration dates through September 2030. Approximately \$30 million of losses included in AOCI at June 30, 2012 is expected to be reclassified into earnings within the next 12 months as either the principal and/or interest payments are made or electricity is sold. Such amounts assume no change in power prices, interest rates, currency exchange rates or scheduled principal payments.

The net fair values of NEE's and FPL's mark-to-market derivative instrument assets (liabilities) are included on the condensed consolidated balance sheets as follows:

|   | NEE           |                   | FPL           |                     |
|---|---------------|-------------------|---------------|---------------------|
|   | June 30, 2012 | December 31, 2011 | June 30, 2012 | December 31, 2011   |
|   | (millions)    |                   |               |                     |
| Current derivative assets <sup>(a)</sup>                        | \$632         | \$611             | \$11          | <sup>(b)</sup> \$10 |
| Noncurrent derivative assets <sup>(c)</sup>                     | 1,158         | 973               | 14            | <sup>(d)</sup> 2    |
| Current derivative liabilities <sup>(e)</sup>                   | (882)         | ) (1,090)         | ) (327)       | ) (512)             |
| Noncurrent derivative liabilities <sup>(f)</sup>                | (633)         | ) (541)           | ) —           | ) (1)               |
| Total mark-to-market derivative instrument assets (liabilities) | \$275         | ) \$(47)          | ) \$(302)     | ) \$(501)           |

- (a) At June 30, 2012 and December 31, 2011, NEE's balances reflect the netting of approximately \$77 million and \$106 million (none at FPL), respectively, in margin cash collateral received from counterparties.
- (b) Included in current other assets on FPL's condensed consolidated balance sheets.
- (c) At June 30, 2012 and December 31, 2011, NEE's balances reflect the netting of approximately \$181 million and \$109 million (none at FPL), respectively, in margin cash collateral received from counterparties.
- (d) Included in noncurrent other assets on FPL's condensed consolidated balance sheets.
- (e) At June 30, 2012 and December 31, 2011, NEE's balances reflect the netting of approximately \$82 million and \$112 million (none at FPL), respectively, in margin cash collateral provided to counterparties.
- (f) At June 30, 2012 and December 31, 2011, NEE's balances reflect the netting of approximately \$29 million and \$79 million (none at FPL), respectively, in margin cash collateral provided to counterparties.
- (g) Included in noncurrent other liabilities on FPL's condensed consolidated balance sheets.

At June 30, 2012 and December 31, 2011, NEE had approximately \$24 million and \$22 million (none at FPL), respectively, in margin cash collateral received from counterparties that was not offset against derivative assets. These amounts are included in current other liabilities on NEE's condensed consolidated balance sheets. Additionally, at June 30, 2012 and December 31, 2011, NEE had approximately \$35 million and \$50 million (none at FPL), respectively, in margin cash collateral provided to counterparties that was not offset against derivative liabilities. These amounts are included in current other assets on NEE's condensed consolidated balance sheets.

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

As discussed above, NEE uses derivative instruments to, among other things, manage its commodity price risk, interest rate risk and foreign currency exchange rate risk. The table above presents NEE's and FPL's net derivative positions at June 30, 2012 and December 31, 2011, 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. However, disclosure rules require that the following tables be presented on a gross basis.

The fair values of NEE's derivatives designated as hedging instruments for accounting purposes (none at FPL) are presented below as gross asset and liability values, as required by disclosure rules.

|                                   | June 30, 2012                |                        | December 31, 2011 |                        |
|-----------------------------------|------------------------------|------------------------|-------------------|------------------------|
|                                   | Derivative Assets (millions) | Derivative Liabilities | Derivative Assets | Derivative Liabilities |
| Interest rate swaps:              |                              |                        |                   |                        |
| Current derivative assets         | \$27                         | \$—                    | \$22              | \$—                    |
| Current derivative liabilities    | —                            | 64                     | —                 | 60                     |
| Noncurrent derivative assets      | 41                           | —                      | 15                | —                      |
| Noncurrent derivative liabilities | —                            | 285                    | —                 | 260                    |
| Foreign currency swap:            |                              |                        |                   |                        |
| Current derivative liabilities    | —                            | 3                      | —                 | 3                      |
| Noncurrent derivative liabilities | —                            | 11                     | —                 | 3                      |
| Total                             | \$68                         | \$363                  | \$37              | \$326                  |

Gains (losses) related to NEE's cash flow hedges are recorded in NEE's condensed consolidated financial statements (none at FPL) as follows:

|  | Three Months Ended June 30, 2012 |                     |                       |                       | 2011                |                     |                        |                       |
|--|----------------------------------|---------------------|-----------------------|-----------------------|---------------------|---------------------|------------------------|-----------------------|
|  | Commodity Contracts (millions)   | Interest Rate Swaps | Foreign Currency Swap | Total                 | Commodity Contracts | Interest Rate Swaps | Foreign Currency Swaps | Total                 |
| Gains (losses) recognized in OCI                                   | \$—                              | \$(66 )             | \$—                   | \$(66)                | \$—                 | \$(119 )            | \$10                   | \$(109)               |
| Gains (losses) reclassified from AOCI to net income <sup>(a)</sup> | \$3                              | \$(14 )             | \$4                   | <sup>(b)</sup> \$(7 ) | \$14                | \$(24 )             | \$7                    | <sup>(b)</sup> \$(3 ) |

(a) Included in operating revenues for commodity contracts and interest expense for interest rate swaps.

(b) Loss of approximately \$1 million is included in interest expense and the balance is included in other - net.

|  | Six Months Ended June 30, 2012 |               |                  |       | 2011                |               |                  |       |
|--|--------------------------------|---------------|------------------|-------|---------------------|---------------|------------------|-------|
|  | Commodity Contracts            | Interest Rate | Foreign Currency | Total | Commodity Contracts | Interest Rate | Foreign Currency | Total |

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|  |            | Swaps   | Swap                  |        |      | Swaps    | Swaps                 |         |
|--|------------|---------|-----------------------|--------|------|----------|-----------------------|---------|
|  | (millions) |         |                       |        |      |          |                       |         |
| Gains (losses) recognized in OCI                                   | \$—        | \$(65 ) | \$(10 )               | \$(75) | \$—  | \$(118 ) | \$(6 )                | \$(124) |
| Gains (losses) reclassified from AOCI to net income <sup>(a)</sup> | \$4        | \$(30 ) | \$(6 ) <sup>(b)</sup> | \$(32) | \$19 | \$(43 )  | \$(4 ) <sup>(c)</sup> | \$(28 ) |

(a) Included in operating revenues for commodity contracts and interest expense for interest rate swaps.

(b) Loss of approximately \$2 million is included in interest expense and the balance is included in other - net.

(c) Loss of approximately \$3 million is included in interest expense and the balance is included in other - net.

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

For the three and six months ended June 30, 2012, NEE recorded a gain of approximately \$34 million and \$35 million, respectively, on six fair value hedges which resulted in a corresponding increase in the related debt. For the three and six months ended June 30, 2011, NEE recorded a gain of approximately \$9 million and \$3 million, respectively, on three fair value hedges which resulted in a corresponding increase in the related debt.

The fair values of NEE's and FPL's derivatives not designated as hedging instruments for accounting purposes are presented below as gross asset and liability values, as required by disclosure rules. However, the majority of the underlying contracts are subject to master netting arrangements and would not be contractually settled on a gross basis.

|                                   | June 30, 2012                             |                           |                             |                           | December 31, 2011           |                           |                             |                           |
|-----------------------------------|---|---------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|
|                                   | NEE<br>Derivative<br>Assets<br>(millions) | Derivative<br>Liabilities | FPL<br>Derivative<br>Assets | Derivative<br>Liabilities | NEE<br>Derivative<br>Assets | Derivative<br>Liabilities | FPL<br>Derivative<br>Assets | Derivative<br>Liabilities |
| Commodity contracts:              |   |                           |                             |                           |                             |                           |                             |                           |
| Current derivative assets         | \$1,412                                   | \$ 730                    | \$11                        | (a) \$ —                  | \$1,127                     | \$ 432                    | \$11                        | (a) \$ 1                  |
| Current derivative liabilities    | 2,939                                     | 3,833                     | 5                           | 332                       | 3,358                       | 4,494                     | 1                           | 513                       |
| Noncurrent derivative assets      | 1,721                                     | 429                       | 16                          | (b) 2                     | (b) 1,290                   | 250                       | 2                           | (b) —                     |
| Noncurrent derivative liabilities | 1,096                                     | 1,462                     | —                           | —                         | 1,222                       | 1,579                     | —                           | 1                         |
| Foreign currency swap:            |   |                           |                             |                           |                             |                           |                             |                           |
| Current derivative liabilities    | —   | 3                         | —                           | —                         | —                           | 3                         | —                           | —                         |
| Noncurrent derivative assets      | 6   | —                         | —                           | —                         | 27                          | —                         | —                           | —                         |
| Total                             | \$7,174                                   | \$ 6,457                  | \$32                        | \$ 334                    | \$7,024                     | \$ 6,758                  | \$14                        | \$ 515                    |

(a) Included in current other assets on FPL's condensed consolidated balance sheets.

(b) Included in noncurrent other assets on FPL's condensed consolidated balance sheets.

(c) Included in noncurrent other liabilities on FPL's condensed consolidated balance sheets.

Gains (losses) related to NEE's derivatives not designated as hedging instruments are recorded in NEE's condensed consolidated statements of income (none at FPL) as follows:

|  | Three Months Ended<br>June 30,<br>2012 |      | Six Months Ended<br>June 30,<br>2011 |      |
|--|--|------|--------------------------------------|------|
|  | 2012                                   | 2011 | 2012                                 | 2011 |
|  | (millions)                             |      |                                      |      |

Commodity contracts<sup>(a)</sup>:

|                                       |        |        |        |      |
|---------------------------------------|--------|--------|--------|------|
| Operating revenues                    | \$ 130 | \$ 154 | \$ 320 | \$ 2 |
| Fuel, purchased power and interchange | 51     | 23     | 40     | (2 ) |
| Foreign currency swap - other - net   | 15     | 2      | (22 )  | (3 ) |
| Interest rate contracts - other - net | —      | 4      | —      | 4    |
| Total                                 | \$ 196 | \$ 183 | \$ 338 | \$ 1 |

For the three months ended June 30, 2012 and 2011, FPL recorded approximately \$76 million of gains and \$68 million of losses, respectively, related to commodity contracts as regulatory liabilities and regulatory assets, (a) respectively, on its condensed consolidated balance sheets. For the six months ended June 30, 2012 and 2011, FPL recorded approximately \$176 million and \$68 million of losses, respectively, related to commodity contracts as regulatory assets on its condensed consolidated balance sheets.

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. The table does not present a complete picture of NEE's and FPL's overall net economic exposure because NEE and FPL do not use derivative instruments to hedge all of their commodity exposures. At June 30, 2012, NEE and FPL had derivative commodity contracts for the following net notional volumes:

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| Commodity Type | NEE<br>(millions) |                      | FPL |                      |
|----------------|-------------------|----------------------|-----|----------------------|
| Power          | (39               | ) mwh <sup>(a)</sup> | —   |                      |
| Natural gas    | 1,310             | mmbtu <sup>(b)</sup> | 932 | mmbtu <sup>(b)</sup> |
| Oil            | (4                | ) barrels            | —   |                      |

(a) Megawatt-hours

(b) One million British thermal units

At June 30, 2012, NEE had interest rate contracts with a notional amount totaling approximately \$6.4 billion and foreign currency swaps with a notional amount totaling approximately \$544 million.

Certain of NEE's and FPL's 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 June 30, 2012, the aggregate fair value of NEE's derivative instruments with credit-risk-related contingent features that were in a liability position was approximately \$3.6 billion (\$330 million for FPL).

If the credit-risk-related contingent features underlying these agreements and other commodity-related contracts were triggered, NEE or 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), NEE would be required to post collateral such that the total posted collateral would be approximately \$700 million (\$100 million at FPL). If FPL's and NEECH's credit ratings were downgraded to below investment grade, NEE would be required to post additional collateral such that the total posted collateral would be approximately \$2.7 billion (\$800 million at FPL). Some contracts at NEE, including some FPL 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, NEE could be required to post additional collateral of up to approximately \$600 million (\$100 million at FPL).

Collateral may be posted in the form of cash or credit support. At June 30, 2012, NEE had posted approximately \$360 million (\$5 million at FPL) in the form of letters of credit, related to derivatives, in the normal course of business which could be applied toward the collateral requirements described above. FPL and NEECH have bank revolving line of credit facilities in excess of the collateral requirements described above that would be available to support, among other things, derivative activities. Under the terms of the bank revolving line of 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

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 - Cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less. NEE and FPL primarily hold 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

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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 significant other observable inputs.

NEE and FPL also enter 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. 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, through NEER, also enters into full requirements contracts, which, in many 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. This consideration includes, but is not limited to, assumptions about market liquidity, volatility and contract duration as more fully described below in Significant Unobservable Inputs.

NEE uses interest rate and foreign currency swaps to mitigate and adjust interest rate and foreign currency exposure related to certain outstanding and forecasted debt issuances and borrowings. 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 swap agreements.

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:

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|                                     | June 30, 2012<br>Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>or Liabilities<br>(Level 1)<br>(millions) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Netting <sup>(a)</sup> | Total   |                |
|-------------------------------------|--|---|--|------------------------|---------|----------------|
| Assets:                             |  |   |  |                        |         |                |
| Cash equivalents:                   |  |   |  |                        |         |                |
| NEE - equity securities             | \$80   | \$—   | \$—  | \$—                    | \$80    |                |
| Special use funds:                  |  |   |  |                        |         |                |
| NEE:                                |  |   |  |                        |         |                |
| Equity securities                   | \$766  | \$1,255   | <sup>(b)</sup> \$—                                 | \$—                    | \$2,021 |                |
| U.S. Government and municipal bonds | \$477  | \$192   | \$—  | \$—                    | \$669   |                |
| Corporate debt securities           | \$—  | \$503   | \$—  | \$—                    | \$503   |                |
| Mortgage-backed securities          | \$—  | \$598   | \$—  | \$—                    | \$598   |                |
| Other debt securities               | \$—  | \$34  | \$—  | \$—                    | \$34    |                |
| FPL:                                |  |   |  |                        |         |                |
| Equity securities                   | \$142  | \$1,102   | <sup>(b)</sup> \$—                                 | \$—                    | \$1,244 |                |
| U.S. Government and municipal bonds | \$424  | \$152   | \$—  | \$—                    | \$576   |                |
| Corporate debt securities           | \$—  | \$346   | \$—  | \$—                    | \$346   |                |
| Mortgage-backed securities          | \$—  | \$516   | \$—  | \$—                    | \$516   |                |
| Other debt securities               | \$—  | \$20  | \$—  | \$—                    | \$20    |                |
| Other investments:                  |  |   |  |                        |         |                |
| NEE:                                |  |   |  |                        |         |                |
| Equity securities                   | \$14   | \$—   | \$—  | \$—                    | \$14    |                |
| U.S. Government and municipal bonds | \$8  | \$—   | \$—  | \$—                    | \$8     |                |
| Corporate debt securities           | \$—  | \$46  | \$—  | \$—                    | \$46    |                |
| Mortgage-backed securities          | \$—  | \$51  | \$—  | \$—                    | \$51    |                |
| Other                               | \$5  | \$4   | \$—  | \$—                    | \$9     |                |
| Derivatives:                        |  |   |  |                        |         |                |
| NEE:                                |  |   |  |                        |         |                |
| Commodity contracts                 | \$2,144  | \$3,838   | \$1,186  | \$(5,452 )             | \$1,716 | <sup>(c)</sup> |
| Interest rate swaps                 | \$—  | \$68  | \$—  | \$—                    | \$68    | <sup>(c)</sup> |
| Foreign currency swaps              | \$—  | \$6   | \$—  | \$—                    | \$6     | <sup>(c)</sup> |
| FPL - commodity contracts           | \$—  | \$22  | \$10   | \$(7 )                 | \$25    | <sup>(c)</sup> |
| Liabilities:                        |  |   |  |                        |         |                |
| Derivatives:                        |  |   |  |                        |         |                |
| NEE:                                |  |   |  |                        |         |                |
| Commodity contracts                 | \$2,226  | \$3,617   | \$611  | \$(5,305 )             | \$1,149 | <sup>(c)</sup> |
| Interest rate swaps                 | \$—  | \$349   | \$—  | \$—                    | \$349   | <sup>(c)</sup> |
| Foreign currency swaps              | \$—  | \$17  | \$—  | \$—                    | \$17    | <sup>(c)</sup> |
| FPL - commodity contracts           | \$—  | \$331   | \$3  | \$(7 )                 | \$327   | <sup>(c)</sup> |

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- (a) Includes the effect of the contractual ability to settle contracts under master netting arrangements and margin cash collateral payments and receipts.
- (b) At NEE, approximately \$1,150 million (\$1,033 million at FPL) are invested in commingled funds whose underlying investments would be Level 1 if those investments were held directly by NEE or FPL.
- (c) See Note 2 for a reconciliation of net derivatives to NEE's and FPL's condensed consolidated balance sheets.

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|                                     | December 31, 2011 |             |                    |                        |          |                |
|-------------------------------------|-------------------|-------------|--------------------|------------------------|----------|----------------|
|                                     | Quoted Prices     |             |                    |                        |          |                |
|                                     | in Active         | Significant | Significant        |                        |          |                |
|                                     | Markets for       | Other       | Unobservable       | Netting <sup>(a)</sup> | Total    |                |
|                                     | Identical         | Observable  | Inputs             |                        |          |                |
|                                     | Assets            | Inputs      | (Level 3)          |                        |          |                |
|                                     | or Liabilities    | (Level 2)   |                    |                        |          |                |
|                                     | (Level 1)         |             |                    |                        |          |                |
|                                     | (millions)        |             |                    |                        |          |                |
| Assets:                             |                   |             |                    |                        |          |                |
| Cash equivalents:                   |                   |             |                    |                        |          |                |
| NEE - equity securities             | \$ 159            | \$—         | \$—                | \$—                    | \$ 159   |                |
| FPL - equity securities             | \$ 11             | \$—         | \$—                | \$—                    | \$ 11    |                |
| Special use funds:                  |                   |             |                    |                        |          |                |
| NEE:                                |                   |             |                    |                        |          |                |
| Equity securities                   | \$ 709            | \$ 1,206    | <sup>(b)</sup> \$— | \$—                    | \$ 1,915 |                |
| U.S. Government and municipal bonds | \$ 508            | \$ 167      | \$—                | \$—                    | \$ 675   |                |
| Corporate debt securities           | \$—               | \$ 516      | \$—                | \$—                    | \$ 516   |                |
| Mortgage-backed securities          | \$—               | \$ 511      | \$—                | \$—                    | \$ 511   |                |
| Other debt securities               | \$—               | \$ 47       | \$—                | \$—                    | \$ 47    |                |
| FPL:                                |                   |             |                    |                        |          |                |
| Equity securities                   | \$ 128            | \$ 1,056    | <sup>(b)</sup> \$— | \$—                    | \$ 1,184 |                |
| U.S. Government and municipal bonds | \$ 458            | \$ 134      | \$—                | \$—                    | \$ 592   |                |
| Corporate debt securities           | \$—               | \$ 359      | \$—                | \$—                    | \$ 359   |                |
| Mortgage-backed securities          | \$—               | \$ 434      | \$—                | \$—                    | \$ 434   |                |
| Other debt securities               | \$—               | \$ 32       | \$—                | \$—                    | \$ 32    |                |
| Other investments:                  |                   |             |                    |                        |          |                |
| NEE:                                |                   |             |                    |                        |          |                |
| Equity securities                   | \$ 4              | \$—         | \$—                | \$—                    | \$ 4     |                |
| U.S. Government and municipal bonds | \$ 8              | \$—         | \$—                | \$—                    | \$ 8     |                |
| Corporate debt securities           | \$—               | \$ 43       | \$—                | \$—                    | \$ 43    |                |
| Mortgage-backed securities          | \$—               | \$ 33       | \$—                | \$—                    | \$ 33    |                |
| Other                               | \$ 5              | \$ 5        | \$—                | \$—                    | \$ 10    |                |
| Derivatives:                        |                   |             |                    |                        |          |                |
| NEE:                                |                   |             |                    |                        |          |                |
| Commodity contracts                 | \$ 2,448          | \$ 3,478    | \$ 1,071           | \$(5,477)              | \$ 1,520 | <sup>(c)</sup> |
| Interest rate swaps                 | \$—               | \$ 37       | \$—                | \$—                    | \$ 37    | <sup>(c)</sup> |
| Foreign currency swaps              | \$—               | \$ 27       | \$—                | \$—                    | \$ 27    | <sup>(c)</sup> |
| FPL - commodity contracts           | \$—               | \$ 8        | \$ 6               | \$(2)                  | \$ 12    | <sup>(c)</sup> |
| Liabilities:                        |                   |             |                    |                        |          |                |
| Derivatives:                        |                   |             |                    |                        |          |                |
| NEE:                                |                   |             |                    |                        |          |                |
| Commodity contracts                 | \$ 2,588          | \$ 3,582    | \$ 585             | \$(5,453)              | \$ 1,302 | <sup>(c)</sup> |
| Interest rate swaps                 | \$—               | \$ 320      | \$—                | \$—                    | \$ 320   | <sup>(c)</sup> |
| Foreign currency swaps              | \$—               | \$ 9        | \$—                | \$—                    | \$ 9     | <sup>(c)</sup> |

|                           |     |       |     |      |         |     |
|---------------------------|-----|-------|-----|------|---------|-----|
| FPL - commodity contracts | \$— | \$513 | \$2 | \$(2 | ) \$513 | (c) |
|---------------------------|-----|-------|-----|------|---------|-----|

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(a) Includes the effect of the contractual ability to settle contracts under master netting arrangements and margin cash collateral payments and receipts.

(b) At NEE, approximately \$1,086 million (\$979 million at FPL) are invested in commingled funds whose underlying investments would be Level 1 if those investments were held directly by NEE or FPL.

(c) See Note 2 for a reconciliation of net derivatives to NEE's and FPL's condensed consolidated balance sheets.

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**Significant Unobservable Inputs** - 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 Risk Management group. The Risk Management group performs a risk management function within NEE and FPL 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 Risk Management group is separate from the transacting group, and the Vice President of Risk Management reports to the Chief Financial Officer of NEE and FPL. 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 Vice President of Risk Management. In addition, other valuation assumptions such as implied correlations and customer migration rates are reviewed and approved by Risk Management on a periodic basis. Newly created models used in the valuation process are also subject to testing and approval by Risk Management prior to use and established models are reviewed annually, or more often as needed, by Risk Management.

On a monthly basis, the Exposure Management Committee (EMC), which is comprised of certain members of senior management, meets with representatives from the 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 Risk Management policy. The EMC executes its risk management responsibilities through direct oversight and delegation of its responsibilities to the Vice President of Risk Management, as well as to other corporate and business unit personnel.

The significant unobservable inputs used in the valuation of contracts categorized as Level 3 of the fair value hierarchy at June 30, 2012 are as follows:

| Transaction Type          | Fair Value at<br>June 30, 2012 |             | Valuation<br>Technique(s) | Significant<br>Unobservable Inputs | Range      |
|---------------------------|--------------------------------|-------------|---------------------------|------------------------------------|------------|
|                           | Assets                         | Liabilities |                           |                                    |            |
| Forward contracts - power | \$490                          | \$82        |                           |                                    | \$8 —\$218 |

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|   |       |       |                      |  |     |        |
|---|-------|-------|----------------------|--|-----|--------|
|   |       |       | Discounted cash flow | Forward price (per mwh)                |     |        |
| Options - power                                 | \$332 | \$458 | Option models        | Implied correlations                   | 12% | —98%   |
|   |       |       |                      | Implied volatilities                   | 1%  | —214%  |
| Options - gas                                   | \$61  | \$22  | Option models        | Implied correlations                   | 12% | —98%   |
|   |       |       |                      | Implied volatilities                   | 1%  | —63%   |
| Full requirements and unit contingent contracts | \$271 | \$40  | Discounted cash flow | Forward price (per mwh)                | \$8 | —\$185 |
|   |       |       |                      | Customer migration rate <sup>(a)</sup> | —%  | —20%   |

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(a) Applies only to full requirements contracts.



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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            | Increase (decrease)              |
|                                | Sell power                | 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.

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

|  | Three Months Ended June 30, |      |             |      |
|--|-----------------------------|------|-------------|------|
|  | 2012<br>NEE<br>(millions)   | FPL  | 2011<br>NEE | FPL  |
| Fair value of net derivatives based on significant unobservable inputs at March 31   | \$589                       | \$7  | \$104       | \$5  |
| Realized and unrealized gains (losses):  |                             |      |             |      |
| Included in earnings <sup>(a)</sup>  | 53                          | —    | 95          | —    |
| Included in regulatory assets and liabilities  | 2                           | 2    | 2           | 2    |
| Purchases  | 23                          | —    | 53          | —    |
| Settlements  | (58                         | ) (2 | ) (58       | ) (2 |
| Issuances  | (23                         | ) —  | (38         | ) —  |
| Transfers in <sup>(b)</sup>  | —                           | —    | 1           | —    |
| Transfers out <sup>(b)</sup>   | (11                         | ) —  | (4          | ) —  |
| Fair value of net derivatives based on significant unobservable inputs at June 30  | \$575                       | \$7  | \$155       | \$5  |
| 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> | \$76                        | \$—  | \$89        | \$—  |

For the three months ended June 30, 2012 and 2011, \$53 million and \$92 million, respectively, of realized and (a) unrealized gains (losses) are reflected in the condensed consolidated statements of income in operating revenues and the balance is reflected in fuel, purchased power and interchange.

For the three months ended June 30, 2012 and 2011, transfers into Level 3 were a result of decreased observability (b) of market data and transfers from Level 3 to Level 2 were a result of increased observability of market data. NEE's and FPL's policy is to recognize all transfers at the beginning of the reporting period.

(c)

For the three months ended June 30, 2012 and 2011, \$76 million and \$89 million, respectively, of unrealized gains (losses) are reflected in the condensed consolidated statements of income in operating revenues.

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|  | Six Months Ended June 30, |      |        |      |
|--|---------------------------|------|--------|------|
|  | 2012                      | FPL  | 2011   | FPL  |
|  | NEE                       | FPL  | NEE    | FPL  |
|  | (millions)                |      |        |      |
| Fair value of net derivatives based on significant unobservable inputs at December 31 of prior year  | \$486                     | \$4  | \$296  | \$7  |
| Realized and unrealized gains (losses):  |                           |      |        |      |
| Included in earnings <sup>(a)</sup>  | 284                       | —    | 13     | —    |
| Included in regulatory assets and liabilities  | 6                         | 6    | 2      | 2    |
| Purchases  | 181                       | —    | 141    | —    |
| Settlements  | (182)                     | ) (3 | ) (103 | ) (4 |
| Issuances  | (200)                     | ) —  | (190)  | ) —  |
| Transfers in <sup>(b)</sup>  | 16                        | —    | 2      | —    |
| Transfers out <sup>(b)</sup>   | (16)                      | ) —  | (6)    | ) —  |
| Fair value of net derivatives based on significant unobservable inputs at June 30  | \$575                     | \$7  | \$155  | \$5  |
| 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> | \$190                     | \$—  | \$8    | \$—  |

For the six months ended June 30, 2012 and 2011, \$281 million and less than \$1 million, respectively, of realized (a) and unrealized gains (losses) are reflected in the condensed consolidated statements of income in operating revenues and the balance is reflected in fuel, purchased power and interchange.

For the six months ended June 30, 2012 and 2011, transfers into Level 3 were a result of decreased observability of (b) market data and transfers from Level 3 to Level 2 were a result of increased observability of market data. NEE's and FPL's policy is to recognize all transfers at the beginning of the reporting period.

For the six months ended June 30, 2012 and 2011, \$189 million and \$3 million, respectively, of unrealized (c) gains (losses) are reflected in the condensed consolidated statements of income in operating revenues and the balance is reflected in fuel, purchased power and interchange.

Nonrecurring Fair Value Measurements - NEE tests long-lived assets for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In the second quarter of 2011, market value indications and the potential impact of proposed environmental regulations suggested that the carrying value of certain NEER assets, primarily wind assets in West Texas and oil-fired assets in Maine, could be impaired. NEER performed a fair value analysis and concluded that an impairment charge related to the long-lived assets, primarily property, plant and equipment, was necessary. The fair value analysis was primarily based on the income approach using significant unobservable inputs (Level 3) including revenue and generation forecasts, projected capital and maintenance expenditures and discount rates. As a result, long-lived assets held and used with a carrying amount of approximately \$79 million were written down to their fair value of \$28 million, resulting in an impairment charge of \$51 million (\$31 million after-tax), which is recorded as a separate line item in NEE's condensed consolidated statements of income for the three and six months ended June 30, 2011.

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#### 4. Financial Instruments

The carrying amounts of cash equivalents and commercial paper approximate their fair values. At June 30, 2012 and December 31, 2011, other investments of NEE, not included in the table below, included financial instruments of approximately \$43 million and \$35 million (\$8 million and \$4 million at FPL), respectively, including \$2 million and \$2 million included in current other receivables on the condensed consolidated balance sheets (none at FPL), which primarily consist of notes receivable that are carried at estimated fair value or cost, which approximates fair value.

The following estimates of the fair value of financial instruments have been made primarily using available market information. However, the use of different market assumptions or methods of valuation could result in different estimated fair values.

|  | June 30, 2012              |                      | December 31, 2011 |                      |     |
|--|----------------------------|----------------------|-------------------|----------------------|-----|
|  | Carrying Amount (millions) | Estimated Fair Value | Carrying Amount   | Estimated Fair Value |     |
| NEE:   |                            |                      |                   |                      |     |
| Special use funds                                      | \$4,071                    | (a) \$4,071          | (a) \$3,867       | (a) \$3,867          | (a) |
| Other investments:                                     |                            |                      |                   |                      |     |
| Notes receivable                                       | \$500                      | \$629                | (b) \$503         | \$535                | (b) |
| Debt securities  | \$109                      | (c) \$109            | (d) \$89          | (c) \$89             | (d) |
| Equity securities                                      | \$92                       | \$163                | (e) \$80          | \$159                | (e) |
| Long-term debt, including current maturities           | \$23,330                   | \$25,332             | (f) \$21,614      | \$23,699             | (f) |
| Interest rate swaps - net unrealized losses            | \$(281)                    | \$(281)              | (d) \$(283)       | \$(283)              | (d) |
| Foreign currency swaps - net unrealized gains (losses) | \$(11)                     | \$(11)               | (d) \$18          | \$18                 | (d) |
| FPL:   |                            |                      |                   |                      |     |
| Special use funds                                      | \$2,867                    | (a) \$2,867          | (a) \$2,737       | (a) \$2,737          | (a) |
| Long-term debt, including current maturities           | \$8,107                    | \$9,553              | (f) \$7,533       | \$9,078              | (f) |

(a) At June 30, 2012, includes \$199 million of investments accounted for under the equity method and \$47 million of loans not measured at fair value on a recurring basis (\$130 million and \$35 million, respectively, for FPL). At December 31, 2011, includes \$164 million of investments accounted for under the equity method and \$39 million of loans not measured at fair value on a recurring basis (\$112 million and \$24 million, respectively, for FPL). For the remaining balances, see Note 3 for classification by major security type and hierarchy level. The amortized cost of debt and equity securities is \$1,715 million and \$1,418 million, respectively, at June 30, 2012 and \$1,638 million and \$1,425 million, respectively, at December 31, 2011 (\$1,385 million and \$810 million, respectively, at June 30, 2012 and \$1,321 million and \$864 million, respectively, at December 31, 2011 for FPL).

Classified as held to maturity. Estimated using a discounted cash flow valuation technique based on certain observable yield curves and indices considering the credit profile of the borrower (Level 3). Notes receivable bear interest primarily at fixed rates and mature by 2029. Notes receivable are considered impaired and placed in (b) non-accrual status when it becomes probable that all amounts due cannot be collected in accordance with the contractual terms of the agreement. The assessment to place notes receivable in non-accrual status considers various credit indicators, such as credit standings and ratings and market-related information. As of June 30, 2012, NEE had no notes receivable reported in non-accrual status.

(c) Classified as trading securities.

(d) See Note 3.

(e) Primarily modeled internally based on recent market information including, among other things, private offerings of the securities (Level 3).

(f) As of June 30, 2012 and December 31, 2011, \$16,757 million and \$15,035 million, respectively, is estimated using quoted market prices for the same or similar issues (Level 2); the balance is estimated using a discounted cash flow valuation technique, considering the current credit spread of the debtor (Level 3). For FPL, estimated using quoted market prices for the same or similar issues (Level 2).

Special Use Funds - The special use funds consist of FPL's storm fund assets of \$125 million and NEE's and FPL's nuclear decommissioning fund assets of \$3,946 million and \$2,742 million, respectively, at June 30, 2012. The investments held in the special use funds consist of equity and debt securities which are primarily classified as available for sale and carried at estimated fair value (see Note 3). For FPL's special use funds, consistent with regulatory treatment, changes in fair value, including any other than temporary impairment losses, result in a corresponding adjustment to the related regulatory liability accounts. For NEE's non-rate regulated operations, changes in fair value result 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 are recognized as other than temporary impairment losses on securities held in nuclear decommissioning funds and included in other - net in NEE's condensed consolidated statements of income. Debt securities included in the nuclear decommissioning funds have a weighted-average maturity at June 30, 2012 of approximately six years at both NEE and FPL. FPL's storm fund primarily consists of debt securities with a weighted-average maturity at June 30, 2012 of approximately three years. The cost of securities sold is determined using the specific identification method.

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Realized gains and losses and proceeds from the sale or maturity of available for sale securities are as follows:

|  | NEE            |         | FPL            |       | NEE            |         | FPL            |         |
|--|----------------|---------|----------------|-------|----------------|---------|----------------|---------|
|  | Three Months   |         | Three Months   |       | Six Months     |         | Six Months     |         |
|  | Ended June 30, |         | Ended June 30, |       | Ended June 30, |         | Ended June 30, |         |
|  | 2012           | 2011    | 2012           | 2011  | 2012           | 2011    | 2012           | 2011    |
|  | (millions)     |         |                |       |                |         |                |         |
| Realized gains                               | \$88           | \$57    | \$30           | \$26  | \$131          | \$87    | \$61           | \$38    |
| Realized losses                              | \$20           | \$22    | \$11           | \$15  | \$32           | \$43    | \$22           | \$34    |
| Proceeds from sale or maturity of securities | \$2,001        | \$1,228 | \$1,630        | \$844 | \$2,937        | \$2,575 | \$2,357        | \$1,808 |

Unrealized losses on available for sale debt securities at June 30, 2012 and December 31, 2011 were not material to NEE or FPL. The unrealized gains on available for sale securities are as follows:

|                                     | NEE           |                   | FPL           |                   |
|-------------------------------------|---------------|-------------------|---------------|-------------------|
|                                     | June 30, 2012 | December 31, 2011 | June 30, 2012 | December 31, 2011 |
|                                     | (millions)    |                   |               |                   |
| Equity securities                   | \$635         | \$546             | \$464         | \$376             |
| U.S. Government and municipal bonds | \$33          | \$46              | \$31          | \$43              |
| Corporate debt securities           | \$32          | \$31              | \$23          | \$24              |
| Mortgage-backed securities          | \$21          | \$27              | \$18          | \$24              |
| Other debt securities               | \$2           | \$3               | \$2           | \$3               |

Regulations issued by the Federal Energy Regulatory Commission (FERC) and the NRC provide general risk management guidelines to protect nuclear decommissioning funds and to allow such funds to earn a reasonable return. The FERC regulations prohibit, among other investments, investments in any securities of NEE or its subsidiaries, affiliates or associates, excluding investments tied to market indices or mutual funds. Similar restrictions applicable to the decommissioning funds for NEER's nuclear plants are included in the NRC operating licenses for those facilities or in NRC regulations applicable to NRC licensees not in cost-of-service environments. With respect to the decommissioning fund for NEER's Seabrook Station (Seabrook), decommissioning fund contributions and withdrawals are also regulated by the Nuclear Decommissioning Financing Committee pursuant to New Hampshire law.

The nuclear decommissioning reserve funds are managed by investment managers who must comply with the guidelines of NEE and FPL and the rules of the applicable regulatory authorities. The funds' assets are invested giving consideration to taxes, liquidity, risk, diversification and other prudent investment objectives.

Interest Rate and Foreign Currency Swaps - NEE and its subsidiaries use a combination of fixed rate and variable rate debt to manage interest rate exposure. Interest rate swaps are used to mitigate and adjust interest rate exposure when deemed appropriate based upon market conditions or when required by financing agreements. In addition, with respect to certain debt issuances and borrowings, NEECH has two cross currency swaps to hedge against currency movements with respect to both interest and principal payments. See Note 2.

## 5. Income Taxes

NEE's effective income tax rates for the three months ended June 30, 2012 and 2011 were approximately 29% and 20%, respectively. The reduction from the federal statutory rate mainly reflects the benefit of wind production tax credits (PTCs) of approximately \$50 million and \$84 million, respectively, related to NEE's wind projects and approximately \$10 million and \$1 million, respectively, of deferred income tax benefits associated with grants (convertible investment tax credits (ITCs)) under the American Recovery and Reinvestment Act of 2009, as amended (Recovery Act), primarily for certain wind projects expected to be placed in service. NEE's effective income tax rate for the three months ended June 30, 2011 also reflects a state deferred income tax benefit (state deferred income tax benefit) included in the Corporate and Other segment of approximately \$64 million, net of federal income taxes, related to state tax law changes in 2011.

NEE's effective income tax rates for the six months ended June 30, 2012 and 2011 were approximately 27% and 12%, respectively. The reduction from the federal statutory rate mainly reflects the benefit of wind PTCs of approximately \$112 million and \$163 million, respectively, and approximately \$23 million and \$8 million, respectively, of deferred income tax benefits associated with convertible

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ITCs. NEE's effective income tax rate for the six months ended June 30, 2011 also reflects the state deferred income tax benefit and a \$26 million reduction in income tax expense, net of federal income taxes, primarily related to a valuation allowance reversal for certain state ITCs reflecting state income tax planning initiatives (state ITC benefit).

NEE recognizes PTCs as wind energy is generated and sold based on a per kilowatt-hour (kwh) rate prescribed in applicable federal and state statutes, which may differ significantly from amounts computed, on a quarterly basis, using an overall effective income tax rate anticipated for the full year. NEE uses this method of recognizing PTCs for specific reasons, including that PTCs are an integral part of the financial viability of most wind projects and a fundamental component of such wind projects' results of operations. PTCs can significantly affect NEE's effective income tax rate depending on the amount of pretax income, wind generation and expiration of PTCs after ten years of production.

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

As of June 30, 2012, NEE has nine VIEs which it consolidates and has interests in certain other VIEs which it does not consolidate.

FPL - FPL is considered the primary beneficiary of, and therefore consolidates, a VIE that is a wholly-owned bankruptcy remote special purpose subsidiary that it formed in 2007 for the sole purpose of issuing storm-recovery bonds pursuant to the securitization provisions of the Florida Statutes and a financing order of the FPSC. FPL is considered the primary beneficiary because FPL has the power to direct the significant activities of the VIE, and its equity investment, which is subordinate to the bondholder's interest in the VIE, is at risk. Storm restoration costs incurred by FPL during 2005 and 2004 exceeded the amount in FPL's funded storm and property insurance reserve, resulting in a storm reserve deficiency. In 2007, the VIE issued \$652 million aggregate principal amount of senior secured bonds (storm-recovery bonds), primarily for the after-tax equivalent of the total of FPL's unrecovered balance of the 2004 storm restoration costs, the 2005 storm restoration costs and approximately \$200 million to reestablish FPL's storm and property insurance reserve. In connection with this financing, net proceeds, after debt issuance costs, to the VIE (approximately \$644 million) were used to acquire the storm-recovery property, which includes the right to impose, collect and receive a storm-recovery charge from all customers receiving electric transmission or distribution service from FPL under rate schedules approved by the FPSC or under special contracts, certain other rights and interests that arise under the financing order issued by the FPSC and certain other collateral pledged by the VIE that issued the bonds. The storm-recovery bonds are payable only from and are secured by the storm-recovery property. The bondholders have no recourse to the general credit of FPL. The assets of the VIE were approximately \$381 million and \$406 million at June 30, 2012 and December 31, 2011, respectively, and consisted primarily of storm-recovery property, which are included in securitized storm-recovery costs on NEE's and FPL's condensed consolidated balance sheets. The liabilities of the VIE were approximately \$470 million and \$496 million at June 30, 2012 and December 31, 2011, respectively, and consisted primarily of storm-recovery bonds, which are included in long-term debt on NEE's and FPL's condensed consolidated balance sheets.

FPL identified a potential VIE, which is considered a qualifying facility as defined by the Public Utility Regulatory Policies Act of 1978, as amended (PURPA). PURPA requires utilities, such as FPL, to purchase the electricity output of a qualifying facility. FPL entered into a purchased power agreement (PPA) effective in 1994 with this 250 megawatt (mw) coal-fired qualifying facility to purchase substantially all of the facility's capacity and electrical output over a substantial portion of its estimated useful life. FPL absorbs a portion of the facility's variability related to changes in the market price of coal through the price it pays per mwh (energy payment). After making exhaustive



efforts, FPL was unable to obtain the information from the facility necessary to determine whether the facility is a VIE or whether FPL is the primary beneficiary of the facility. The PPA with the facility contains no provision which legally obligates the facility to release this information to FPL. The energy payments