FitchRatings

Corporates
Power Markets & Generation
United States

NextEra Energy Partners, LP

Fitch Ratings views positively the recent natural gas pipelines sale announcement by NextEra Energy Partners, LP (NEP) as it takes care of the convertible equity portfolio financing (CEPF) buyouts through 2025. There are three CEPF buyouts remaining post 2026. Fitch's current ratings and Outlook assume management will look to resolve 2026 and beyond CEPFs buyouts in a manner that is consistent with our 100% equity treatment of CEPFs. Fitch does not assume any CEPF buyouts are financed by the issuance of long-term holding company (holdco) debt.

NEP's ratings reflect relatively stable cash flows generated by a portfolio of long-term contracted wind, solar and natural gas pipeline assets and sponsor affiliation with NextEra Energy, Inc. (NextEra; A–/Stable). The ratings reflect the financial complexity and structural subordination of holdco debt resulting from limited recourse project debt financings, tax equity and CEPF structures deployed by the company across its project subsidiaries.

Key Rating Drivers

Asset Sales Resolve Near-Term CEPF Financing: Announced natural gas pipelines sales are eliminating equity issuances that would otherwise be required to complete CEPF buyouts planned for 2023 through 2025, a credit positive. Suspensions of the incentive distribution rights (IDR) fees, announced earlier this year should mostly replace the loss of cash available for distribution (CAFD) from the pipeline asset sale.

On Nov. 8, 2023, NEP entered into a definitive agreement to sell its Texas natural gas pipeline portfolio for $1.815 billion to Kinder Morgan, Inc. (KMI; BBB/Stable). The sale is expected to close in 1H24. Net proceeds will be used to buy out $1.1 billion remaining under the NEP Renewables II CEPF beyond 2023, and repay a portion of the revolver being used to finance some of the 2023 CEPFs buyouts.

Fitch expects the NEP pipelines CEPF buyout to be completed by 2025 with the proceeds from the sale of the Meade natural gas pipeline, as previously announced, resolving buyouts of all CEPFs outstanding through 2025. (STX Midstream, fully bought out in 2023, 2019 NEP Pipelines/Meade and NEP Renewables II).

Large Upcoming Refinancing: Fitch projects NEP's cash flows to come under pressure due to a large portion of the capital structure being refinanced in the near term at materially higher interest rates versus average fixed interest rates on current long-term debt of less than 3%. There is $1.25 billion of holdco debt maturing within the next 12 months. The remaining $2.2 billion of long-term holdco debt is maturing within the next three years.

In October 2023, given the change in market sentiment of higher interest rates for a longer period, NEP entered into a $1.85 billion treasury rate lock at 4.3% to 4.5% intended to hedge $1.85 billion of holdco debt maturities in 2024 and 2025.

Slower Growth, A Credit Positive: Following the dividend growth cut earlier this year, NEP is expected to continue to grow, although at a slower pace than before, a credit positive. Growth in the next couple of years will be supported by organic growth and acquisitions. NEP plans to repower the majority of its wind portfolio in future years, which is typically cheaper than new greenfield investments. NEP expects to continue to look to acquire wind, solar and storage assets from NextEra Energy Resources, the renewable subsidiary of NextEra, and other third parties.

On Sept. 27, 2023, NEP announced a unit growth rate reduction of 5%–8%, with a 6% target through at least 2026. Fitch viewed previous growth of 12%–15% as fairly aggressive compared with the growth rate targeted by peers. Reduction in the growth target was driven by tighter monetary policy and higher interest rates, affecting the financing needed to grow distributions at an aggressive rate.

At the same time, Fitch believes increasing leverage and refinancing costs in the next couple of years could put pressure on maintaining the current 6% dividend growth target, as payout is expected to approach 100% over the forecast period.

Leverage Headroom Reducing: Fitch expects holdco debt/parent only FFO to increase to around 4.9x through 2025–2026, in-line with the ratings, but higher than previously expected. Most of the capex/acquisitions are expected to be financed by holdco and nonrecourse project debt as management committed to not issuing any growth equity through 2026.

Ratings

NextEra Energy Partners, LP	
Long-Term IDR	BB+
Outlook	
Long-Term IDR	Stable
Nextera Energy Operating Partners, LP	
Long-Term IDR	BB+
Debt Rating	
Senior Unsecured Debt — Long-Term Rating	BB+
Outlook	
Long-Term IDR	Stable

Click here for NextEra Energy Partners, LP's full ratings

Click here for NextEra Energy Operating Partners, LP's full ratings

2035 Climate Vulnerability Score: 15

Applicable Criteria

Corporate Rating Criteria (November 2023)

Corporates Recovery Ratings and Instrument Ratings Criteria (October 2023)

Parent and Subsidiary Linkage Rating Criteria (June 2023)

Corporate Hybrids Treatment and Notching Criteria (November 2020)

Related Research

Global Corporates Macro and Sector Forecasts

Fitch Affirms NextEra Energy Partners at 'BB+'; Outlook Stable (December 2023)

North American Utilities, Power & Gas Outlook 2024 (December 2023)

Analysts

Ivana Ergovic
+1 212 908-0354
ivana.ergovic@fitchratings.com

Shalini Mahajan
+1 212 908-0351
shalini.mahajan@fitchratings.com

We assign 100% equity credit to CEPFs and assumed NEP would complete its remaining CEPF buyouts post 2025 with a combination of equity issuance and nonrecourse debt at the asset level to fund cash buyout portions, with no issuance of holdco level debt. Based on our calculations parent only FFO leverage stood at 3.9x in 2022. Management has a target of holdco debt/FFO at 4.0x–5.0x, which it managed in the last several years. We define parent only FFO as run-rate project distributions less holdco G&A expenses, fees for management service agreement, credit fees and holdco debt service costs.

Financial Flexibility Under Pressure: The increased use of CEPFs added financial complexity to the organizational structure and made NEP reliant on the stability of capital markets and strength of its unit price to execute the buyouts in a timely and cost-effective manner. Given recent pull back in the stock price, the buyback of CEPFs using equity is currently uneconomical. Following the natural gas pipeline sale and buyout of CEPFs through 2025, NEP will have a couple of years before it has to address the remaining CEPFs, which should provide room for the stock price to improve.

Absent material stock price improvement, Fitch would expect NEP to find other equity like sources of funding to buyout the remaining $3.7 billion outstanding under three CEPFs post 2025. NEP has the ability to issue nonrecourse project debt to fund the investor buyout in cash, as a significant amount of assets in the CEPFs are unencumbered, doing so will negatively affect parent FFO and increase leverage. In the past several years NEP is increasingly reliant upon CEPF to finance its growth and, since 2018, entered into seven transactions with large institutional investors to raise around $5.3 billion in total proceeds.

Sponsor Not Expected to Financially Support NEP: NEP benefited from its affiliation with NextEra, which is the largest renewable developer in the U.S. Fitch does not expect NextEra will provide any equity support to NEP for future CEPFs buyouts nor buy-ins of NEP, which would result in a material addition of debt on NextEra's balance sheet. Fitch deconsolidates NEP from NextEra's balance sheet and only includes the upstream dividend distribution from NEP in NextEra's credit analysis. The off-credit treatment reflects Fitch's assumption NextEra would walk away from NEP in the event of financial deterioration. As of Sept. 30, 2023, NextEra owns approximately 51.4% interest in NEP.

Contractual Cash Flows and Asset Diversity: We view favorably NEP's portfolio of wind, solar and natural gas pipeline assets, which have long-term, off-taker arrangements with creditworthy counterparties and minimal exposure to either volumetric or commodity risks. The weighted average counterparty credit is 'BBB', based upon Fitch and other rating agencies' ratings. As of Sept. 30, 2023, the renewable energy and pipeline projects had a total weighted average remaining contract term of around 14 years. The distributions NEP receives from its project subsidiaries are well diversified by fuel and geography.

The distributions are split as around 58% from wind assets, 21% from solar and 21% from natural gas pipeline assets based upon 2022 run-rate project-level CAFD. The high proportion of wind in NEP's portfolio is of modest concern given intermittency of the wind resource. A wide geographic footprint of its wind portfolio mitigates NEP's exposure somewhat.

In addition, the project debt for renewable projects is typically sized to yield a debt service coverage ratio (DSCR) greater than 1.2x and generate a low 'BBB–' or 'BBB' rating. The debt typically matures within the expiration date of the long-term contracts on any project. Most recent DSCRs provided to Fitch by NEP indicate that all projects with limited recourse project debt financings are performing well in excess of DSCRs thresholds.

Financial Summary

($ mil.)	2019	2020	2021	2022
Gross revenue	855	917	982	1,211
EBITDA	564	627	639	770
CFO (Fitch-defined)	325	658	677	776
Capital intensity (capex/revenue) (%)	10.9	36.4	11.5	111.6
Debt	4,291	3,438	5,378	5,339
FFO fixed-charge coverage (x)	1.5	2.0	-12.9	5.2
FFO leverage (x)	4.0	2.7	8.8	5.7
EBITDA leverage (x)	7.9	4.8	8.1	6.9

Source: Fitch Ratings, Fitch Solutions

Rating Derivation Relative to Peers

Fitch views NEP's ratings to be positively positioned compared with those of Atlantica Sustainable Infrastructure Plc (Atlantica; BB+/Stable) due to favorable geographic exposure, long-term contractual cash flows with minimal regulatory risk, and association with a strong sponsor. These factors are partially offset by NEP's relative higher leverage, aggressive distribution growth strategy and weaker asset composition owing to a larger concentration of wind assets.

NEP, similar to peer Terraform Power Operating, LLC (TERPO; BB–/Stable), has parent support. Although NEP has been supported by NextEra in terms of asset dropdowns that were needed to drive aggressive growth targets, and recent IDR suspension, Fitch does not expect NextEra to support any funding needs or CEPF buyouts. TERPO benefits from having Brookfield Corporation (A–/Stable) as a sponsor. Algonquin Power & Utilities Corp. (BBB/Stable) has 43% ownership interest in Atlantica but has announced its intention to move to a pure-play regulated businesses.

Atlantica's portfolio benefits from a large proportion of solar generation assets that exhibit less resource variability. In comparison NEP's portfolio consists of a larger exposure to wind MWs. TERPO's utility scale portfolio consists of 43% solar and 57% wind. NEP's concentration in wind is mitigated to a certain extent by its diverse geographic footprint. Fitch views NEP's geographic exposure in the U.S. (100%) favorably compared with TERPO's (68%) and Atlantica's (30%). NEP's long-term contracted fleet has a remaining contracted life of 14 years, higher than Atlantica's 13 years and TERPO's 11 years.

NEP's forecast credit metrics are stronger than TERPO's but weaker than Atlantica's. Fitch forecasts NEP's holdco debt/ parent only FFO will increase to 4.9x through 2025 compared with around 5.0x for TERPO and below 4.0x for Atlantica. Fitch rates NEP, Atlantica and TERPO based on a deconsolidated approach since their portfolio comprises assets financed using non-recourse project debt or with tax equity. NEP's financing model is more complex as it also involves CEPF.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- The structural subordination of the holdco debt to the nonrecourse project debt, tax equity and CEPFs, and management's 4.0x–5.0x target holdco leverage caps the rating at 'BB+'.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Higher than expected reliance on debt to fund the buyout of investors in CEPFs.
- Holdco FFO leverage exceeding 5.0x on a sustainable basis.
- Distribution payout approaching or exceeding 100%.
- Material underperformance in underlying assets lending variability or shortfall to expected cash flow for debt service.
- Growth strategy underpinned by aggressive acquisitions, addition of assets in the portfolio that bear material volumetric, commodity or interest rate risks.

Liquidity and Debt Structure

Adequate Liquidity: NEP has a $2.5 billion revolving credit facility that matures in February 2028. The credit facility provides for up to $400 million of LOC borrowing capacity. NEP has an accordion in its revolving facility up to a total commitment size of $2.0 billion. The facility provides flexibility for NEP to finance acquisitions partly through revolver borrowings. NEP had $545 million outstanding issuance under its revolving credit facility as of Sept. 30, 2023. The holdco debt at NEP is subordinate to project debt, tax equity and CEPF structures. As of Sept. 30, 2023, there is about $2.6 billion of nonrecourse project finance debt at NEP's owned projects. About $1.2 billion is at the natural gas pipeline projects that NEP is in the process to sell.

ESG Considerations

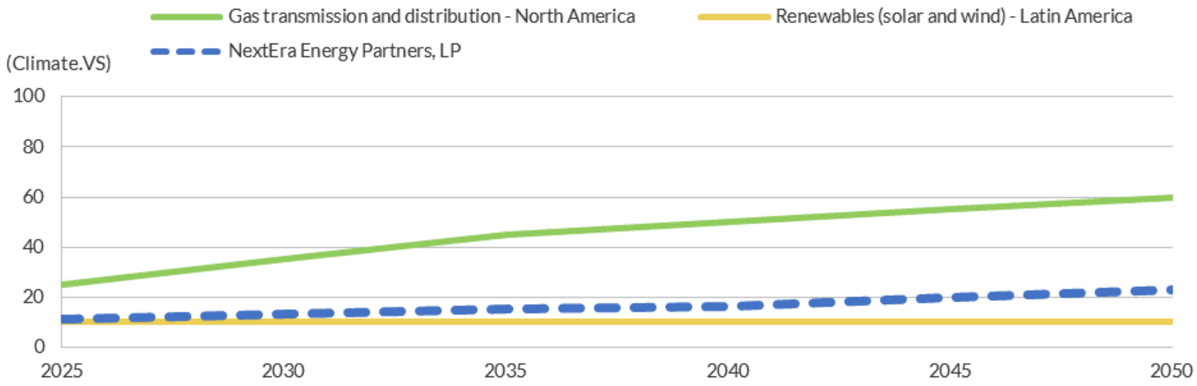
The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

Climate Vulnerability Considerations

Fitch uses Climate Vulnerability Signals (Climate.VS) as a screening tool to identify sectors and Fitch-rated issuers that are potentially most exposed to credit-relevant climate transition risks and, therefore, require additional consideration of these risks in rating reviews. Climate.VS range from 0 (lowest risk) to 100 (highest risk). For more information on Climate.VS, see Fitch's *Corporate Rating Criteria*.

The 2022 asset-weighted Climate.VS for NEP is 15 out of 100 in the long term, suggesting low exposure to climate-related risks in that year. The signal reflects the company's operations as a predominately renewable power generator in the U.S. with a limited exposure to fossil fuels through ownership of a gas pipeline business. We believe the Climate.VS do not have material influence on NEP's ratings. For further information on how Fitch perceives climate-related risks in the utilities sector, see our *Utilities – Long-Term Climate Vulnerability Signals Update* report.

Climate.VS Evolution
As of Dec. 31, 2022



Source: Fitch Ratings

Liquidity and Debt Maturities

Liquidity Analysis

($ mil.)	12/31/21	12/31/22
Total cash and cash equivalents	147	235
Short-term investments	0	0
Less not readily available cash and cash equivalents	—	—
Fitch-defined readily available cash and cash equivalents	**147**	**235**
Availability under committed lines of credit	579	2,382
Total liquidity	**726**	**2,617**
LTM EBITDA after associates and minorities	660	773
LTM FCF	-55	-1,211

Source: Fitch Ratings, Fitch Solutions, NextEra Energy Partners, LP

Debt Maturities

($ mil.)	9/30/23
4Q23	17
2024	1,726
2025	713
2026	2,047
2027	626
Thereafter	1,402
Total	**6,531**

Source: Fitch Ratings, Fitch Solutions, NextEra Energy Partners, LP

Key Assumptions

Fitch's Key Assumptions Within Our Rating Case for the Issuer Includes

- Buyout of STX Midstream, NEP Renewables II and NEP Pipelines with proceeds from STX and Meade pipelines sales.
- Acquisition of operational and contracted assets over 2023–2025 to meet 6% distribution per unit growth.
- Acquisition CAFD toward the lower end of 8%–10%.
- Acquisitions and repowering funded with nonrecourse and holdco debt.
- Interest expense rate on new and refinanced holdco debt around 7.0%.
- None of the project debt treated on-credit, which includes Fitch's assumption of future project debt issuances.
- No CEPF nor growth equity issuance beyond 2023 over the forecast period.

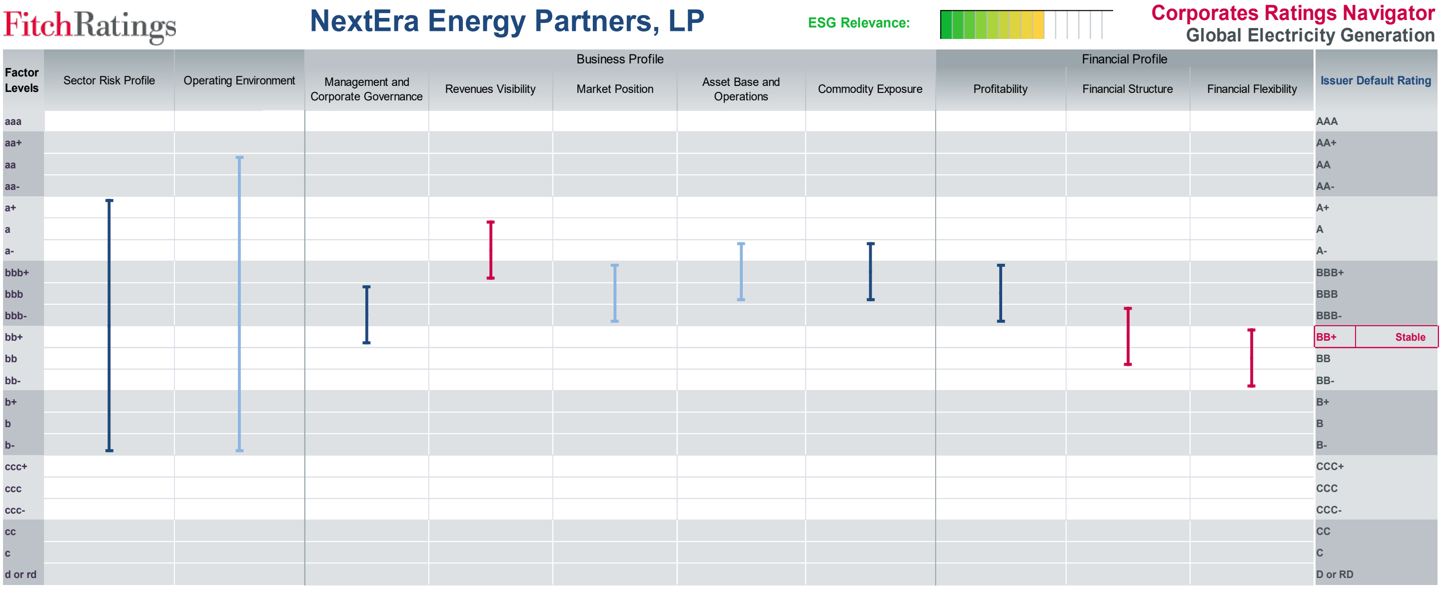
Financial Data

($ mil.)	2019	2020	2021	2022
Summary income statement				
Gross revenue	855	917	982	1,211
Revenue growth (%)	10.9	7.3	7.1	23.3
EBITDA before income from associates	564	627	639	770
EBITDA margin (%)	66.0	68.4	65.1	63.6
EBITDA after associates and minorities	541	712	660	773
EBITDAR	574	630	639	770
EBITDAR margin (%)	67.1	68.7	65.1	63.6
EBIT	233	253	234	197
EBIT margin (%)	27.3	27.6	23.8	16.3
Gross interest expense	-702	-620	—	853
Pretax income including associate income/loss	-430	-257	472	1,292
Summary balance sheet				
Readily available cash and equivalents	128	108	147	235
Debt	4,291	3,438	5,378	5,339

($ mil.)	2019	2020	2021	2022
Lease-adjusted debt	4,371	3,462	5,378	5,339
Net debt	4,163	3,330	5,231	5,104
Summary cash flow statement				
EBITDA	564	627	639	770
Cash interest paid	-702	-620	47	-181
Cash tax	-1	-6	-2	—
Dividends received less dividends paid to minorities (inflow/outflow)	-23	85	21	3
Other items before FFO	531	574	-50	166
FFO	348	653	702	758
FFO margin (%)	40.7	71.2	71.5	62.6
Change in working capital	-23	5	-25	18
CFO (Fitch-defined)	325	658	677	776
Total non-operating/nonrecurring cash flow	—	—	—	—
Capex	-93	-334	-113	-1,351
Capital intensity (capex/revenue) (%)	10.9	36.4	11.5	111.6
Common dividends	-362	-442	-619	-636
FCF	-130	-118	-55	-1,211
FCF margin (%)	-15.2	-12.9	-5.6	-100.0
Net acquisitions and divestitures	-2,322	-378	-2,352	-785
Other investing and financing cash flow items	1,814	936	673	1,974
Net debt proceeds	588	-471	1,721	-39
Net equity proceeds	16	11	52	149
Total change in cash	-34	-20	39	88
Leverage ratios (x)				
EBITDA leverage	7.9	4.8	8.1	6.9
EBITDA net leverage	7.7	4.7	7.9	6.6
EBITDAR leverage	7.9	4.8	8.1	6.9
EBITDAR net leverage	7.7	4.7	7.9	6.6
EBITDAR net fixed-charge coverage	0.8	1.1	-7.0	4.3
FFO adjusted leverage	4.0	2.7	8.8	5.7
FFO adjusted net leverage	3.9	2.6	8.6	5.4
FFO leverage	4.0	2.7	8.8	5.7
FFO net leverage	3.9	2.6	8.6	5.4
Calculations for forecast publication				
Capex, dividends, acquisitions and other items before FCF	-2,777	-1,154	-3,084	-2,772
FCF after acquisitions and divestitures	-2,452	-496	-2,407	-1,996
FCF margin after net acquisitions (%)	-286.8	-54.1	-245.1	-164.8
Coverage ratios (x)				
FFO interest coverage	1.5	2.0	-12.9	5.2
FFO fixed-charge coverage	1.5	2.0	-12.9	5.2
EBITDAR fixed-charge coverage	0.8	1.1	-14.0	4.3
EBITDA interest coverage	0.8	1.1	-14.0	4.3
Additional metrics (%)				
CFO-capex/debt	5.4	9.4	10.5	-10.8
CFO-capex/net debt	5.6	9.7	10.8	-11.3
CFO/capex	349.5	197.0	599.1	57.4

CFO – Cash flow from operations
Source: Fitch Ratings, Fitch Solutions

Ratings Navigator



Bar Chart Legend:	
Vertical Bars = Range of Rating Factor	Bar Arrows = Rating Factor Outlook
Bar Colors = Relative Importance	⇧ Positive
Higher Importance	⇩ Negative
Average Importance	⇳ Evolving
Lower Importance	▭ Stable

FitchRatings

NextEra Energy Partners, LP

Corporates Ratings Navigator
Global Electricity Generation

Operating Environment

aa+	Economic Environment	aa	Very strong combination of countries where economic value is created and where assets are located.
aa	Financial Access	aa	Very strong combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
	Systemic Governance	aa	Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'aa'.
b-			
ccc+			

Management and Corporate Governance

bbb+	Management Strategy	bb	Strategy generally coherent but some evidence of weak implementation.
bbb	Governance Structure	bbb	Good CG track record but effectiveness/independence of board less obvious. No evidence of abuse of power even with ownership concentration.
bbb-	Group Structure	bbb	Some group complexity leading to somewhat less transparent accounting statements. No significant related-party transactions.
bb+	Financial Transparency	bbb	Good quality reporting without significant failing. Consistent with the average of listed companies in major exchanges.
bb			

Revenues Visibility

a+	Contracted Position	a	Balanced position under long term PPAs or incentives (typically more than 7 year average remaining life).
a	Contract Renewal Risk	bbb	Likely re-contracting prospects with similar to potentially moderately worse contractual terms.
a-	System / Capacity Payments	a	Well established and transparent market pricing structure with minimal political interference providing long-term price visibility for power generators.
bbb+	Degree of Supply Integration		n.a.
bbb	Resource Predictability	a	Highly stable and predictable capacity factor.

Market Position

a-	Supply/Demand Dynamics	bbb	Moderately favorable outlook for prices. Balanced reserve margin with capacity addition pace matching demand growth. Supply/Demand balance aided by regulatory system mechanism.
bbb+	Competitive Position	bbb	Efficient generation with recurrent merit dispatch.
bbb	Relative Size and Scale	bbb	Large scale operations with diverse generation asset base or company supplies more than 20% of electricity to the systems where it operates or strong competitive position in a localized market.
bbb-			
bb+			

Asset Base and Operations

a	Asset Quality and Diversity	bbb	Good single asset quality or partial diversification by geography and/or generation source.
a-	Exposure to Environmental Regulations	bbb	Limited or manageable exposure to environmental regulations. Balanced generation between clean and thermal sources; medium carbon exposure.
bbb+	Capital and Technological Intensity of Capex	a	Low levels of reinvestment requirements.
bbb			
bbb-			

Commodity Exposure

a	Counterparty Risk	bbb	Diversified, medium counterparty risk or weighted average credit quality of actual and potential off-takers is in line with 'BBB' rating. Single 'BBB' rated off-taker under well-structured PPA.
a-	Costs Pass-Through and Supply Mix	bbb	Limited exposure to changes in commodity costs with ability to pass cost changes to end users. Low variable costs and moderate flexibility/certain of supply.
bbb+	Hedging Strategy	a	Strong portfolio/cash flow smoothing effects from extensive contractual hedge.
bbb			
bbb-			

Profitability

a-	Free Cash Flow	a	Structurally neutral to positive FCF across the investment cycle.
bbb+	Cash Flow Predictability	bbb	Stability and predictability cash flow in line with peers.
bbb			
bbb-			
bb+			

Financial Structure

bbb	EBITDA Leverage		n.a.
bbb-	FFO Leverage	bb	5.0x
bb+	FFO Net Leverage	bb	4.5x
bb			
bb-			

Financial Flexibility

bbb-	Financial Discipline	bb	Financial policies in place but flexibility in applying them could lead to temporarily exceeding downgrade guidelines.
bb+	Liquidity	bb	Liquidity ratio around 1.0x. Less smooth debt maturity or concentrated funding.
bb	FFO Interest Coverage	bb	3.5x
bb-	DSCR		
b+	FX Exposure		

Credit-Relevant ESG Derivation

NextEra Energy Partners, LP has 11 ESG potential rating drivers

- Fuel use to generate energy and serve load
- Impact of waste from operations
- Plants' and networks' exposure to extreme weather
- Product affordability and access
- Quality and safety of products and services; data security
- Impact of labor negotiations and employee (dis)satisfaction

Showing top 6 issues

			Overall ESG
key driver	0	issues	5
driver	0	issues	4
potential driver	11	issues	3
not a rating driver	1	issues	2
	2	issues	1

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

FitchRatings

NextEra Energy Partners, LP

Corporates Ratings Navigator
Global Electricity Generation

Credit-Relevant ESG Derivation

NextEra Energy Partners, LP has 11 ESG potential rating drivers

- NextEra Energy Partners, LP has exposure to energy productivity risk but this has very low impact on the rating.
- NextEra Energy Partners, LP has exposure to waste & impact management risk but this has very low impact on the rating.
- NextEra Energy Partners, LP has exposure to extreme weather events but this has very low impact on the rating.
- NextEra Energy Partners, LP has exposure to access/affordability risk but this has very low impact on the rating.
- NextEra Energy Partners, LP has exposure to customer accountability risk but this has very low impact on the rating.
- NextEra Energy Partners, LP has exposure to labor relations & practices risk but this has very low impact on the rating.

Showing top 6 issues

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	0	issues	4
potential driver	11	issues	3
not a rating driver	1	issues	2
	2	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	1	Emissions from operations	Asset Base and Operations
Energy Management	3	Fuel use to generate energy and serve load	Asset Base and Operations; Counterparty and Commodity Exposure; Profitability
Water & Wastewater Management	1	Water used by hydro plants or by other generation plants, also effluent management	Asset Base and Operations; Profitability
Waste & Hazardous Materials Management; Ecological Impacts	3	Impact of waste from operations	Asset Base and Operations; Profitability
Exposure to Environmental Impacts	3	Plants' and networks' exposure to extreme weather	Asset Base and Operations; Profitability

E Relevance: 5, 4, 3, 2, 1

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	3	Product affordability and access	Asset Base and Operations; Revenues Predictability; Profitability
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Quality and safety of products and services; data security	Asset Base and Operations
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Asset Base and Operations; Profitability
Employee Wellbeing	2	Worker safety and accident prevention	Asset Base and Operations
Exposure to Social Impacts	3	Social resistance to major projects that leads to delays and cost increases	Asset Base and Operations; Revenues Predictability; Profitability; Financial Structure

S Relevance: 5, 4, 3, 2, 1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance; Financial Structure
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance; Counterparty and Commodity Exposure
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance

G Relevance: 5, 4, 3, 2, 1

How to Read This Page

ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

CREDIT-RELEVANT ESG SCALE

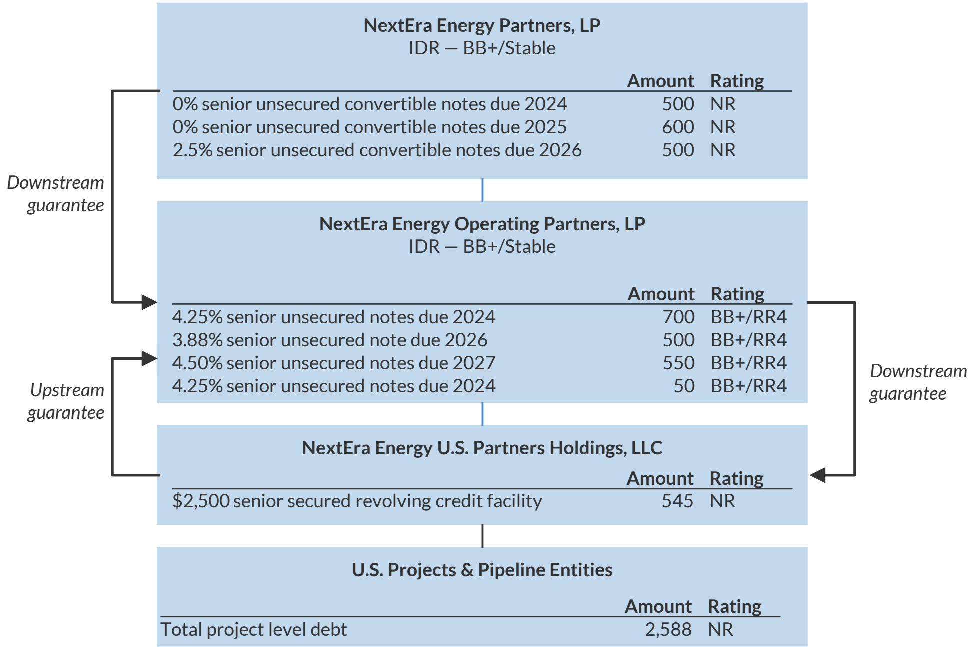
How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Simplified Group Structure Diagram

Organizational Structure

$ mil., as of Sept. 30, 2023



IDR – Issuer Default Rating. NR – Not rated. RR – Recovery Rating.
Source: Fitch Ratings, Fitch Solutions, NextEra Energy Partners, LP.

Peer Financial Summary

Company	Issuer Default Rating	Financial statement date	Gross revenue ($ mil.)	FFO ($ mil.)	FFO interest coverage (x)	FFO leverage (x)	EBITDA leverage (x)
NextEra Energy Partners, LP	BB+						
	BB+	2022	1,211	758	5.2	5.7	6.9
	BB+	2021	982	702	-12.9	8.8	8.1
	BB+	2020	917	653	2.0	2.7	4.8
Atlantica Sustainable Infrastructure Plc	BB+						
	BB+	2022	1,102	468	2.7	7.6	7.8
	BB+	2021	1,212	450	2.5	8.2	7.9
	BB	2020	1,013	430	2.5	8.9	8.2

Source: Fitch Ratings, Fitch Solutions

Fitch Adjusted Financials

($ mil., as of Dec. 31, 2022)	Notes and formulas	Standardized values	Fair value and other debt adjustments	Other adjustments	Sum of adjustments	Adjusted values
Income statement summary						
Revenue		1,211	—	—	—	1,211
EBITDA	(a)	770	—	—	—	770
Depreciation and amortization		-573	—	—	—	-573
EBIT		197	—	—	—	197
Balance sheet summary						
Debt	(b)	5,288	51	—	—	5,339
Of which other off-balance-sheet debt		—	—	—	—	—
Lease-equivalent debt		—	—	—	—	—
Lease-adjusted debt		5,288	51	—	—	5,339
Readily available cash and equivalents	(c)	235	—	—	—	235
Not readily available cash and equivalents		—	—	—	—	—
Cash flow summary						
EBITDA	(a)	770	—	—	—	770
Dividends received from associates less dividends paid to minorities	(d)	3	—	—	—	3
Interest paid	(e)	-154	—	-27	-27	-181
Interest received	(f)	—	—	—	—	—
Preferred dividends paid	(g)	—	—	—	—	—
Cash tax paid		—	—	—	—	—
Other items before FFO		139	—	27	27	166
FFO	(h)	758	—	—	—	758
Change in working capital		18	—	—	—	18
CFO	(i)	776	—	—	—	776
Non-operating/nonrecurring cash flow		—	—	—	—	—
Capex	(j)	-1,351	—	—	—	-1,351
Common dividends paid		-636	—	—	—	-636
FCF		-1,211	—	—	—	-1,211
Gross leverage (x)						
EBITDA leverage	b / (a+d)	6.9	—	—	—	6.9
FFO leverage	b / (h-e-f-g)	5.9	—	—	—	5.7
(CFO-capex)/debt (%)	(i+j) / b	-10.8	—	—	—	-10.8
Net leverage (x)						
EBITDA net leverage	(b-c) / (a+d)	6.6	—	—	—	6.6
FFO net leverage	(b-c) / (h-e-f-g)	5.6	—	—	—	5.4
(CFO-capex)/net debt (%)	(i+j) / (b-c)	-11.3	—	—	—	-11.3
Coverage (x)						
EBITDA interest coverage	(a+d) / (-e)	5.0	—	—	—	4.3
FFO interest coverage	(h-e-f-g) / (-e-g)	5.9	—	—	—	5.2

CFO – Cash flow from operations. Note: The standardized items presented above are based on Fitch's taxonomy for the given sector and region. Reported items may not match the Fitch taxonomy but they are captured into corresponding lines accordingly. Debt includes other off-balance-sheet debt.
Source: Fitch Ratings, Fitch Solutions, NextEra Energy Partners, LP

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

DISCLAIMER & DISCLOSURES