NextEra Energy Partners, LP
Form 424B2
September 12, 2016
Table of Contents

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee (1)(2)
Common Units representing Limited Partner Interests	11,962,300	$28.56	$341,643,288	$34,403.48

(1) Calculated in accordance with Rule 457(r) under the Securities Act of 1933, as amended.
(2) This Calculation of Registration Fee table shall be deemed to update the Calculation of Registration Fee table in Registration Statement No. 333-206033.

Table of Contents

Filed Pursuant to Rule 424(b)(2)
Registration No. 333-206033

PROSPECTUS SUPPLEMENT

(To prospectus dated August 3, 2015)

10,402,000 Common Units

Representing Limited Partner Interests

NextEra Energy Partners, LP is offering 10,402,000 of its common units representing limited partner interests to be sold pursuant to this prospectus supplement and the accompanying prospectus. Our common units are listed on the New York Stock Exchange (the NYSE) under the trading symbol NEP. On September 8, 2016, the last reported sale price of the common units on the NYSE was $30.71 per common unit.

Investing in the common units involves risks. Limited partnerships are inherently different than corporations. See Risk Factors on page S-4 of this prospectus supplement.

	Per Common Unit	Total
Public offering price	$ 29.48	$ 306,650,960
Underwriting discount	$ 0.92	$ 9,569,840
Proceeds, before expenses, to us	$ 28.56	$ 297,081,120

The underwriters may also exercise their option to purchase up to an additional 1,560,300 common units from us, at the public offering price, less the underwriting discount, for 30 days after the date of this prospectus supplement solely in order to cover over-allotments, if any.

Neither the Securities and Exchange Commission (the SEC) nor any securities commission in any jurisdiction has approved or disapproved of these securities or determined if this prospectus supplement or the

accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the common units to investors on or about September 14, 2016.

Joint Book-Running Managers

BofA Merrill Lynch **Morgan Stanley** **UBS Investment Bank** **Wells Fargo Securities**

Co-Managers

Deutsche Bank Securities **J.P. Morgan**

The date of this prospectus supplement is September 8, 2016.

Table of Contents

TABLE OF CONTENTS

	Page
Prospectus Supplement	
About This Prospectus Supplement	S-1
Our Company	S-1
The Offering	S-3
Risk Factors	S-4
Use of Proceeds	S-4
Capitalization	S-5
Price Range of Common Units and Distributions	S-6
Provisions of the Partnership Agreements and Other Arrangements Relating to Cash Distributions	S-7
Material Provisions of Our Partnership Agreement	S-19
Material Provisions of the NEP OpCo Partnership Agreement	S-31
Certain U.S. Federal Income and Estate Tax Consequences to Non-U.S. Holders	S-39
Certain Canadian Federal Income Tax Considerations Applicable to Holders not Resident in Canada	S-43
Underwriting	S-45
Legal Matters	S-50
Experts	S-50
Prospectus	
About This Prospectus	1
Where You Can Find More Information	1
Incorporation of Certain Documents by Reference	1
Cautionary Note Regarding Forward-Looking Statements	3
Our Company	7
Risk Factors	8
Use of Proceeds	9
Ratio of Earnings to Combined Fixed Charges and Preferred Unit Distributions	10
Description of Common Units	11
Description of Preferred Units	13
Description of Warrants	14
Description of Rights	15
Provisions of the Partnership Agreements and Other Arrangements Relating to Cash Distributions	16
Material Provisions of Our Partnership Agreement	27
Material Provisions of the NEP OpCo Partnership Agreement	38
Legal Matters	46
Experts	46

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of this offering and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering. To the extent there is a conflict between the information contained in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus, on the other hand, the information in this prospectus supplement shall control. In addition, any statement in a filing we make with the SEC that adds to, updates or changes information contained in an earlier filing we made with the SEC shall be deemed to modify and supersede such information in the earlier filing.

You should read this document and the accompanying prospectus together with additional information described under the heading Where You Can Find More Information and Incorporation of Certain Documents by Reference in the accompanying prospectus.

You should rely only on the information incorporated by reference or provided in this prospectus supplement and in the accompanying prospectus and in any written communication from us or the underwriters specifying the final terms of the offering. Neither we nor the underwriters have authorized anyone else to provide you with additional or different information. Neither we nor the underwriters are making an offer of the common units in any jurisdiction where the offer is not permitted. You should not assume that the information in this prospectus supplement or in the accompanying prospectus is accurate as of any date other than the date on the front of those documents or that the information incorporated by reference is accurate as of any date other than the date of the document incorporated by reference.

In this prospectus supplement, the Company, NEP, we, us, and our refer to NextEra Energy Partners, LP and its subsidiaries, unless the context indicates otherwise, and you or your refer to prospective investors in the Company.

OUR COMPANY

This summary highlights information more fully described elsewhere in this prospectus supplement and within the materials incorporated by reference. Because it is a summary, it does not contain all the information that you should consider before buying the common units offered by this prospectus supplement. You should read the entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein, especially the Risk Factors section on page S-4, and our consolidated financial statements and the related notes incorporated by reference in this prospectus supplement, before deciding to invest in the common units. Unless otherwise indicated, the information in this prospectus supplement assumes that the underwriters do not exercise their option to purchase additional common units.

We are a growth-oriented limited partnership formed by NextEra Energy, Inc. (NEE) to acquire, manage and own contracted clean energy projects with stable long-term cash flows. As of August 31, 2016, we own a controlling, non-economic general partner interest and an approximately 29.4% limited partner interest in NextEra Energy Operating Partners, LP, or NEP OpCo. Through NEP OpCo, we own a portfolio of contracted renewable generation assets consisting of wind and solar projects, as well as seven contracted natural gas pipeline assets.

We expect 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 renewable portfolio standards requirements,

Table of Contents

improving competitiveness of energy generated from wind and solar projects relative to energy generated using other fuels and increased demand for natural gas transportation. We plan 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. We believe our cash flow profile, geographic, technological and resource diversity, cost-efficient business model and relationship with NEE provide us with a significant competitive advantage and enable us to execute our business strategy.

We were formed as a Delaware limited partnership in March 2014 as an indirect wholly-owned subsidiary of NEE. Even though we are organized as a limited partnership under state law, we are treated as a corporation for U.S. federal income tax purposes.

Corporate Information

Our principal executive offices are located at 700 Universe Boulevard, Juno Beach, Florida 33408, and our telephone number is (561) 694-4000. Our website is located at www.nexteraenergypartners.com. The information found on, or otherwise accessible through, our website is not incorporated into, and does not form a part of, this prospectus supplement or the accompanying prospectus or any other report or document we file with or furnish to the SEC.

Recent Developments

On September 8, 2016, a subsidiary of NEP entered into a purchase and sale agreement with an indirect wholly-owned subsidiary of NextEra Energy Resources, LLC (NEER) to acquire an indirect 24% interest in Desert Sunlight Investment Holdings, LLC. Desert Sunlight Investment Holdings, LLC owns two project entities, which together make up the Desert Sunlight Solar Energy Center, a 550-megawatt solar generation plant located in Riverside County, California. The terms of the purchase and sale agreement were unanimously approved by NEP s conflicts committee, which is comprised of the independent members of the board of directors of NextEra Energy Partners GP, Inc., the general partner of NEP and an indirect wholly-owned subsidiary of NEE. The conflicts committee retained independent legal and financial advisors to assist in evaluating and negotiating the acquisition. In approving the acquisition, the conflicts committee based its decision, in part, on an opinion from its independent financial advisor. NEP expects the transaction to close in the fourth quarter of 2016, subject to the satisfaction of customary closing conditions, for a purchase price of $218 million. The purchase price considers approximately $258 million of the existing non-recourse project debt and is subject to working capital adjustments. NEP intends to fund the purchase price through this offering of common units.

Table of Contents

THE OFFERING

Issuer	NextEra Energy Partners, LP.
Common units offered by us	10,402,000 common units.
Option to purchase additional common units	1,560,300 common units.
Use of proceeds	We estimate that the net proceeds of this offering will be approximately \$296.6 million (approximately \$341.1 million if the underwriters option to purchase additional common units is exercised in full), after deducting the underwriting discount and estimated expenses of this offering. We intend to use the net proceeds of this offering to purchase 10,402,000 NEP OpCo common units (or 11,962,300 NEP OpCo common units if the underwriters option to purchase additional common units is exercised in full) from NEP OpCo. NEP OpCo intends to use the net proceeds of this offering to fund the acquisition of an indirect 24% interest in Desert Sunlight Investment Holdings, LLC and for general partnership purposes. See Use of Proceeds. After the application of the net proceeds from this offering, we will own an approximately 34.2% limited partner interest in NEP OpCo (or a 34.8% limited partner interest if the underwriters option to purchase additional common units is exercised in full).
Cash distributions	Our partnership agreement requires us to distribute our cash on hand at the end of each quarter, less reserves established by our general partner. We refer to this cash as available cash, and it is defined in our partnership agreement. Please read Provisions of the Partnership Agreements and Other Arrangements Relating to Cash Distributions in this prospectus supplement.
Risk factors	See Risk Factors on page S-4 and other information included in this prospectus supplement and the accompanying prospectus and incorporated by reference for a discussion of factors you should carefully consider before deciding to invest in our common units.
U.S. federal income tax considerations	Even though we are organized as a limited partnership under state law, we are treated as a corporation for U.S. federal income tax purposes. Accordingly, we are subject to U.S. federal income tax at regular corporate rates on our net taxable income. We expect to generate net operating losses (NOLs) and NOL carryforwards that we can use to offset future taxable income. As a result, we do not expect to pay meaningful U.S. federal income tax for approximately 15 years. This estimate is based on assumptions we have made regarding, among other things, NEP OpCo s income, capital expenditures, cash flows, net working capital and cash distributions. We may not generate NOLs and NOL carryforwards as expected. Accordingly, our future tax liability may be greater than expected which would reduce cash available for distribution.
New York Stock Exchange symbol	NEP

Table of Contents

RISK FACTORS

The nature of our business activities subjects us to certain hazards and risks. Additionally, limited partner interests are inherently different from shares of capital stock of a corporation, although many of the business risks to which we are subject are similar to those that would be faced by a corporation engaged in similar businesses and we are treated as a corporation for U.S. federal income tax purposes. You should carefully consider the risk factors and all of the other information included in, or incorporated by reference into, this prospectus supplement and the accompanying prospectus, including those included in our most recent Annual Report on Form 10-K, including any amendments thereto, and, if applicable, in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, including any amendments thereto, in evaluating an investment in our common units. If any of these risks were to occur, our business, financial condition, results of operations and ability to make cash distributions to our unitholders could be materially and adversely affected. In that case, we might not be able to pay distributions to our unitholders, the trading price of our common units could decline and you could lose all or part of your investment in us.

USE OF PROCEEDS

We expect the net proceeds of this offering will be approximately $296.6 million (approximately $341.1 million if the underwriters option to purchase additional common units is exercised in full), after deducting the underwriting discount and estimated expenses of this offering.

We intend to use the net proceeds from this offering to purchase 10,402,000 NEP OpCo common units (or 11,962,300 NEP OpCo common units if the underwriters option to purchase additional common units is exercised in full) from NEP OpCo. NEP OpCo intends to use the net proceeds of this offering to fund the acquisition of an indirect 24% interest in Desert Sunlight Investment Holdings, LLC and for general partnership purposes.

Table of Contents

CAPITALIZATION

The following table sets forth our cash and cash equivalents and consolidated capitalization as of June 30, 2016, on (i) a historical basis and (ii) an as adjusted basis to give effect to (a) the sale of 10,402,000 common units in this offering (assuming that the underwriters option to purchase additional common units is not exercised), with the net cash proceeds shown as additional cash pending the closing of the acquisition of an indirect 24% interest in Desert Sunlight Investment Holdings, LLC, (b) the borrowing in July 2016 by an indirect subsidiary of NEP of $100 million under a variable rate senior secured term loan agreement, which matures in June 2019, and (c) the borrowing in July 2016 by an indirect subsidiary of NEP of $100 million under an existing revolving credit facility entered into in December 2015.

You should read the following table in conjunction with the section entitled Use of Proceeds in this prospectus supplement and our financial statements and the accompanying notes incorporated by reference in this prospectus supplement and in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2016.

	As of June 30, 2016	
(in millions, except number of common units)	**Actual**	**As Adjusted**
Cash and cash equivalents	$ 244	$ 541
Long-term debt(1)(2)	$ 3,497	$ 3,497
Equity:		
Limited partners (common units issued and outstanding 42,274,695 actual; and 52,676,695 as adjusted)	1,288	1,585
Accumulated other comprehensive loss	(5)	(5)
Non-controlling interest	487	487
Total equity	1,770	2,067
Total capitalization	$ 5,267	$ 5,564

(1) The as adjusted column does not include any impact of the potential acquisition, including use of the proceeds of any additional borrowings necessary to fund the purchase price. There is no assurance that the acquisition will occur on or before a certain time, or at all.
(2) Excludes current portion of long-term debt of approximately $82 million.

Table of Contents

PRICE RANGE OF COMMON UNITS AND DISTRIBUTIONS

Our common units trade on the NYSE under the symbol NEP. The following table sets forth the high and low sales prices of our common units, as reported by the NYSE, as well as the amount of cash distributions paid per common unit for the periods indicated.

Quarter ended	Common Unit Price High	Common Unit Price Low	Distributions per common unit
September 30, 2016 (through September 8, 2016)	$ 32.42	$ 28.57	$ 0.33
June 30, 2016	$ 30.59	$ 25.86	$ 0.31875
March 31, 2016	$ 30.15	$ 23.78	$ 0.3075
December 31, 2015	$ 31.67	$ 20.99	$ 0.27
September 30, 2015	$ 41.26	$ 19.34	$ 0.235
June 30, 2015	$ 48.23	$ 39.62	$ 0.205
March 31, 2015	$ 45.25	$ 33.70	$ 0.195
December 31, 2014	$ 38.81	$ 28.95	$ 0.1875
September 30, 2014	$ 37.99	$ 31.90	
June 30, 2014 (starting June 27, 2014)	$ 33.90	$ 31.32	

On September 8, 2016, the last reported sale price of our common units on the NYSE was $30.71.

Table of Contents

PROVISIONS OF THE PARTNERSHIP AGREEMENTS AND OTHER ARRANGEMENTS

RELATING TO CASH DISTRIBUTIONS

The information in this section replaces the information in Provisions of the Partnership Agreements and Other Arrangements Relating to Cash Distributions beginning on page 16 of the accompanying prospectus.

We will distribute our available cash, as defined below, with respect to each quarter to our unitholders. Our cash flow is generated from distributions we receive from NEP OpCo and, during the purchase price adjustment period, from payments we receive from NextEra Energy Equity Partners, LP (NEE Equity) under the Purchase Agreement by and between NEE Equity and NEP (the Purchase Agreement), if any, which will be funded solely by the distributions NEE Equity receives from NEP OpCo. As a result, our ability to make distributions to our unitholders depends on the ability of NEP OpCo to make cash distributions to its limited partners, including us. Set forth below is a summary of the significant provisions of our partnership agreement, the NEP OpCo partnership agreement and certain other agreements as they relate to cash distributions. The summary below is as of the date of this prospectus supplement and is qualified in its entirety by reference to all of the provisions of the partnership agreements, each of which is filed as an exhibit to the registration statement of which this prospectus supplement and the accompanying prospectus form a part. The summary is also qualified in its entirety by reference to the other agreements referenced below, each of which is filed as an exhibit to the annual, quarterly or current reports under the Securities Exchange Act of 1934, as amended, incorporated herein by reference. Under Delaware law and the provisions of our partnership agreement, we may also issue additional series or classes of limited partnership interests that, as determined by our general partner, may have rights which differ from the rights applicable to the common units as described in this prospectus supplement.

As described below under Provisions of the NEP OpCo Partnership Agreement Relating to Cash Distributions, NextEra Energy Operating Partners GP, LLC (NEE Operating GP) has broad discretion to make certain decisions under NEP OpCo s partnership agreement, including with respect to the establishment of cash reserves. Since we own all of the equity interests of NEE Operating GP, decisions made by NEE Operating GP under NEP OpCo s partnership agreement are ultimately made at the direction of our general partner.

On April 29, 2015, NEP OpCo made an equity method investment in the McCoy and Adelanto solar projects. In connection with this investment, NEP OpCo issued 1,000,000 of its Class B, Series 1 limited partner interests (with respect to the McCoy project) and 1,000,000 of its Class B, Series 2 limited partner interests in NEP OpCo (with respect to the Adelanto projects) (together, the Class B Units) to NEE Equity for approximately 50% of the ownership interests in three solar projects. NEE Equity, as holder of the Class B Units, will retain 100% of the economic rights in the projects to which the respective Class B Units relate, including the right to all distributions paid to NEP OpCo by the project subsidiaries that own the projects. Distributions on the Class B Units are separate from distributions of available cash to the holders of NEP OpCo s common units, and the available distribution amount for the Class B Units is calculated separately from available cash, operating surplus, capital surplus and minimum quarterly distribution pursuant to the NEP OpCo partnership agreement, and as a result such Class B Units are not included in the determinations discussed below. See also Material Provisions of the NEP OpCo Partnership Agreement Issuance of Additional Partnership Interests Class B Units.

Table of Contents

Provisions of Our Partnership Agreement Relating to Cash Distributions

Distributions of Available Cash by NEP

Our partnership agreement requires that, within 45 days after the end of each quarter, we distribute all of our available cash to unitholders of record on the applicable record date.

Our partnership agreement requires us to distribute our available cash quarterly. Generally, our available cash is all cash on hand at the date of determination relating to that quarter (including any expected distributions from NEP OpCo and, during the purchase price adjustment period, payments from NEE Equity under the Purchase Agreement in respect of such quarter), less the amount of cash reserves established by our general partner. We currently expect that cash reserves would be established solely to provide for the payment of income taxes by NEP, if any. Our cash flow is generated from distributions we receive from NEP OpCo and, during the purchase price adjustment period, which is expected to extend into the fourth quarter of 2016, from any payments we receive from NEE Equity under the Purchase Agreement, which payments will be funded solely by any distributions NEE Equity receives from NEP OpCo.

Units Eligible for Distribution

As of August 31, 2016, the only classes of our limited partnership interests outstanding were common units and special non-economic voting units (Special Voting Units), and we have 42,274,695 common units outstanding and 101,440,000 Special Voting Units outstanding. Each common unit is entitled to receive distributions (including upon liquidation) on a pro rata basis. Special Voting Units are not entitled to receive any distributions. Following the purchase price adjustment period, we may issue additional units to fund the redemption of NEP OpCo common units tendered by NEE Equity under the Exchange Agreement between NEP, NEP OpCo and NEE Equity (the Exchange Agreement). Under Delaware law and the provisions of our partnership agreement, we may also issue additional series or classes of limited partnership interests that, as determined by our general partner, may have rights which differ from the rights applicable to the common units as described in this prospectus supplement.

General Partner Interest

Our general partner owns a non-economic, general partner interest in us, which does not entitle it to receive cash distributions. However, our general partner may in the future own common units or other equity securities in us and would be entitled to receive cash distributions on any such interests.

Distributions of Cash Upon Liquidation

If we dissolve in accordance with our partnership agreement, we will sell or otherwise dispose of our assets in a process called liquidation. We will first apply the proceeds of liquidation to the payment of our creditors and distribute any remaining proceeds pro rata to holders of our outstanding limited partner interests in accordance with the preferences established for each series or class of limited partner interests. See also Material Provisions of the NEP OpCo Partnership Agreement Issuance of Additional Partnership Interests Class B Units.

Table of Contents

Provisions of the NEP OpCo Partnership Agreement Relating to Cash Distributions

Distributions of Available Cash by NEP OpCo

General

NEP OpCo s partnership agreement requires that, within 45 days after the end of each quarter, NEP OpCo distribute its available cash to its unitholders of record on the applicable record date.

Definition of Available Cash

Available cash generally means, for any quarter, the sum of all cash and cash equivalents on hand at the end of that quarter plus the amount of excess funds borrowed by NEER which remain unreturned:

less, the amount of cash reserves established by NEE Operating GP to:

provide for the proper conduct of NEP OpCo s business, including reserves for expected debt service requirements and future capital expenditures;

comply with applicable law or NEP OpCo s debt instruments or other agreements, including to pay any amount necessary to make IDR Fee payments (which are certain payments from NEP OpCo to NextEra Energy Management Partners, LP (NEE Management) as a component of the Management Services Agreement among NEP, NEE Management, NEP OpCo and NEP GP (Management Services Agreement) which are based on the achievement by NEP OpCo of certain target quarterly distribution levels to its unitholders) to NEE Management with respect to that quarter based on NEE Operating GP s determination of the amount of available cash that would otherwise be available for distribution in that quarter; and

provide funds for distributions to NEP OpCo s unitholders for any one or more of the next four quarters, provided that NEE Operating GP may not establish cash reserves for future distributions if the effect of the establishment of such reserves will prevent NEP OpCo from distributing an amount equal to the minimum quarterly distribution with respect to all common units plus the amount of any accrued and unpaid purchase price adjustments;

less, the amount of cash contributed by an affiliate of NEE Operating GP (other than us or our subsidiaries) for the purpose of funding construction costs of our subsidiaries that would otherwise constitute available cash;

plus, if NEE Operating GP so determines, all or any portion of the cash and cash equivalents on hand on the date of determination of available cash for the quarter resulting from working capital borrowings made subsequent to the end of such quarter.

Because the amount of available cash for any quarter includes the amount of excess funds borrowed by NEER which remain unreturned, NEP OpCo will be required to demand the return of all or a portion of such funds from NEER and distribute such funds to its unitholders to the extent that NEE Operating GP is not permitted to reserve the amount of such funds under its partnership agreement, including any reserves established to fund future distributions. In addition, the purpose and effect of the last bullet point above is to allow NEE Operating GP, if it so decides, to use cash from working capital borrowings made after the end of the quarter but on or before the date of determination of available cash for that quarter to pay distributions to unitholders. Under NEP OpCo s partnership agreement, working capital borrowings are generally borrowings under a credit facility, commercial paper facility or similar financing arrangement that are used solely for working capital purposes or to pay distributions to partners, provided that NEP OpCo intends to repay the borrowings within 12 months with funds other than from additional working capital borrowings.

The definitions of available cash, operating surplus and operating expenditures exclude the impact of the repayment of $336.7 million of indebtedness of Genesis Solar with 1603 Cash Grant proceeds or equity contributions from NextEra Energy Capital Holdings, Inc. as well as the receipt by Genesis Solar of such 1603 Cash Grant proceeds or equity contributions.

Intent to Distribute the Minimum Quarterly Distribution

We intend to cause NEP OpCo to pay a minimum quarterly distribution to the holders of its common units, including us, of $0.1875 per unit, or $0.75 per unit on an annualized basis, to the extent NEP OpCo has sufficient cash from its operations after the establishment of cash reserves and the payment of expenses, including: (i) expenses of NEE Operating GP and its affiliates; (ii) our expenses; and (iii) payments to NEER and its affiliates under the Management Services Agreement and the Cash Sweep and Credit Support Agreement by and between NEP OpCo and NEER (the CSCS Agreement). However, NEP OpCo may not be able to pay the minimum quarterly distribution on its units in any quarter. Since we own all of the equity interests of NEE Operating GP, determinations made by NEE Operating GP under NEP OpCo s partnership agreement ultimately are made at the direction of our general partner.

Incentive Distribution Right Fee

Under the Management Services Agreement, NEE Management is entitled to receive an IDR Fee that increases based on the hypothetical amount of available cash from operating surplus that NEP OpCo would be able to distribute to its unitholders. Since the IDR Fee is paid from NEP OpCo s total cash on hand and increases depending on the hypothetical amount of distributions NEP OpCo would have made to its unitholders, the IDR Fee will effectively reduce the amount of cash NEP OpCo will have available for distribution to its unitholders. See Payments of the Incentive Distribution Right Fee for additional information.

Operating Surplus and Capital Surplus

General

All cash distributed to NEP OpCo unitholders will be characterized as either being paid from operating surplus or capital surplus. NEP OpCo will treat distributions of available cash from operating surplus differently than distributions of available cash from capital surplus.

Operating Surplus

Operating surplus of NEP OpCo is defined as:

- $35.0 million (as described below); *plus*

- all of NEP OpCo s cash receipts after the closing of our initial public offering on July 1, 2014 (IPO), excluding cash from interim capital transactions (as defined below), provided that cash receipts from the termination of certain hedges prior to their specified termination date will be included in operating surplus in equal quarterly installments over the remaining scheduled life of such hedges; *plus* working capital borrowings by NEP OpCo made after the end of a quarter but on or before the date of determination of operating surplus for that quarter; *plus*

- cash distributions paid on equity issued, other than equity issued in connection with the IPO, to finance all or a portion of the construction, replacement, acquisition, development or improvement of a capital asset in respect of the period beginning on the date that NEP OpCo enters into a binding obligation to commence the construction, replacement, acquisition, development or improvement of a capital asset and ending on the earlier to occur of the date that the capital asset commences commercial service and the date that it is abandoned or disposed of; *plus*

- cash distributions paid on equity issued to pay the construction period interest on debt incurred, including periodic net payments under related interest rate swap arrangements, or to pay construction period distributions on equity issued, to finance the construction, replacement, acquisition, development or improvement of a capital asset described in the preceding bullet; *plus*

- the portion of any IDR Fee payments made to NEE Management as a result of cash distributions paid on equity issued as described in the preceding two bullets; *less*

- all of NEP OpCo s operating expenditures after the closing of the IPO; *less*

- the amount of cash reserves established by NEE Operating GP to provide funds for future operating expenditures; *less*

- all working capital borrowings not repaid within 12 months after having been incurred, or repaid within such 12-month period with the proceeds of additional working capital borrowings.

As described above, the definition of operating surplus does not solely reflect actual cash on hand that is available for distribution to unitholders of NEP OpCo and is not limited to cash generated by operations. For example, the definition of operating surplus includes a provision that will enable us to direct NEP OpCo to distribute as operating surplus up to $35.0 million of cash that NEP OpCo receives in the future from non-operating sources such as asset sales, issuances of securities and long-term borrowings that would otherwise be distributed as capital surplus. As a result, NEP OpCo may distribute as operating surplus up to such amount of any cash that it receives from non-operating sources. In addition, the effect of including certain cash distributions on equity interests in operating surplus, as described above, will be to increase operating surplus by the amount of any such cash distributions.

The proceeds of working capital borrowings increase operating surplus and repayments of working capital borrowings are generally operating expenditures that reduce operating surplus at the time of repayment. However, if NEP OpCo does not repay working capital borrowings, which increase operating surplus, during the 12-month period following the borrowing, they will be deemed to have been repaid at the end of such period, thus decreasing operating surplus at that time. When the working capital borrowings are subsequently repaid, they will not be treated as a further reduction in operating surplus because operating surplus will have been previously reduced by the deemed repayment.

Interim capital transactions are defined as:

borrowings, refinancings or refundings of indebtedness, other than working capital borrowings and items purchased on open account or for a deferred purchase price in the ordinary course of business, and sales of debt securities;

sales of equity securities;

sales or other voluntary or involuntary dispositions of assets, other than sales or other dispositions of inventory, accounts receivable and other assets in the ordinary course of business and sales or other dispositions of assets as part of normal asset retirements or replacements; and

Table of Contents

capital contributions received.

Operating expenditures are defined as, without duplication:

- all cash expenditures of NEP OpCo and its subsidiaries, including taxes, reimbursements of expenses of NEE Operating GP and its affiliates, director and employee compensation of NEP OpCo s subsidiaries, payments under the Management Services Agreement and the CSCS Agreement for services rendered, including management and credit support fees, or in reimbursement of draws made on credit support provided by NEER or its affiliates, debt service payments (including principal amortization payments under financing arrangements of NEP OpCo s subsidiaries), payments made in the ordinary course of business under certain hedge contracts (provided that payments made in connection with the termination of any such hedge contract prior to the expiration of its settlement or termination date specified therein will be included in operating expenditures in equal quarterly installments over the remaining scheduled life of such hedge contract and amounts paid in connection with the initial purchase of such a contract will be amortized at the life of such contract), maintenance capital expenditures (as described below), and repayment of working capital borrowings;
- all expenses and other cash expenditures (other than federal income taxes) of NEP, including reimbursements of expenses of its general partner and its affiliates as set forth in the Management Services Agreement and of NEER and its affiliates as set forth in the CSCS Agreement; and
- payments of the IDR Fee to NEE Management, other than payments of the IDR Fee described in the sixth bullet in the definition of operating surplus.

Notwithstanding the foregoing, operating expenditures will not include:

- repayments of working capital borrowings where such borrowings have previously been deemed to have been repaid, as described above;
- payments, including prepayments and prepayment penalties, of principal of and premium on indebtedness other than working capital borrowings and financing arrangements of NEP OpCo s subsidiaries;
- expansion capital expenditures, as described below;
- payment of transaction expenses, including taxes, relating to interim capital transactions;
- distributions to unitholders of NEP OpCo; or

- repurchases of partnership interests (including cash redemptions under the Exchange Agreement), excluding repurchases NEP OpCo makes to satisfy obligations under employee benefit plans.

Capital Surplus

Capital surplus is defined in NEP OpCo s partnership agreement as any distribution of available cash in excess of its cumulative operating surplus. Accordingly, except as described above, capital surplus would generally be generated by:

- borrowings other than working capital borrowings;
- sales of NEP OpCo s equity and debt securities; and

Table of Contents

sales or other dispositions of assets, other than inventory, accounts receivable and other assets sold in the ordinary course of business or as part of ordinary course retirement or replacement of assets.

Characterization of Cash Distributions

NEP OpCo s partnership agreement requires that it treat all available cash distributed as coming from operating surplus until the sum of all available cash distributed since the IPO equals the operating surplus from the IPO through the end of the quarter immediately preceding that distribution. NEP OpCo s partnership agreement requires that NEP OpCo treat any amount distributed in excess of operating surplus, regardless of the source, as capital surplus. We do not anticipate that NEP OpCo will make any distributions from capital surplus.

Capital Expenditures

Expansion capital expenditures are cash expenditures incurred for those acquisitions or capital improvements that are expected to increase NEP OpCo s operating income, operating capacity or operating cash flow over the long term. Examples of expansion capital expenditures include the acquisition of equipment or additional clean energy projects to the extent such capital expenditures are expected to increase NEP OpCo s operating capacity or its operating income. Expansion capital expenditures include interest expense associated with borrowings used to fund expansion capital expenditures.

Maintenance capital expenditures are cash expenditures incurred for those acquisitions or capital improvements that are made to maintain, over the long term, operating capacity, operating income or operating cash flow. Examples of maintenance capital expenditures are expenditures to repair, refurbish or replace NEP OpCo s clean energy projects, to upgrade transmission networks, to maintain equipment reliability, integrity and safety and to comply with laws and regulations.

Purchase Price Adjustment

General

The Purchase Agreement, under which NEP used $288.3 million of the proceeds of its IPO to purchase 12,291,593 of NEP OpCo s common units from NEE Equity, provides for certain purchase price adjustments (the purchase price adjustments). The purpose of the purchase price adjustments is to compensate NEP in quarters in which NEP OpCo does not make distributions on its common units at least equal to the minimum quarterly distribution with respect to common units held by NEP. The practical effect of the purchase price adjustments is to increase the likelihood that during the purchase price adjustment period NEP will receive cash flow each quarter at least equal to the minimum quarterly distribution and therefore increase NEP s ability to pay the initial quarterly distribution to its unitholders. The purchase price adjustment in any quarter may not be sufficient for us to pay the initial quarterly distribution.

The Purchase Agreement provides that if, with respect to any quarter during the purchase price adjustment period, NEP OpCo does not make distributions on its common units at least equal to the minimum quarterly distribution, the purchase price will be reduced by an amount equal to the difference for such quarter (referred to as the difference amount) between:

the aggregate minimum quarterly distribution in respect of NEP OpCo common units held by NEP; and amounts actually distributed on such common units.

Table of Contents

Under the Purchase Agreement, in any quarter where there is a difference amount, NEE Equity will pay NEP a purchase price adjustment equal to such difference amount, provided that NEE Equity will not be required to pay a purchase price adjustment in any quarter in excess of the distribution actually received by NEE Equity in such quarter in respect of its common units. If NEE Equity is unable or not required to pay the full difference amount in any quarter, the unpaid portion of the difference amount for that quarter will accrue and be payable from distributions received by NEE Equity in each subsequent quarter, concurrently with or following the payment of any other purchase price adjustments that may be payable from such distributions. The unpaid portion of any difference amount will not accrue any interest, regardless of when the related purchase price adjustment is paid, if at all. NEE Equity will no longer be required to pay any purchase price adjustments once the aggregate amount of purchase price adjustments paid by NEE Equity is equal to $288.3 million. Any additional common units issued by NEP OpCo to NEP during the purchase price adjustment period will be entitled to the same accrued and unpaid difference amount as each previously outstanding common unit held by NEP. During the purchase price adjustment period, NEE Equity will agree not to transfer any of its NEP OpCo common units other than to an affiliate of NEE Equity that agrees to assume a proportional amount of NEE Equity s obligations under the Purchase Agreement, including the obligation to pay such affiliate s pro rata portion of any accrued and unpaid difference amount.

In addition, during the purchase price adjustment period, NEE Equity will be required to pay NEP a purchase price adjustment in the following circumstances:

following any distribution from NEP OpCo s capital surplus to its unitholders in excess of the aggregate initial unit price with respect to NEP OpCo s common units, NEE Equity will pay a purchase price adjustment to NEP equal to any difference amount, which purchase price adjustment will not exceed the amount received by NEE Equity in such distribution in excess of the aggregate initial unit price; and

following any distribution to unitholders upon a liquidation of NEP OpCo, NEE Equity will pay a purchase price adjustment, which will not exceed the amount received by NEE Equity in respect of its common units in such distribution but otherwise will be equal to:

the unrecovered unit price in respect of each common unit held by NEP, *plus*

any accrued and unpaid difference amount, *less*

amounts received by NEP in respect of such common units in such distribution.

Purchase Price Adjustment Period

The purchase price adjustment period began on the closing date of the IPO and, except as described below, will extend until the first business day following the distribution of available cash by NEP OpCo in respect of any quarter beginning with the quarter ending June 30, 2017, for which each of the following tests are met:

distributions of available cash from operating surplus by NEP OpCo on each of its outstanding common units equals or exceeds $0.75, which is the annualized minimum quarterly distribution, for each of the three consecutive, non-overlapping four-quarter periods immediately preceding that date;

the adjusted operating surplus generated during each of the three consecutive, non-overlapping four-quarter periods immediately preceding that date equals or exceeds $0.75 per unit, which is the annualized minimum quarterly distribution, multiplied by the total number of outstanding common units on a fully diluted basis; and

Table of Contents

any accrued and unpaid difference amount has been paid.

Early Termination of the Purchase Price Adjustment Period

Notwithstanding the foregoing, the purchase price adjustment period will automatically terminate on the first business day following the distribution by NEP OpCo of available cash in respect of any quarter beginning with the quarter ending June 30, 2015, for which each of the following tests are met:

- distributions of available cash from operating surplus by NEP OpCo on each of its outstanding common units equals or exceeds $1.125 per unit, which is equal to 150% of the annualized minimum quarterly distribution, for the four-quarter period immediately preceding that date;

- the adjusted operating surplus generated during the four-quarter period immediately preceding that date equals or exceeds the sum of:

  - $1.125 per unit, or 150% of the annualized minimum quarterly distribution, multiplied by the total number of outstanding common units during that period on a fully diluted basis; and

  - all corresponding payments to NEE Management in respect of the IDR Fee (as described below); and

- any accrued and unpaid difference amount has been paid.

Expiration Upon Removal of the General Partner of NEP

The purchase price adjustment period will end upon removal of our general partner other than for cause if no units held by our general partner and its affiliates voted in favor of such removal, and such holders are not affiliates of the applicable successor general partner.

Adjusted Operating Surplus

Adjusted operating surplus is intended to reflect the cash generated from operations during a particular period and therefore excludes increases in working capital borrowings and net drawdowns of reserves of cash established in prior periods. Adjusted operating surplus for a period consists of:

- operating surplus generated with respect to that period, excluding any amounts attributable to the item described in the first bullet point under the caption Operating Surplus and Capital Surplus Operating Surplus above; *less*

- any net increase in working capital borrowings with respect to that period; *less* any net decrease in cash reserves for operating expenditures with respect to that period not relating to an operating expenditure made with respect to that period; *plus*

any net decrease in working capital borrowings with respect to that period; *plus*