

NextEra Energy

NEE-Deep in Strategic Repositioning

Strategic shift to midstream/gas investments – becoming an infrastructure play

Mgmt reiterated that its JV with PetroQuest is only the first step in its plan to invest in long-term natural gas supplies and if the YieldCo launch has taught us anything it is that mgmt is willing to bend the static utility mold to create shareholder value. The 'up to \$200 Mn' initial project, while small relative to FPL size, is seen as the stepping-stone of a program aimed at ensuring long-term fuel price stability. Expect a decision on this from the FL PSC by the end of this year or early 2015. In addition, progress on Sabal Trail and Southeast Connection are on track and NextEra expects to submit the necessary filings to FERC by YE14. Finally, NextEra commented on the Mountain Valley Pipeline open season where the company intends to partner with EQT Corp. NEE also stated its commitment to attempting to acquire Oncor, and we continue to see the proposed transaction as solidly accretive (+\$0.06 EPS even before synergies).

Redefining the company – and the Yieldco drop-down story all at once

While the increased emphasis on midstream opportunities coupled with growing focus on electric transmission outside its service territory is the primary growth focus for NEE, this is all geared towards the eventual drop of assets into its YieldCo structure too – only adding to its industry-leading drop-down story (and redefining what is eligible too)

Is the Florida economy decelerating? Perhaps but no short-term concerns

The utility load was uncharacteristically weak in 2Q, although not unexpected given the leading datapoints. Ex-weather sales declined for the first time since at least 2012 and the decline in usage (1.3%) was the greatest over that horizon. While this could just be a one quarter 'blip' with Florida holding as one of the stronger markets, there are signs of the rate of economic improvement slowing. For example, the rate unemployment declines have moderated and the rate is firming around 6%. While not an ideal comp, we look for further data with TECO's earnings (7/31) from Tampa Electric.

Valuation: Reiterate Buy and \$108 PT – see upside on catalysts through 2H

Our NEE valuation is based on 2016E utilities SOTP and NEP is via 5% 2018E DPU yield.

Equities

Americas
Electric Utilities

12-month rating **Buy**

12m price target **US\$108.00**

Price **US\$98.40**

RIC: NEE.N BBG: NEE US

Trading data and key metrics

52-wk range	US\$102.48-79.00
Market cap.	US\$43.3bn
Shares o/s	440m (COM)
Free float	100%
Avg. daily volume ('000)	477
Avg. daily value (m)	US\$46.8
Common s/h equity (12/14E)	US\$20.6bn
P/BV (12/14E)	2.1x
Net debt / EBITDA (12/14E)	4.6x

EPS (UBS, diluted) (US\$)

	12/14E			
	From	To	% ch	Cons.
Q1	1.26	1.26	0.00	1.26
Q2	1.44	1.43	-1.24	1.43
Q3E	1.64	1.64	0.00	1.60
Q4E	1.01	1.01	0.00	1.10
12/14E	5.38	5.38	0.00	5.34
12/15E	5.94	5.94	0.00	5.70
12/16E	6.38	6.38	0.00	6.07

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Highlights (US\$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Revenues	15,151	14,290	15,136	16,026	16,969	17,700	18,305	18,679
EBIT (UBS)	3,188	3,279	3,541	3,863	4,335	4,655	5,016	5,181
Net earnings (UBS)	1,837	1,914	2,122	2,370	2,703	2,983	3,234	3,357
EPS (UBS, diluted) (US\$)	4.38	4.57	4.97	5.38	5.94	6.38	6.94	7.21
DPS (US\$)	2.20	2.40	2.64	2.80	2.97	3.14	3.33	3.53
Net (debt) / cash	(22,967)	(27,359)	(28,426)	(28,423)	(31,353)	(32,253)	(30,246)	(27,786)
Profitability/valuation	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
EBIT margin %	21.0	22.9	23.4	24.1	25.5	26.3	27.4	27.7
ROIC (EBIT) %	8.9	8.3	8.1	8.3	8.7	8.8	9.3	9.7
EV/EBITDA (core) x	9.3	10.8	10.6	11.4	10.4	10.0	9.4	8.9
P/E (UBS, diluted) x	12.7	14.4	16.1	18.3	16.6	15.4	14.2	13.7
Equity FCF (UBS) yield %	(9.4)	(18.0)	(4.1)	(3.0)	(3.5)	1.7	8.9	10.0
Net dividend yield %	4.0	3.6	3.3	2.8	3.0	3.2	3.4	3.6

Source: Company accounts, Thomson Reuters, UBS estimates. UBS adjusted EPS is stated before goodwill-related charges and other adjustments for abnormal and economic items at the analysts' judgement. Valuations: based on an average share price that year, (E): based on a share price of US\$98.40 on 29 Jul 2014 19:39 EDT

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Investment Thesis

NextEra Energy

Investment case

We view NextEra as one of the most appealing integrated utilities. Despite years of success, the renewable industry appears poised to continue its strong performance with our expectation for continued contract awards (and a rush to qualify assets ahead of potential tax reforms). Driving the bulk of recent enthusiasm around shares has been the recent IPO of NextEra Energy Partners, the one of the latest and arguably highest quality YieldCo structures. Our price target is derived via a 2016E utility SOTP.

Upside scenario

Our upside case is premised upon applying higher multiples to the renewable business, which implies upside to \$117 per share. Further longer-term upside exists from the natural gas ratebase opportunity but that is largely past the current investment horizon.

Downside scenario

Our downside case is based upon Florida Power & Light (FPL) only achieving the low end of its 5-9% net income growth target with O&M limiting the company's ability to execute on ratebase growth through the 2016 rate-freeze as well as Energy Resources being unable to close any further solar/wind deals without an extension of the PTC in 2014. These factors as well as lower peer multiples for wind and solar implies downside to \$90 per share.

Upcoming catalysts

2H14	Decision on Oncor's plan of reorganization
Oct 31	Expected Update on drop-downs at NEP level
Dec '14	Expected FL PSC decision on ratebasing gas reserve

12-month rating

Buy

12m price target

US\$108.00

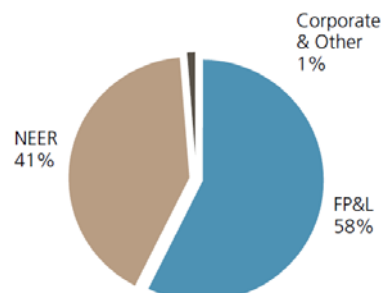
Business description

NextEra Energy, Inc. is one of the largest clean energy companies with over 42,000MW in generating capacity. The largest subsidiary is a regulated utility, Florida Power & Light (FPL), which serves over 4.5 million customers in Florida. The other primary subsidiary is NextEra Energy Resources, one of the largest wind and solar generators in the United States. Additionally, NextEra operates eight nuclear power units throughout the United States.

Industry outlook

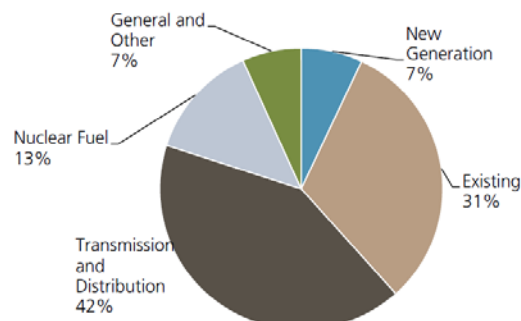
The electric utility industry is projected to experience weak or negative electric demand growth in coming years as a tepid economy and energy efficiency dampen demand. In the unregulated merchant power space, we see limited potential for a meaningful recovery from currently low power prices due to limited projected demand growth, growth of subsidized renewables, and potential for only modest further retirements. At regulated utilities, we believe rising interest rates and robust valuations are a challenge to the sector, particularly as earnings growth stalls once EPA-mandated growth CapEx slows mid-decade. We expect cost-cutting and strategic planning to be a key theme across both regulated and competitive companies, with M&A at modest (at best) premiums designed to extract cost synergies.

EPS by Segment (2016E) (%)



Source: Company Filings and UBS Estimates

Base CapEx FPL (2016E) (%)



Source: Company Filings and UBS Estimates

Solid quarter with continued commentary focused on growth opportunities for gas/midstream.

The Power Line on NEE:

We reiterate our preference for NextEra Energy (NEE) over NextEra Energy Partners (NEP) and our Buy rating on the sponsor shares. Please also see our 7/22 launch note on NextEra Partners 'Getting Winded' from last week. We remain constructive on NextEra's underlying renewable business and see details later this year on several of its proposed electric transmission (Boston reliability from Seabrook) and gas midstream (partnership with EQT) as likely gaining some clarity. We see substantial latitude to exceed investor expectations as we see an excess of cash, and rather a limitation around growth opportunities as throttling growth (with meaningful share repurchases a nice long-term baseline assumption supporting high single digit growth through the decade).

We see an eventual revision of 2016 EPS guidance as among the most salient positives, with the timeline now seemingly pointing to late 2014 or early 2015, once management gains further clarity on another PTC extension and new proposed southeast pipeline with EQT. However, the largest operational catalyst in 2014 is expected to be the decision from the Florida PSC on gas ratebasing, although that could slip to early 2015. While winning the bid for Oncor could be a home run, we still consider this as a 'long tail' event. We reiterate our constructive view on shares, seeing upside to our estimates on further organic and acquisition announcements through the year – coupled with favorable regulatory datapoints. We maintain our emphasis in the sector on Infrastructure stories like NEE – these include D, ITC, and SRE.

Debating the Latest YieldCo Datapoints

We include several key points of discussion of late around NextEra arising out of the call and investor discussions.

What's the trajectory of the drop-downs? Could be quicker.

While management clearly has an unparalleled yieldco story, the question remains to what extent management will accelerate the growth in its drop-downs above its targeted range to hit the 50/50 IDR splits faster. We suspect this could well be the case, especially seeing the equity markets as particularly attractive (and inviting) of an accelerated pace of drop-downs. We suspect should management gain good clarity on its future projects, it could yet opt to pursue this accelerated pace in 2015.

Minimizing the Dilution: how to think about drops in NEE's context

We perceive a growing issue among the NEE investor base (and a potential offset to our meaningfully above 2016 EPS guidance estimate) could yet be the dilutive effect of selling down a ~20% stake in the NEP business (and impact of subsequent ROFO drop-downs). While management stated that the cash would be rolled into its 'financing plan' at NEER, we read this to mean that it would be used to limited debt financing needs as its projections clearly indicate it will not need incremental equity through the current forecast period. Ultimately, with balance sheet deployment among management's clear top priorities, we're not necessarily surprised to see it bidding for assets like Oncor in order to plunk down a large pile of cash quickly to limit dilution. Moreover, the move towards NEP should only reinvigorate NEE's timeline to develop new assets (be it ratebase E&P, or midstream gas and electric transmission). We suspect an accelerated base of primarily organic

growth opportunities in 2H14 to help offset any of these nascent concerns. We estimate the impact of this dilution as ~\$0.05 by 2016.

Could Oncor qualify for the drop-down into the YieldCo?

Among the big questions in the sector is whether the YieldCo vehicle will increasingly be open to the acquisition of a regulated utility. The street appears increasingly infatuated by the concept of NEE's proposed acquisition of Oncor – and potential subsequent drop-down into the NEP vehicle. We are somewhat suspicious of this aim seeing regulated utilities (even if benefitting from a robust yield), as likely too exposed to regulatory volatility to be appropriate. Perhaps an appropriate 'structure' could be devised between NEE-NEP such that the volatility of any regulatory decisions could be retained by NEE as part of any drop-down. We are particularly concerned seeing over-earnings risk embedded in EFH's projections of Oncor earnings (per our estimates), which could potentially be offset by an acceleration in further (wind-related) transmission spend again. Net-net, we don't hold our breath on the Oncor transaction, especially about the drop-down strategy, but if structured right could really magnify the uplift for NEE.

There is a bit of circular logic here as well, seeing that should management get comfortable in dropping down the portfolio into NEP, it could yet compete with others in the upcoming auction for the Oncor assets. Specifically, we find it challenging for NEE to win as a stand-alone, seeing potential bidders include existing Utility REIT structures, as well as other outside low-capital cost infrastructure bidders (recall that Oncor is already 20% owned by infrastructure funds today under its current structure).

"Cleaning up the Assets" Third Party Acquisitions to NEP would likely flow through NEE first

Looking towards the potential for third party acquisitions, we believe NEE could yet pursue a modest third-party acquisition strategy to drop into NEP (although we're not that optimistic here, seeing NYLD as substantially more aggressive + motivated). To the extent NEE would do so, it appears oriented towards finding 'valuing' in more distressed wind portfolios (seemingly with operational issues), which could be 'remediated' and subsequently dropped into the NEP structure at a clear gain. We suspect this is speaking directly to the previous media attention towards a sale of the BP wind portfolio (or any other for that matter), which employs less reliable Suzlon turbines. Broadly, we see this strategy as differentiated and ensuring that the NEP strategy would accrete value back to NEE.

Wind outlook: takes a breather in 2Q14, but awaiting deal flow in 2H

Following some uncertainty over the PTC policies (par for the course), management expects development activity to accelerate in the back half of the year as plans to develop pickup around PPA activity. We continue to suspect wind development is materially ahead of street expectations (although management did not shift its 2016 wind development view), at least for merchant markets like Texas. We emphasize that management's focus remains clearly oriented towards interior/Midwest markets, where prices are quite competitive – and near 'competitive' with alternative sources of development.

Where is wind development going -> eastwards over time to meet RPS mandates

We suspect this trend will head increasingly eastwards, particularly should states like New York succeed in addressing their inefficient procurement methods (opting

to pursue a bundled energy/REC product through conventional PPAs, as is done in most of the country, rather than the ineffective REC-only approach currently pursued). The question remains whether (or *when* in our view) NEE decides to shift its development efforts modestly eastwards to tackle remaining RPS requirements across the PJM footprint. We flag that wind-by-wire transmission projects appear to offer a solution (albeit long-dated) of developing projects far from the citing hassles that typically plague eastern wind and solar projects.

What's the best monetization option? "Recycling capital" with wind sale above YieldCo drop-down multiple to DTE

Aside from the NEP 'sell-down', contracted wind declined by 75MW reflecting the Pheasant Run II sale to DTE Electric. The wind asset appeared like an ideal candidate for NEP given its 20 year PPA at \$49.25/MWh in an advantageous geography; however, the sale for ~\$40Mn gain appears to be at a ~15x EV / EBITDA. This price is higher than NEE would likely have realized in a drop-down to NEP (9-11x guidance).

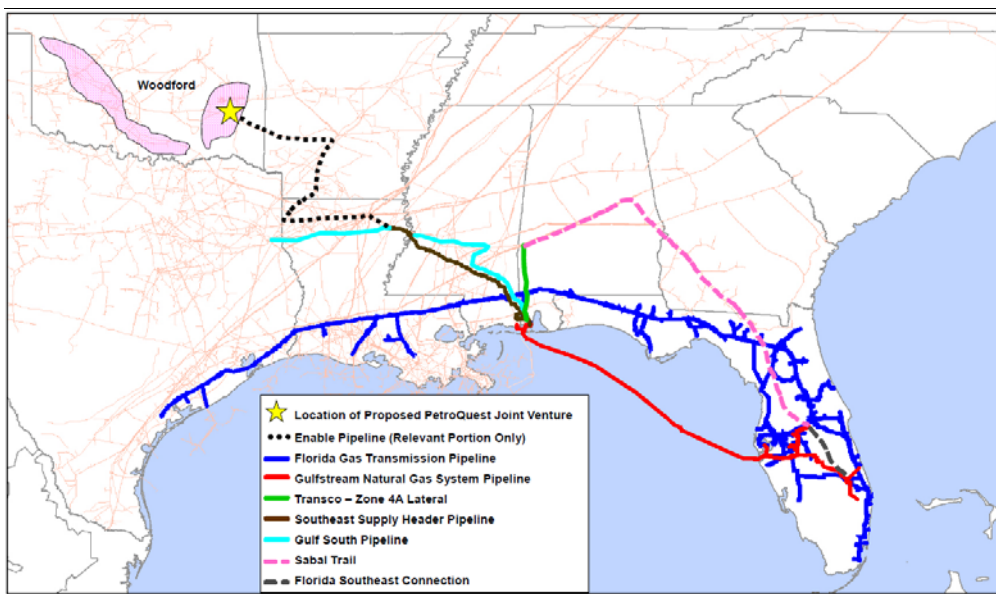
NextEra forms Woodford Shale JV with PetroQuest: Opens Ratebase Theme

In one of our recent NextEra Energy notes, 'A Windy, Gassy, Yieldy Opportunity Set', we indicated that a gas E&P ratebase proposal was very likely in the near term. It came even earlier than we thought: on June 25th, NextEra announced that Florida Power and Light (FPL) had formed a joint venture with oil and gas producer PetroQuest Energy (PQ) to develop up to 38 natural gas production wells in the Woodford Shale play (Oklahoma). Under the agreement, PQ will develop and operate the wells, and FPL will pay a share of the project's capital expenditures (FPL's portion is estimated at approximately \$191Mn NPV) in exchange for receiving natural gas. NextEra anticipates generating up to \$107Mn in savings for its customers over the life of the project.

NEE has moved quickly on the gas rate base opportunity

We expect the FL PSC to render its decision by the end of 2014/early 2015. Hearings and details on how the program should be implemented are likely to prove forthcoming in October.

Figure 1: NextEra Energy Gas Ratebase Opportunity



Source: NextEra Florida PSC Petition

What kind of EPS contributor could it be?

The move is aimed at ensuring long-term fuel price stability, which is key in a state where approximately 68% of the electricity comes from natural gas-fired generation. This JV agreement is only the beginning; assuming the acquisition and regulatory process go smoothly, we would expect to see similar, larger projects over the next few years. At this level of ~\$200Mn rate base, we would estimate ~\$10Mn of earnings (~\$0.02/sh consolidated earnings, or <1% of consolidated EPS) in ~2016. Average ratebase for FP&L is projected to grow from ~\$70 Mn in January 2015, with the proposed start of the program to \$171 Mn by year-end 2015. With ~\$170 Mn of CapEx estimated on top of the initial ratebase, we suspect ~\$200+ Mn in ratebase by 2016, with a clear potential to expand the current scale of gas procurement if approved.

Seeing that the proposal has been filed through its fuel docket, earnings would not be reflected in its monthly surveillance report, but largely outside of the rate case process. FL PSC docket is 140001-El.

While the initial spending would translate into less than 1% of consolidated earnings, there is opportunity for this program to grow.

ROE proposed in the program is equal to its current statutory rate of 10.5

Figure 2: NextEra Energy Predicted NPV Savings from Proposal

<u>Sensitivity Cases for Customer Savings</u>			
	"Low Fuel"	"Base Fuel"	"High Fuel"
Low Production	(\$14.4 MM)	\$72.6 MM	\$159.5 MM
Base Production	\$10.3 MM	\$106.9 MM	\$203.5 MM
High Production	\$34.1 MM	\$140.4 MM	\$246.7 MM

Source: NextEra FL PSC petition

Putting the announcement in perspective: big deal for sector and NEE

We re-include details from our last report on this subject from March 25th. What is the size of the opportunity? We believe the latest is part of an emerging trend in the sector with NWE, BKH, and STR all having proposals or active ratebase activities as well.

Overall, we see the latest proposal as part of NEE's latest efforts to deploy its balance sheet, as it seeks to both re-deploy proceeds raised from its latest IPO as well as continued de-levering of its balance sheet. We suspect management is likely eager to find new investment opportunities, as can be seen by its latest bid this week to take stake in the EFIH/Oncor T&D utility at TXU through the bankruptcy process. Additionally, we suspect the gas ratebase efforts emphasize a continued re-positioning of NEE around gas, complementing its latest midstream efforts with Sabal Trail (with SE) as well as latest JV with EQT for a further Southeast pipe from the Utica/Marcellus.

How big could this get? Nearly ~\$1/sh in EPS eventually.

Having said that, with FP&L consuming 1.5 BCF/day, even purchasing enough production to supply half those needs would probably require a substantial piece of nearby shale reserves – probably in the Haynesville shale where its Sabal Trail gas transmission pipeline is intended to connect to Transco Station 85 and transport up to 0.6 BCF/day beginning in May 2020.

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Figure 3: Recent Deal-flow in Eagle Ford and Haynesville Shale Plays

Date	Buyer	Seller	Total Transaction Value (\$mm)	Net Acreage	Total TV / Acre (\$/acre)	Upfront (\$mm)	Carry (\$mm)	% TV Upfront	% TV Carry	Net Daily Production (mcfepd)
Eagle Ford Shale										
11/20/2013	Baytex	Aurora	2,300	22,000	104,545	2,300	0	100%	--	109,200
11/20/2013	Devon Energy	GeoSouthern	6,000	82,000	73,171	6,000	0	100%	--	318,000
9/10/2013	Marathon Oil	Undisclosed	97	4,800	20,208	97	--	100%	--	-
9/9/2013	Sanchez Energy	Undisclosed	700	3,600	194,444	700	--	100%	--	12,000
7/3/2013	EXCO	Chesapeake Energy	680	55,000	12,364	680	--	100%	--	36,600
4/3/2013	Penn Virginia	Magnum Hunter	401	19,000	21,105	401	--	100%	--	18,000
3/25/2013	Undisclosed	ZaZa Energy	43	10,000	4,330	43	--	100%	--	-
3/18/2013	Sanchez Energy	Hess	265	43,000	6,163	265	--	100%	--	27,000
3/21/2014	Marathon Oil	Undisclosed	227	4,300	52,791	227	--	100%	--	17,400
7/30/2012	KKR	Comstock	67	2,667	25,000	767	--	100%	--	-
5/1/2012	Marathon Oil	Paloma	767	17,000	45,118	767	--	100%	--	42,000
1/6/2012	Marubeni	Hunt Oil								
9/29/2011	GAIL India	Carrizo Oil and Gas	95	4,040	23,515	64	31	67%	33%	2,800
6/29/2011	Mitsui	SM Energy	710	39,000	18,205	30	680	4%	96%	19,959
6/13/2011	Undisclosed	SM Energy	225	15,400	14,610	225	--	100%	--	-
6/1/2011	Marathon Oil	Hilcorp Resources	3,500	141,000	24,823	3,550	--	100%	--	60,000
3/21/2011	Korea National Oil Co	Anadarko Petroleum	1,550	96,000	16,146	--	1,550	--	100%	--
11/29/2010	Marathon	Denali Oil & Gas	209	75,000	2,787	209	--	100%	--	--
10/10/2010	CNOOC	Chesapeake Energy	2,160	200,000	10,800	1,080	1,080	50%	50%	--
10/10/2010	Talisman/Statoil	Enduring	1,325	97,000	13,660	1,325	--	100%	--	33,000
10/5/2010	Plains Exploration		578	60,000	9,633	578	--	100%	--	12,000
7/23/2010	EOG Resources	Cabot Oil & Gas		18,000						
6/24/2010	Reliance Industries	Pioneer Natural Resources	1,315	118,208	11,124	263	1,052	20%	80%	11,000
3/31/2010	Talisman Energy	Common Resources	360	37,000	9,730	360	--	100%	--	12,000
3/27/2010	Shell	Harrison Trust	1,000	100,000	10,000	1,000	--	100%	--	--
3/1/2010	BP	Lewis Energy	160	40,000	4,000	160	--	100%	--	--
11/2/2009	Petrohawk	Swift Energy	39	13,000	3,000	26	13	67%	33%	--
Median for Eagle Ford Shale				60,000	10,962					
Haynesville Shale										
7/3/2013	EXCO	Chesapeake Energy	320	9,600	33,333	320	--	100%	--	114,000
6/16/2010	EXCO	Southwestern Energy	355	20,063	17,694	355	--	100%	--	22,100
4/21/2010	BG Group & EXCO	Common Resources	446	29,200	15,274	446	--	100%	--	12,000
6/30/2009	BG Group	EXCO Resources	1,055	120,000	8,792	655	400	62%	38%	--
7/1/2008	Plains Exploration	Chesapeake Energy	3,150	110,000	28,636	1,650	1,500	52%	48%	--
Median for Haynesville Shale				69,600	16,484					

Source: UBS E&P Investment Research effort led by William Feathersen

Just half the daily consumption of 0.75 BCF/day of production would probably require over 5 TCF of reserves over 20 years. Assuming a hypothetical long-term ratebase deal with an E&P market cost of capital of 15.0%, as well as a levelized cost of \$4.50/MCF would result in a rough NPV of \$8B. This is somewhat consistent with the recent dealflow in both the Haynesville and Eagleford plays as shown in the table above (perhaps conservatively low vs amounts paid for various production levels). One must also consider that decline rates would necessitate purchasing the reserves in pieces over time to keep production steady, thus floating the average price to a certain extent (for better or for worse). Ratebase of \$8B that earns a 10.5% return on 47% equity in a long-term risk-compensating rate deal would hypothetically generate \$395M of earnings or \$0.92/share. At FP&L's premium P/E multiple of 16x, we estimate that would be worth \$13/sh upside (dribbled in over time) to NEE.

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Initial Responses to North Carolina Gas RFP Indicate Race

Competition is heating up to construct the next major greenfield pipeline to the Southeast, as initial proposals from several developers proposals were submitted. While we continue to believe that Duke will be an eventual partial owner in any of the billion-dollar proposals, we flag the following initial projects:

- 1) Dominion, which has repeatedly talked in recent months of a ~\$4 Bn project to serve Virginia and seemingly Eastern NC
- 2) Spectra: is also looking to develop a project. Given Duke's historical relationship with this company, we wouldn't be surprised to see the company team up, particularly seeing comments from management specifically pointing to the successful integration of a utility and midstream developer in the case of Florida and Sable trail
- 3) NextEra and EQT: appear to have teamed up to propose their own solution. We see this as the least likely among the proposals, but indicate of NEE's 'shotgun' like approach in pursuing a development pipeline in 2017+ of both electric transmission and now gas-midstream. The Mountain Valley Pipeline would involve a 330-mile project with an initial firm capacity of at least 2 Bcf/d. If approved by FERC, it will be in-service by 4Q18 and deliver gas to the Transco 165 station. They have initiated a non-binding open season to assess commercial interest. EQT, along with two other shippers have already agreed to a combined 1 Bcf/d of firm transmission capacity via 20-year contracts. NextEra expects the venture to be fully contracted for the next 20 years. EQT will have the majority interest in the joint venture. Currently NextEra is reviewing the results of the open season and characterized the proposals as "very strong". They expect a decision by year end.

We continue to look for Duke and Piedmont to select a final winner in the RFP by year-end. While the RFP is technically for 900 mcf/d, we suspect any project would be sized well beyond (or least potentially beyond) this level (with added compression, etc) to meet further eventual incremental needs. We also believe any project to the Southeast would be supported by utility needs in Virginia among other states.

An encore performance for Oncor bankruptcy proceedings

Management briefly commented on the pending Energy Future Holding (EFH) bankruptcy proceeding with Oncor where the company reiterated its commitment and that the "revised proposal would provide substantial value to all stakeholders."

With competing offers from others, including the Hunt family (owner of privately held InfraREIT in Texas), NEE's most recently enhanced offer for Oncor includes a two-step plan to acquire 100% of reorganized EFH (which owns 80% of Oncor). In the transmittal letter, NEE states that its new offer implies a \$500M increase in value for Oncor at a significantly higher EV than under the current RSA proposal, which would reduce our \$0.10 pre-synergies accretion est. by -\$0.04. With the process potentially headed towards an auction for Oncor, NEE may no longer prove the high bid.

For further details please refer to our recent notes 'Kicking up our NEE' and 'NextEra's Bold Attempt to Rope A Texas Utility'.

All companies in the Southeast appear quite confident – and we suspect multiple new greenfield projects may come to fruition

On the Mountain Valley Pipeline: "Results of the open season ...were very strong and confirm our view that the Mountain Valley project is very attractive to a wide range of potential shippers" – CFO Moray Dewhurst 2Q14 Earnings Call

While we still view NEE's probability of success in the EFH bankruptcy proceeding as remote, this is yet another example of management being willing to explore alternative avenues to deploy excess to generate EPS

Wind sale does not have material implications for the drop-down story

The 75MW Pheasant Run II wind asset was sold to DTE Electric in June for \$270Mn and we assume that the sale of the <10 MW coal asset was immaterial and allocate the disclosed cash proceeds and asset gain to the wind asset. The wind asset appeared like an ideal candidate for NEP given its 20 year PPA at \$49.25/MWh in an advantageous geography; however, the sale for ~\$40Mn gain appears to be at a ~15x EV / EBITDA. This price is higher than NEE would likely have realized in a drop-down to NEP (9-11x guidance). We continued to assume that the vast majority of YieldCo eligible assets will be transferred to NEP but would expect NEE to be opportunistic in selling when the transaction multiple makes sense (high EV / EBITDA or low CAFD yield). For example, selling to a utility with the opportunity to ratebase the asset implies more economics to share between the parties.

We estimate that NEE monetized Pheasant Run II at ~15x EV / EBITDA to a regulated utility.

Figure 4: Pheasant Run II Analysis

Pheasant Run II Analysis	
Est. Proceeds from DTE Electric (\$Mn)	\$273
Estimated Cost (\$Mn)	\$232
NEE Gain on Asset Sale (\$0.06/sh)	\$41
Asset EBITDA Approx. Estimate (\$Mn)	\$18
EV / EBITDA	15.2x

Source: Company Filings and UBS Estimates

Valuation: Reiterate Buy and \$108 PT

Our valuation is based on a utilities sum-of-the-parts methodology where we ascribe value between Energy Resources (~40%) and FP&L (~60%). We continue to value NEER at 9x for the traditional generation, and to apply a separate development pipeline value to the parent for known projects (\$2/sh), seeing a distinct value proposition in the added value of a continued opportunity for YieldCo growth. Additionally, we apply a 14.5x multiple on wind and solar to give credit to NEE's ability to drop-down assets at the NEP level at industry-high multiples, which is derived as the average of the two. We continue to apply a 7x multiple (1x premium that adds \$1/sh) for the Gas Infrastructure business to reflect the potential for growth in gas reservoir ratebase (ahead of any formal timetable for utility acquisition/scale). At FP&L, we continue to apply a 2x premium valuation to the regulated business as it is one of the fastest growing utilities (largely due continued positive customer migration, although growth is decelerating lately) which also carries one of the lowest O&M profiles (set to decline substantially when Project Momentum begins yielding benefits later in 2014).

Our earnings estimates remain unchanged following the report.

NEE has remained range-bound on a relative basis YTD as 'YieldCo mania' has not driven sponsor outperformance despite the uplift we embed in shares after the IPO of NEP.

Figure 5: Updated NextEra Sum-of-the-Parts Valuation

2016e Adj. EBITDA		EV/EBITDA & P/E Multiple			Enterprise Value		
		Low	Base	High	Low	Base	High
Energy Resources							
Traditional Generation	939	8.0x	9.0x	10.0x	7,510	8,449	9,388
Wind (Total)	1,225	13.5x	14.5x	15.5x	16,531	17,755	18,980
Hedges (Texas 'Merchant' Wind)	(81)	13.5x	14.5x	15.5x	(1,095)	(1,176)	(1,257)
Tax Credits (PTC)	1,180	7.0x	8.0x	9.0x	8,257	9,437	10,617
Less NEP Initial Wind Assets	(165)	13.5x	14.5x	15.5x	(2,232)	(2,397)	(2,562)
Solar (Total), excl ITC	339	13.5x	14.5x	15.5x	4,580	4,919	5,259
Less NEP Initial Solar Assets	(88)	13.5x	14.5x	15.5x	(1,181)	(1,269)	(1,356)
Gas Infrastructure	357	6.0x	7.0x	8.0x	2,141	2,498	2,855
Trading & Retail	134	4.0x	5.0x	6.0x	537	672	806
Total / Implied (ex-ITC)	3,839	9.1x	10.1x	11.1x	35,049	38,889	42,728
Add: Silver State Solar NPV					583	\$1.25	
Add: NPV Florida Gas Pipeline					775	\$1.66	
Add: NPV of Remaining Solar and Wind Project Pipeline					1,086	\$2.32	
Add: NPV of Texas Hedge					296	\$0.63	
Less: Total NextEra Debt						(33,020)	
Netting FP&L-associated debt						9,490	
Netting NextEra Transmission-associated debt						416	
Netting Pipeline debt						-	
Netting NEP Debt						1,655	
Net NEE Resources Debt						(21,459)	
NextEra Energy Resources					14,366	20,170	22,044
Shares Outstanding (2016e)					467	467	467
NextEra Energy Resources Value per Share					\$30.73	\$43.15	\$47.16
2016e NI		P/E Multiple					
		Low	Peer	Prem/Discount	Base Multiple	High	
Florida Power & Light	1,662	14.8x	14.8x	1.0x	15.8x	16.8x	24,603
NextEra Transmission	34	15.8x	14.8x	2.0x	16.8x	17.8x	544
Total Utility	1,697	14.8x			15.8x	16.8x	25,146
Shares Outstanding (2016e)					467	467	467
NextEra Utilities Value per Share					\$53.79	\$57.42	\$61.05
Value of the NEP GP per Share					\$0.61	\$1.61	\$2.61
Value of the NEP LP per Share					\$2.83	\$3.83	\$4.83
Delta between value of NEP LP and market value of NEP per NEE share					\$2.70	\$1.70	\$0.70
NEP Value per Share					\$6.14	\$7.14	\$8.14
Total Equity Value per Share					\$90.66	\$107.71	\$116.35

Source: Company Filings and UBS Estimates

Successful launch of NextEra Energy Partners (NEP)

We reiterate our Neutral rating and our \$34 PT on NEP. NextEra successfully launched its own YieldCo, NEP, on June 27th. Since then, the stock has rallied some 40%. NextEra expects NEP to generate ~\$250 Mn of EBITDA and ~\$87 Mn of CAFD over the next twelve months, in line with what was indicated in the S-1. Additionally, mgmt. confirmed its intention to make initial distributions of \$0.75 per unit annualized. Interestingly, mgmt. indicated that it will use NEP to essentially eliminate NextEra's financing needs; as such, it does not expect NextEra to issue more equity this year. Finally, while still being cautious, mgmt. indicated that it could see NextEra acquire lower quality assets, "clean" them up, and drop them at the NEP level once those fit the YieldCo mold.

Florida economy warrants monitoring

Ex-weather sales declined for the first time since at least 2012 and the decline in usage (1.3%) was the greatest over that horizon. While this could just be a one quarter 'blip' with Florida holding as one of the stronger markets there are signs of the rate of economic improvement slowing. For example, the rate unemployment declines have moderated and the rate is firming around 6%. While not an ideal comp, we look for further data with TECO's earnings (7/31) from Tampa Electric. With NextEra having the benefits of depreciation amortization and expecting to reverse the bookings in 1H14 we have minimal concerns in the near-term but continue to monitor for signs that the premium is contracting relative to other markets.

The utility load was uncharacteristically weak in 2Q, although not unexpected given the leading datapoints.

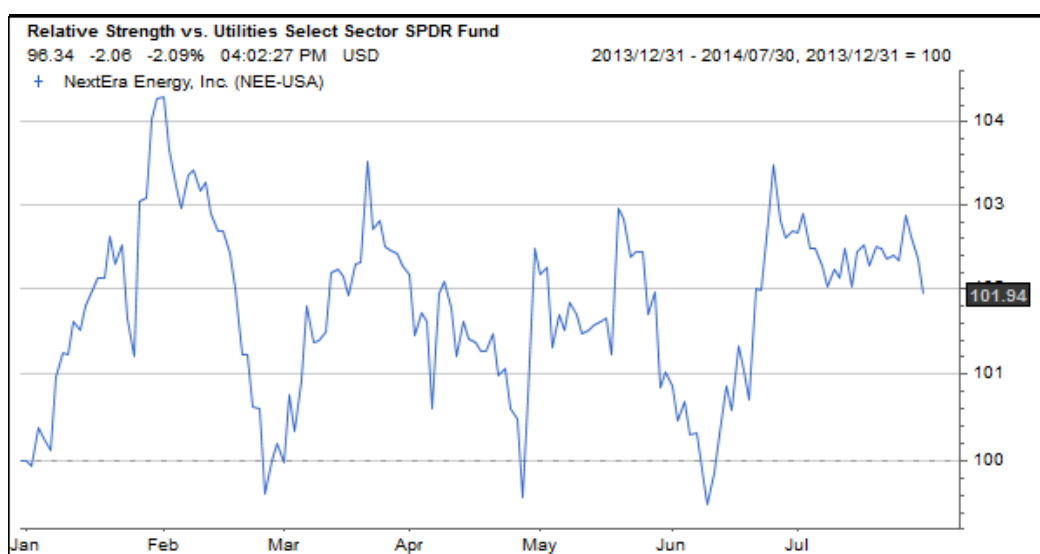
Figure 6: Retail Sales Growth Breakdown

Retail kWh Sales (YoY Changes)	4Q12	1Q13	2Q13	3Q13	4Q13	FY13	1Q14	2Q14
Customer Growth & Mix	0.8%	0.7%	0.8%	0.5%	0.8%	0.6%	1.1%	1.0%
- Usage from Leap Yeap	N/A	-1.2%	N/A	N/A	N/A	N/A	N/A	N/A
+ Usage Change Due to Weather	0.4%	-2.9%	-0.6%	-0.7%	5.3%	0.2%	2.9%	1.9%
+ Underlying Usage Increase/(Decline)	-0.5%	-0.1%	0.8%	-0.4%	1.0%	0.4%	0.4%	-1.3%
= Retail Sales Growth	0.7%	-3.5%	1.0%	-0.6%	7.1%	1.2%	4.4%	1.6%
Retail Sales Growth (ex-Weather)	0.30%	0.60%	1.60%	0.10%	1.80%	1.00%	1.50%	-0.30%

Source: Company Filings and UBS Estimates

NextEra has traded in a relatively tight relative range thus far in 2014 and has not been as volatile as other power exposed integrated names due to its FP&L "anchor" comprising 50% of our valuation.

Figure 7: NEE Performance YTD



Source: FactSet

NextEra Energy (NEE.N)

Income statement (US\$m)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
Revenues	15,151	14,290	15,136	16,026	5.9	16,969	5.9	17,700	18,305	18,679
Gross profit	8,895	9,169	10,178	10,662	4.8	11,479	7.7	12,076	12,544	12,777
EBITDA (UBS)	4,755	4,797	5,704	6,195	8.6	6,906	11.5	7,390	7,771	7,957
Depreciation & amortization	(1,567)	(1,518)	(2,163)	(2,332)	7.8	(2,571)	10.2	(2,734)	(2,755)	(2,776)
EBIT (UBS)	3,188	3,279	3,541	3,863	9.1	4,335	12.2	4,655	5,016	5,181
Associates & investment income	95	298	425	251	-40.8	337	34.2	409	436	432
Other non-operating income	0	0	0	0	-	0	-	0	0	0
Net interest	(917)	(971)	(1,043)	(968)	7.2	(1,050)	-8.5	(1,089)	(1,017)	(959)
Exceptionals (incl goodwill)	0	0	0	0	-	0	-	0	0	0
Profit before tax	2,366	2,606	2,923	3,147	7.7	3,622	15.1	3,975	4,435	4,654
Tax	(529)	(692)	(801)	(776)	3.1	(919)	-18.4	(993)	(1,201)	(1,297)
Profit after tax	1,837	1,914	2,122	2,370	11.7	2,703	14.0	2,983	3,234	3,357
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	0	0	0	0	-	0	-	0	0	0
Extraordinary items	86	(3)	(415)	(127)	69.4	0	-	0	0	0
Net earnings (local GAAP)	1,923	1,911	1,706	2,243	31.5	2,703	20.5	2,983	3,234	3,357
Net earnings (UBS)	1,837	1,914	2,122	2,370	11.7	2,703	14.0	2,983	3,234	3,357
Tax rate (%)	22.4	26.6	27.4	24.7	-10.0	25.4	2.9	25.0	27.1	27.9
Per share (US\$)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
EPS (UBS, diluted)	4.38	4.57	4.97	5.38	8.2	5.94	10.5	6.38	6.94	7.21
EPS (local GAAP, diluted)	4.59	4.56	4.00	5.09	27.4	5.94	16.8	6.38	6.94	7.21
EPS (UBS, basic)	4.38	4.57	4.97	5.38	8.2	5.94	10.5	6.38	6.94	7.21
Net DPS (US\$)	2.20	2.40	2.64	2.80	6.0	2.97	6.0	3.14	3.33	3.53
Cash EPS (UBS, diluted)*	8.12	8.19	10.03	10.67	6.3	11.59	8.7	12.23	12.86	13.17
Book value per share	35.50	37.97	42.25	46.64	10.4	47.95	2.8	49.64	53.25	56.88
Average shares (diluted)	419.00	419.20	427.00	440.78	3.2	454.94	3.2	467.45	465.79	465.79
Balance sheet (US\$m)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
Cash and equivalents	377	329	438	439	0.3	440	0.2	441	440	441
Other current assets	4,495	4,908	5,404	4,926	-8.9	5,078	3.1	5,158	5,233	5,267
Total current assets	4,872	5,237	5,842	5,365	-8.2	5,518	2.8	5,598	5,674	5,707
Net tangible fixed assets	42,490	49,413	52,720	56,614	7.4	61,567	8.7	64,954	65,196	65,065
Net intangible fixed assets	0	0	0	0	-	0	-	0	0	0
Investments / other assets	9,826	9,789	10,744	10,944	1.9	11,144	1.8	11,344	11,544	11,744
Total assets	57,188	64,439	69,306	72,922	5.2	78,229	7.3	81,896	82,414	82,516
Trade payables & other ST liabilities	4,562	4,697	4,732	4,737	0.1	4,765	0.6	4,792	4,803	4,803
Short term debt	2,157	4,182	4,457	647	-85.49	655	1.21	643	612	568
Total current liabilities	6,719	8,879	9,189	5,383	-41.4	5,420	0.7	5,435	5,415	5,370
Long term debt	20,810	23,177	23,969	27,776	15.9	30,699	10.5	31,610	29,634	27,218
Other long term liabilities	14,716	16,315	18,108	19,204	6.1	20,296	5.7	21,649	22,560	23,436
Preferred shares	0	0	0	0	-	0	-	0	0	0
Total liabilities (incl pref shares)	42,245	48,371	51,266	52,363	2.1	56,415	7.7	58,693	57,609	56,025
Common s/h equity	14,943	16,068	18,040	20,560	14.0	21,814	6.1	23,203	24,805	26,492
Minority interests	0	0	0	0	-	0	-	0	0	0
Total liabilities & equity	57,188	64,439	69,306	72,922	5.2	78,229	7.3	81,896	82,414	82,516
Cash flow (US\$m)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
Net income (before pref divs)	1,923	1,911	1,706	2,243	31.5	2,703	20.5	2,983	3,234	3,357
Depreciation & amortization	1,567	1,518	2,163	2,332	7.8	2,571	10.2	2,734	2,755	2,776
Net change in working capital	(502)	(190)	(53)	483	-	(123)	-	(53)	(65)	(34)
Other operating	1,086	753	1,080	1,190	10.2	1,118	-6.0	1,282	859	827
Operating cash flow	4,074	3,992	4,896	6,248	27.6	6,270	0.3	6,946	6,783	6,926
Tangible capital expenditure	(6,276)	(8,951)	(6,289)	(7,534)	-19.8	(7,776)	-3.2	(6,212)	(2,934)	(2,584)
Intangible capital expenditure	0	0	0	0	-	0	-	0	0	0
Net (acquisitions) / disposals	639	0	0	0	-	0	-	0	0	0
Other investing	358	23	1	(17)	-	(17)	-	(17)	(17)	(17)
Investing cash flow	(5,279)	(8,928)	(6,288)	(7,551)	-20.1	(7,793)	-3.2	(6,229)	(2,951)	(2,601)
Equity dividends paid	(920)	(1,004)	(1,122)	(1,233)	-9.9	(1,349)	-9.4	(1,470)	(1,552)	(1,590)
Share issues / (buybacks)	(327)	386	842	1,000	18.8	0	-	734	(1,000)	(1,500)
Other financing	(118)	(242)	(226)	(219)	3.10	(219)	0.00	(219)	(219)	(219)
Change in debt & pref shares	4,400	6,691	3,651	1,166	-68.06	2,082	78.51	231	(2,092)	(2,166)
Financing cash flow	3,035	5,831	3,145	714	-77.3	513	-28.1	(723)	(4,863)	(5,476)
Cash flow inc/(dec) in cash	1,830	895	1,753	(589)	-	(1,010)	-71.6	(7)	(1,031)	(1,150)
FX / non cash items	(1,755)	(943)	(1,644)	590	-	1,011	71.4	7	1,031	1,150
Balance sheet inc/(dec) in cash	75	(48)	109	1	-98.8	1	-42.1	1	0	0

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.*Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

NextEra Energy (NEE.N)

Valuation (x)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
P/E (local GAAP, diluted)	12.1	14.4	20.0	19.3	16.6	15.4	14.2	13.7
P/E (UBS, diluted)	12.7	14.4	16.1	18.3	16.6	15.4	14.2	13.7
P/CEPS	6.8	8.0	8.0	9.2	8.5	8.0	7.7	7.5
Equity FCF (UBS) yield %	(9.4)	(18.0)	(4.1)	(3.0)	(3.5)	1.7	8.9	10.0
Net dividend yield (%)	4.0	3.6	3.3	2.8	3.0	3.2	3.4	3.6
P/BV x	1.6	1.7	1.9	2.1	2.1	2.0	1.8	1.7
EV/revenues (core)	2.9	3.6	4.0	4.4	4.2	4.2	4.0	3.8
EV/EBITDA (core)	9.3	10.8	10.6	11.4	10.4	10.0	9.4	8.9
EV/EBIT (core)	13.9	15.8	17.1	18.3	16.6	15.9	14.6	13.7
EV/OpFCF (core)	NM	NM	NM	NM	NM	NM	15.2	13.3
EV/op. invested capital	1.2	1.3	1.4	1.5	1.4	1.4	1.4	1.3
Enterprise value (US\$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Market cap.	23,370	27,527	33,892	43,296	43,296	43,296	43,296	43,296
Net debt (cash)	21,895	25,163	27,893	28,424	29,888	31,803	31,249	29,016
Buy out of minorities	0	0	0	0	0	0	0	0
Pension provisions/other	0	0	0	0	0	0	0	0
Total enterprise value	45,265	52,690	61,785	71,720	73,184	75,099	74,545	72,312
Non core assets	(907)	(976)	(1,121)	(1,117)	(1,117)	(1,117)	(1,117)	(1,117)
Core enterprise value	44,358	51,714	60,664	70,603	72,067	73,982	73,428	71,195
Growth (%)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Revenue	0.7	-5.7	5.9	5.9	5.9	4.3	3.4	2.0
EBITDA (UBS)	-0.4	0.9	18.9	8.6	11.5	7.0	5.2	2.4
EBIT (UBS)	7.4	2.9	8.0	9.1	12.2	7.4	7.7	3.3
EPS (UBS, diluted)	1.8	4.1	8.8	8.2	10.5	7.4	8.8	3.8
Net DPS	10.0	9.1	10.0	6.0	6.0	6.0	6.0	6.0
Margins & Profitability (%)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Gross profit margin	58.7	64.2	67.2	66.5	67.6	68.2	68.5	68.4
EBITDA margin	31.4	33.6	37.7	38.7	40.7	41.8	42.5	42.6
EBIT margin	21.0	22.9	23.4	24.1	25.5	26.3	27.4	27.7
Net earnings (UBS) margin	12.1	13.4	14.0	14.8	15.9	16.9	17.7	18.0
ROIC (EBIT)	8.9	8.3	8.1	8.3	8.7	8.8	9.3	9.7
ROIC post tax	6.9	6.1	5.9	6.2	6.5	6.6	6.8	7.0
ROE (UBS)	12.5	12.3	12.4	12.3	12.8	13.3	13.5	13.1
Capital structure & Coverage (x)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Net debt / EBITDA	4.8	5.7	5.0	4.6	4.5	4.4	3.9	3.5
Net debt / total equity %	153.7	170.3	157.6	138.2	143.7	139.0	121.9	104.9
Net debt / (net debt + total equity) %	60.6	63.0	61.2	58.0	59.0	58.2	54.9	51.2
Net debt/EV	51.8	52.9	46.9	40.3	43.5	43.6	41.2	39.0
Capex / depreciation %	NM	NM	NM	NM	NM	NM	106.5	93.1
Capex / revenue %	NM	NM	NM	NM	NM	NM	16.0	13.8
EBIT / net interest	3.5	3.4	3.4	4.0	4.1	4.3	4.9	5.4
Dividend cover (UBS)	2.0	1.9	1.9	1.9	2.0	2.0	2.1	2.0
Div. payout ratio (UBS) %	50.2	52.6	53.1	52.0	49.9	49.3	48.0	49.0
Revenues by division (US\$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Others	15,151	14,290	15,136	16,026	16,969	17,700	18,305	18,679
Total	15,151	14,290	15,136	16,026	16,969	17,700	18,305	18,679
EBIT (UBS) by division (US\$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Others	3,188	3,279	3,541	3,863	4,335	4,655	5,016	5,181
Total	3,188	3,279	3,541	3,863	4,335	4,655	5,016	5,181

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	+9.8%
Forecast dividend yield	3.0%
Forecast stock return	+12.8%
Market return assumption	5.5%
Forecast excess return	+7.3%

Statement of Risk

We believe the primary risk for NextEra Energy, Inc. (NEE) is that it is unable to deliver on its incremental growth opportunities beyond its baseline capex program. At NextEra Energy Resources (NEER), the unregulated subsidiary, the key risks are demand for new wind and solar projects, expiration of the wind production tax credit (PTC), and declining natural gas prices impacting the earnings of its already installed renewable and traditional generation.

In our opinion, the main risk to our investment thesis on NEE comes from the unregulated subsidiaries. In particular, we are concerned that spark spreads volatility will yield a poor return on NEER's merchant portfolio. Given its large wind generation pipeline, NextEra (its merchant subsidiary) is highly exposed to operational, construction, and financial risk. Further, its longer term competitiveness is premised on utilities' continuing to sign PPAs to purchase renewable resources. Given the company's ownership of nuclear assets it faces the risk of nuclear accidents. Gexa Energy, its marketing retail arm, is primarily exposed to volumetric, credit, and collateral-related risks, among others. Given the volatility in natural gas and power prices, there is risk of significant deviations from the various risk management mechanisms that NEER has put in place.

At NEE's Florida Power & Light utility we think the main risk to our forecast comes from unfavorable weather conditions (above/below normal heating degree-days) and demand impact associated with its large residential exposure in southern Florida. In addition, adverse regulatory changes and denial of reasonable rate relief could affect FP&L earnings going forward.

Required Disclosures

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UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition	Coverage ¹	IB Services ²
Buy	FSR is > 6% above the MRA.	48%	33%
Neutral	FSR is between -6% and 6% of the MRA.	41%	30%
Sell	FSR is > 6% below the MRA.	11%	23%
UBS Short-Term Rating	Definition	Coverage ³	IB Services ⁴
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%

Source: UBS. Rating allocations are as of 30 June 2014.

1:Percentage of companies under coverage globally within the 12-month rating category. 2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category. 4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

KEY DEFINITIONS: **Forecast Stock Return (FSR)** is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months. **Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium). **Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation. **Short-Term Ratings** reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case. **Equity Price Targets** have an investment horizon of 12 months.

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UBS Securities LLC: Julien Dumoulin-Smith; Michael Weinstein; Paul Zimbardo.

Company Disclosures

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
DTE Energy Co. ^{2, 4, 5, 6, 16}	DTE.N	Neutral	N/A	US\$75.40	30 Jul 2014
NextEra Energy ^{6, 16}	NEE.N	Buy	N/A	US\$96.34	30 Jul 2014
NextEra Energy Partners LP ^{2, 4, 5, 16}	NEP.N	Neutral	N/A	US\$34.52	30 Jul 2014

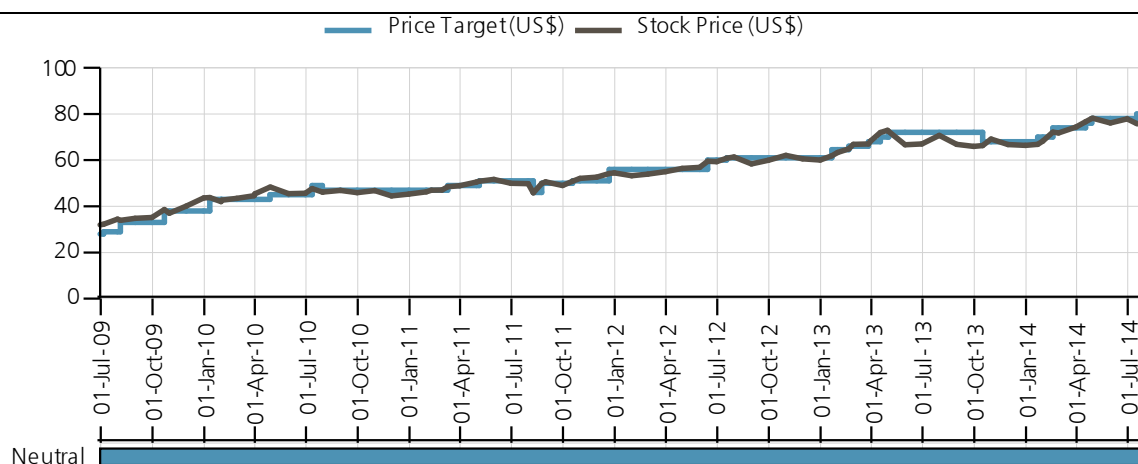
Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

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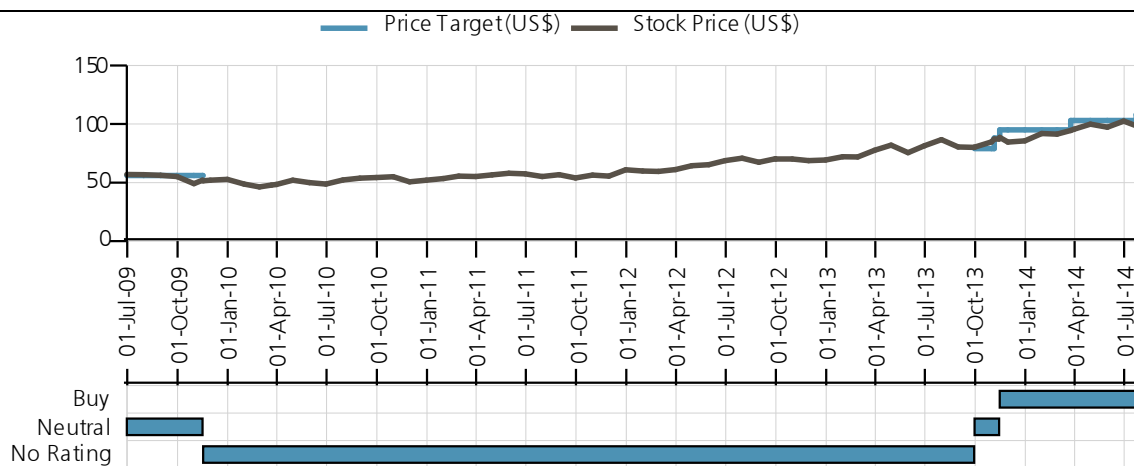
Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

DTE Energy Co. (US\$)



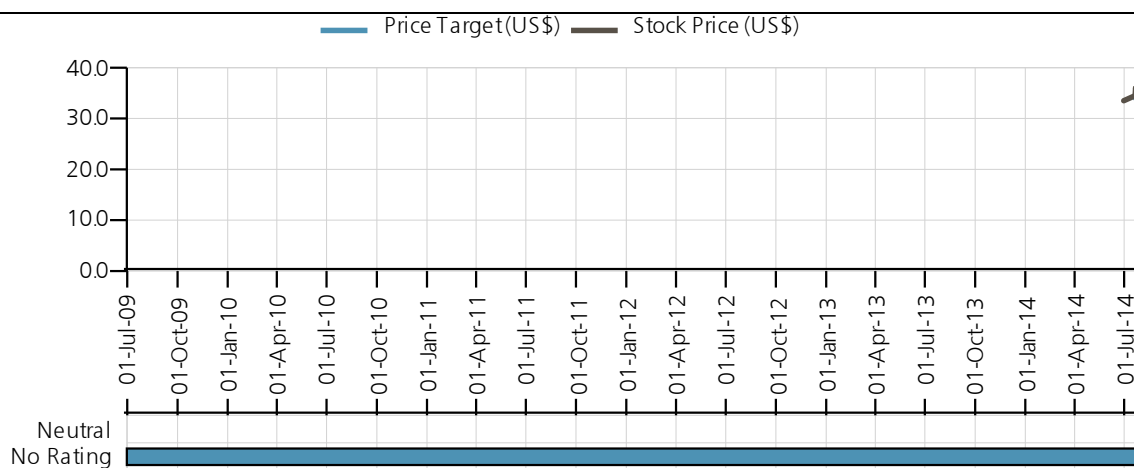
Source: UBS; as of 30 Jul 2014

NextEra Energy (US\$)



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NextEra Energy Partners LP (US\$)



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