NEXTERA ENERGY INC
Form 10-Q
April 21, 2017

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 March 31, 2017

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

State or other jurisdiction of incorporation or organization: Florida

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) have been subject to such filing requirements for the past 90 days.
NextEra Energy, Inc. Yes þ No ¨ Florida Power & Light Company Yes þ 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.
NextEra Energy, Inc. Yes þ No ¨ Florida Power & Light Company Yes þ No ¨

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

NextEra Energy, Inc.	Large Accelerated Filer þ	Accelerated Filer ¨	Non-Accelerated Filer ¨	Smaller Reporting Company ¨	Emerging Growth Company ¨
Florida Power & Light Company	Large Accelerated Filer ¨	Accelerated Filer ¨	Non-Accelerated Filer þ	Smaller Reporting Company ¨	Emerging Growth Company ¨

If an emerging growth company, indicate by check mark if the registrants have elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section

13(a) of the Securities Exchange Act of 1934. o

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 þ

Number of shares of NextEra Energy, Inc. common stock, $0.01 par value, outstanding as of March 31, 2017: 468,162,675

Number of shares of Florida Power & Light Company common stock, without par value, outstanding as of March 31, 2017, all of which were held, beneficially and of record, by NextEra Energy, Inc.: 1,000

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

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

DEFINITIONS

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

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

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

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FORWARD-LOOKING STATEMENTS

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

Regulatory, Legislative and Legal Risks

- NEE's and FPL's business, financial condition, results of operations and prospects may be materially adversely affected by the extensive regulation of their business.
- NEE's and FPL's business, financial condition, results of operations and prospects could be materially adversely affected if they are unable to recover in a timely manner any significant amount of costs, a return on certain assets or a reasonable return on invested capital through base rates, cost recovery clauses, other regulatory mechanisms or otherwise.
- Regulatory decisions that are important to NEE and FPL may be materially adversely affected by political, regulatory and economic factors.
- FPL's use of derivative instruments could be subject to prudence challenges and, if found imprudent, could result in disallowances of cost recovery for such use by the FPSC.
- Any reductions or modifications to, or the elimination of, governmental incentives or policies that support utility scale renewable energy, including, but not limited to, tax laws, policies and incentives, renewable portfolio standards, feed-in tariffs or the EPA's final rule under Section 111(d) of the Clean Air Act, or the imposition of additional taxes or other assessments on renewable energy, could result in, among other items, the lack of a satisfactory market for the development and/or financing of new renewable energy projects, NEER abandoning the development of renewable energy projects, a loss of NEER's investments in renewable energy projects and reduced project returns, any of which could have a material adverse effect on NEE's business, financial condition, results of operations and prospects.
- NEE's and FPL's business, financial condition, results of operations and prospects could be materially adversely affected as a result of new or revised laws, regulations, interpretations or other regulatory initiatives.
- NEE and FPL are subject to numerous environmental laws, regulations and other standards that may result in capital expenditures, increased operating costs and various liabilities, and may require NEE and FPL to limit or eliminate certain operations.
- NEE's and FPL's business could be negatively affected by federal or state laws or regulations mandating new or additional limits on the production of greenhouse gas emissions.
- Extensive federal regulation of the operations and businesses of NEE and FPL exposes NEE and FPL to significant and increasing compliance costs and may also expose them to substantial monetary penalties and other sanctions for compliance failures.
- Changes in tax laws, guidance or policies, including but not limited to changes in corporate income tax rates, as well as judgments and estimates used in the determination of tax-related asset and liability amounts, could materially adversely affect NEE's and FPL's business, financial condition, results of operations and prospects.
- NEE's and FPL's business, financial condition, results of operations and prospects may be materially adversely affected due to adverse results of litigation.

Operational Risks

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- NEE's and FPL's business, financial condition, results of operations and prospects could suffer if NEE and FPL do not proceed with projects under development or are unable to complete the construction of, or capital improvements to, electric generation, transmission and distribution facilities, gas infrastructure facilities or other facilities on schedule or within budget.
- NEE and FPL may face risks related to project siting, financing, construction, permitting, governmental approvals and the negotiation of project development agreements that may impede their development and operating activities.
- The operation and maintenance of NEE's and FPL's electric generation, transmission and distribution facilities, gas infrastructure facilities and other facilities are subject to many operational risks, the consequences of which could have a material adverse effect on NEE's and FPL's business, financial condition, results of operations and prospects.

- NEE's and FPL's business, financial condition, results of operations and prospects may be negatively affected by a lack of growth or slower growth in the number of customers or in customer usage.
- NEE's and FPL's business, financial condition, results of operations and prospects can be materially adversely affected by weather conditions, including, but not limited to, the impact of severe weather.
- Threats of terrorism and catastrophic events that could result from terrorism, cyber attacks, or individuals and/or groups attempting to disrupt NEE's and FPL's business, or the businesses of third parties, may materially adversely affect NEE's and FPL's business, financial condition, results of operations and prospects.
- The ability of NEE and FPL to obtain insurance and the terms of any available insurance coverage could be materially adversely affected by international, national, state or local events and company-specific events, as well as the financial condition of insurers. NEE's and FPL's insurance coverage does not provide protection against all significant losses.
- NEE invests in gas and oil producing and transmission assets through NEER's gas infrastructure business. The gas infrastructure business is exposed to fluctuating market prices of natural gas, natural gas liquids, oil and other energy commodities. A prolonged period of low gas and oil prices could impact NEER's gas infrastructure business and cause NEER to delay or cancel certain gas infrastructure projects and for certain existing projects to be impaired, which could materially adversely affect NEE's results of operations.
- If supply costs necessary to provide NEER's full energy and capacity requirement services are not favorable, operating costs could increase and materially adversely affect NEE's business, financial condition, results of operations and prospects.
- Due to the potential for significant volatility in market prices for fuel, electricity and renewable and other energy commodities, NEER's inability or failure to manage properly or hedge effectively the commodity risks within its portfolios could materially adversely affect NEE's business, financial condition, results of operations and prospects.
- Reductions in the liquidity of energy markets may restrict the ability of NEE to manage its operational risks, which, in turn, could negatively affect NEE's results of operations.
- NEE's and FPL's hedging and trading procedures and associated risk management tools may not protect against significant losses.
- If price movements significantly or persistently deviate from historical behavior, NEE's and FPL's risk management tools associated with their hedging and trading procedures may not protect against significant losses.
- If power transmission or natural gas, nuclear fuel or other commodity transportation facilities are unavailable or disrupted, FPL's and NEER's ability to sell and deliver power or natural gas may be limited.
- NEE and FPL are subject to credit and performance risk from customers, hedging counterparties and vendors.
- NEE and FPL could recognize financial losses or a reduction in operating cash flows if a counterparty fails to perform or make payments in accordance with the terms of derivative contracts or if NEE or FPL is required to post margin cash collateral under derivative contracts.
- NEE and FPL are highly dependent on sensitive and complex information technology systems, and any failure or breach of those systems could have a material adverse effect on their business, financial condition, results of operations and prospects.
- NEE's and FPL's retail businesses are subject to the risk that sensitive customer data may be compromised, which could result in a material adverse impact to their reputation and/or have a material adverse effect on the business, financial condition, results of operations and prospects of NEE and FPL.
- NEE and FPL could recognize financial losses as a result of volatility in the market values of derivative instruments and limited liquidity in OTC markets.
- NEE and FPL may be materially adversely affected by negative publicity.
- NEE's and FPL's business, financial condition, results of operations and prospects may be materially adversely affected if FPL is unable to maintain, negotiate or renegotiate franchise agreements on acceptable terms with municipalities and counties in Florida.
- 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.

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

Nuclear Generation Risks

- The 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.

- In the event of an incident at any nuclear generation facility in the U.S. or at certain nuclear generation facilities in Europe, NEE and FPL could be assessed significant retrospective assessments and/or retrospective insurance premiums as a result of their participation in a secondary financial protection system and nuclear insurance mutual companies.
- NRC orders or new regulations related to increased security measures and any future safety requirements promulgated by the NRC could require NEE and FPL to incur substantial operating and capital expenditures at their nuclear generation facilities and/or result in reduced revenues.
- 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.
- NEE's and FPL's nuclear units are periodically removed from service to accommodate planned refueling and maintenance outages, and for other purposes. If planned outages last longer than anticipated or if there are unplanned outages, NEE's and FPL's results of operations and financial condition could be materially adversely affected.

Liquidity, Capital Requirements and Common Stock Risks

- Disruptions, uncertainty or volatility in the credit and capital markets may negatively affect NEE's and FPL's ability to fund their liquidity and capital needs and to meet their growth objectives, and can also materially adversely affect the results of operations and financial condition of NEE and FPL.
- NEE's, NEECH's and FPL's inability to maintain their current credit ratings may materially adversely affect NEE's and FPL's liquidity and results of operations, limit the ability of NEE and FPL to grow their business, and increase interest costs.
- NEE's and FPL's liquidity may be impaired if their credit providers are unable to fund their credit commitments to the companies or to maintain their current credit ratings.
- Poor market performance and other economic factors could affect NEE's defined benefit pension plan's funded status, which may materially adversely affect NEE's and FPL's business, financial condition, liquidity and results of operations and prospects.
- Poor market performance and other economic factors could adversely affect the asset values of NEE's and FPL's nuclear decommissioning funds, which may materially adversely affect NEE's and FPL's liquidity, financial condition and results of operations.
- Certain of NEE's investments are subject to changes in market value and other risks, which may materially adversely affect NEE's liquidity, financial condition and results of operations.
- NEE may be unable to meet its ongoing and future financial obligations and to pay dividends on its common stock if its subsidiaries are unable to pay upstream dividends or repay funds to NEE.
- NEE may be unable to meet its ongoing and future financial obligations and to pay dividends on its common stock if NEE is required to perform under guarantees of obligations of its subsidiaries.
- NEP may not be able to access sources of capital on commercially reasonable terms, which would have a material adverse effect on its ability to consummate future acquisitions and on the value of NEE’s limited partner interest in NEP OpCo.
- Disruptions, uncertainty or volatility in the credit and capital markets may exert downward pressure on the market price of NEE's common stock.

These factors should be read together with the risk factors included in Part I, Item 1A. Risk Factors in NEE's and FPL's Annual Report on Form 10-K for the year ended December 31, 2016 (2016 Form 10-K), and investors should refer to that section of the 2016 Form 10-K. Any forward-looking statement speaks only as of the date on which such statement is made, and NEE and FPL undertake no obligation to update any forward-looking statement to reflect events or circumstances, including, but not limited to, unanticipated events, after the date on which such statement is made, unless otherwise required by law. New factors emerge from time to time and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained or implied in any forward-looking statement.

Website Access to SEC Filings. NEE and FPL make their SEC filings, including the annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports, available free of charge on NEE's internet website, www.nexteraenergy.com, 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.

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 March 31,	
	2017	2016*
OPERATING REVENUES	$3,972	$3,835
OPERATING EXPENSES (INCOME)		
Fuel, purchased power and interchange	899	928
Other operations and maintenance	795	799
Merger	11	4
Depreciation and amortization	619	537
Gain on sale of the fiber-optic telecommunications business	(1,096)	—
Taxes other than income taxes and other - net	339	333
Total operating expenses - net	1,567	2,601
OPERATING INCOME	2,405	1,234
OTHER INCOME (DEDUCTIONS)		
Interest expense	(360)	(509)
Benefits associated with differential membership interests - net	125	84
Equity in earnings of equity method investees	31	32
Allowance for equity funds used during construction	22	25
Interest income	19	18
Gains on disposal of investments and other property - net	45	15
Other - net	(21)	(3)
Total other deductions - net	(139)	(338)
INCOME BEFORE INCOME TAXES	2,266	896
INCOME TAXES	675	242
NET INCOME	1,591	654
LESS NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	8	1
NET INCOME ATTRIBUTABLE TO NEE	$1,583	$653
Earnings per share attributable to NEE:		
Basic	$3.39	$1.42
Assuming dilution	$3.37	$1.41
Dividends per share of common stock	0.9825	0.87
Weighted-average number of common shares outstanding:		
Basic	467.5	460.5
Assuming dilution	470.2	463.4

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* Amounts have been retrospectively adjusted. See Note 7 - Stock-Based Compensation.

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2016 Form 10-K.

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

	Three Months Ended March 31,	
	2017	2016*
NET INCOME	$1,591	$654
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX		
Reclassification of unrealized losses on cash flow hedges from accumulated other comprehensive loss to net income (net of $4 and $13 tax expense, respectively)	9	23
Net unrealized gains (losses) on available for sale securities:		
Net unrealized gains on securities still held (net of $26 and $7 tax expense, respectively)	34	8
Reclassification from accumulated other comprehensive loss to net income (net of $10 and $1 tax benefit, respectively)	(16)	(1)
Defined benefit pension and other benefits plans (net of $2 and $4 tax benefit, respectively)	(3)	(7)
Net unrealized gains on foreign currency translation (net of less than $1 and less than $1 tax expense, respectively)	16	20
Other comprehensive income (loss) related to equity method investee (net of less than $1 tax expense and $2 tax benefit, respectively)	1	(3)
Total other comprehensive income, net of tax	41	40
COMPREHENSIVE INCOME	1,632	694
LESS COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTERESTS	19	(13)
COMPREHENSIVE INCOME ATTRIBUTABLE TO NEE	$1,613	$707

* Amounts have been retrospectively adjusted. See Note 7 - Stock-Based Compensation.

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

	March 31, 2017	December 31, 2016
PROPERTY, PLANT AND EQUIPMENT		
Electric plant in service and other property	$81,554	$ 80,150
Nuclear fuel	2,226	2,131
Construction work in progress	5,388	4,732
Accumulated depreciation and amortization	(20,768)	(20,101)
Total property, plant and equipment - net ($14,554 and $14,632 related to VIEs, respectively)	68,400	66,912
CURRENT ASSETS		
Cash and cash equivalents	600	1,292
Customer receivables, net of allowances of $4 and $5, respectively	1,635	1,784
Other receivables	525	655
Materials, supplies and fossil fuel inventory	1,303	1,289
Regulatory assets	528	524
Derivatives	678	885
Assets held for sale	—	452
Other	558	528
Total current assets	5,827	7,409
OTHER ASSETS		
Special use funds	5,625	5,434
Other investments ($479 and $479 related to a VIE, respectively)	2,759	2,482
Prepaid benefit costs	1,206	1,177
Regulatory assets ($94 and $107 related to a VIE, respectively)	2,294	1,894
Derivatives	1,462	1,350
Other	3,632	3,335
Total other assets	16,978	15,672
TOTAL ASSETS	$91,205	$ 89,993
CAPITALIZATION		
Common stock ($0.01 par value, authorized shares - 800; outstanding shares - 468 and 468, respectively)	$5	$ 5
Additional paid-in capital	8,951	8,948
Retained earnings	16,581	15,458
Accumulated other comprehensive loss	(40)	(70)
Total common shareholders' equity	25,497	24,341
Noncontrolling interests	972	990
Total equity	26,469	25,331
Long-term debt ($5,455 and $5,080 related to VIEs, respectively)	28,539	27,818
Total capitalization	55,008	53,149
CURRENT LIABILITIES		
Commercial paper	2,309	268
Other short-term debt	250	150
Current maturities of long-term debt	2,766	2,604
Accounts payable	1,237	3,447
Customer deposits	464	470
Accrued interest and taxes	706	480

Derivatives	330	404
Accrued construction-related expenditures	631	1,120
Regulatory liabilities	164	299
Liabilities associated with assets held for sale	—	451
Other	904	1,226
Total current liabilities	9,761	10,919
OTHER LIABILITIES AND DEFERRED CREDITS		
Asset retirement obligations	2,812	2,736
Deferred income taxes	11,727	11,101
Regulatory liabilities	4,746	4,906
Derivatives	473	477
Deferral related to differential membership interests - VIEs	4,537	4,656
Other	2,141	2,049
Total other liabilities and deferred credits	26,436	25,925
COMMITMENTS AND CONTINGENCIES		
TOTAL CAPITALIZATION AND LIABILITIES	$ 91,205	$ 89,993

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2016 Form 10-K.

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

	Three Months Ended March 31,	
	2017	2016*
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$1,591	$654
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	619	537
Nuclear fuel and other amortization	72	114
Unrealized gains on marked to market derivative contracts - net	(169)	(48)
Foreign currency transaction losses	28	40
Deferred income taxes	565	200
Cost recovery clauses and franchise fees	16	124
Acquisition of purchased power agreement	(259)	—
Gains on disposal of a business/assets - net	(1,145)	(15)
Recoverable storm-related costs	(90)	(3)
Other - net	69	(86)
Changes in operating assets and liabilities:		
Current assets	142	169
Noncurrent assets	(170)	(85)
Current liabilities	261	(57)
Noncurrent liabilities	(166)	1
Net cash provided by operating activities	1,364	1,545
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures of FPL	(1,687)	(1,133)
Independent power and other investments of NEER	(3,337)	(2,614)
Nuclear fuel purchases	(129)	(89)
Other capital expenditures and other investments	(26)	(43)
Proceeds from sale of the fiber-optic telecommunications business	1,484	—
Proceeds from sale or maturity of securities in special use funds and other investments	735	823
Purchases of securities in special use funds and other investments	(804)	(838)
Proceeds from sale of a noncontrolling interest in subsidiaries	—	292
Other - net	30	(79)
Net cash used in investing activities	(3,734)	(3,681)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuances of long-term debt	689	1,250
Retirements of long-term debt	(548)	(367)
Proceeds from other short-term debt	200	500
Net change in commercial paper	2,041	1,186
Issuances of common stock - net	7	17
Dividends on common stock	(460)	(401)
Other - net	(251)	8
Net cash provided by financing activities	1,678	2,193
Net increase (decrease) in cash and cash equivalents	(692)	57

Cash and cash equivalents at beginning of period	1,292	571
Cash and cash equivalents at end of period	$600	$628
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Accrued property additions	$972	$1,252
Decrease (increase) in property, plant and equipment - net as a result of cash grants primarily under the Recovery Act	$(147)	$160
Increase in property, plant and equipment as a result of a settlement	$—	$(68)

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* Amounts have been retrospectively adjusted. See Note 7 - Stock-Based Compensation.

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

	Common Stock Shares	Common Stock Aggregate Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Common Shareholders Equity	Non-controlling Interests	Total Equity
Balances, December 31, 2016	468	$ 5	$ 8,948	$ (70)	$ 15,458	$ 24,341	$ 990	$ 25,331
Net income	—	—	—	—	1,583	1,583	8	
Issuances of common stock, net of issuance cost of less than $1	—	—	6	—	—	6	—	
Dividends on common stock	—	—	—	—	(460)	(460)	—	
Other comprehensive income	—	—	—	30	—	30	11	
Other	—	—	(3)	—	—	(3)	(37)	
Balances, March 31, 2017	468	$ 5	$ 8,951	$ (40)	$ 16,581	$ 25,497	$ 972	$ 26,469

	Common Stock Shares	Common Stock Aggregate Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings*	Total Common Shareholders Equity	Non-controlling Interests	Total Equity
Balances, December 31, 2015	461	$ 5	$ 8,596	$ (167)	$ 14,140	$ 22,574	$ 538	$ 23,112
Net income	—	—	—	—	653	653	1	
Issuances of common stock, net of issuance cost of less than $1	—	—	8	—	—	8	—	
Share-based payment activity	—	—	14	—	—	14	—	
Dividends on common stock	—	—	—	—	(401)	(401)	—	
Other comprehensive income (loss)	—	—	—	54	—	54	(14)	
Sale of NEER assets to NEP	—	—	27	—	—	27	198	
Other	—	—	—	—	18	18	(5)	
Balances, March 31, 2016	461	$ 5	$ 8,645	$ (113)	$ 14,410	$ 22,947	$ 718	$ 23,665

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* Amounts have been retrospectively adjusted. See Note 7 - Stock-Based Compensation.

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2016 Form 10-K.

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

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
OPERATING REVENUES	$2,527	$2,303
OPERATING EXPENSES (INCOME)		
Fuel, purchased power and interchange	768	700
Other operations and maintenance	371	390
Depreciation and amortization	273	219
Taxes other than income taxes and other - net	304	280
Total operating expenses - net	1,716	1,589
OPERATING INCOME	811	714
OTHER INCOME (DEDUCTIONS)		
Interest expense	(119)	(112)
	16	24

Allowance for equity funds used during construction		
Other - net	—	1
Total other deductions - net	(103)	(87)
INCOME BEFORE INCOME TAXES	708	627
INCOME TAXES	263	234
NET INCOME[(a)]	$445	$393

(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 2016 Form 10-K.

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

	March 31, 2017	December 31, 2016
ELECTRIC UTILITY PLANT AND OTHER PROPERTY		
Plant in service and other property	$ 45,612	$ 44,966
Nuclear fuel	1,386	1,308
Construction work in progress	2,740	2,039
Accumulated depreciation and amortization	(12,645)	(12,304)
Total electric utility plant and other property - net	37,093	36,009
CURRENT ASSETS		
Cash and cash equivalents	27	33
Customer receivables, net of allowances	687	768

of $1 and $2, respectively		
Other receivables	147	148
Materials, supplies and fossil fuel inventory	876	851
Regulatory assets	527	524
Derivatives	82	209
Other	193	213
Total current assets	2,539	2,746
OTHER ASSETS		
Special use funds	3,780	3,665
Prepaid benefit costs	1,319	1,301
Regulatory assets ($94 and $107 related to a VIE, respectively)	1,973	1,573
Other	346	207
Total other assets	7,418	6,746
TOTAL ASSETS	$ 47,050	$ 45,501
CAPITALIZATION		
Common stock (no par value, 1,000	$ 1,373	$ 1,373

shares authorized, issued and outstanding)		
Additional paid-in capital	8,291	8,332
Retained earnings	6,990	6,875
Total common shareholder's equity	16,654	16,580
Long-term debt ($107 and $144 related to a VIE, respectively)	10,172	9,705
Total capitalization	26,826	26,285
CURRENT LIABILITIES		
Commercial paper	1,224	268
Other short-term debt	250	150
Current maturities of long-term debt	384	367
Accounts payable	644	837
Customer deposits	460	466
Accrued interest and taxes	368	240
Accrued construction-related expenditures	244	262
Regulatory liabilities	160	294

Other	432	497
Total current liabilities	4,166	3,381
OTHER LIABILITIES AND DEFERRED CREDITS		
Asset retirement obligations	1,953	1,919
Deferred income taxes	8,836	8,541
Regulatory liabilities	4,732	4,893
Other	537	482
Total other liabilities and deferred credits	16,058	15,835
COMMITMENTS AND CONTINGENCIES		
TOTAL CAPITALIZATION AND LIABILITIES	$47,050	$ 45,501

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2016 Form 10-K.

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

	Three Months Ended March 31, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 445	$ 393
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	273	219
Nuclear fuel and other amortization	49	58
Deferred income taxes	275	304
Cost recovery clauses and franchise fees	16	124
Acquisition of purchased	(259)	—

power agreement		
Recoverable storm-related costs	(90)	(3)
Other - net	137	(15)
Changes in operating assets and liabilities:		
Current assets	95	132
Noncurrent assets	(145)	(14)
Current liabilities	81	(77)
Noncurrent liabilities	(42)	(8)
Net cash provided by operating activities	835	1,113
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,687)	(1,133)
Nuclear fuel purchases	(79)	(62)
Proceeds from sale or maturity of securities in special use funds	493	530
Purchases of	(519)	(544)

securities in special use funds		
Other - net	22	20
Net cash used in investing activities	(1,770)	(1,189)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuances of long-term debt	200	—
Retirements of long-term debt	(35)	(33)
Proceeds from other short-term debt	200	500
Net change in commercial paper	956	494
Dividends to NEE	(400)	(900)
Other - net	8	23
Net cash provided by financing activities	929	84
Net increase	(6)	8

(decrease) in cash and cash equivalents		
Cash and cash equivalents at beginning of period	33	23
Cash and cash equivalents at end of period	$ 27	$ 31
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Accrued property additions	$ 435	$ 363

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements appearing in the 2016 Form 10-K.

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

The accompanying condensed consolidated financial statements should be read in conjunction with the 2016 Form 10-K. In the opinion of NEE and FPL management, all adjustments (consisting of normal recurring accruals) considered necessary for fair financial statement presentation have been made. Certain amounts included in the prior year's condensed consolidated financial statements have been reclassified to conform to the current year's presentation. The results of operations for an interim period generally will not give a true indication of results for the year.

1. Employee Retirement Benefits

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

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

	Pension Benefits		Postretirement Benefits	
	Three Months Ended March 31,		Three Months Ended March 31,	
	2017	2016	2017	2016
	(millions)			
Service cost	$16	$16	$ —	$ 1
Interest cost	21	26	2	3
Expected return on plan assets	(67)	(65)	—	—
Amortization of prior service benefit	—	—	—	(1)
Special termination benefits	1	—	—	—
Net periodic (income) cost at NEE	$(29)	$(23)	$ 2	$ 3
Net periodic (income) cost at FPL	$(18)	$(15)	$ 2	$ 2

Amendments to Presentation of Retirement Benefits - In March 2017, the FASB issued an accounting standards update that requires certain changes in classification of components of net periodic pension and postretirement benefit costs within the income statement and allows only the service cost component to be eligible for capitalization. The standards update will be applied using the retrospective approach for presentation of the components of net periodic pension and postretirement benefit costs and the prospective approach for capitalization of service cost. NEE and FPL anticipate adopting the standards update on January 1, 2018, and are currently evaluating the impact the adoption of this standards update will have on their consolidated financial statements.

2. Derivative Instruments

NEE and FPL use derivative instruments (primarily swaps, options, futures and forwards) to manage the commodity price risk inherent in the purchase and sale of fuel and electricity, as well as interest rate and foreign currency exchange rate risk associated primarily with outstanding and expected future debt issuances and borrowings, and to optimize the value of NEER's power generation and gas infrastructure assets. NEE and FPL do not utilize hedge accounting for their cash flow and fair value hedges.

With respect to commodities related to NEE's competitive energy business, NEER employs risk management procedures to conduct its activities related to optimizing the value of its power generation and gas infrastructure assets, providing full energy and capacity requirements services primarily to distribution utilities, and engaging in power and gas marketing and trading activities to take advantage of expected future favorable price movements and changes in the expected volatility of prices in the energy markets. These risk management activities involve the use of derivative instruments executed within prescribed limits to manage the risk associated with fluctuating commodity prices. Transactions in derivative instruments are executed on recognized exchanges or via the OTC markets, depending on the most favorable credit terms and market execution factors. For NEER's power generation and gas infrastructure assets, derivative instruments are used to hedge all or a portion of the expected output of these assets. These hedges are designed to reduce the effect of adverse changes in the wholesale forward commodity markets associated with NEER's power generation and gas infrastructure assets. With regard to full energy and capacity requirements services, NEER is required to vary the quantity of energy and related services based on the load demands of the customers served. For this type of transaction, derivative instruments are used to hedge the anticipated electricity quantities required to serve these customers and reduce the effect of unfavorable changes in the forward energy markets. Additionally, NEER takes positions in energy markets based on differences between actual forward market levels and management's view of fundamental market conditions, including supply/demand imbalances, changes in traditional flows of energy, changes in short- and long-term weather patterns and anticipated regulatory and legislative outcomes. NEER uses derivative instruments to realize value from these market dislocations, subject to strict risk management limits around market, operational and credit exposure.

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

Derivative instruments, when required to be marked to market, are recorded on NEE's and FPL's condensed consolidated balance sheets as either an asset or liability measured at fair value. At FPL, substantially all changes in the derivatives' fair value are deferred as a regulatory asset or liability until the contracts are settled, and, upon settlement, any gains or losses are passed through the fuel clause. For NEE's non-rate regulated operations, predominantly NEER, essentially all changes in the derivatives' fair value for power purchases and sales, fuel sales and trading activities are recognized on a net basis in operating revenues; fuel purchases used in the production of electricity are recognized in fuel, purchased power and interchange expense; and the equity method investees' related activity is recognized in equity in earnings of equity method investees in NEE's condensed consolidated statements of income. Settlement gains and losses are included within the line items in the condensed consolidated statements of income to which they relate. Transactions for which physical delivery is deemed not to have occurred are presented on a net basis in the condensed consolidated statements of income. For commodity derivatives, NEE believes that, where offsetting positions exist at the same location for the same time, the transactions are considered to have been netted and therefore physical delivery has been deemed not to have occurred for financial reporting purposes. Settlements related to derivative instruments are primarily recognized in net cash provided by operating activities in NEE's and FPL's condensed consolidated statements of cash flows.

For interest rate and foreign currency derivative instruments, all changes in the derivatives' fair value, as well as the transaction gain or loss on foreign denominated debt, are recognized in interest expense in NEE's condensed consolidated statements of income. In addition, for the three months ended March 31, 2017 and 2016, NEE reclassified approximately $2 million ($1 million after-tax) and $14 million ($9 million after tax), respectively, from AOCI to interest expense primarily because it became probable that related future transactions being hedged would not occur. At March 31, 2017, NEE's AOCI included amounts related to the discontinued interest rate cash flow hedges with expiration dates through March 2035 and foreign currency cash flow hedges with expiration dates through September 2030. Approximately $76 million of net losses included in AOCI at March 31, 2017 is expected to be reclassified into earnings within the next 12 months as the principal and/or interest payments are made. Such amounts assume no change in scheduled principal payments.

Fair Value of Derivative Instruments - The tables below present NEE's and FPL's gross derivative positions at March 31, 2017 and December 31, 2016, as required by disclosure rules. However, the majority of the underlying contracts are subject to master netting agreements and generally would not be contractually settled on a gross basis. Therefore, the tables below also present the derivative positions on a net basis, which reflect the offsetting of positions of certain transactions within the portfolio, the contractual ability to settle contracts under master netting arrangements and the netting of margin cash collateral (see Note 3 - Recurring Fair Value Measurements for netting information), as well as the location of the net derivative position on the condensed consolidated balance sheets.

	March 31, 2017			
	Gross Basis		Net Basis	
	Assets	Liabilities	Assets	Liabilities
	(millions)			
NEE:				
Commodity contracts	$4,539	$ 2,863	$1,877	$ 429
Interest rate contracts	258	290	262	294
Foreign currency contracts	1	80	1	80
Total fair values	$4,798	$ 3,233	$2,140	$ 803
FPL:				

Commodity contracts	$84	$ 7	$82	$ 5
Net fair value by NEE balance sheet line item:				
Current derivative assets[(a)]			$678	
Noncurrent derivative assets[(b)]			1,462	
Current derivative liabilities				$ 330
Noncurrent derivative liabilities				473
Total derivatives			$2,140	$ 803
Net fair value by FPL balance sheet line item:				
Current derivative assets			$82	
Current other liabilities				$ 4
Noncurrent other liabilities				1
Total derivatives			$82	$ 5

———————————

(a) Reflects the netting of approximately $158 million in margin cash collateral received from counterparties.
(b) Reflects the netting of approximately $70 million in margin cash collateral received from counterparties.

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

	December 31, 2016			
	Gross Basis		Net Basis	
	Assets	Liabilities	Assets	Liabilities
	(millions)			
NEE:				
Commodity contracts	$4,590	$ 2,968	$1,938	$ 483
Interest rate contracts	288	284	296	292
Foreign currency contracts	1	106	1	106
Total fair values	$4,879	$ 3,358	$2,235	$ 881
FPL:				
Commodity contracts	$212	$ 4	$209	$ 1
Net fair value by NEE balance sheet line item:				
Current derivative assets[(a)]			$885	
Noncurrent derivative assets[(b)]			1,350	
Current derivative liabilities				$ 404
Noncurrent derivative liabilities				477
Total derivatives			$2,235	$ 881
Net fair value by FPL balance sheet line item:				
Current derivative assets			$209	
Current other liabilities				$ 1
Total derivatives			$209	$ 1

(a) Reflects the netting of approximately $96 million in margin cash collateral received from counterparties.
(b) Reflects the netting of approximately $71 million in margin cash collateral received from counterparties.

At March 31, 2017 and December 31, 2016, NEE had approximately $157 million and $5 million (none at FPL), respectively, in margin cash collateral received from counterparties that was not offset against derivative assets in the above presentation. These amounts are included in current other liabilities on NEE's condensed consolidated balance sheets. Additionally, at March 31, 2017 and December 31, 2016, NEE had approximately $20 million and $129 million (none at FPL), respectively, in margin cash collateral paid to counterparties that was not offset against derivative assets or liabilities in the above presentation. These amounts are included in current other assets on NEE's condensed consolidated balance sheets.

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

	Three Months Ended March 31,	
	2017	2016
	(millions)	

Commodity contracts:[(a)]		
Operating revenues	$291	$330
Fuel, purchased power and interchange	—	2
Foreign currency contracts - interest expense	21	30
Foreign currency contracts - other - net	(1)	—
Interest rate contracts - interest expense	(45)	(179)
Losses reclassified from AOCI to interest expense:		
Interest rate contracts	(10)	(28)
Foreign currency contracts	(3)	(3)
Total	$253	$152

(a) For the three months ended March 31, 2017 and 2016, FPL recorded losses of approximately $104 million and $108 million, respectively, related to commodity contracts as regulatory assets on its condensed consolidated balance sheets.

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

Notional Volumes of Derivative Instruments - The following table represents net notional volumes associated with derivative instruments that are required to be reported at fair value in NEE's and FPL's condensed consolidated financial statements. The table includes significant volumes of transactions that have minimal exposure to commodity price changes because they are variably priced agreements. These volumes are only an indication of the commodity exposure that is managed through the use of derivatives. They do not represent net physical asset positions or non-derivative positions and their hedges, nor do they represent NEE’s and FPL’s net economic exposure, but only the net notional derivative positions that fully or partially hedge the related asset positions. NEE and FPL had derivative commodity contracts for the following net notional volumes:

	March 31, 2017				December 31, 2016			
Commodity Type	NEE		FPL		NEE		FPL	
	(millions)							
Power	(80)	MWh	—		(84)	MWh	—	
Natural gas	969	MMBtu	638	MMBtu	1,002	MMBtu	618	MMBtu
Oil	(12)	barrels	—		(7)	barrels	—	

At March 31, 2017 and December 31, 2016, NEE had interest rate contracts with notional amounts totaling approximately $15.4 billion and $15.1 billion, respectively, and foreign currency contracts with notional amounts totaling approximately $716 million and $705 million, respectively.

Credit-Risk-Related Contingent Features - Certain derivative instruments contain credit-risk-related contingent features including, among other things, the requirement to maintain an investment grade credit rating from specified credit rating agencies and certain financial ratios, as well as credit-related cross-default and material adverse change triggers. At March 31, 2017 and December 31, 2016, the aggregate fair value of NEE's derivative instruments with credit-risk-related contingent features that were in a liability position was approximately $1.2 billion ($6 million for FPL) and $1.3 billion ($5 million for FPL), respectively.

If the credit-risk-related contingent features underlying these derivative agreements were triggered, certain subsidiaries of NEE, including FPL, could be required to post collateral or settle contracts according to contractual terms which generally allow netting of contracts in offsetting positions. Certain derivative contracts contain multiple types of credit-related triggers. To the extent these contracts contain a credit ratings downgrade trigger, the maximum exposure is included in the following credit ratings collateral posting requirements. If FPL's and NEECH's credit ratings were downgraded to BBB/Baa2 (a two level downgrade for FPL and a one level downgrade for NEECH from the current lowest applicable rating), applicable NEE subsidiaries would be required to post collateral such that the total posted collateral would be approximately $75 million (none at FPL) as of March 31, 2017 and $110 million (none at FPL) as of December 31, 2016. If FPL's and NEECH's credit ratings were downgraded to below investment grade, applicable NEE subsidiaries would be required to post additional collateral such that the total posted collateral would be approximately $960 million ($5 million at FPL) as of March 31, 2017 and $990 million ($10 million at FPL) as of December 31, 2016. Some derivative contracts do not contain credit ratings downgrade triggers, but do contain provisions that require certain financial measures be maintained and/or have credit-related cross-default triggers. In the event these provisions were triggered, applicable NEE subsidiaries could be required to post additional collateral of up to approximately $220 million ($120 million at FPL) as of March 31, 2017 and $225 million ($115 million at FPL) as of December 31, 2016.

Collateral related to derivatives may be posted in the form of cash or credit support in the normal course of business. At March 31, 2017 and December 31, 2016, applicable NEE subsidiaries have posted approximately $2 million (none at FPL) and $1 million (none at FPL), respectively, in cash and $43 million (none at FPL) and $30 million (none at FPL), respectively, in the form of letters of credit each of which could be applied toward the collateral requirements described above. FPL and NEECH have credit facilities generally in excess of the collateral requirements described above that would be available to support, among other things, derivative activities. Under the terms of the credit facilities, maintenance of a specific credit rating is not a condition to drawing on these credit facilities, although there are other conditions to drawing on these credit facilities.

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

3. Fair Value Measurements

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

Cash Equivalents and Restricted Cash - NEE and FPL hold investments in money market funds. The fair value of these funds is estimated using a market approach based on current observable market prices.

Special Use Funds and Other Investments - NEE and FPL hold primarily debt and equity securities directly, as well as indirectly through commingled funds. Substantially all directly held equity securities are valued at their quoted market prices. For directly held debt securities, multiple prices and price types are obtained from pricing vendors whenever possible, which enables cross-provider validations. A primary price source is identified based on asset type, class or issue of each security. Commingled funds, which are similar to mutual funds, are maintained by banks or investment companies and hold certain investments in accordance with a stated set of objectives. The fair value of commingled funds is primarily derived from the quoted prices in active markets of the underlying securities. Because the fund shares are offered to a limited group of investors, they are not considered to be traded in an active market.

Derivative Instruments - NEE and FPL measure the fair value of commodity contracts using a combination of market and income approaches utilizing prices observed on commodities exchanges and in the OTC markets, or through the use of industry-standard valuation techniques, such as option modeling or discounted cash flows techniques, incorporating both observable and unobservable valuation inputs. The resulting measurements are the best estimate of fair value as represented by the transfer of the asset or liability through an orderly transaction in the marketplace at the measurement date.

Most exchange-traded derivative assets and liabilities are valued directly using unadjusted quoted prices. For exchange-traded derivative assets and liabilities where the principal market is deemed to be inactive based on average daily volumes and open interest, the measurement is established using settlement prices from the exchanges, and therefore considered to be valued using other observable inputs.

NEE, through its subsidiaries, including FPL, also enters into OTC commodity contract derivatives. The majority of these contracts are transacted at liquid trading points, and the prices for these contracts are verified using quoted prices in active markets from exchanges, brokers or pricing services for similar contracts.

NEE, through NEER, also enters into full requirements contracts, which, in most cases, meet the definition of derivatives and are measured at fair value. These contracts typically have one or more inputs that are not observable and are significant to the valuation of the contract. In addition, certain exchange and non-exchange traded derivative options at NEE have one or more significant inputs that are not observable, and are valued using industry-standard option models.

In all cases where NEE and FPL use significant unobservable inputs for the valuation of a commodity contract, consideration is given to the assumptions that market participants would use in valuing the asset or liability. The primary input to the valuation models for commodity contracts is the forward commodity curve for the respective instruments. Other inputs include, but are not limited to, assumptions about market liquidity, volatility, correlation and contract duration as more fully described below in Significant Unobservable Inputs Used in Recurring Fair Value

Measurements. In instances where the reference markets are deemed to be inactive or do not have transactions for a similar contract, the derivative assets and liabilities may be valued using significant other observable inputs and potentially significant unobservable inputs. In such instances, the valuation for these contracts is established using techniques including extrapolation from or interpolation between actively traded contracts, or estimated basis adjustments from liquid trading points. NEE and FPL regularly evaluate and validate the inputs used to determine fair value by a number of methods, consisting of various market price verification procedures, including the use of pricing services and multiple broker quotes to support the market price of the various commodities. In all cases where there are assumptions and models used to generate inputs for valuing derivative assets and liabilities, the review and verification of the assumptions, models and changes to the models are undertaken by individuals that are independent of those responsible for estimating fair value.

NEE uses interest rate contracts and foreign currency contracts to mitigate and adjust interest rate and foreign currency exchange exposure related primarily to certain outstanding and expected future debt issuances and borrowings when deemed appropriate based on market conditions or when required by financing agreements. NEE estimates the fair value of these derivatives using an income approach based on a discounted cash flows valuation technique utilizing the net amount of estimated future cash inflows and outflows related to the agreements.

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

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

	March 31, 2017				
	Level 1	Level 2	Level 3	Netting[(a)]	Total
	(millions)				
Assets:					
Cash equivalents and restricted cash:[(b)]					
NEE - equity securities	$307	$—	$—		$307
FPL - equity securities	$87	$—	$—		$87
Special use funds:[(c)]					
NEE:					
Equity securities	$1,482	$1,578 [(d)]	$—		$3,060
U.S. Government and municipal bonds	$328	$162	$—		$490
Corporate debt securities	$1	$796	$—		$797
Mortgage-backed securities	$—	$479	$—		$479
Other debt securities	$—	$115	$—		$115
FPL:					
Equity securities	$386	$1,440 [(d)]	$—		$1,826
U.S. Government and municipal bonds	$245	$134	$—		$379
Corporate debt securities	$—	$575	$—		$575
Mortgage-backed securities	$—	$368	$—		$368
Other debt securities	$—	$102	$—		$102
Other investments:					
NEE:					
Equity securities	$23	$10	$—		$33
Debt securities	$6	$138	$—		$144
Derivatives:					
NEE:					
Commodity contracts	$1,504	$1,772	$1,263	$(2,662)	$1,877 [(e)]
Interest rate contracts	$—	$254	$4	$4	$262 [(e)]
Foreign currency contracts	$—	$1	$—	$—	$1 [(e)]
FPL - commodity contracts	$—	$83	$1	$(2)	$82 [(e)]
Liabilities:					
Derivatives:					
NEE:					
Commodity contracts	$1,398	$1,028	$437	$(2,434)	$429 [(e)]
Interest rate contracts	$—	$175	$115	$4	$294 [(e)]
Foreign currency contracts	$—	$80	$—	$—	$80 [(e)]
FPL - commodity contracts	$—	$2	$5	$(2)	$5 [(e)]

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

(b) Includes restricted cash of approximately $135 million ($87 million for FPL) in other current assets on the condensed consolidated balance sheets.

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

(d) Primarily invested in commingled funds whose underlying securities would be Level 1 if those securities were held directly by NEE or FPL.

(e) See Note 2 - Fair Value of Derivative Instruments for a reconciliation of net derivatives to NEE's and FPL's condensed consolidated balance sheets.

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

	December 31, 2016				
	Level 1	Level 2	Level 3	Netting[a]	Total
	(millions)				
Assets:					
Cash equivalents and restricted cash:[b]					
NEE - equity securities	$982	$—	$—		$982
FPL - equity securities	$120	$—	$—		$120
Special use funds:[c]					
NEE:					
Equity securities	$1,410	$1,503[d]	$—		$2,913
U.S. Government and municipal bonds	$296	$170	$—		$466
Corporate debt securities	$1	$763	$—		$764
Mortgage-backed securities	$—	$498	$—		$498
Other debt securities	$—	$81	$—		$81
FPL:					
Equity securities	$373	$1,372[d]	$—		$1,745
U.S. Government and municipal bonds	$221	$141	$—		$362
Corporate debt securities	$—	$547	$—		$547
Mortgage-backed securities	$—	$384	$—		$384
Other debt securities	$—	$70	$—		$70
Other investments:					
NEE:					
Equity securities	$26	$9	$—		$35
Debt securities	$8	$153	$—		$161
Derivatives:					
NEE:					
Commodity contracts	$1,563	$1,827	$1,200	$(2,652)	$1,938[e]
Interest rate contracts	$—	$285	$3	$8	$296 [e]
Foreign currency contracts	$—	$1	$—	$—	$1 [e]
FPL - commodity contracts	$—	$208	$4	$(3)	$209 [e]
Liabilities:					
Derivatives:					
NEE:					
Commodity contracts	$1,476	$980	$512	$(2,485)	$483 [e]
Interest rate contracts	$—	$171	$113	$8	$292 [e]
Foreign currency contracts	$—	$106	$—	$—	$106 [e]
FPL - commodity contracts	$—	$1	$3	$(3)	$1 [e]

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

(b) Includes restricted cash of approximately $164 million ($120 million for FPL) in other current assets on the condensed consolidated balance sheets.

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

(d) Primarily invested in commingled funds whose underlying securities would be Level 1 if those securities were held directly by NEE or FPL.

(e) See Note 2 - Fair Value of Derivative Instruments for a reconciliation of net derivatives to NEE's and FPL's condensed consolidated balance sheets.

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

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

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

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

The significant unobservable inputs used in the valuation of NEE's commodity contracts categorized as Level 3 of the fair value hierarchy at March 31, 2017 are as follows:

Transaction Type	Fair Value at March 31, 2017		Valuation Technique(s)	Significant Unobservable Inputs	Range	
	Assets	Liabilities				
	(millions)					
Forward contracts - power	$737	$ 214	Discounted cash flow	Forward price (per MWh)	$—	—$84
Forward contracts - gas	28	11	Discounted cash flow	Forward price (per MMBtu)	$2	—$6
Forward contracts - other commodity related	2	1	Discounted cash flow	Forward price (various)	$(16)	—$55
Options - power	46	18	Option models	Implied correlations	1%	—100%
				Implied volatilities	8%	—264%
Options - primarily gas	156	166	Option models	Implied correlations	1%	—100%
				Implied volatilities	1%	—95%
Full requirements and unit contingent contracts	294	27	Discounted cash flow	Forward price (per MWh)	$(20)	—$203
					—%	—20%

			Customer migration rate[(a)]
Total	$1,263	$ 437	

(a) Applies only to full requirements contracts.

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

Significant Unobservable Input	Position	Impact on Fair Value Measurement
Forward price	Purchase power/gas	Increase (decrease)
	Sell power/gas	Decrease (increase)
Implied correlations	Purchase option	Decrease (increase)
	Sell option	Increase (decrease)
Implied volatilities	Purchase option	Increase (decrease)
	Sell option	Decrease (increase)
Customer migration rate	Sell power[(a)]	Decrease (increase)

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

In addition, the fair value measurement of interest rate contract net liabilities related to the solar projects in Spain of approximately $111 million at March 31, 2017 includes a significant credit valuation adjustment. The credit valuation adjustment, considered an unobservable input, reflects management's assessment of non-performance risk of the subsidiaries related to the solar projects in Spain that are party to the contracts.

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

	Three Months Ended March 31,			
	2017		2016	
	NEE	FPL	NEE	FPL
	(millions)			
Fair value of net derivatives based on significant unobservable inputs at December 31 of prior period	$578	$1	$538	$—
Realized and unrealized gains (losses):				
Included in earnings[(a)]	216	—	254	—
Included in other comprehensive income[(b)]	(1)	—	(6)	—
Included in regulatory assets and liabilities	(2)	(2)	(3)	(3)
Purchases	21	—	100	—
Settlements	(85)	(3)	(133)	(5)
Issuances	(16)	—	(74)	—
Transfers in[(c)]	9	—	3	—
Transfers out[(c)]	(5)	—	(30)	—
Fair value of net derivatives based on significant unobservable inputs at March 31	$715	$(4)	$649	$(8)
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[(d)]	$141	$—	$196	$—

(a) For the three months ended March 31, 2017 and 2016, realized and unrealized gains of approximately $215 million and $274 million, respectively, are reflected in the condensed consolidated statements of income in operating revenues and the balance is primarily reflected in interest expense.

(b) Reflected in net unrealized gains on foreign currency translation on the condensed consolidated statements of comprehensive income.

(c) Transfers into Level 3 were a result of decreased observability 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.

(d) For the three months ended March 31, 2017 and 2016, unrealized gains of approximately $141 million and $216 million, respectively, are reflected in the condensed consolidated statements of income in operating revenues and the balance is reflected in interest expense.

Fair Value of Financial Instruments Recorded at Other than Fair Value - The carrying amounts of commercial paper and other short-term debt approximate their fair values. The carrying amounts and estimated fair values of other financial instruments recorded at other than fair value are as follows:

	March 31, 2017		December 31, 2016	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(millions)			
NEE:				

Special use funds[a]	$684	$ 684		$712	$ 712	
Other investments - primarily notes receivable	$512	$ 682	[b]	$526	$ 668	[b]
Long-term debt, including current maturities	$31,299	$ 32,820	[d]	$30,418 [c]	$ 31,623	[c][d]
FPL:						
Special use funds[a]	$530	$ 530		$557	$ 557	
Long-term debt, including current maturities	$10,556	$ 11,703	[d]	$10,072	$ 11,211	[d]

(a) Primarily represents investments accounted for under the equity method and loans not measured at fair value on a recurring basis.

(b) Primarily classified as held to maturity. Fair values are primarily estimated using an income approach utilizing 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 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 ratings and market-related information.

(c) Excludes debt totaling $373 million reflected in liabilities associated with assets held for sale on NEE's condensed consolidated balance sheet for which the carrying amount approximates fair value. See Note 9 - Assets and Liabilities Associated with Assets Held for Sale.

(d) As of March 31, 2017 and December 31, 2016, for NEE, approximately $30,910 million and $29,804 million, respectively, is estimated using a market approach based on quoted market prices for the same or similar issues (Level 2); the balance is estimated using an income approach utilizing a discounted cash flow valuation technique, considering the current credit profile of the debtor (Level 3). For FPL, primarily estimated using quoted market prices for the same or similar issues (Level 2).

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Special Use Funds - The special use funds noted above and those carried at fair value (see Recurring Fair Value Measurements above) consist of NEE's nuclear decommissioning fund assets of $5,625 million and $5,434 million at March 31, 2017 and December 31, 2016, respectively ($3,780 million and $3,665 million, respectively, for FPL). 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. The amortized cost of debt and equity securities is approximately $1,878 million and $1,556 million, respectively, at March 31, 2017 and $1,820 million and $1,543 million, respectively, at December 31, 2016 ($1,423 million and $743 million, respectively, at March 31, 2017 and $1,373 million and $764 million, respectively, at December 31, 2016 for FPL). 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 March 31, 2017 of approximately nine years at both NEE and FPL. The cost of securities sold is determined using the specific identification method.

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

	NEE Three Months Ended March 31,		FPL Three Months Ended March 31,	
	2017	2016	2017	2016
	(millions)			
Realized gains	$55	$22	$13	$10
Realized losses	$29	$18	$19	$10
Proceeds from sale or maturity of securities	$626	$701	$441	$530

The unrealized gains on available for sale securities are as follows:

	NEE		FPL	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
	(millions)			
Equity securities	$1,509	$ 1,396	$1,087	$ 1,007
Debt securities	$27	$ 22	$21	$ 17

The unrealized losses on available for sale debt securities and the fair value of available for sale debt securities in an unrealized loss position are as follows:

	NEE		FPL	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
	(millions)			
Unrealized losses[(a)]	$24	$ 34	$20	$ 28
Fair value	$839	$ 959	$647	$ 722

(a) Unrealized losses on available for sale debt securities in an unrealized loss position for greater than twelve months at March 31, 2017 and December 31, 2016 were not material to NEE or FPL.

Regulations issued by the 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 Seabrook, decommissioning fund contributions and withdrawals are also regulated by the New Hampshire 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.

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4. Income Taxes

NEE's effective income tax rates for the three months ended March 31, 2017 and 2016 were approximately 30% and 27%, respectively. The 2016 effective tax rate was retrospectively adjusted as discussed in Note 7 - Stock-Based Compensation. The rates for both periods reflect the benefit of PTCs of approximately $28 million and $42 million, respectively, related to NEER's wind projects, as well as ITCs and deferred income taxes associated with grants under the Recovery Act (convertible ITCs) totaling approximately $128 million and $37 million, respectively, related to solar and certain wind projects at NEER.

NEE recognizes PTCs as wind energy is generated and sold based on a per 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, as well as ITCs and deferred income taxes associated with convertible ITCs, can significantly affect NEE's effective income tax rate depending on the amount of pretax income. The amount of PTCs recognized can be significantly affected by wind generation and by the roll off of PTCs after ten years of production (PTC roll off).

5. Pending Business Acquisitions

From July 2016 through October 2016, NEE and certain of its affiliates entered into several agreements with Energy Future Holdings Corp. (EFH), Texas Transmission Holdings Corporation (TTHC), Oncor Management Investment LLC (OMI) and certain of their affiliates, which when combined would result in NEE owning 100% of Oncor Electric Delivery Company LLC (Oncor). The agreements with EFH and TTHC were subject to, among other things, approval by the Public Utility Commission of Texas (PUCT). On April 13, 2017, the PUCT voted that the transactions by which NEE would acquire all equity interests in Oncor are not in the public interest. NEE expects to file a motion for rehearing with the PUCT.

6. Variable Interest Entities (VIEs)

As of March 31, 2017, NEE had thirty-three VIEs which it consolidated and had interests in certain other VIEs which it did 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 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 $177 million and $216 million at March 31, 2017 and December 31, 2016, respectively, and consisted primarily of storm-recovery property, which are included in both current and noncurrent regulatory assets on NEE's and FPL's condensed consolidated balance sheets. The liabilities of the VIE were approximately $177 million and $214 million at March 31, 2017 and December 31, 2016, 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.

NEER - NEE consolidates thirty-two NEER VIEs. NEER is considered the primary beneficiary of these VIEs since NEER controls the most significant activities of these VIEs, including operations and maintenance, as well as construction, and has the obligation to absorb expected losses of these VIEs.

A subsidiary of NEER is the primary beneficiary of, and therefore consolidates, NEP, which consolidates NEP OpCo because of NEP’s controlling interest in the general partner of NEP OpCo. NEP is a limited partnership formed to acquire, manage and own contracted clean energy projects with stable, long-term cash flows through a limited partner interest in NEP OpCo. NEE owns a controlling non-economic general partner interest in NEP and a limited partner interest in NEP OpCo, and presents NEP's limited partner interest as a noncontrolling interest in NEE's consolidated financial statements. At March 31, 2017, NEE owned common units of NEP OpCo representing noncontrolling interest in NEP’s operating projects of approximately 65.2%. The assets and liabilities of NEP were approximately $7.1 billion and $4.9 billion, respectively, at March 31, 2017, and $7.2 billion and $5.0 billion, respectively, at December 31, 2016, and primarily consisted of property, plant and equipment and long-term debt.

A NEER VIE consolidates two entities which own and operate natural gas/oil electric generation facilities with the capability of producing 110 MW. These entities sell their electric output under power sales contracts to a third party, with expiration dates in 2018 and 2020. The power sales contracts provide the offtaker the ability to dispatch the facilities and require the offtaker to absorb the cost of fuel. The entities have third-party debt which is secured by liens against the generation facilities and the other assets of these entities. The debt holders have no recourse to the general credit of NEER for the repayment of debt. The assets and liabilities of the VIE were approximately $87 million and $34 million, respectively, at March 31, 2017 and $95 million and $42 million, respectively, at December 31, 2016, and consisted primarily of property, plant and equipment and long-term debt.

Two indirect subsidiaries of NEER each contributed, to a NEP subsidiary, an approximately 50% ownership interest in three entities which own and operate solar PV facilities with the capability of producing a total of approximately 277 MW. Each of the two indirect subsidiaries of NEER is considered a VIE since the non-managing members have no substantive rights over the managing members, and is consolidated by NEER. These three entities sell their electric output to third parties under power sales contracts with expiration dates in 2035 and 2036. The three entities have third-party debt which is secured by liens against the assets of the entities. The debt holders have no recourse to the general credit of NEER for the repayment of debt. The assets and liabilities of these VIEs were approximately $567 million and $488 million, respectively, at March 31, 2017 and $571 million and $487 million, respectively, at December 31, 2016, and consisted primarily of property, plant and equipment and long-term debt.

NEER consolidates a special purpose entity that has insufficient equity at risk and is considered a VIE. The entity provided a loan in the form of a note receivable (see Note 3 - Fair Value of Financial Instruments Recorded at Other than Fair Value) to an unrelated third party, and also issued senior secured bonds which are collateralized by the note receivable. The assets and liabilities of the VIE were approximately $513 million and $499 million, respectively, at March 31, 2017, and $502 million and $511 million, respectively at December 31, 2016, and consisted primarily of notes receivables (included in other investments) and long-term debt.

The other twenty-seven NEER VIEs that are consolidated relate to certain subsidiaries which have sold differential membership interests in entities which own and operate wind electric generation and solar PV facilities with the capability of producing a total of approximately 6,847 MW and 374 MW, respectively. These entities sell their electric output either under power sales contracts to third parties with expiration dates ranging from 2018 through 2046 or in the spot market. Certain investors that have no equity at risk in the VIEs hold differential membership interests, which give them the right to receive a portion of the economic attributes of the generation facilities, including certain tax attributes. Certain entities have third-party debt which is secured by liens against the generation facilities and the other assets of these entities or by pledges of NEER's ownership interest in these entities. The debt holders have no recourse to the general credit of NEER for the repayment of debt. The assets and liabilities of these VIEs totaled approximately $10.9 billion and $5.9 billion, respectively, at March 31, 2017 and $10.9 billion and $6.9 billion, respectively, at December 31, 2016. At March 31, 2017 and December 31, 2016, the assets and liabilities of the VIEs consisted primarily of property, plant and equipment, deferral related to differential membership interests and long-term debt.

Other - As of March 31, 2017 and December 31, 2016, several NEE subsidiaries had investments totaling approximately $2,596 million ($2,130 million at FPL) and $2,505 million ($2,049 million at FPL), respectively, which are included in special use funds and other investments on NEE's condensed consolidated balance sheets and in special use funds on FPL's condensed consolidated balance sheets. These investments represented primarily commingled funds and mortgage-backed securities. NEE subsidiaries, including FPL, are not the primary beneficiary and therefore do not consolidate any of these entities because they do not control any of the ongoing activities of these entities, were not involved in the initial design of these entities and do not have a controlling financial interest in these entities.

Certain subsidiaries of NEE have noncontrolling interests in entities accounted for under the equity method. These entities are limited partnerships or similar entity structures in which the limited partners or nonmanaging members do not have substantive rights, and therefore are considered VIEs. NEE is not the primary beneficiary because it does not have a controlling financial interest in these entities, and therefore does not consolidate any of these entities. NEE's investment in these entities totaled approximately $226 million and $234 million at March 31, 2017 and December 31, 2016, respectively, which are included in other investments on NEE's condensed consolidated balance sheets. Subsidiaries of NEE had committed to invest an additional approximately $30 million in two of the entities as of March 31, 2017 and December 31, 2016.

7. Common Shareholders' Equity

Stock-Based Compensation - On March 30, 2016, the FASB issued an accounting standards update related to the accounting for employee share-based payment awards including simplification in areas such as (i) income tax consequences; (ii) classification of awards as either equity or liabilities; and (iii) classification on the statement of cash flows. The standards update was effective for NEE beginning January 1, 2017, however, NEE early adopted the provisions of the standards update during the three months ended June 30, 2016 with an effective date of January 1, 2016. Upon adoption, NEE recorded approximately $18 million primarily

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related to previously unrecognized excess tax benefits in deferred income taxes with a resulting increase to retained earnings as of January 1, 2016. Amounts for the three months ended March 31, 2016 were retrospectively adjusted resulting in an increase to net income attributable to NEE of approximately $17 million, and increases to basic and diluted earnings per share attributable to NEE of $0.04. All other provisions of the standards update did not have a material impact to NEE's condensed consolidated financial statements. The standards update had no effect on FPL.

Earnings Per Share - The reconciliation of NEE's basic and diluted earnings per share attributable to NEE is as follows:

	Three Months Ended March 31,	
	2017	2016
	(millions, except per share amounts)	
Numerator - net income attributable to NEE	$1,583	$653
Denominator:		
Weighted-average number of common shares outstanding - basic	467.5	460.5
Equity units, performance share awards, stock options, forward sale agreements and restricted stock[(a)]	2.7	2.9
Weighted-average number of common shares outstanding - assuming dilution	470.2	463.4
Earnings per share attributable to NEE:		
Basic	$3.39	$1.42
Assuming dilution	$3.37	$1.41

———————————

(a) Calculated using the treasury stock method. Performance share awards are included in diluted weighted-average number of common shares outstanding based upon what would be issued if the end of the reporting period was the end of the term of the award.

Common shares issuable pursuant to equity units, stock options, performance share awards and restricted stock which were not included in the denominator above due to their antidilutive effect were approximately 11.9 million and 0.2 million for the three months ended March 31, 2017 and 2016, respectively.

Accumulated Other Comprehensive Income (Loss) - The components of AOCI, net of tax, are as follows:

	Accumulated Other Comprehensive Income (Loss)					
	Net Unrealized Gains (Losses) on Cash Flow Hedges	Net Unrealized Gains (Losses) on Available for Sale Securities	Defined Benefit Pension and Other Benefits Plans	Net Unrealized Gains (Losses) on Foreign Currency Translation	Other Comprehensive Income (Loss) Related to Equity Method Investee	Total

	(millions)					
Three Months Ended March 31, 2017						
Balances, December 31, 2016	$(100)	$ 225	$ (83)	$ (90)	$ (22)	$(70)
Other comprehensive income (loss) before reclassifications	—	34	(3)	16	1	48
Amounts reclassified from AOCI	9 [(a)]	(16) [(b)]	—	—	—	(7)
Net other comprehensive income (loss)	9	18	(3)	16	1	41
Less other comprehensive income attributable to noncontrolling interests	10	—	—	1	—	11
Balances, March 31, 2017	$(101)	$ 243	$ (86)	$ (75)	$ (21)	$(40)

(a) Reclassified to interest expense in NEE's condensed consolidated statements of income. See Note 2 - Income Statement Impact of Derivative Instruments.

(b) Reclassified to gains on disposal of investments and other property - net in NEE's condensed consolidated statements of income.

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	Accumulated Other Comprehensive Income (Loss)					
	Net Unrealized Gains (Losses) on Cash Flow Hedges (millions)	Net Unrealized Gains (Losses) on Available for Sale Securities	Defined Benefit Pension and Other Benefits Plans	Net Unrealized Gains (Losses) on Foreign Currency Translation	Other Comprehensive Income (Loss) Related to Equity Method Investee	Total
Three Months Ended March 31, 2016						
Balances, December 31, 2015	$(170)	$ 174	$ (62)	$ (85)	$ (24)	$(167)
Other comprehensive income (loss) before reclassifications	—	8	(7)	20	(3)	18
Amounts reclassified from AOCI	23 (a)	(1) (b)	—	—	—	22
Net other comprehensive income (loss)	23	7	(7)	20	(3)	40
Less other comprehensive loss attributable to noncontrolling interests	(1)	—	—	(13)	—	(14)
Balances, March 31, 2016	$(146)	$ 181	$ (69)	$ (52)	$ (27)	$(113)

(a) Reclassified to interest expense and other - net in NEE's condensed consolidated statements of income. See Note 2 - Income Statement Impact of Derivative Instruments.
(b) Reclassified to gains on disposal of investments and other property - net in NEE's condensed consolidated statements of income.

8. Debt

Significant long-term debt issuances and borrowings by subsidiaries of NEE during the three months ended March 31, 2017 were as follows:

	Principal Amount (millions)	Interest Rate	Maturity Date
FPL:			
Other long-term debt	$ 200	Variable (a)	2018
NEER:			
Senior secured limited-recourse term loans	$ 279	Variable (a)	2026
Other long-term debt	$ 200	Variable (a)	2018 - 2019

(a) Variable rate is based on an underlying index plus a margin. Interest rate swap agreements have been entered into with respect to certain of these issuances. See Note 2.

9. Summary of Significant Accounting and Reporting Policies

Revenue Recognition - In May 2014, the FASB issued an accounting standards update which provides guidance on the recognition of revenue from contracts with customers and requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows from an entity's contracts with customers. The standards update will be effective for NEE and FPL beginning January 1, 2018 with early adoption on January 1, 2017 permitted. The standards update may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as an adjustment to retained earnings as of the date of initial application (modified retrospective method).

NEE and FPL are currently reviewing individual contracts within various identified revenue streams in order to determine the impact, if any, this standards update will have on their consolidated financial statements. A number of industry-specific implementation issues are still unresolved and the final resolution of certain of these issues could impact NEE's and/or FPL's current accounting policies and/or revenue recognition patterns. NEE and FPL currently anticipate adopting the standards update on January 1, 2018 using the modified retrospective method.

Accounting for Partial Sales of Nonfinancial Assets - In February 2017, the FASB issued an accounting standards update regarding the accounting for partial sales of nonfinancial assets. NEE and FPL anticipate adopting the standards update on January 1, 2018, concurrent with the FASB's new revenue recognition standard. The standards update may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as an adjustment to retained earnings as of the date of initial application. NEE and FPL are currently evaluating the effect the adoption of this standards update will have on their consolidated financial statements.

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

Electric Plant, Depreciation and Amortization - NEER reviews the estimated useful lives of its fixed assets on an ongoing basis. NEER's most recent review indicated that the actual lives of certain equipment at its wind plants are expected to be longer than those previously estimated for depreciation purposes. As a result, effective January 1, 2017, NEER changed the estimated useful lives of certain wind plant equipment from 30 years to 35 years to better reflect the period during which these assets are expected to remain in service. This change increased net income attributable to NEE by approximately $15 million and basic and diluted earnings per share attributable to NEE by approximately $0.03 for the three months ended March 31, 2017. For the year ended December 31, 2017 the change is expected to increase net income attributable to NEE by approximately $60 million.

Assets and Liabilities Associated with Assets Held for Sale - In January 2017, an indirect wholly owned subsidiary of NEE completed the sale of its membership interests in its fiber-optic telecommunications business for net cash proceeds of approximately $1.1 billion, after repayment of $370 million of related long-term debt. In connection with the sale and the related consolidating state income tax effects, a gain of approximately $1.1 billion (approximately $685 million after tax) was recorded in NEE's condensed consolidated statements of income during the three months ended March 31, 2017. The carrying amounts of the major classes of assets and liabilities that were classified as held for sale on NEE's condensed consolidated balance sheets as of December 31, 2016 primarily represent property, plant and equipment and the related long-term debt.

10. Commitments and Contingencies

Commitments - NEE and its subsidiaries have made commitments in connection with a portion of their projected capital expenditures. Capital expenditures at FPL include, among other things, the cost for construction or acquisition of additional facilities and equipment to meet customer demand, as well as capital improvements to and maintenance of existing facilities and the procurement of nuclear fuel. At NEER, capital expenditures include, among other things, the cost, including capitalized interest, for construction and development of wind and solar projects and the procurement of nuclear fuel, as well as the investment in the development and construction of its natural gas pipeline assets. Capital expenditures for Corporate and Other primarily include the cost to maintain existing transmission facilities at NEET.

At March 31, 2017, estimated capital expenditures for the remainder of 2017 through 2021 for which applicable internal approvals (and also, if required, FPSC approvals for FPL or regulatory approvals for acquisitions) have been received were as follows:

	Remainder of 2017	2018	2019	2020	2021	Total
	(millions)					
FPL:						
Generation:[(a)]						
New[(b)]	$935	$660	$475	$35	$5	$2,110
Existing	790	755	615	655	510	3,325
Transmission and distribution	1,680	2,400	2,540	2,465	2,675	11,760
Nuclear fuel	45	190	170	210	120	735
General and other	370	275	250	220	250	1,365
Total	$3,820	$4,280	$4,050	$3,585	$3,560	$19,295
NEER:						

Wind[c]	$910	$855	$1,125	$30	$25	$2,945
Solar[d]	190	10	5	—	—	205
Nuclear, including nuclear fuel	185	250	230	215	245	1,125
Natural gas pipelines[e]	450	850	40	35	10	1,385
Other	210	40	30	30	30	