



**VIA Email**

**May 21, 2013**

Ms. Susan M. Cospers  
Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

Dear Ms. Cospers

**RE: File Reference No. 2012-260 – Proposed Accounting Standards Update – *Financial Instruments – Credit Losses***

NextEra Energy, Inc. (“we” or “the Company”) appreciates the opportunity to comment on the Financial Accounting Standards Board’s (“FASB” or the “Board”) Proposed Accounting Standards Update – *Financial Instruments – Credit Losses* (“the Proposed ASU”). The Company is a national energy company, with over \$14 billion in revenues in 2012. Its rate-regulated subsidiary, Florida Power & Light Company, serves approximately 4.6 million customer accounts in Florida. Additionally, NextEra Energy Resources, LLC, NextEra Energy’s competitive energy business, is a leader in producing electricity from clean and renewable fuels in 24 states in the U.S. and 4 provinces in Canada.

We recognize and commend the FASB for its attempts to improve the decision usefulness of the reporting of credit losses by removing the perceived constraints to timely recognition. We would like the Board to consider the following comments on the Proposed ASU.

**Assessing the Credit Loss Related to Debt Securities**

We support the overall goal of one impairment model for financial assets that are accounted for at amortized cost and fair value through other comprehensive income (“OCI”) and to eliminate today’s multiple impairment models. We also conceptually agree with the current expected credit loss (“CECL”) model that the FASB is proposing; however the application of this model raises some concerns, particularly with investments in debt securities. While we believe the issue would have broad implications for any investor with large volumes of debt securities, we address our concerns with respect to nuclear decommissioning trust funds (NDT Funds) that are common in the electric power industry.

NDT Funds consist of restricted funds set aside to cover the cost of future expenditures related to the decommissioning of a nuclear power plant. These funds generally have a long-term investment strategy, as decommissioning activities are not expected to begin in the near future. The NDT Funds hold many different types of investments, primarily equity securities and various debt securities, but very few loans. Most of these securities are currently accounted for as available-for-sale (“AFS”) securities and are expected to qualify as fair value through OCI financial assets in accordance with the proposed Classification and Measurement ASU.

The Nuclear Regulatory Commission (“NRC”) regulations prohibit a licensee, its affiliate, or its subsidiaries from being engaged as investment manager for these funds or from giving day-to-day management direction of the funds' investments or direction on individual investments by the funds. Therefore, these funds are managed by a group of independent external investment managers. The Company provides the investment objectives and a high level investment strategy to each investment manager; however, the day-to-day management of the funds is handled by the investment managers, who have the full discretion to make any buy or sell decisions.

Our concerns with respect to applying the CECL model to NDT Fund debt securities are as follows:

1. The examples provided in the Proposed ASU are mostly related to credit loss assessment on loans. We suggest that the final standard include additional examples related to different types of debt securities. Unlike lenders who originate loans and have direct information about the creditworthiness of potential borrowers, non-financial institutional investors like us do not have the access to the information needed to perform a credit analysis on the issuer of each debt security. Investors in publicly-traded debt securities generally assess credit losses associated with these securities by considering credit ratings provided by rating agencies and other publicly available information. The rating agencies have access to information not commonly available to the investing public, including qualitative and quantitative factors specific to the issuing entity such as the current evaluation of the issuers' creditworthiness and the current point in, and forecasted direction of, the economic cycle of the issuer. Therefore, an example indicating that reliance on credit ratings and the related default probabilities is an acceptable application of the standard would provide needed clarity. This approach will also ensure greater consistency in the evaluation of the credit risk of debt securities by different companies.

If the reliance on credit ratings is not allowable, it will require significant time, effort, and potentially significant costs for the Company to obtain the relevant historical credit loss information from the multiple independent investment managers that do not currently track or provide the credit risk related losses separately. This would very likely require process and system changes by investment managers, unless they currently have the internal tools or systems available to obtain historical credit risk loss data, and also have the internal expertise to provide reasonable and supportable forecasts. In addition, appropriate documentation and reporting systems are required to present such credit loss information for each debt security on a monthly basis.



2. As of December 31, 2012, the Company's NDT Funds hold investments totaling \$4,117 million, including thousands of debt securities managed by 15 different investment managers. Even if we were able to depend on the investment managers to provide the relevant credit-driven fair value changes to assess expected losses (at increased cost), the Company will need to be able to understand and verify, on at least a test basis, the reasonableness of the assessments made by the investment managers, which will require significant time and effort. This time and effort would be required in the already compressed filing period allowed to accelerated filers.

#### Practical Expedient for FV-OCI Financial Assets

Because of the above concerns, we respectfully ask the FASB to consider broadening the proposed practical expedient in paragraph 825-15-25-2 to state that an entity may elect not to recognize expected credit losses for financial assets measured at fair value with qualifying changes in fair value recognized in OCI if the financial assets are expected to be of a high quality or investment grade (i.e. AA or better) (e.g. government issued bonds/securities) and no expectation of significant credit losses exist.

This would address concerns regarding the fact that fair value changes can be driven by a variety of factors other than credit losses which includes interest rates, liquidity etc. and would allow companies to apply the practical expedient if the debt securities are high quality investments and the decrease of the fair value below its amortized cost is almost certainly due to factors other than credit losses.

We would be happy to respond to any questions or to participate in any discussions regarding this matter.

Sincerely,



Chris N. Froggatt  
Vice President, Controller and Chief Accounting Officer