NextEra Energy Partners, LP
Form 10-K
February 19, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2015

Commission File Number	Exact name of registrant as specified in its charter, address of principal executive office and registrant's telephone number	IRS Employer Identification Number
001-36518	NEXTERA ENERGY PARTNERS, LP 700 Universe Boulevard Juno Beach, Florida 33408 (561) 694-4000	30-0818558

State or other jurisdiction of incorporation or organization: Delaware

	Name of exchange on which registered
Securities registered pursuant to Section 12(b) of the Act:	
Common Units	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934. Yes o No þ

Indicate by check mark whether the registrant (1) has 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) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its 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. Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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

Large Accelerated Filer þ Accelerated Filer o Non-Accelerated Filer o Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes o No þ

Aggregate market value of the voting and non-voting common equity of NextEra Energy Partners, LP held by non-affiliates as of June 30, 2015 (based on the closing market price on the Composite Tape on June 30, 2015) was $833,621,520.

Number of NextEra Energy Partners, LP common units outstanding as of January 31, 2016: 30,709,216

DEFINITIONS

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

Term	Meaning
ASA	administrative services agreements
Bcf	billion cubic feet
BLM	U.S. Bureau of Land Management
Bluewater	wind project located in Huron County, Ontario, Canada, that is held by the Bluewater Project Entity
Bluewater Project Entity	Prior to the consummation of NEP's IPO in 2014, refers to Varna Wind, Inc., a corporation formed under the laws of the Province of New Brunswick and after the consummation of NEP's IPO, refers to Varna Wind, LP, a limited partnership formed under the laws of the Province of Ontario
Canadian Project Entities	Conestogo Project Entity, Summerhaven Project Entity, Bluewater Project Entity, Sombra Project Entity, Moore Project Entity and Jericho Wind, LP, collectively
Canyon Wind	Canyon Wind, LLC, a limited liability company formed under the laws of the State of Delaware, which is the borrower under the credit agreement under which financing is provided to Perrin Ranch and Tuscola Bay
CITC	Convertible Investment Tax Credit
COD	commercial operation date
Code	U.S. Internal Revenue Code of 1986, as amended
Conestogo	wind project located in Wellington County, Ontario, Canada, that is held by the Conestogo Project Entity
Conestogo Project Entity	Conestogo Wind, LP, a limited partnership formed under the laws of the Province of Ontario
CSCS agreement	cash sweep and credit support agreement
Elk City	wind project located in Roger Mills and Beckham Counties, Oklahoma, that is held by Elk City Wind, LLC
EPA	U.S. Environmental Protection Agency
FCPA	Foreign Corrupt Practices Act of 1977, as amended
FERC	U.S. Federal Energy Regulatory Commission
FIT	Feed-in-Tariff
FPA	U.S. Federal Power Act
Genesis	solar project held by Genesis Solar, LLC, a limited liability company formed under the laws of the State of Delaware, that is composed of Genesis Unit 1 and Genesis Unit 2
Genesis Unit 1	Genesis Unit 1 utility-scale solar generating facility located in Riverside County, California
Genesis Unit 2	Genesis Unit 2 utility-scale solar generating facility located in Riverside County, California
GWh	gigawatt-hour(s)
IESO	Independent Electricity System Operator
IPO	initial public offering
IPP	independent power producer
IRS	Internal Revenue Service
ITC	investment tax credit
kWh	kilowatt-hour(s)
Logan Wind	Logan Wind Energy, LLC, a limited liability company formed under the laws of the State of Delaware, an indirect wholly owned subsidiary of NEE and the owner of a wind-powered energy production facility near Peetz, Colorado, that shares certain facilities owned by Peetz Table with Northern Colorado
Mammoth Plains	wind project located in Dewey and Blaine Counties, Oklahoma

management sub-contract	management services subcontract between NEE Management and NEER
Management's Discussion	Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
Moore	solar project located in Lambton County, Ontario, Canada, that is held by the Moore Project Entity
Moore Project Entity	Prior to the consummation of NEP's IPO in 2014, refers to Moore Solar, Inc., a corporation formed under the laws of the Province of Ontario, and after the consummation of NEP's IPO, refers to Moore Solar, LP, a limited partnership formed under the laws of the Province of Ontario
Mountain Prairie	Mountain Prairie Wind, LLC, a limited liability company formed under the laws of the State of Delaware and the issuer of notes that provide financing to Elk City and Northern Colorado
MSA	Management Services Agreement among NEP, NEE Management, NEP OpCo and NEP GP
MW	megawatt(s)
NECIP	NextEra Canadian IP, Inc., a corporation formed under the laws of the Province of New Brunswick and an indirect wholly owned subsidiary of NEE
NECOS	NextEra Energy Canadian Operating Services, Inc., a corporation formed under the laws of the Province of Alberta and an indirect wholly owned subsidiary of NEE
NEE	NextEra Energy, Inc.
NEEC	Prior to the consummation of NEP's IPO in 2014, refers to NextEra Energy Canada, ULC, an unlimited liability corporation formed under the laws of the Province of Alberta and a wholly owned indirect subsidiary of NEE and after the consummation of NEP's IPO, refers to NextEra Energy Canada Partners Holdings, ULC, an unlimited liability corporation formed under the laws of British Columbia and a direct wholly owned subsidiary of NEP OpCo
NEECH	NextEra Energy Capital Holdings, Inc.
NEE Equity	NextEra Energy Equity Partners, LP

Term	Meaning
NEE Management	NextEra Energy Management Partners, LP
NEE Operating GP	NextEra Energy Operating Partners GP, LLC
NEER	NextEra Energy Resources, LLC
NEER ROFO projects	projects set forth in Item 1 owned by NEER in which NEP has a right of first offer under the ROFO agreement, should NEER decide to sell them
NEOS	NextEra Energy Operating Services, LLC, a limited liability company formed under the laws of the State of Delaware and an indirect wholly owned subsidiary of NEE
NEP	NextEra Energy Partners, LP
NEP GP	NextEra Energy Partners GP, Inc.
NEP OpCo	NextEra Energy Operating Partners, LP
NERC	North American Electric Reliability Corporation
NOLs	net operating losses
Northern Colorado	wind project located in Logan County, Colorado, that is held by Northern Colorado Wind Energy, LLC
Note __	Note __ to consolidated financial statements
NYSE	New York Stock Exchange
O&M	operations and maintenance
Palo Duro	wind project located in Hansford and Ochiltree Counties, Texas
Peetz Table	Peetz Table Wind Energy, LLC, a limited liability company formed under the laws of the State of Delaware, an indirect wholly owned subsidiary of NEE and the owner of certain facilities shared by Logan Wind, Northern Colorado and PLI
Pemex	Petróleos Mexicanos
Perrin Ranch	wind project located in Coconino County, Arizona, that is held by Perrin Ranch Wind, LLC
PLI	Peetz Logan Interconnect, LLC, a limited liability company formed under the laws of the State of Delaware, an indirect wholly owned subsidiary of NEE and the owner of the transmission line used by Northern Colorado to deliver energy output to the interconnection point
PPA	power purchase agreement, which could include contracts under a FIT or RESOP
PTC	production tax credit
renewable energy project entities	U.S. Project Entities together with the Canadian Project Entities
RESOP	Renewable Energy Standard Offer Program
RPS	renewable portfolio standards
SEC	U.S. Securities and Exchange Commission
Shafter	solar project located in Shafter, California
Sombra	solar project located in Lambton County, Ontario, Canada, that is held by the Sombra Project Entity
Sombra Project Entity	Prior to the consummation of NEP's IPO in 2014, refers to Sombra Solar, Inc., a corporation formed under the laws of the Province of Ontario, and after the consummation of NEP's IPO, refers to Sombra Solar, LP, a limited partnership formed under the laws of the Province of Ontario
St. Clair Holding	Prior to the consummation of NEP's IPO in 2014, refers to St. Clair Holding, Inc., a corporation formed under the laws of the Province of Ontario, and after the consummation of NEP's IPO, refers to St. Clair Holding, ULC, an unlimited liability company formed under the laws of the Province of British Columbia and a co-issuer of notes that provide financing to Moore and Sombra
St. Clair LP	St. Clair Solar, LP, a limited partnership formed under the laws of the Province of Ontario and a co-issuer of notes that provide financing to Moore and Sombra
St. Clair entities	St. Clair Holding and St. Clair LP, collectively

Summerhaven	wind project located in Haldimand County, Ontario, Canada, that is held by the Summerhaven Project Entity
Summerhaven Project Entity	Summerhaven Wind, LP, a limited partnership formed under the laws of the Province of Ontario
Texas pipelines	natural gas pipeline assets located in Texas
Texas pipelines acquisition	Acquisition of NET Holdings Management, LLC (the Texas pipeline business)
Texas pipeline entities	the subsidiaries of NEP that directly own the Texas pipelines
Trillium	Trillium Windpower, LP, a limited partnership formed under the laws of the Province of Ontario and the issuer of notes that provides financing to Conestogo and Summerhaven
Tuscola Bay	wind project located in Tuscola, Bay and Saginaw Counties, Michigan, that is held by Tuscola Bay Wind, LLC
U.S.	United States of America
U.S. Project Entities	U.S. Wind Project Entities together with the U.S. Solar Project Entities
U.S. Solar Project Entities	Genesis Solar LLC, Shafter Solar, LLC, Adelanto Solar, LLC, Adelanto Solar II, LLC and McCoy Solar, LLC, each of which is a limited liability company formed under the laws of the State of Delaware
U.S. Wind Project Entities	Elk City Wind, LLC, Northern Colorado Wind Energy, LLC, Perrin Ranch Wind, LLC, Tuscola Bay Wind, LLC, Palo Duro Wind Energy, LLC, FPL Energy Vansycle L.L.C. (Stateline), Ashtabula Wind III, LLC, Baldwin Wind, LLC and Mammoth Plains Wind Project, LLC, each of which is a limited liability company formed under the laws of the State of Delaware

Each of NEP and NEP OpCo has subsidiaries and affiliates with names that may include NextEra Energy, NextEra Energy Partners and similar references. For convenience and simplicity, in this report, the terms NEP and NEP OpCo are sometimes used as abbreviated references to specific subsidiaries, affiliates or groups of subsidiaries or affiliates. The precise meaning depends on the context. Discussions of NEP's ownership of subsidiaries and projects refers to its controlling interest in the general partner of NEP OpCo and NEP's indirect interest in and control over the subsidiaries of NEP OpCo. See Note 1 for a description of the non-controlling interest in NEP OpCo.

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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 result, are expected to, will continue, anticipate, believe, will, could, should, would, estimated, may, plan, potential, future, projection, goals, target, 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 important factors included in Part I, Item 1A. Risk 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 NEP's operations and financial results, and could cause NEP's actual results to differ materially from those contained or implied in forward-looking statements made by or on behalf of NEP in this Form 10-K, in presentations, on its website, in response to questions or otherwise.

Any forward-looking statement speaks only as of the date on which such statement is made, and NEP undertakes 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.

PART I

Item 1. Business

NEP is a growth-oriented limited partnership formed by NEE to acquire, manage and own contracted clean energy projects with stable long-term cash flows. At December 31, 2015, NEP owns a controlling, non-economic general partner interest and a 23.2% limited partner interest in NEP OpCo. Through NEP OpCo, NEP owns a portfolio of contracted renewable generation assets consisting of wind and solar projects, as well as seven contracted natural gas pipeline assets.

NEP expects to take advantage of trends in the North American energy industry, including the addition of clean energy projects as aging or uneconomic generation facilities are phased out, increased demand from utilities for renewable energy to meet state RPS requirements, improving competitiveness of energy generated from wind and solar projects relative to energy generated using other fuels and increased demand for natural gas transportation. NEP plans to focus on high-quality, long-lived projects operating under long-term contracts with creditworthy counterparties that are expected to produce stable long-term cash flows. NEP believes its cash flow profile, geographic, technological and resource diversity, cost-efficient business model and relationship with NEE provide NEP with a significant competitive advantage and enable NEP to execute its business strategy.

NEP was formed as a Delaware limited partnership in March 2014 as an indirect wholly owned subsidiary of NEE, a Florida corporation. On July 1, 2014, NEP completed its IPO by issuing 18,687,500 common units at a price to the public of $25 per unit. The proceeds from the IPO, net of underwriting discounts, commissions and structuring fees, were approximately $438 million, of which NEP used approximately $288 million to purchase 12,291,593 common units of NEP OpCo from NEE Equity and approximately $150 million to purchase 6,395,907 NEP OpCo common units from NEP OpCo. During 2015, NEP issued an additional 11,857,925 common units to the public and purchased an additional 11,857,925 NEP OpCo common units. At December 31, 2015, NEP owns an approximately 23.2% limited partner interest in NEP OpCo.

The following diagram depicts NEP's simplified ownership structure at December 31, 2015:

At December 31, 2015, NEP owns interests in the following portfolio of clean, contracted renewable energy projects:

Project	Commercial Operation Date	Resource	MW	Location	Contract Expiration	NEP Acquisition / Investment Date
Stateline[(a)]	December 2001 (263 MW)/December 2002 (37 MW)	Wind	300	Umatilla County, OR and Walla Walla County, WA	2026	May 2015
Northern Colorado[(a)]	September 2009	Wind	174	Logan County, CO	2029 (22 MW) / 2034 (152 MW)	July 2014
Elk City[(a)]	December 2009	Wind	99	Roger Mills & Beckham Counties, OK	2030	July 2014
Ashtabula Wind III[(a)]	December 2010	Wind	62	Barnes County, ND	2038	May 2015
Baldwin Wind[(a)]	December 2010	Wind	102	Burleigh County, ND	2041	May 2015
Perrin Ranch[(a)]	January 2012	Wind	99	Coconino County, AZ	2037	July 2014
Moore[(a)]	February 2012	Solar	20	Lambton County, Ontario, Canada	2032	July 2014
Sombra[(a)]	February 2012	Solar	20	Lambton County, Ontario, Canada	2032	July 2014
Conestogo[(a)]	December 2012	Wind	23	Wellington County, Ontario, Canada	2032	July 2014
Tuscola Bay[(a)]	December 2012	Wind	120	Tuscola, Bay & Saginaw Counties, MI	2032	July 2014
Summerhaven[(a)]	August 2013	Wind	124	Haldimand County, Ontario, Canada	2033	July 2014
Genesis[(a)]	November 2013 (125 MW)/ March 2014 (125 MW)	Solar	250	Riverside County, CA	2039	July 2014
Bluewater[(a)]	July 2014	Wind	60	Huron County, Ontario, Canada	2034	July 2014
Mammoth Plains[(b)]	December 2014	Wind	199	Dewey & Blaine Counties, OK	2034	May 2015
Palo Duro[(b)]	December 2014	Wind	250	Hansford & Ochiltree Counties, TX	2034	January 2015
Jericho[(a)]	November 2014 (142 MW) / December 2014 (5 MW) / February 2015 (2 MW)	Wind	149	Lambton & Middlesex Counties, Ontario, Canada	2034	October 2015
Shafter[(a)]	May 2015	Solar	20	Kern County, CA	2035	February 2015
Equity Method Investments:						
		Solar	14		2035	April 2015

Adelanto I and II[a][c]	July 2015 (4 MW)/ September 2015 (10 MW)			San Bernardino County, CA		
McCoy[a][c]	4Q 2016 (expected)	Solar	125	Riverside County, CA	2036	April 2015
Total			2,210			

(a) These projects are encumbered by liens against their assets securing various financings.

(b) NEP owns these wind projects together with third-party investors with differential membership interests. See Note 2 - Sale of Differential Membership Interests and Note 8.

(c) NEP owns an approximately 50% equity method investment in these solar projects and the MW reflect the net ownership interest in plant capacity. All equity in earnings of the equity method investees is allocated to net income attributable to noncontrolling interest. See Note 3 and Note 8.

At December 31, 2015, NEP owns interests in the following contracted natural gas pipeline assets located in Texas:

Pipeline[a]	Miles of Pipeline	Diameter	Capacity[b]	Contracted Capacity	Contract Expiration	In Service Date	NEP Acquisition Date[c]
NET Mexico[d]	120	42" / 48"	2.30 Bcf/d	2.15 Bcf/d	2034 - 2035	December 2014	October 2015
Eagle Ford	158	16" / 24" - 30"	1.10 Bcf/d	0.45 Bcf/d	2018 - 2024	September 2011 / June 2013	October 2015
Monument	156	16"	0.25 Bcf/d	0.20 Bcf/d	2017 - 2030	Built in the 1950s - 2000s	October 2015
Other	108	8" - 16"	0.40 Bcf/d	0.28 Bcf/d	2016 - 2035	Built in the 1960s - 1980s; upgraded in 2001 / Others in service in 2002 - 2015	October 2015

(a) All of the pipelines are encumbered by liens against their assets securing various financings.

(b) NEP has expansion opportunities at the three largest pipeline projects that, if completed, are expected to add an additional 1.5 Bcf of capacity per day by the end of 2017.

(c) See Note 3 for a description of the Texas pipelines acquisition.

(d) A subsidiary of Pemex owns a 10% interest in the NET Mexico pipeline.

At December 31, 2015, NEP's consolidated clean energy projects, including its pipelines, are located as follows:

Each of the renewable energy projects sells substantially all of its output and related renewable energy attributes pursuant to long-term, fixed price PPAs to various counterparties. The pipelines primarily operate under long-term firm transportation contracts where counterparties pay for a fixed amount of capacity that is reserved by the counterparties and also generate revenues based on the volume of natural gas transported on the pipelines. During 2015, NEP derived approximately 28% and 23% of its consolidated revenues from its renewable energy contracts with Pacific Gas & Electric Co. and the IESO, respectively. In 2015, 2014 and 2013, approximately $136 million, $95 million and $51 million, respectively, of NEP's consolidated revenues were attributable to its Canadian operations. In addition, NEP's 2015 revenues included approximately $18 million of revenues attributable to its contract with a subsidiary of Pemex. At December 31, 2015, 2014 and 2013, NEP's total net long-lived assets, including construction work in progress, located in Canada amounted to approximately $879 million, $1,075 million and $725 million, respectively. See Item 1A for a discussion of risks related to NEP's operations in Canada.

In connection with the IPO, NEP entered into a ROFO agreement with NEER and NEP OpCo that, among other things, provides NEP OpCo with a right of first offer to acquire the NEER ROFO projects described below, if NEER should seek to sell any of these projects. NEP believes that the NEER ROFO projects have or, upon commencing commercial operations, will have, many of the characteristics of the renewable energy projects in its current portfolio, including long-term contracts with creditworthy counterparties and recently constructed, long-lived facilities that NEP believes will generate stable cash flows. Under the ROFO agreement, however, NEER is not obligated to offer to sell any of the NEER ROFO projects. In addition, in the event that NEER elects to sell any of the NEER ROFO projects, NEER is not required to accept any offer NEP OpCo makes to acquire any NEER ROFO project and, following the completion of good faith negotiations, may choose to sell the project to third parties or not to sell the project at all. NEER is not obligated to offer NEP OpCo the NEER ROFO projects at prices or on terms that are consistent with NEP's business strategy.

The following table lists the NEER ROFO projects as of December 31, 2015:

Project	Commercial Operation Date	Location	Resource	MW	Contract Expiration
Story II	December 2009	Story & Hardin Counties, IA	Wind	150	2030
Day County	April 2010	Day County, SD	Wind	99	2040
North Sky River	December 2012	Kern County, CA	Wind	162	2037
Mountain View	January 2014	Clark County, NV	Solar	20	2039
Adelaide	August 2014	Middlesex County, Ontario, Canada	Wind	60	2034
Bornish	August 2014	Middlesex County, Ontario, Canada	Wind	73	2034
Goshen	January 2015	Huron County, Ontario, Canada	Wind	102	2035
Adelanto I and II[(a)]	July 2015 (3 MW) / September 2015 (10 MW)	San Bernardino County, CA	Solar	13	2035
East Durham	July 2015	Grey County, Ontario, Canada	Wind	22	2035
Silver State South	3Q 2016 (expected)	Clark County, Nevada	Solar	250	2036
McCoy[(a)]	4Q 2016 (expected)	Riverside County, CA	Solar	125	2036
Total				1,076	

(a) As discussed above, NEP owns an approximately 50% equity method investment in these solar projects. See Note 3. The MW listed in the table above reflect the remaining net ownership percentage in plant capacity.

Effective July 2014, NEP and subsidiaries of NEP entered into a MSA with an indirect wholly owned subsidiary of NEE, under which operational, management and administrative services are provided to NEP, including managing NEP's day to day affairs and providing individuals to act as NEP GP's executive officers and directors, in addition to those services that are provided under O&M agreements and ASAs between NEER subsidiaries and NEP subsidiaries. NEP OpCo pays NEE an annual management fee and makes certain payments to NEE based on the achievement by NEP OpCo of certain target quarterly distribution levels to its unitholders (incentive distribution rights, or IDRs). See Note 12 - Management Services Agreement.

In addition, effective October 1, 2015, subsidiaries of NEP entered into transportation agreements and a fuel management agreement with a subsidiary of NEE. See Note 12 - Transportation and Fuel Management Agreements.

INDUSTRY OVERVIEW

U.S. Renewable Energy Industry

Growth in renewable energy is largely attributable to the increasing cost competitiveness of renewable energy driven primarily by government incentives, RPS, improving technology and declining installation costs and the impact of increasingly stringent environmental rules and regulations on fossil-fired generation.

U.S. federal, state and local governments have established various incentives to support the development of renewable energy. These incentives make the development of renewable energy projects more competitive by providing accelerated depreciation, tax credits or grants for a portion of the development costs, decreasing the costs associated with developing such projects or creating demand for renewable energy assets through RPS programs. In addition, RPS provide incentives to utilities to contract for energy generated from renewable energy providers.

Renewable energy technology has improved and installation costs have declined meaningfully in recent years. Wind technology is improving as a result of taller towers, longer blades and more efficient energy conversion equipment, which allow wind projects to more efficiently capture wind resource and produce more energy. Solar technology is also improving as solar cell efficiencies improve and solar equipment costs decline.

Fossil-fired plants emit greenhouse gases (GHG) and other pollutants. A number of EPA rules have been proposed that are expected to impact many coal-fired plants in the U.S. While there is some uncertainty as to the timing and requirements that will ultimately be imposed by these proposed rules (see discussion of the Clean Power Plan in Environmental - Regulation of GHG emissions below), NEP expects that the owners of some of the smaller, older or less efficient coal-fired plants will choose to decommission these facilities rather than make the significant investments that will be necessary to comply with environmental rules and regulations. In addition, NEP expects the current relatively low natural gas prices will affect the decision whether to make such investments.

Canadian Renewable Energy Industry

Canada is a world leader in the production and use of clean energy as a percentage of its total energy needs. Capacity additions are expected to be required throughout Canada in order to replace aging projects and meet growing demand. While a majority of

Canada’s electricity is generated by hydro energy plants, non-hydro renewable energy is providing an increasing portion of Canada’s energy.

The Canadian energy industry is also benefiting from the increased competitiveness of renewable energy, due in part to improving technology and declining installation costs. Furthermore, government targets and incentives at the provincial level continue to drive the growth of renewable energy in Canada. Ontario, in particular, has been a leader in supporting the development of renewable energy in Canada.

U.S. Natural Gas Pipeline Transportation Industry

The increase in natural gas production in the U.S. has led to opportunities to construct new gas pipelines to transport natural gas from areas of strong production to areas of strong natural gas demand. Over the next several years, NEP expects electricity generators to continue to demand higher volumes of natural gas due to prices being near historic lows and the emergence of GHG emissions standards. NEP expects these factors to continue to support a growing natural gas transportation industry.

Government Incentives

Government incentives in the U.S. and Canada have the effect of making the development of renewable energy projects more competitive by providing credits for a portion of the development costs or by providing favorable contract prices. A loss of or reduction in such incentives could decrease the attractiveness of renewable energy projects to developers, including NEE, which could reduce NEP's future acquisition opportunities. Such a loss or reduction could also reduce NEP's willingness to pursue or develop certain renewable energy projects due to higher operating costs or decreased revenues under its PPAs.

U.S. federal, state and local governments have established various incentives to support the development of renewable energy projects. These incentives include accelerated tax depreciation, PTCs, ITCs, cash grants, tax abatements and RPS programs. Wind and solar projects qualify for the U.S. federal Modified Accelerated Cost Recovery System depreciation schedule. This schedule allows a taxpayer to recognize the depreciation of tangible property on a five-year basis even though the useful life of such property is generally greater than five years. The PTC currently provides an income tax credit for the production of electricity from utility-scale wind turbines for the first ten years of commercial operation. This incentive was created under the Energy Policy Act of 1992 and has been extended several times. Most recently, in December 2015, the PTC was extended for five years, subject to the phase down schedule in the table below. The IRS previously issued guidance related to which projects will qualify for the PTC including, among other things, criteria for the beginning of construction of a project and the continuous program of construction or the continuous efforts to advance the project to completion. The IRS has not updated its guidance for the December 2015 extension. Alternatively, wind project developers can choose to receive a 30% ITC, in lieu of the PTC, subject to the phase down schedule in the table below.

Solar project developers are also eligible to receive a 30% ITC for new solar projects, or can elect to receive an equivalent cash payment from the U.S. Department of Treasury for the value of the 30% ITC for qualifying solar projects where construction began before the end of 2011 and the projects are placed in service before 2017. In December 2015, the 30% ITC for new solar projects was extended, subject to the following phase down schedule.

	Year construction of project begins															
	2015		2016		2017		2018		2019		2020		2021		2022	
PTC[(a)]	100	%	100	%	80	%	60	%	40	%	-		-		-	
Wind ITC	30	%	30	%	24	%	18	%	12	%	-		-		-	
Solar ITC[(b)]	30	%	30	%	30	%	30	%	30	%	26	%	22	%	10	%

(a) Percentage of the full PTC available for wind projects that begin construction during the applicable year.
(b) ITC is limited to 10% for projects not placed in service before January 1, 2024.

RPS are state regulatory programs to encourage the development of renewable energy. RPS are currently in place in approximately 30 states, three territories and the District of Columbia, and many require electricity providers in the state, territory or district to meet a certain percentage of their retail sales with energy from renewable sources. These standards vary, but the majority include requirements to meet 20% to 30% of the electricity providers' retail sales with energy from renewable sources by 2025. Approximately eight other states in the U.S. have set renewable energy goals as well. NEP believes that these standards and goals will create incremental demand for renewable energy in the future. See Environmental Matters - Regulation of GHG Emissions below for a further discussion.

Government incentives at the provincial level continue to drive the growth of renewable energy in Canada. Provincial governments have been supportive of renewable energy in general, and wind energy in particular, through renewable energy targets and incentive plans.

BUSINESS STRATEGY

NEP's primary business objective is to invest in contracted clean energy projects that allow it to increase its cash distributions to the holders of its common units over time. To achieve this objective, NEP intends to execute the following business strategy:

- Focus on contracted clean energy projects. NEP intends to focus on long-term contracted clean energy projects that have recently commenced commercial operations with newer and more reliable technology, lower operating costs and relatively stable cash flows, subject to seasonal variances, consistent with the characteristics of its portfolio.
- Focus on the U.S. and Canada. NEP intends to focus its investments in the U.S. and Canada, where it believes industry trends present significant opportunities to acquire contracted clean energy projects in diverse regions and favorable locations. By focusing on the U.S. and Canada, NEP believes it will be able to take advantage of NEE’s long-standing industry relationships, knowledge and experience.
- Maintain a sound capital structure and financial flexibility. NEP and its subsidiaries have various financing structures in place including limited recourse project-level financings, financing through the sale of differential membership interests, term loans and revolving credit facilities. NEP believes its cash flow profile, the long-term nature of its contracts and its ability to raise capital provide flexibility for optimizing its capital structure and increasing distributions. NEP intends to continually evaluate opportunities to finance future acquisitions or refinance its existing debt and seek to limit recourse, optimize leverage, extend maturities and increase cash distributions to unitholders over the long term.
- Take advantage of NEER’s operational excellence to maintain the value of the projects in its portfolio. NEER provides O&M, administrative and management services to NEP's projects pursuant to the MSA and other agreements. Through these agreements, NEP benefits from the operational expertise that NEER currently provides across its entire portfolio. NEP expects that these services will maximize the operational efficiencies of its portfolio.
- Grow NEP's business and cash distributions through selective acquisitions of operating projects or projects under construction. NEP believes the ROFO agreement and its relationship with NEE provide it with opportunities for growth through the acquisition of projects that have or, upon the commencement of commercial operations, will have similar characteristics to the renewable energy projects in its portfolio. NEER has granted NEP OpCo a right of first offer to acquire the NEER ROFO projects through mid-2020. NEP intends to focus on acquiring projects in operation, maintaining a disciplined investment approach and taking advantage of market opportunities to acquire additional projects from NEER and third parties in the future, which it believes will allow it to increase cash distributions to its unitholders over the long term. NEER is not required, however, to offer NEP OpCo the opportunity to purchase any of its projects, including the NEER ROFO projects.

COMPETITION

Wholesale power generation is a capital-intensive, commodity-driven business with numerous industry participants. While NEP's renewable energy projects are currently fully contracted, NEP may compete in the future primarily on the basis of price, but also believes the green attributes of NEP's renewable energy generation assets and relationship with NEE, among other advantages discussed below, are competitive advantages. Wholesale power generation is a regional business that is highly fragmented relative to many other commodity industries and diverse in terms of industry structure. As such, there is a wide variation in terms of the capabilities, resources, nature and identity of the companies NEP competes with depending on the market. In wholesale markets, customers' needs are met through a variety of means, including long-term bilateral contracts, standardized bilateral products such as full requirements service and customized supply and risk management services.

In addition, NEP competes with other companies to acquire well-developed projects with projected stable cash flows. NEP believes its primary competitors for opportunities in North America are regulated utilities, developers, IPPs, pension funds and private equity funds.

NEP's pipeline projects face competition with respect to retaining and obtaining firm transportation contracts and compete with other pipeline companies based on location, capacity, price and reliability. The market for supply of natural gas is highly competitive, and new pipelines, storage facilities, treating facilities and facilities for related services are currently being built to serve the growing demand for natural gas.

NEP believes that it is well-positioned to execute its strategy and increase cash distributions to its unitholders over the long term based on the following competitive strengths:

Relationship with NEE. NEP believes that its relationship with NEE provides it with the following significant benefits:

- NEE Management and Operational Expertise. NEP believes it benefits from NEE’s experience, operational excellence, cost-efficient operations and reliability. Through the MSA and other agreements with NEE, NEP's projects will receive the same benefits and expertise that NEE currently provides across its entire portfolio.
- NEE Project Development Track Record and Pipeline. NEP believes that NEE’s long history of developing, owning and operating renewable energy projects provides NEP with a competitive advantage in North America.

Contracted projects with stable cash flows. The contracted nature of NEP's portfolio supports expected stable long-term cash flows. NEP's portfolio is composed of renewable energy projects with approximately 2,200 MW of capacity and pipeline projects with

approximately 3 Bcf per day of capacity under firm transportation contracts. The renewable energy projects are fully contracted under long-term contracts that generally provide for fixed price payments subject to annual escalation over the contract term. Revenues from the pipeline projects are primarily generated from firm transportation contracts based on the fixed amount of capacity reserved by the counterparties. The renewable energy projects and pipeline projects have a total weighted average remaining contract term, based on forecasted contributions to earnings, of approximately 19 years as of December 31, 2015.

New, well-maintained portfolio using best-in-class equipment. NEP's portfolio includes renewable energy projects that have, on average based on contributions to earnings, been operating for fewer than five years. Additionally, approximately 85% of NEP's pipeline projects (on a capacity-weighted basis) have been operating for fewer than five years. Because NEP's renewable energy portfolio is relatively new and uses what NEP believes is industry-leading technology, NEP believes that it will achieve the expected levels of availability and performance without incurring unexpected operating and maintenance costs.

Geographic and resource diversification. NEP's portfolio is geographically diverse across the U.S. and Canada. In addition, NEP's portfolio includes both wind and solar electric generating facilities, as well as natural gas pipeline operations. A diverse portfolio tends to reduce the magnitude of individual project or regional deviations from historical resource conditions, providing a more stable stream of cash flows over the long term than a non-diversified portfolio. In addition, NEP believes the geographic diversity of the portfolio helps minimize the impact of adverse regulatory conditions in any one jurisdiction.

Competitiveness of renewable energy. Renewable energy technology has improved and installation costs have declined meaningfully in recent years. Wind technology has improved as a result of taller towers, longer blades and more efficient energy conversion equipment, which allow wind projects to more efficiently capture wind resource and produce more energy. Solar technology is also improving as solar cell efficiencies improve and installation costs decline.

REGULATION

NEP's operations are subject to regulation by a number of U.S. federal, state and other organizations, including, but not limited to, the following:

- the FERC, which oversees the acquisition and disposition of generation, transmission and other facilities, transmission of electricity and natural gas in interstate commerce and wholesale purchases and sales of electric energy, among other things;
- the NERC, which, through its regional entities, establishes and enforces mandatory reliability standards, subject to approval by the FERC, to ensure the reliability of the U.S. electric transmission and generation system and to prevent major system blackouts;
- the EPA, which has the responsibility to maintain and enforce national standards under a variety of environmental laws. The EPA also works with industries and all levels of government, including federal and state governments, in a wide variety of voluntary pollution prevention programs and energy conservation efforts;
- various agencies in Texas, which oversee safety, environmental and certain aspects of rates and transportation related to the pipeline projects; and
- the Pipeline and Hazardous Material Safety Administration and Texas Railroad Commission's Pipeline Safety Division, which, among other things, oversee the safety of natural gas pipelines.

NEP and its affiliates are also subject to national, provincial and regional regulations in Canada related to energy operations, energy markets and environmental standards. In Canada, activities related to owning and operating wind and solar projects and participating in wholesale and retail energy markets are regulated at the provincial level. In

Ontario, for example, electricity generation facilities must be licensed by the Ontario Energy Board and may also be required to complete registrations and maintain market participant status with the IESO, in which case they must agree to be bound by and comply with the provisions of the market rules for the Ontario electricity market as well as the mandatory reliability standards of the NERC.

NEP is subject to environmental laws and regulations, and is affected by the issues described in the Environmental Matters section below.

ENVIRONMENTAL MATTERS

NEP's operations are required to comply with various environmental, health and safety laws and regulations in each of the jurisdictions in which it operates. These existing and future laws and regulations may impact existing and new projects, require NEP to obtain and maintain permits and approvals, comply with all environmental laws and regulations applicable within each jurisdiction and implement environmental, health and safety programs and procedures to monitor and control risks associated with the construction, operation and decommissioning of regulated or permitted energy assets, all of which involve a significant investment of time and resources. The following is a discussion of certain existing initiatives and rules, some of which could potentially have a material effect (either positive or negative) on NEP and its subsidiaries.

Avian/Bat Regulations and Wind Turbine Siting Guidelines. NEP is subject to numerous environmental regulations and guidelines related to threatened and endangered species and their habitats, as well as avian and bat species, for the ongoing operations of their facilities. The environmental laws in the U.S., including, among others, the Endangered Species Act, the Migratory Bird Treaty Act, and the Bald and Golden Eagle Protection Act and similar environmental laws in Canada (the Species at Risk Act, the Migratory

Birds Convention Act and the Endangered Species Act of 2007) provide for the protection of migratory birds, eagles and bats and endangered species of birds and bats and their habitats. Regulations have been adopted under some of these laws that contain provisions that allow the owner/operator of a facility to apply for a permit to undertake specific activities, including those associated with certain siting decisions, construction activities and operations. In addition to regulations, voluntary wind turbine siting guidelines established by the U.S. Fish and Wildlife Service set forth siting, monitoring and coordination protocols that are designed to support wind development in the U.S. while also protecting both birds and bats and their habitats. These guidelines include provisions for specific monitoring and study conditions which need to be met in order for projects to be in adherence with these voluntary guidelines. Complying with these environmental regulations and adhering to the provisions set forth in the voluntary wind turbine siting guidelines could result in additional costs or reduced revenues at existing and new wind and solar facilities and transmission and distribution facilities at NEP and, in the case of environmental regulations, failure to comply could result in fines and penalties.

Regulation of GHG Emissions. The U.S. Congress and certain states and regions, as well as the Government of Canada and its provinces, have taken and continue to take certain actions, such as finalizing regulation or setting targets and goals, regarding the reduction of GHG emissions and the increase of renewable energy generation. In October 2015, the EPA's final rule for new fossil fuel-fired electric generation units regulated under Section 111(b) of the Clean Air Act became effective. In December 2015, the EPA's final rule under Section 111(d) of the Clean Air Act (Clean Power Plan) to reduce carbon emissions from existing fossil fuel-fired electric generation units became effective. The Clean Power Plan sets emission rate targets for each state and requires each state to develop a compliance plan by the fall of 2016 to meet these emissions targets, with the option for states to apply for an extension to 2018. The Clean Power Plan indicates that compliance will start in 2022 with both interim and final target dates, each with specific emissions reductions. Numerous parties have challenged the Clean Power Plan and, in February 2016, the U.S. Supreme Court issued an order staying implementation of the Clean Power Plan pending resolution of legal challenges to the rule. The D.C. Circuit is scheduled to hear oral arguments on June 2, 2016. Other GHG reduction initiatives including, among others, the Regional Greenhouse Gas Initiative and the California Greenhouse Gas Regulation aim to reduce emissions through a variety of programs and under varying timelines. Based on its renewable energy portfolio, NEP expects to continue experiencing a positive impact as a result of these GHG reduction initiatives. Additionally, these initiatives could provide NEP opportunities with regards to wind and solar investment.

EMPLOYEES

NEP does not have any officers or employees and relies solely on officers and employees of NEP GP and NEP GP's affiliates, including NEE and NEER. See further discussion of the MSA and other payments to NEE in Note 12.

WEBSITE ACCESS TO SEC FILINGS

NEP makes its 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 NEP's internet website, www.nexteraenergypartners.com, as soon as reasonably practicable after those documents are electronically filed with or furnished to the SEC. The information and materials available on NEP's website are not incorporated by reference into this Form 10-K. 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.

Item 1A. Risk Factors

Limited partnership interests are inherently different from shares of capital stock of a corporation, although many of the business risks to which NEP is subject are similar to those that would be faced by a corporation engaged in similar businesses and NEP has elected to be treated as a corporation for U.S. federal income tax purposes. If any of the following risks were to occur, NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders could be materially and adversely affected. In that case, it may not be able to pay distributions to its unitholders, the trading price of its common units could decline and investors could lose all or part of their investment in NEP.

Operational Risks

NEP has a limited operating history and its projects include renewable energy projects with a limited operating history. Such projects may not perform as expected.

NEP's portfolio includes renewable energy projects that have, on average, been operating for fewer than five years. In addition, NEP expects that many of the renewable energy projects that it may acquire, including, without limitation, NEER ROFO projects, will not have commenced operations, will have recently commenced operations or otherwise will have a limited operating history. As a result, the assumptions and estimates regarding the performance of these projects are and will be made without the benefit of a meaningful operating history. The ability of NEP's projects that have a limited operating history to perform as expected will also be subject to risks inherent in newly constructed energy projects, including, without limitation, equipment performance below NEP's expectations, unexpected component failures and product defects, and generation and transmission system failures and outages. The failure of some or all of the projects to perform as expected could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

NEP's ability to make cash distributions to its unitholders is affected by wind and solar conditions at its renewable energy projects.

The amount of energy that a wind project can produce depends on wind speeds, air density, weather and equipment, among other factors. If wind speeds are too low, NEP's wind projects may not perform as expected or may not be able to generate energy at all and, if wind speeds are too high, the wind projects may have to shut down to avoid damage. As a result, the output from NEP's wind projects can vary greatly as local wind speeds and other conditions vary. Similarly, the amount of energy that a solar project is able to produce depends on several factors, including, without limitation, the amount of solar energy that reaches its solar panels. Wind turbine or solar panel placement, interference from nearby wind projects or other structures and the effects of vegetation, snow, ice, land use and terrain also affect the amount of energy that NEP's wind and solar projects generate. If wind, solar, meteorological, topographical or other conditions at NEP's wind or solar projects are less conducive to energy production, NEP's projects may not produce the amount of energy NEP expects. The failure of some or all of NEP's projects to perform according to NEP's expectations could have a material adverse effect on its business, financial condition, results of operations and ability to make cash distributions to its unitholders.

NEP's business, financial condition, results of operations and prospects can be materially adversely affected by weather conditions, including, without limitation, the impact of severe weather.

Weather conditions directly influence the demand for electricity, natural gas and other fuels and affect the price of energy and energy-related commodities. In addition, severe weather and natural disasters, such as hurricanes, tornadoes, floods and earthquakes, can be destructive and cause power outages and property damage, reduce revenue,

affect the availability of water, and require NEP to incur additional costs, for example, to restore service and repair damaged facilities, to obtain replacement power and to access available financing sources. Furthermore, NEP's physical plants could be placed at greater risk of damage should changes in the global climate produce unusual variations in temperature and weather patterns, resulting in more intense, frequent and extreme weather events and abnormal levels of precipitation. A disruption or failure of electric generation, transmission or distribution systems or natural gas production, transmission, storage or distribution systems in the event of a hurricane, tornado, flood, earthquake or other severe weather event, or otherwise, could prevent NEP from operating its business in the normal course and could result in any of the adverse consequences described above. Any of the foregoing could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

Changes in weather can also affect the production of electricity at power generating facilities, including, without limitation, NEP's wind and solar facilities. For example, the level of wind resource affects the revenue produced by wind generating facilities. Because the levels of wind and solar resources are variable and difficult to predict, NEP’s results of operations for individual wind and solar facilities specifically, and NEP's results of operations generally, may vary significantly from period to period, depending on the level of available resources. To the extent that resources are not available at planned levels, the financial results from these facilities may be less than expected.

As a result of the Texas pipelines acquisition, NEP's operations and business have substantially changed. NEP's expansion into the natural gas pipeline industry may not be successful.

The Texas pipelines acquisition substantially expanded NEP's business by adding substantial natural gas pipeline assets and operations to its renewable energy assets and operations. Prior to the Texas pipelines acquisition, NEP's operations consisted solely of long-term contracted wind and solar projects. NEP’s operations did not previously include developing and operating natural gas pipelines, which requires different operating strategies and managerial expertise. Furthermore, the services provided by the Texas pipelines are subject to additional or different regulatory requirements.

NEP's ability to manage its business and growth will require it to apply its operational, financial and management controls, reporting systems and procedures to the Texas pipeline business. NEP may also encounter risks, costs and expenses associated with any liabilities, and use more financial resources on integration activities than NEP anticipates. NEP may not be able to successfully integrate the operations of the Texas pipelines into its existing operations, successfully manage this new line of business or realize the expected economic benefits of the Texas pipelines, which may have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

NEP may fail to realize expected profitability or growth, and may incur unanticipated liabilities, as a result of the Texas pipelines acquisition.

There are a number of risks and uncertainties relating to the Texas pipelines acquisition, including, without limitation, the failure to realize expected profitability or growth; the incurrence of liabilities or other compliance costs related to environmental or regulatory matters, including potential liabilities that may be imposed without regard to fault or the legality of conduct; and the incurrence of unanticipated liabilities and costs for which insurance or indemnification is unavailable or inadequate. If these risks or other unanticipated liabilities were to materialize, any desired benefits of the Texas pipelines acquisition may not be fully realized, if at all, and the Texas pipelines acquisition could accordingly have a material adverse effect on NEP's ability to grow its business and make cash distributions to its unitholders.

NEP is pursuing the expansion of natural gas pipelines in its portfolio that will require up-front capital expenditures and expose NEP to project development risks.

NEP is pursuing the expansion of natural gas pipelines in its portfolio. The development of pipeline expansion projects involves numerous regulatory, environmental, construction, safety, political and legal uncertainties and may require the expenditure of significant amounts of capital. When NEP undertakes these projects, they may not be completed on schedule, at the budgeted cost or at all. There may be cost overruns and construction difficulties. In addition NEP may agree to pay liquidated damages to committed shippers if an expansion project does not achieve commercial operations before a specified date that the parties may agree to in advance. Any cost overruns NEP experiences or liquidated damages NEP pays could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders. In addition, NEP may choose to finance all or a portion of the development costs of any expansion project through the sale of additional common units, which could result in dilution to NEP’s unitholders. Moreover, NEP's revenues may not increase immediately upon the expenditure of funds on a significant expansion project, or at all. If NEP undertakes an expansion of one of the pipelines in the portfolio, the construction may occur over an extended period of time and NEP will not receive material increases in revenues until the project is placed in service. Accordingly, if NEP pursues expansion projects, NEP's efforts may not result in additional long-term contracted revenue streams that increase the amount of cash available to execute NEP's business plan and make cash distributions to its unitholders.

NEP's ability to maximize the productivity of the Texas pipeline business and to complete potential pipeline expansion projects is dependent on the continued availability of natural gas production in the Texas pipelines' areas of operation.

The natural gas pipelines in NEP's portfolio have more capacity available than is under long-term firm transport contracts. Low prices for natural gas could adversely affect development of additional natural gas reserves and production that is accessible by the Texas pipelines' assets. Production from existing wells and natural gas supply basins with access to the Texas pipelines' transmission systems will naturally decline over time. The amount of natural gas reserves underlying these wells may also be less than anticipated, and the rate at which production from these reserves declines may be greater than anticipated. Additionally, the competition for natural gas supplies to serve other markets could reduce the amount of natural gas supply for its customers or low natural gas prices could cause producers to determine in the future that drilling activities in areas outside of the current areas of operation of the Texas pipelines are strategically more attractive to them. A reduction in the natural gas volumes supplied by producers could make it more challenging to increase the amount of the Texas pipelines' capacity that is under long-term firm transport contracts or that shippers otherwise pay to use or have access to the pipeline capacity, and it may decrease the likelihood that NEP will continue to pursue some or all of the potential pipeline expansion projects NEP is pursuing. Any of these events could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

Operation and maintenance of renewable energy projects involve significant risks that could result in unplanned power outages, reduced output, personal injury or loss of life.

There are risks associated with the operation of NEP's renewable energy projects. These risks include:

- breakdown or failure of, or damage to, turbines, blades, blade attachments, solar panels, mirrors and other equipment, which could reduce a project's energy output or result in personal injury or loss of life;
- catastrophic events, such as fires, earthquakes, severe weather, tornadoes, ice or hail storms or other meteorological conditions, landslides and other similar events beyond NEP's control, which could severely damage or destroy all or a part of a project, reduce its energy output or result in personal injury or loss of life;
- technical performance below expected levels, including, without limitation, the failure of wind turbines, solar panels, mirrors and other equipment to produce energy as expected due to incorrect measures of expected performance provided by equipment suppliers;
- increases in the cost of operating the projects, including, without limitation, costs relating to labor, equipment, insurance and real estate taxes;
- operator or contractor error or failure to perform;
- serial design or manufacturing defects, which may not be covered by warranty;
- extended events, including, without limitation, force majeure, under certain PPAs that may give rise to a termination right of the customer under such a PPA (renewable energy counterparty);
- failure to comply with permits and the inability to renew or replace permits that have expired or terminated;
- the inability to operate within limitations that may be imposed by current or future governmental permits;
- replacements for failed equipment, which may need to meet new interconnection standards or require system impact studies and compliance that may be difficult or expensive to achieve;
- land use, environmental or other regulatory requirements;
- disputes with the BLM, other owners of land on which NEP's projects are located or adjacent landowners;
- changes in law, including, without limitation, changes in governmental permit requirements;
- government or utility exercise of eminent domain power or similar events; and
- existence of liens, encumbrances and other imperfections in title affecting real estate interests.

These and other factors could require NEP to shut down its wind or solar projects. These factors could also degrade equipment, reduce the useful life of interconnection and transmission facilities and materially increase maintenance and other costs. Unanticipated capital expenditures associated with maintaining or repairing NEP's projects may reduce profitability.

In addition, replacement and spare parts for solar panels, wind turbines and other key equipment may be difficult or costly to acquire or may be unavailable. For example, the projects in NEP's portfolio do not always hold spare substation main transformers and, if any of these projects had to replace any of such transformers, they would be unable to sell energy until replacement equipment was installed. Each solar and wind project requires a specific transformer design and, if it does not have an acceptable spare available, it would need to order a replacement. Order lead times can be lengthy, potentially reaching up to one year.

Such events or actions could significantly decrease or eliminate the revenues of a project, significantly increase its operating costs, cause a default under NEP's financing agreements or give rise to damages or penalties to a renewable energy contract counterparty, another contractual counterparty, a governmental authority or other third parties or cause defaults under related contracts or permits. Any of these events could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

The wind turbines at some of NEP's projects and some of NEER's ROFO projects are not generating the amount of energy estimated by their manufacturers' original power curves, and the manufacturers may not be able to restore energy capacity at the affected turbines.

Wind turbine generators for certain of NEP's projects are not generating the amount of energy they should be according to the turbine manufacturer's original power curves. In addition, NEP has been advised that the wind turbine generators of certain NEER ROFO projects are not generating the amount of energy they should be according to the turbine manufacturer's original power curves. NEP expects that the turbine manufacturer will undertake a combination of modifications to improve the electricity generation to within the manufacturer's guaranteed levels with respect to certain affected turbines. NEP does not expect that the energy generation with respect to the remaining affected turbines will be able to be restored to within guaranteed levels, although NEP expects some incremental improvements.

Although NEP's projections assume that these efforts will restore or incrementally improve the energy generation of the affected turbines as described above, the proposed efforts may fail to restore the energy generation as expected, if at all, or these or other turbines may experience additional energy generation deficiencies. The occurrence of any of these events could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

NEP depends on the Texas pipelines and certain of the renewable energy projects in its portfolio for a substantial portion of its anticipated cash flows.

NEP depends on the Texas pipelines and certain of the renewable energy projects in its portfolio for a substantial portion of its anticipated cash flows. For example, in the most recently completed fiscal year the Texas pipelines and Genesis provided a significant portion of NEP's net income plus interest expense, income tax expense and depreciation and amortization expense. Consequently, the impairment or loss of any one or more of those projects or pipelines in NEP's portfolio could materially and, depending on the relative size of the affected projects or pipelines, disproportionately reduce NEP's cash flows and, as a result, have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

Terrorist or similar attacks could impact NEP's projects or surrounding areas and adversely affect its business.

Terrorists have attacked energy assets such as substations and related infrastructure in the past and may attack them in the future. Any attacks on NEP's projects or the facilities of third parties on which its projects rely could severely damage such projects, disrupt business operations, result in loss of service to customers and require significant time and expense to repair. Additionally, energy-related facilities, such as substations and related infrastructure, are protected by limited security measures, in most cases only perimeter fencing. As cyber incidents continue to evolve, NEP may be required to expend additional resources to continue to modify or enhance NEP's protective measures or to investigate and remediate any vulnerability to cyber incidents.

Cyber-attacks, including, without limitation, those targeting information systems or electronic control systems used to operate NEP's energy projects (including, without limitation, generation transmission tie lines) and the transmission and other facilities of third parties on which NEP's projects rely, could severely disrupt business operations and result in loss of service to customers and significant expense to repair security breaches or system damage. Projects in NEP's portfolio, as well as projects it may acquire and the transmission and other facilities of third parties on which NEP's projects rely, may be targets of terrorist acts and affected by responses to terrorist acts, each of which could fully or partially disrupt the ability of NEP's projects to operate. To the extent such acts equate to a force majeure event under NEP's PPAs, the renewable energy counterparty may terminate such PPAs if such a force majeure event continues for a period ranging from 12 months to 36 months as specified in the applicable agreement. A terrorist act or similar attack could significantly decrease revenues or result in significant reconstruction or remediation costs, any of which could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

NEP's energy production and pipeline transportation capability may be substantially below its expectations if severe weather or a natural disaster or meteorological conditions damage its turbines, solar panels, pipelines or other equipment or facilities.

Severe weather or a natural disaster or meteorological conditions could damage or require NEP to shut down its turbines, solar panels, pipelines or other equipment or facilities (including, without limitation, generation transmission tie lines). Such damage or a shutdown could impede NEP's ability to operate its projects, or decrease its energy production levels, pipeline transportation capability and revenues. To the extent these conditions equate to a force majeure event under NEP's PPAs, the renewable energy contract counterparty may terminate such PPAs if such a force majeure event continues for a period ranging from 12 months to 36 months as specified in the applicable PPA. These conditions could also damage or reduce the useful life of interconnection and transmission facilities of a project or of third parties relied upon by NEP's projects and increase maintenance costs. For example, Genesis is located in an area of California that has experienced substantial seismic activity, the reoccurrence of which could cause significant physical damage to Genesis' facilities and the surrounding energy transmission infrastructure. Replacement and spare parts for solar panels, wind turbines and key pieces of equipment may be difficult or costly to acquire or may be

unavailable. In certain instances, NEP's renewable energy projects would be unable to sell energy until a replacement part is installed. If NEP experiences a prolonged interruption at one of its renewable energy projects or pipelines, energy production or gas transportation capability would decrease. Production of less energy than expected, or the ability to transport natural gas at less than expected levels, due to these or other conditions could reduce NEP's revenues, which could have a material adverse effect on its business, financial condition, results of operations and ability to make cash distributions to its unitholders.

The ability of NEP 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. NEP's insurance coverage does not insure against all potential risks and it may become subject to higher insurance premiums.

NEP is exposed to numerous risks inherent in the operation of wind and solar projects and natural gas pipelines, including, without limitation, equipment failure, manufacturing defects, natural disasters, terrorist attacks, sabotage, vandalism and environmental risks. The occurrence of any one of these events may result in NEP being named as a defendant in lawsuits asserting claims for substantial damages, including, without limitation, environmental cleanup costs, personal injury, property damage, fines and penalties. Further, with respect to any future acquisitions of any projects that are under construction or development, NEP is, or will be, exposed to risks inherent in the construction or development of these projects.

NEP shares insurance coverage with NEE and its affiliates, for which NEP reimburses NEE. NEE currently maintains liability insurance coverage for itself and its affiliates, including NEP, which covers legal and contractual liabilities arising out of bodily injury,

personal injury or property damage, including, without limitation, resulting loss of use, to third parties. NEE also maintains coverage for itself and its affiliates, including NEP, for physical damage to assets and resulting business interruption, including, without limitation, damage caused by terrorist acts. However, such policies do not cover all potential losses and coverage is not always available in the insurance market on commercially reasonable terms. To the extent NEE or any of its affiliates experiences covered losses under the insurance policies, the limit of NEP's coverage for potential losses may be decreased.

NEE may also reduce or eliminate such coverage at any time. NEP may not be able to maintain or obtain insurance of the type and amount NEP desires at reasonable rates and NEP may elect to self-insure a portion of its portfolio. The insurance coverage NEP does obtain may contain large deductibles or fail to cover certain risks or all potential losses. In addition, insurance coverage may not continue to be available or may not be available at rates or on terms similar to those presently available to NEE. NEE’s insurance policies are subject to annual review by its insurers and may not be renewed on similar or favorable terms, including, without limitation, coverage, deductibles or premiums, or at all. The ability of NEE 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. If insurance coverage is not available or obtainable on acceptable terms, NEP may be required to pay costs associated with adverse future events. A loss for which NEP is not fully insured could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

Warranties provided by the suppliers of equipment for NEP's projects may be limited by the ability of a supplier to satisfy its warranty obligations, or by the terms of the warranty, so the warranties may be insufficient to compensate NEP for its losses.

NEP expects to benefit from various warranties, including, without limitation, product quality and performance warranties, provided by suppliers in connection with the purchase of equipment necessary to operate its projects. NEP's suppliers may fail to fulfill their warranty obligations. Even if a supplier fulfills its obligations, the warranty may not be sufficient to compensate NEP for all of its losses. In addition, these warranties generally expire within two to five years after the date each equipment item is delivered or commissioned and are subject to liability limits. If installation is delayed, NEP may lose all or a portion of the benefit of a warranty. If NEP seeks warranty protection and a supplier is unable or unwilling to perform its warranty obligations, whether as a result of its financial condition or otherwise, or if the term of the warranty has expired or a liability limit has been reached, there may be a reduction or loss of warranty protection for the affected equipment, which could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

Supplier concentration at certain of NEP's projects may expose it to significant credit or performance risks.

NEP often relies on a single supplier or a small number of suppliers to provide equipment, technology and other services required to operate its projects. If any of these suppliers cannot perform under their agreements with NEP, NEP may need to seek alternative suppliers. Alternative suppliers, products and services may not perform similarly and replacement agreements may not be available on favorable terms or at all. NEP may be required to make significant capital expenditures to remove, replace or redesign equipment that cannot be supported or maintained by replacement suppliers. A number of factors, including, without limitation, the financial condition of NEP's suppliers, may impact their ability to perform under NEP's supply agreements. The failure of any supplier to fulfill its contractual obligations to NEP could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

NEP relies on interconnection and transmission facilities of third parties to deliver energy from its renewable energy projects and, if these facilities become unavailable, NEP's wind and solar projects may not be able to operate or deliver energy.

NEP depends on interconnection and transmission facilities owned and operated by third parties to deliver energy from its wind and solar projects. In addition, some of the renewable energy projects in NEP's portfolio share essential facilities, including, without limitation, interconnection and transmission facilities, with projects that are owned by other affiliates of NEE. Many of the interconnection and transmission arrangements for the projects in NEP's portfolio are governed by separate agreements with the owners of the transmission or distribution facilities. Congestion, emergencies, maintenance, outages, overloads, requests by other parties for transmission service, actions or omissions by other projects with which NEP shares facilities and other events beyond NEP's control could partially or completely curtail deliveries of energy by its renewable energy projects and increase project costs. Southern California Edison requested approval from the California Public Utilities Commission to upgrade four transmission circuits over a 36 to 48 month time period expected to begin between 2017 and 2018, which may limit the ability of Genesis to deliver its full output capability into the electric grid during that time period. In addition, any termination of a project’s interconnection or transmission arrangements or non-compliance by an interconnection provider, the owner of shared facilities or another third party with its obligations under an interconnection or transmission arrangement may delay or prevent NEP's renewable energy projects from delivering energy in a manner that entitles it to receive revenue. If the interconnection or transmission arrangement for a project is terminated, NEP may not be able to replace it on similar terms to the existing arrangement, or at all, or NEP may experience significant delays or costs in connection with such replacement. Moreover, if NEP acquires any renewable energy projects that are under construction or development, a failure or delay in the construction or development of interconnection or transmission facilities could delay the completion of the project. The unavailability of interconnection, transmission or shared facilities could adversely affect the operation of its renewable energy projects and the revenues received, which could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

NEP's business is subject to liabilities and operating restrictions arising from environmental, health and safety laws and regulations.

NEP's projects are subject to numerous environmental, health and safety laws, regulations, guidelines, policies, directives and other requirements governing or relating to, among other things:

- the protection of wildlife, including, without limitation, migratory birds, bats and threatened and endangered species, such as desert tortoises, or protected species such as eagles, and other protected plants or animals whose presence or movements often cannot be anticipated or controlled;
- the storage, handling, use and transportation of natural gas as well as other hazardous or toxic substances and other regulated substances, materials, and/or chemicals;
- releases of hazardous materials into the environment and the prevention of and responses to releases of hazardous materials into soil and groundwater;
- federal, state, provincial or local land use, zoning, building and transportation laws and requirements, which may mandate conformance with sound levels, radar and communications interference, hazards to aviation or navigation, or other potential nuisances such as the flickering effect caused when rotating wind turbine blades periodically cast shadows through openings such as the windows of neighboring properties, which is known as shadow flicker;
- the presence or discovery of archaeological, religious or cultural resources at or near NEP's operations; and
- the protection of workers' health and safety.

If NEP's projects do not comply with such laws, regulations or requirements, NEP may be required to pay penalties or fines, or curtail or cease operations of the affected projects. Violations of environmental and other laws, regulations and permit requirements, including, without limitation, certain violations of laws protecting wetlands, migratory birds, bald and golden eagles and threatened or endangered species, may also result in criminal sanctions or injunctions.

NEP's projects also carry inherent environmental, health and safety risks, including, without limitation, the potential for related civil litigation, regulatory compliance actions, remediation orders, fines and other penalties. For instance, NEP's projects could malfunction or experience other unplanned events that cause spills or emissions that exceed permitted levels, resulting in personal injury, fines or property damage.

Additionally, NEP may be held liable for related investigatory and cleanup costs, which are typically not limited by law or regulation, for any property where there has been a release or potential release of a hazardous substance, regardless of whether NEP knew of or caused the release or potential release. NEP could also be liable for other costs, including, without limitation, fines, personal injury or property damage or damage to natural resources. In addition, some environmental laws place a lien on a contaminated site in favor of the government as security for damages and costs it may incur for contamination and cleanup. Contained or uncontained hazardous substances on, under or near NEP's projects, regardless of whether it owns or leases the sited property, or the inability to remove or otherwise remediate such substances, may restrict or eliminate NEP's ability to operate its projects.

Each of NEP's projects covers a large area and, as such, archaeological discoveries could occur at its projects at any time. Such discoveries could result in the restriction or elimination of NEP's ability to operate any affected project. Utility-scale projects and operations may cause impacts to certain landscape views, trails, or traditional cultural activities. Such impacts may trigger claims from citizens that a NEP project and/or its operations are infringing upon their legal rights or other claims, resulting in the restriction or elimination of NEP's ability to operate the affected project.

Environmental, health and safety laws and regulations have generally become more stringent over time, and NEP expects this trend to continue. Significant capital and operating costs may be incurred at any time to keep NEP's projects in compliance with environmental, health and safety laws and regulations. If it is not economical to make those expenditures, or if NEP violates any of these laws and regulations, it may be necessary to retire the affected project or restrict or modify its operations, which could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

NEP's renewable energy projects may be adversely affected by legislative changes or a failure to comply with applicable energy regulations.

NEP's renewable energy project entities and renewable energy contract counterparties are subject to regulation by U.S. and Canadian federal, state, provincial and local authorities. The wholesale sale of electric energy in the continental U.S. states, other than portions of Texas, is subject to the jurisdiction of the FERC and the ability of a U.S. project entity to charge the negotiated rates contained in its PPA is subject to that project entity’s maintenance of its general authorization from the FERC to sell electricity at market-based rates. The FERC may revoke a U.S. project entity’s market-based rate authorization if it determines that the U.S. project entity can exercise market power in transmission or generation, create barriers to entry, has engaged in abusive affiliate transactions or fails to meet compliance requirements associated with such rates. The negotiated rates entered into under the U.S. Project Entities’ PPAs could be changed by the FERC if the FERC determines such change is in the public interest. While this threshold public interest determination would require a finding by the FERC that the contract rate seriously harms the consuming public under applicable U.S. Supreme Court precedent, if the FERC decreases the prices paid to NEP for energy delivered under any of its

PPAs, NEP's revenues could be below its projections and its business, financial condition, results of operations and ability to make cash distributions to its unitholders could be materially adversely affected.

The renewable energy industry in Ontario is subject to provincial government regulation. A change in government could result in a provincial government that is not supportive of renewable energy projects. Changing political priorities or a change in government in Ontario could affect the ability of the IESO to perform its obligations under NEP's FIT contracts and RESOP contracts or could result in the cancellation of its FIT contracts or RESOP contracts. The provincial government may fail to pass legislation to preserve sufficient funds for payments to various Ontario projects, including NEP's, which could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

NEP's renewable energy project entities, with the exceptions of Conestogo, Sombra and Moore, are subject to the mandatory reliability standards of the NERC. The NERC reliability standards are a series of requirements that relate to maintaining the reliability of the North American bulk electric system and cover a wide variety of topics, including, without limitation, physical and cybersecurity of critical assets, information protocols, frequency response and voltage standards, testing, documentation and outage management. If NEP fails to comply with these standards, NEP could be subject to sanctions, including, without limitation, substantial monetary penalties. Although NEP's U.S. Project Entities are not subject to state utility rate regulation because they sell energy exclusively on a wholesale basis, NEP is subject to other state regulations that may affect NEP's projects' sale of energy and operations. Changes in state regulatory treatment are unpredictable and could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

The structure of the industry and regulation in the U.S. and Canada is currently, and may continue to be, subject to challenges and restructuring proposals. Additional regulatory approvals may be required due to changes in law or for other reasons. NEP expects the laws and regulation applicable to its business and the energy industry generally to be in a state of transition for the foreseeable future. Changes in the structure of the industry or in such laws and regulations could have a material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

A change in the jurisdictional characterization of some of the Texas pipeline entities' assets, or a change in law or regulatory policy, could result in increased regulation of these assets, which could have material adverse effect on NEP's business, financial condition, results of operations and ability to make cash distributions to its unitholders.

The Texas pipelines are intrastate natural gas transportation pipelines and natural gas-gathering facilities. Unlike interstate gas transportation facilities, intrastate natural gas transportation pipelines and natural gas gathering facilities are exempt from the jurisdiction of the FERC under the Natural Gas Act of 1938 (NGA), except that intrastate gas transportation pipelines may provide interstate gas transportation services subject to FERC regulation pursuant to Section 311 of the Natural Gas Policy Act of 1978 (NGPA).

State regulation of gathering facilities generally includes various safety, environmental and, in some cases, non-discriminatory take requirements and complaint-based rate regulation. The distinction between the FERC-regulated transmission pipeline services and federally-unregulated intrastate and gathering services has been the subject of substantial litigation, and the FERC determines whether facilities are subject to its jurisdiction on a case-by-case basis, so the classification and regulation of NEP's intrastate pipeline and gathering facilities is subject to change based on future determinations by the FERC or the courts. If the FERC were to consider the status of an individual facility and determine that the facility or services provided by it are not exempt from the FERC regulation under the NGA, the rates for, and terms and conditions of, services provided by such facility would be subject to regulation by the FERC under the NGA or the NGPA. Such regulation could decrease revenue, increase operating costs and, depending upon the facility in question, have a material adverse effect on NEP's business, financial

condition, results of operations and ability to make cash distributions to its unitholders. In addition, if any of the Texas pipelines were found to have provided services or otherwise operated in violation of the NGA or NGPA, that could result in the imposition of civil penalties, as well as a requirement to disgorge charges collected for such services in excess of the rate established by the FERC.