NextEra Energy, Inc. (NEE) CEO Jim Robo on Q3 2019 - Earnings Call Transcript

Oct. 22, 2019 12:19 PM ET | 4 Likes
by: SA Transcripts

Q3: 10-22-19 Earnings Summary

Press Release *10-Q* *Slides*

EPS of $2.39 beats by $0.10 | Revenue of $5.57B (26.12% Y/Y) beats by $435.41M

Earning Call Audio

NextEra Energy, Inc. (NYSE:NEE) Q3 2019 Results Earnings Conference Call October 22, 2019 9:00 AM ET

Company Participants

Matthew Roskot - IR

Jim Robo - Chairman and CEO

Rebecca Kujawa - EVP and CFO

John Ketchum - President and CEO, NextEra Energy Resources

Mark Hickson - EVP NextEra Energy, NextEra Energy Partners

Eric Silagy - President and CEO of Florida Power & Light Company

Conference Call Participants

Greg Gordon - Evercore ISI

Steve Fleishman - Wolfe Research

Stephen Byrd - Morgan Stanley

Richard Ciciarelli - Bank of America

Shahriar Pourreza - Guggenheim Partners

Michael Lapides - Goldman Sachs

Michael Weinstein - Credit Suisse

Pavel Molchanov - Raymond James

Operator

Good morning, and welcome to the NextEra Energy and NextEra Energy Partners Conference call. [Operator Instructions] Please note, today's event is being recorded.

I'd now like to turn the conference over to Matt Roskot, Director of Investor Relations. Please go ahead, sir.

Matthew Roskot

Thank you, Rocco. Good morning, everyone, and thank you for joining our third quarter 2019 combined earnings conference call for NextEra Energy and NextEra Energy Partners.

With me this morning are Jim Robo, Chairman and Chief Executive Officer of NextEra Energy; Rebecca Kujawa, Executive Vice President and Chief Financial Officer of NextEra Energy; John Ketchum, President and Chief Executive Officer of NextEra Energy Resources; and Mark Hickson, Executive Vice President of NextEra Energy, all of whom are also officers of NextEra Energy Partners; as well as Eric Silagy, President and Chief Executive Officer of Florida Power & Light Company. Rebecca will provide an overview of our results and our executive team will then be available to answer your questions.

We will be making forward-looking statements during this call based on current expectations and assumptions, which are subject to risks and uncertainties. Actual results could differ materially from our forward-looking statements if any of our key assumptions are incorrect or because of other factors discussed in today's earnings news release, in the comments made during this conference call, in the Risk Factors section of the accompanying presentation, or in our latest reports and filings with the Securities and Exchange Commission, each of which can be found on our websites, nexteraenergy.com and nexteraenergypartners.com. We do not undertake any duty to update any forward-looking statements.

Today's presentation also includes references to non-GAAP financial measures. You should refer to the information contained in the slides accompanying today's presentation for definitional information and reconciliations of historical non-GAAP measures to the closest GAAP financial measure.

With that I will turn the call over to Rebecca.

Rebecca Kujawa

Thank you, Matt, and good morning, everyone.

NextEra Energy delivered strong third quarter results, and building upon the solid progress made in the first half of the year, remains well positioned to achieve our overall objectives for 2019. NextEra Energy's third quarter adjusted earnings per share increased by $0.22, or approximately 10% against the prior year quarter, reflecting strong execution at Florida Power & Light, Gulf Power, and Energy Resources.

Year-to-date we have grown adjusted earnings per share by nearly 12% compared to the prior-year comparable period. We continue to execute well on our major initiatives, including continuing to capitalize on one of the best renewable development periods in our history.

At Florida Power & Light, earnings per share increased $0.03 year-over-year. All of our major capital projects, including one of the largest solar expansions ever in the United States remains on track as we continue to advance our long-term focus on delivering outstanding customer value.

FPL's typical residential bill remains nearly 30% below the national average and the lowest among all of the Florida investor-owned utilities, while FPL maintains best-in-class service reliability and an emissions profile that is among the cleanest in the nation.

At Gulf Power, we continue to execute on the cost reduction initiatives and smart capital investments that we outlined at our June investor conference. We remain focused on improving the Gulf Power customer value proposition by providing lower cost, higher reliability, and outstanding customer service and clean energy solutions.

Along these lines, the Blue Indigo Solar project, which is Gulf Power's first solar development project, is expected to go in service in early 2020 and generate significant customer savings over its lifetime.

At Energy Resources, adjusted EPS increased by roughly 19% year-over-year as contributions from new investments continued to drive growth. Continuing the success of recent quarters since the last earnings call, our renewables backlog increased by approximately 1,375 megawatts, including 350 MW of battery storage projects as we further advance the next phase of renewables deployment that pairs low-cost wind and solar energy with a low-cost battery storage solution.

Overall with three strong quarters complete in 2019, we are pleased with the progress we are making at NextEra Energy and are well positioned to achieve the full-year financial expectations that we have previously discussed; of course, subject to our usual caveats.

Now, let's look at the detailed results, beginning with FPL. For the third quarter of 2019, FPL reported net income of $683 million, or $1.40 per share, an increase of $29 million, or $0.03 per share, respectively, year over year.

Regulatory capital employed increased by approximately 8% over the same quarter last year and was the principal driver of FPL's net income growth. FPL's capital expenditures were approximately $1.4 billion in the third quarter, and we expect our full-year capital investments to total between $5.7 billion and $6.1 billion.

Our reported ROE for regulatory purposes will be, approximately, 11.6% for the 12 months ending September 2019, which is at the upper end of the allowed band of 9.6% to 11.6% under our current rate agreement. During the quarter we restored $308 million of reserve amortization to achieve our target regulatory ROE, leaving FPL with a balance of $916 million.

All of our major capital projects at FPL are progressing well. The 10 solar sites, totaling nearly 750 megawatts of combined capacity that are currently being built across FPL service territory, are all on track and on budget to begin providing cost-effective energy to FPL customers early in 2020.

Earlier this month FPL and a number of interveners reached a settlement agreement for FPL's proposed Solar Together program, which now incorporates a 10% allocation of the residential capacity to low-income customers. We expect the Florida Public Service Commission to make a decision about the proposed program by the end of the first quarter of next year.

All of the solar projects we are currently constructing are part of FPL's groundbreaking 30x30 plan to install more than 30 million solar panels by 2030, which will result in roughly 10,000 megawatts of incremental solar capacity on FPL system in Florida. The solar deployment will also help FPL achieve a 2030 CO2 emissions rate reduction target of 67% versus the 2005 US electric industry average.

Beyond solar, construction on the highly-efficient roughly 200 megawatts Dania Beach Clean Energy Center continues to advance towards its projected commercial operation date in 2022. While Florida was fortunate to avoid significant harm and damage from Hurricane Dorian, residents of the Bahamas were severely impacted by the effects of this dangerous and deadly storm. Our deepest sympathies are with those who have been impacted by the storm's widespread destruction.

As the storm approached the East Coast of the United States, Hurricane Dorian was forecast to make landfall within FPL's service territory as a major hurricane, which could have resulted in countless Floridians and an estimated 4 million FPL customers suffering extensive damage.

In response to this threat and to ensure that we could quickly restore power to our customers should this devastating storm hit us, FPL followed its well-developed plan to respond to such an event, including pre-staging approximately 17,000 personnel.

While FPL service territory was only hit by the strong outer bands of the storm, the hardening and automation investments that FPL has made since 2006 to build a stronger, smarter, and more storm-resilient energy grid helped FPL restore service to the approximately 160,000 customers who were impacted by Hurricane Dorian and to avoid additional outages.

Although FPL has not completed the final accounting, our preliminary estimate of storm restoration costs, including pre-staging of personnel, is approximately $274 million. Under the terms of FPL's current settlement agreement, beginning 60 days following the filing of a cost recovery petition with the Florida Public Service Commission and subject to a review and prudence determination of the final storm costs, FPL is authorized to recover storm restoration costs on an interim basis from customers through a surcharge.

Earlier this month, the Florida Public Service Commission issued proposed rules in response to the new law that allows for clause recovery of storm hardening investments, including undergrounding.

This new law will allow FPL to pursue these investments in a programmatic basis over the course of decades, further strengthening FPL's storm resilient energy grid against future threats such as Hurricane Dorian. We expect that the final rules will be adopted next year.

Let me now turn to Gulf Power, which is reporting third quarter 2019 GAAP and adjusted earnings of $76 million and $80 million, respectively, or $0.16 per share. As a reminder, during the first 12 months following the closing of the Gulf Power acquisition, we intend to exclude one-time acquisition integration costs from adjusted earnings.

Additionally, interest expense to finance the acquisition is reflected in corporate and other and this expense offsets a significant portion of the third quarter Gulf Power adjusted earnings contribution.

Gulf Power's reported ROE for regulatory purposes will be approximately 9.8% for the 12 months ending September 2019. For the full year 2019, we continue to target a regulatory ROE in the upper half of the allowed band of 9.25% to 11.25%. During the quarter, Gulf Power's capital expenditures were roughly $225 million.

We continue to expect Gulf Power's full-year capital investments to total between $700 million and $800 million and the execution of its overall capital program is advancing well. All of these major capital investments, including the North Florida Resiliency Connection and Plant Crist coal to gas conversion continue to remain on track.

The Florida economy remained strong. Florida's seasonally adjusted unemployment rate was 3.2% in September, below the national average and the lowest level in the last decade. As an indicator of new construction, building permits remain at healthy levels.

The most recent reading of the Case-Shiller Index for South Florida shows home prices up 3.9% from the prior year. Overall, Florida's economy continues to grow with the latest readings of Florida's consumer confidence remaining strong.

During the quarter, FPL's average number of customers increased by approximately 100,000 from the comparable prior-year quarter, driven by continued solid underlying growth and the addition of Vero Beach's roughly 35,000 customers late last year. FPL's third quarter retail sales increased 0.1% year-over-year.

Partially offsetting customer growth was a decline in overall usage per customer of 1.6%, as favorable weather was more than offset by an estimated 3.9% decrease in weather normalized usage per customer, including a small decline in usage associated with Hurricane Dorian.

As we previously noted, usage per customer tends to exhibit significant volatility from quarter to quarter, which can be more pronounced during periods of particularly warm weather conditions, similar to those experienced during the third quarter.

For Gulf Power, the average number of customers was roughly flat to the comparable prior-year quarter. We are beginning to see recovery accelerate in the areas of the service territory that were most impacted by Hurricane Michael last year. Gulf Power's third quarter retail sales increased 2.3% year-over-year, primarily due to favorable weather.

Let me now turn to Energy Resources, which reported third quarter 2019 GAAP earnings of $367 million, or $0.75 per share, and adjusted earnings of $424 million, or $0.87 per share. This is an increase in adjusted earnings per share of $0.14, or approximately 19% from last year's comparable quarter results. New investments contributed $0.22 per share, primarily reflecting continued growth in our contracted renewables program.

The contribution from existing generation assets declined $0.01 per share relative to the prior year comparable quarter as the improvement in wind resource was more than offset by a number of headwinds, including a onetime unfavorable state tax item.

After a weak period to the start of the year, when resource improved during the third quarter and was 104% of the long-term average versus 94% in the third quarter of 2018. Contributions from our gas infrastructure business, including existing pipelines increased by $0.03 year-over-year. All other impacts reduced results by $0.10 per share, driven primarily by the write-off of costs related to a development project. Additional details are shown on the accompanying slide.

The Energy Resources development team continues to capitalize on what we believe is the best renewables development environment in our history, with our backlog increasing by approximately 1,375 megawatts since our last earnings call. Since the last call, we've added 747 megawatts of solar and 340 megawatts of battery storage, all of which will be paired with the new solar projects.

Year-to-date, more than 50% of the solar megawatts that we have added to the backlog include a battery storage component, as customers are increasingly interested in a near firm low-cost renewable product that is specifically designed to meet their generation needs.

As a result of increased MISO transmission upgrade and their interconnection cost estimates that impacted approximately 1,400 megawatts of industry projects, including some of our own. We have removed 339 megawatts from our wind backlog. Offsetting these reductions are 624 megawatts of new signed contracts since the second quarter call, resulting in a net increase of 285 megawatts to our wind backlog.

Additionally, as a result of other customers being impacted by the same interconnection cost issues, we have seen new contracting opportunities develop that we hope to capitalize on over the coming quarters. Through the first three quarters of 2019, we have added nearly 4,200 megawatts to our renewables backlog, which now totals more than 12,300 megawatts.

To put our new - our current backlog into context, it is larger than Energy Resources' operating renewables portfolio at the end of 2014, which took us more than 15 years to develop. Following the terrific year-to-date origination success, we have now largely pivoted our development efforts to 2021 and beyond. With nearly 5,500 megawatts of projects already in our post 2020 backlog, including more than 600 megawatts of wind for 2021 delivery.

At this early stage, we have made good progress towards our long-term development expectations. We expect that overall wind demand in 2021 will be roughly the same levels as in 2019 and that solar demand will continue to increase through the early part of the next decade.

We continue to believe that by leveraging energy resources competitive advantages, we are well-positioned to capture a meaningful share of these markets going forward. Beyond renewables, we continue to advance construction activities from Mountain Valley Pipeline and expect to be approximately 90% complete by the end of this year.

We were pleased that the Supreme Court agreed to hear oral arguments on the Atlantic Coast Pipeline's case related to its Appalachian trail crossing authorization and are hopeful that the Fourth Circuit Courts original decision will be overturned.

At this time, we do not expect a material impact on the construction schedule as a result of the FERC stop work order related to MVP's biological opinion and incidental take statement. Prior to the order, much of MVP's construction activities had scaled back as a result of a voluntary suspension and the upcoming winter season.

We have been working with our project partners to resolve all of the outstanding permit issues for MVP and we continue to make good progress with these efforts. We continue to target a full in-service date for the pipeline during 2020 and now expect an overall project cost estimate of approximately $5.4 billion.

Consistent with our focus on leveraging energy resources competitive advantages to identify and develop additional long term contracted projects. Today, we are pleased to announce that we have signed a proceeding agreement for the Lowman Pipeline.

The approximately 50-mile, 16-inch intrastate pipeline would supply natural gas under a 40-year from capacity agreement to PowerSouth Energy Cooperative roughly 700 megawatt Lowman Energy Center in Southern Alabama.

We believe the project which will support a coal to gas modernization will help provide meaningful benefits to both PowerSouth members through reduced energy costs and to the environment through a reduced emissions.

The project which will be wholly-owned by Energy Resources is advancing through the development phase and has a targeted in-service date in mid-2022 subject to the receipt of regulatory approvals. Total capital investment for the pipeline is expected to be between $120 million and $130 million. We look forward to providing additional details as the project advances.

Turning now to the consolidated results for NextEra Energy. For the third quarter of 2019, GAAP net income attributable to NextEra Energy was $879 million or $1.81 per share. NextEra Energy’s 2019 third quarter adjusted earnings and adjusted EPS were $1.163 billion and $2.39 per share, respectively.

Adjusted earnings from the corporate and other segment declined $0.11 year-over-year, primarily as a result of the higher interest expense related to the Gulf Power acquisition financing. NextEra Energy has also generated a double-digit percentage increase in year-to-date operating cash flow versus the comparable 2018 period.

During the quarter, NextEra Energy issued $1.5 billion of equity units as we continue to focus on opportunistic and prudent capital management to maintain the strength of our balance sheet. The equity units will convert to common equity in 2022 and position us well for continued long-term growth while providing additional cushion against our credit metrics.

The financial expectations which we extended through 2022 earlier this year remain unchanged. For 2019, we would be disappointed if we do not realize adjusted EPS growth at the top end of our 6% to 8% growth rate off of the 2018 base of $7.70 per share, which, if achieved, would result in adjusted EPS of $8.32.

While we are pleased with our year-to-date results, which have benefited from execution at Gulf Power tracking ahead of our plan, we currently expect headwinds in the fourth quarter adjusted EPS due to a number of factors.

As we discussed on our second quarter earnings call, we plan to pursue a number of refinancing activities to take advantage of the low interest rate environment, and expect to incur financing breakage impacts associated with several wind repowering, as well as Energy Resources share of the costs associated with the acquisition of the outstanding Genesis debt.

These initiatives could generate negative adjusted EPS impacts of as much as $0.10 to $0.15 in the fourth quarter before translating to favorable net income contributions in future years, and an overall improvement in net present value for our shareholders.

Looking further ahead, we continue to expect NextEra Energy's adjusted EPS compound annual growth rate to be in the range of 6% to 8% through 2021 off of our 2018 adjusted EPS of $7.70 plus the accretion of $0.15 and $0.20 in 2020 and 2021 respectively from the Florida acquisitions. For 2022, we expect to grow adjusted EPS in the range of 6% to 8% off of a 2021 adjusted EPS, translating to a range of $10 to $10.75 per share.

Based upon the clear visibility into meaningful growth prospects across all of our businesses, we would be disappointed if we are not able to deliver growth at or near the top end of our adjusted EPS range in 2022. From 2018 to 2022, we expect that operating cash flow will grow roughly in line with our adjusted EPS compound annual growth rate range.

We also continue to expect to grow our dividends per share 12% to 14% per year through at least 2020 off of a 2017 base of dividends per share of $3.93. As always, our expectations are subject to the usual caveats, including but not limited, to normal weather and operating conditions.

In summary, NextEra Energy continues to execute on its strong start to 2019 and remains well positioned to meet its 2019 expectations and long-term growth prospects. At FPL, we remain focused on operational cost effectiveness, productivity, and making smart long-term investments to further improve the quality reliability and efficiency of everything we do.

At Gulf Power, we continue to execute the NextEra Energy playbook to create long-term customer and shareholder value. At Energy Resources, we maintain significant competitive advantages to capitalize on the continued strong market for renewables development. We remain intensely focused on execution and believe NextEra Energy remains well-positioned to drive shareholder value over the coming years.

Let me now turn to NextEra Energy Partners, which delivered strong third quarter results, with year-over-year growth in adjusted EBITDA and cash available for distribution of approximately 55% and 81% respectively.

Excluding all contributions from the Desert Sunlight projects, cash available for distribution increased approximately 54% from - versus the prior-year comparable quarter. Yesterday, the next NextEra Energy Partners board declared a quarterly distribution of $0.5175 per common unit or $2.07 for common unit on an annualized basis, continuing our track record of growing distributions at the top end of our 12% to 15% per year growth range.

At the end of the quarter, NextEra Energy Partners announced an agreement to acquire Meade Pipeline Company, which owns an approximately 40% interest in Central Penn line, an interstate natural gas pipeline in Pennsylvania that is backed by a minimum 14-year contract with a high credit quality customer and no volumetric risk.

The fixed payment structure of Meade’s lease further diversifies the NextEra Energy Partners’ portfolio while helping mitigate any potential wind and solar resource variability. Following the attractive acquisition financing, the transaction is expected to yield a double-digit return to NextEra Energy Partners LP unitholders and generate a CAFD yield of roughly 14% additionally executing on third-party acquisition helps extend NextEra Energy Partners already best-in-class runway for LP distribution growth.

We believe this acquisition is consistent with NextEra Energy Partners' focus on investing in long-term contracted clean energy assets with strong creditworthy counterparties, and that natural gas will play an important role in the country's clean energy future.

That said, there are very few pipelines that fit NextEra Energy Partners' investment criteria of being long-term contracted with creditworthy counterparties. Following the Meade acquisition, NextEra Energy Partners expects the natural gas pipelines will contribute approximately 30% of year-end 2019 run rate cash available for distribution.

With roughly 12,000 megawatts of operating long-term contracted wind and solar projects and the ongoing origination success at energy resources combined with the continued strength of the best renewables development environment in our history, we expect contribution percentage from pipelines to decline over time. We continue to believe that NextEra Energy Partners remains uniquely well positioned to capitalize on the ongoing disruption in the nation's power generation fleet over the coming years.

The Meade investment is expected to be financed with a combination of partially amortizing project financed debt and a new convertible equity portfolio financing as well as existing NextEra Energy Partners debt capacity. Beyond the Meade financing, during the quarter, NextEra Energy Partners took additional steps to further enhance its financing flexibility, which I will discuss in more detail later in the call.

As a result of the expected acquisition and financing initiatives, last month NextEra Energy Partners introduced new year-end 2019 run rate cash available for distribution expectations assuming full contributions from PG&E related projects which at the midpoint represent approximately 60% growth from the comparable year-end 2018 run rate midpoint.

With this strong year-over-year growth in cash available for distribution, NextEra Energy Partners expect to be able to achieve its long-term distribution growth expectations without the need for additional asset acquisitions until 2021. Overall, we are pleased with the year-to-date execution in NextEra Energy Partners and believe we are well-positioned to continuing – to continue delivering healthy unit value going forward.

Now, let's look at the detailed results. Third quarter adjusted EBITDA was $315 million and cash available for distribution including full contributions from our Desert Sunlight projects was $147 million, up approximately 55% and 81% from the prior year comparable quarter respectively primarily due to portfolio growth.

New projects added $104 million of adjusted EBITDA and $59 million of cash available for distribution. Existing projects also contributed favorably to significant year-over-year growth and adjusted EBITDA and cash available for distribution.

As wind resource is favorable at 107% of the long term average versus 94% in the third quarter of 2018. Cash available for distribution from existing projects also benefited from a reduction in debt service payments as a result of the purchase of the outstanding Genesis holding company notes and the recapitalization of a portfolio of NextEra Energy Partners renewable assets earlier this year.

As a reminder, these results include the impact of IDR fees which we treat as an operating expense. For 2019, we previously reported cash available for distribution including full contributions from our PG&E-related projects as we were working on resolving the ongoing financing issues related to the bankruptcy.

After finalizing our plans to release the restricted cash of our Genesis project, which I'll discuss in more detail in a moment, we believe it is unlikely that we will pursue remedies that would result in the release of the trapped cash at the Desert Sunlight 250 and 300 projects prior to PG&E’s exit from bankruptcy. Going forward, we will report cash available for distribution, excluding any contribution from Desert Sunlight projects until the event of default have been resolved.

For the third quarter, cash available for distribution, excluding all contributions from Desert Sunlight projects was $125 million, an increase of approximately 54% year-over-year. Year-to-date, the Desert Sunlight projects have generated $45 million of cash available for distribution. Starting in early 2020, restricted cash will begin to be scrapped to pay down the outstanding principal balance unless this provision is waived by the project's lenders.

Let me now turn to NextEra Energy Partners recent financing initiatives. The Meade acquisition is expected to be financed with a total of $920 million of partially amortizing project financed debt and a roughly $170 million convertible equity portfolio financing, both of which we have firm commitments for, as well as the existing NextEra Energy Partners' debt capacity.

By leveraging the strong demand for high quality energy infrastructure assets in both the public and private capital markets, NextEra Energy Partners was able to secure attractive financing for the acquisition that enhances returns for LP unitholders by limiting downside risk.

During September, NextEra Energy Partners launched a tender offer to purchase 100% of the outstanding operating company notes at our Genesis project. Our current expectation is that by the end of this year, we will have acquired all of the outstanding Genesis debt resulting in an increase in run rate cash available for distribution from the project to approximately $100 million, through the removal of project level debt service.

Following the expected purchase of the remaining Genesis debt, NextEra Energy Partners expects to receive approximately $59 million of distributions that have been restricted at the project as of the end of the third quarter, plus approximately $50 million that would have been restricted by year-end.

To fund the purchase of the Genesis debt, in September, NextEra Energy Partners issued $500 million of seven-year senior unsecured notes at an attractive yield of 3.875%. The transaction price at historic lows including the lowest spread for a non-investment grade issuer in the power space for that tenor and the second lowest coupon across all industries for that tenor, reflecting NextEra Energy Partners strong credit profile.

Let me now turn to NextEra Energy Partners expectations, as we announced last month, following the completion of the Meade acquisition, our expectations for year-end 2019 run rate cash available for distribution, including full contributions from the PG&E-related projects, increased to a range of $560 million to $640 million, reflecting calendar year 2020 expectations for the forecasted portfolio at the end of 2019.

We remain confident that our existing contracts with PG&E will be ultimately upheld in PG&E's bankruptcy process. And note that both PG&Es and the creditors plans of reorganization propose that all renewable PPAs are assumed by PG&E post bankruptcy.

Excluding all contributions from the Desert Sunlight projects, NextEra Energy Partners expects a year-end 2019 run rate for cash available for distribution in the range of $505 million to $585 million.

Year-end 2019 run rate adjusted EBITDA expectations which assume full contributions from PG&E-related projects, as revenue is expected to continue to be recognized, increased to $1.225 billion to $1.4 billion following the completion of the Meade acquisition. We also introduced December 31 2020 run rate expectations for adjusted EBITDA and cash available for distribution that are the same as the year-end 2019 run rate expectations.

The midpoint of the new cash available for distribution range represents a two-year compound annual growth rate range of more than 25% from the comparable year-end 2018 run rate midpoint assuming full contributions from the Desert Sunlight projects, supporting our long-term distribution growth expectations without the need for additional asset acquisitions until 2021.

As a reminder, all of our expectations are subject to our normal caveats and include the impact of anticipated IDR fees as we treat this as an operating expense. From the base of NextEra Energy Partners' fourth quarter 2018 distribution per common unit at an annualized rate of $1.86 per common unit, we continue to see 12% to 15% per year growth in LP distributions as being a reasonable range of expectations through at least 2024 subject to our caveat.

For 2020, we expect to achieve these distribution growth objectives while maintaining a payout ratio in the mid-70% range. We are pleased with the progress NextEra Energy Partners has made in 2019 against its strategic and growth initiatives.

As we have previously highlighted, NextEra Energy Partners has the flexibility to grow in three ways organically acquiring assets from third parties or acquiring assets from energy resources portfolio. By executing on the Meade acquisition, NextEra Energy has further enhanced its already best-in-class long term visibility into growth and through reduced near-term acquisition needs from energy resources.

Without the need to sell common equity until 2021 at the earliest other than modest aftermarket issuances together with an attractive underlying asset portfolio, favorable tax position, and enhanced governance rights, NextEra Energy Partners is well-positioned to deliver long-term LP unitholder value.

In summary, we continue to believe that both NextEra Energy and NextEra Energy Partners have some of the best opportunity sets and execution track records in the industry and we remain as enthusiastic as ever about our future prospects.

That concludes our prepared remarks. And with that, we will open up the line for any questions.

Question-and-Answer Session

Operator

[Operator Instructions] Today's first question comes from Greg Gordon of Evercore ISI. Please go ahead.

Greg Gordon

So, a couple of questions, you did put out a press release recently talking about this potential for $25 billion to $35 billion of necessary spending to get the full undergrounding program completed. Can we talk – can you talk about when that might go from sort of theoretical to actually being laid out and executed and over what time frame you might be looking to execute that for the benefit of your customers?

Rebecca Kujawa

Sure, Greg. Some of this stems from - well, a couple of things. One is, as you know, we've had a long program now over many years that Florida Power & Light to invest in storm hardening and resilience across the FPL grid infrastructure.

This past legislative session, the Florida State Legislature passed a new law called Storm Secure, that authorizes further investments, including undergrounding our electrical infrastructure, which all of the utilities in Florida will be able to file plans with the Public Service Commission and start to make those investments and recover on those investments through a clause mechanism.

What we said about it both at the Investor Conference which at that time the law had not been signed by the governor and then subsequent investor materials is that this represents a multi-decade opportunity and tens of billions of dollars of potential investment into our grid infrastructure. It's going through the process now.

The next steps include the Public Service Commission finalizing a rule and having that fully discussed through that process. And then, FPL and Gulf Power would start to file their plans and make those investments and start to recover through the clause.

Greg Gordon

Two more questions. One, with regard to NEP, obviously, the prospects for that business look great. But how do you address like the perspective that even though these gas infrastructure investments you're making make a lot of economic sense, provide good value to the customers that they're serving that it made on the margin be diluting the sort of the clean energy sort of ESG-related aspects of the profile of NEP, even though they do to your point that you've made bring some benefits in terms of personification.

Rebecca Kujawa

We try to cover some of this in the prepared remarks. We've long believed that what is really valuable from an NEP unitholders perspective is our investing in long-term contracted clean energy assets, with creditworthy counterparties. And we believe that gas infrastructure, specifically pipelines to the extent that they meet those criteria, could be a great fit for NEP. And of course, as you know, we executed on an acquisition of some pipeline several years back, and that's added tremendous value to unitholders.

This was a unique opportunity. We think the returns are particularly attractive, particularly when you couple that with debt financing that we were able to execute. And as I commented on the prepared remarks, assuming that we are able to close the acquisition, the CAFD related to all of the pipelines would be roughly 30% of the overall portfolio.

And as we look forward ,and particularly focusing on NextEra Energy Resources portfolio as an obvious source of potential acquisition targets for NextEra Energy Partners. We have a significant amount of long-term contracted renewables, that could and likely will be sold into NextEra Energy Partners over time.

So that percentage of 30%, assuming the close of the acquisition will likely go down over time, particularly since this is a unique opportunity to acquire the Meade Pipeline.

Greg Gordon

My last question is, the delta between the GAAP earnings and the operating earnings is pretty, pretty significant this year, more significant than it has been in some prior years and I understand a lot of that is due to the transition – some transitions related to the business, but can you just take us through as we move through time, do you expect the difference between GAAP and operating results to tighten again, as we move into 2020 and beyond or are there going to be continued structural reasons why we should expect natural gas related or gas infrastructure related or interest rate related adjustments to continue.

Rebecca Kujawa

So, Greg, of course there's a couple of things that are excluded from our adjusted earnings that flow through GAAP. As you highlighted some of the hedges that we enter in Q4 but our power portfolio as well as our gas infrastructure portfolio, the marks related to those investments work both through that. But the bigger driver this year has really been about interest rates.

And interest rate cap is going down has contributed to a significant amount of mark that we exclude from adjusted earnings purposes. So, that'll fluctuate over time. We think that the hedging activities that we enter into whether it's hedging or gas and power exposure or interest exposure makes sense both for NextEra Energy and NextEra Energy Partners to ensure that we have the ability to have low cost and continued access to the capital markets over a long period of time.

Operator

And our next question comes from Steve Fleishman of Wolfe Research. Please go ahead.

Steve Fleishman

Just wanted to clarify, I think Rebecca you said that the – you think that in the wind business that 2021 could be as good a year as 2020? Did you…

Rebecca Kujawa

No, no.

Steve Fleishman

Is that correct? Yeah.

Rebecca Kujawa

That's 2019. Comparable to 2019 - no, 2020 should be a very strong year as our customers are working to take advantage of the last year of 100% PTC. But we do think it'll be more likely than not comparable to 2019.

Steve Fleishman

And then on the - just, could you maybe talk a little bit more about what the MISO issue was that kind of affected this 1,400 megawatts of clearing projects and just maybe a little more color on the opportunities projects and just made a little more color on the opportunities that you see maybe if gaining some market share there.

Rebecca Kujawa

Sure. Both MISO and SPP have had a significant amount of queue requests be put into their queues over the last couple of years. I think as both developers and those that might buy renewables put in requests ahead of the tax credits trying to phase down.

And so, they face some tough modeling issues both for MISO and for SPP that resulted in what we think are some unusual outcomes and high costs for interconnection requests, which affected, in particular, about 1,400 megawatts of industry-wide projects as we commented in the prepared remarks. This creates opportunities for us.

So, for some of those projects, there had some obvious customers that wanted to buy some wind and solar projects, which will create opportunities for energy resources to help fill that supply. It also creates the opportunity or incentive for us to optimize our existing queue positions and existing interconnection rights to maximize all the generation that could be filled for those interconnection requests.

So, certainly, a speed bump with respect to some of the things in our backlog, but in context of now the substantial backlog that we have really is no more than a minor blip, but we wanted to comment on it given the movement in the backlog.

Operator

And our next question today comes from Stephen Byrd of Morgan Stanley. Please go ahead.

Stephen Byrd

I wanted to focus on Mountain Valley and just first cover just the process next steps both from a legal perspective as well as with FERC, would you mind just kind of talking through what we should be thinking about from a process point of view from here.

Rebecca Kujawa

Sure. One of the two things that are particularly notable. One is the Supreme Court has decided to take this up as you well know and we'll hear this in the first part of 2020 and ultimately render its decision by June of 2020.

So then, we'll understand whether or not the Fourth Circuit's decision in ADP's case which obviously sets the press and also for Mountain Valley pipelines crossing of the Appalachian Trail.

The second aspect is finishing up the permitting for Mountain Valley pipeline. The new biological opinion is expected to be issued in the early part of 2020. That obviously would address the current stop work order and set forward the process of finalizing the remaining permitting other than the Appalachian Trail Crossing.

So as I've commented in the script, we continue to believe that more likely than not the pipeline will be put into service in 2020. And again, higher costs than we originally had anticipated but approximate now $5.4 billion across all of the partners.

Stephen Byrd

Understood. And how much capital has NextEra invested to date? And if the project were to be canceled due to legal issues, what would the financing implications be for NextEra overall?

Rebecca Kujawa

So we've invested a little bit over $1 billion year-to-date, and that's just our portion of it as opposed to the whole project overall. And what was the second part of the question, Steven, the financing implications?

Stephen Byrd

If the project would be canceled, what would the financing implications be for NextEra?

Rebecca Kujawa

We've got a pretty sizable balance sheet at this point Steve. So not significant implications for us. It certainly would be disappointing from a development standpoint not to be able to complete it. And I think at this point that much less likely than the alternative which is that we expect to bring it into service.

Operator

And our next question today comes from Julien Dumoulin-Smith of Bank of America. Please go ahead.

Richard Ciciarelli

This is actually Ritchie Ciciarelli here for Julien. I was just wondering if you can comment on your regulated strategy for the rate case filing? Have you made any decisions around consolidating FPL and Gulf and could that potentially provide additional accretion if you consolidate the capital structures there?

Rebecca Kujawa

So Ritchie, we did make comments at our June investor conference that we were at the early stages of evaluating a merger and ultimately a joint rate case filing between FPL and Gulf. And I'd argue at this point we're probably still in the early stages, as we highlighted then and continue to highlight, our best information at this stage which could change, but our best information at this stage is that we would file in 2021 for new rates in 2022. And that was both for FPL and Gulf.

As we get closer to that period of time, we certainly might update that if things change or be able to give you more information, but we're still at the preliminary stages of that.

Richard Ciciarelli

And then can you just comment on the JEA process and I guess expectations for how long that will take, I guess, complete?

Rebecca Kujawa

So, Ritchie, as we've commented a couple of times, we're certainly interested in doing more regulated M&A and the processes that are very public both at Santee Cooper and JEA. We've indicated our interests, but at this point, out of respect for both processes that are entering more advanced stages, we're limited on what comments we may make on it. But I'd fall back to the fact that we've continued to be interested and of course as you well know JEA, released its list of folks that made it to the next round and of course we were on there.

Operator

And the next question today comes from Shahriar Pourreza of Guggenheim Partners. Please go ahead.

Shahriar Pourreza

Just a quick follow-up on the 21 GRC filings. You guys sort of formulate your thoughts and get the process together. If I could - can you just highlight maybe some of the arguments you'll present as far as the benefits to FPL customers to have a merged utility? Obviously, the benefits for Gulf stated and it’s - but just sort of as you guys think about as a merged entity where you see the benefits flowing to FPL customers.

Rebecca Kujawa

Shahriar, I think it's – I appreciate the interest in it. I think at this stage to talk specifically about any sort of rate case strategy would be a little bit premature. But you should expect that a lot of what we might talk about would be consistent with what we always talk about with you guys, which is we really do focus on capital investments that make sense for our customers that improve the reliability, remove cost from the system, improve our emissions profile over the long term to make sure that what we provide to our customers is really valuable to them. And we continue to focus on that and be very diligent in those efforts throughout a long period of time in terms of our history with FPL.

And as we laid out in great detail at our investor conference, the investment program that we have at Gulf Power over the next couple of years investing roughly $3 billion of capital to have the cost of O&M, substantially improve reliability, substantially improve the emissions profile, and substantially improve the safety profile or certain things that we're proud of and we think are really the right things to focus on from a customer standpoint and ultimately from a regulatory standpoint.

Shahriar Pourreza

And then just, Rebecca, one last topic here is just on the retail choice. I mean, obviously, the Supreme Court has started their review. Maybe just a little bit of an update of thoughts on when you expect the timing from the Supreme Court and just the arguments around single issue and items being on ambiguous. And then as far as maybe just a quick update on the votes and as we hit the February deadline?

Rebecca Kujawa

You’re absolutely right. There are two - just like the last quarter conference call, there were two things that need to happen before the initiative could be put on the ballot. One, the Supreme Court is doing its diligence which as you rightfully highlighted. It's not an evaluation of the merits of the proposal. It is simply whether or not, in my words, not necessarily the legal words, but in my words that a single subject and it’s unambiguous and can be easily understood by the average voter.

The hearings were a number of weeks ago and the Supreme Court could render its decision at any time. There's not a specific statutory time frame for them to render their decision. We think in the hearing that issues were brought up and effectively argued that both it is ambiguous and is not single subject. So, we're optimistic that the Supreme Court might render a decision that would be favorable to us but of course, that remains to be seen and we'll hopefully know soon.

On the votes, there are roughly 500,000-ish. 460,000 I rounded up relative to the 760-something-thousand votes or signatures that they need to gather before February 1. The practical deadline really is the very beginning of January. There's some time frame for the state to evaluate and validate these signatures. It is not insurmountable but they would need to significantly increase their rate of signature gathering in order to get what they need in order to get on the 2020 ballot.

Shahriar Pourreza

And then just you don't envision a scenario where the Supreme Court renders a decision post the February ballot deadline?

Rebecca Kujawa

We certainly - it seems unlikely, but we don't know. Based on precedent, it seems that it would be more likely not in the next couple of months, but we don't know.

Operator

And our next question comes from Michael Lapides of Goldman Sachs. Please go ahead.

Michael Lapides

I'm looking back at the Investor Day deck and the capital spend trajectory for FPL was about $5.6 billion to $6.2 billion each year through 2022. That implies kind of if you continue to earn at the high end of the band that kind of the law of big numbers starts to kick in and the growth rate of that FPL would actually start to slow down. What are the things that could keep -- what are the things that are not in that $5.6 billion to $6.2 billion CapEx budget that could make that a higher rate base growth trajectory?

Rebecca Kujawa

So we obviously laid out the plans for this period of time through 2020. So I'm assuming you're asking for kind of a post 2020 view. And some of the things that we highlighted in the Investor Conference which still remain very much true today and we even talked about one of them at the very part beginning of the Q&A, two major capital programs that will last well beyond the 2022 expectations period.

First is Storm Secure continuing to harden the infrastructure. That, of course, now is even further authorized through the clause mechanism and has a path for recovery of those investments near the time of having made those investments.

And then second is a continued build out of solar and FPLs in Gulf service territory. The 30-by-30 program by 2030 is about 10 gigawatts of capacity. If we execute on that exactly to that plan, it's roughly 20% of FPL's generation will come from solar generation in 2030, which obviously leaves a lot of opportunity for further expansion of solar beyond that time frame.

Michael Lapides

Got it.

Rebecca Kujawa

Just normal investments in the infrastructure.

Michael Lapides

But is most of that for the post-2022 time frame? So, if I think about the 2020 to 2022 time frame, there's not a lot that's going to move that $5.7 billion to $6.2 billion number around?

Rebecca Kujawa

So, we have our expectations. They were the best information that we had at the time and continue to have. Obviously, we reserve the rights to change that investment plan over time, but we think it is a terrific plan that we're excited about, and that really focuses on developing the customer value that we think is so important.

Operator

And our next question comes from Michael Weinstein of Credit Suisse. Please go ahead.

Michael Weinstein

A couple of questions - good morning. A couple of questions about renewables. Have you heard anything about a possible extension of Section 201 solar import tariffs. And then separately from that, at a recent conference, a lot of the developers there were talking about 0% returns through contracted life on wind projects. And I'm just wondering, I mean, you guys are usually in better shape than other people, and I'm wondering what kind of returns you guys are seeing for wind.

Rebecca Kujawa

Okay. I'll start with the second question first. Our returns are not anywhere near that stated report. We continue to be disciplined in our investment plans, in energy resources. Our returns have remained roughly consistent over a long period of time on a levered basis. And we continue to strongly believe that they're creating value for our shareholders relative to our cost of capital. We can't speak to what other people are investing in. What we do know is that we have significant competitive advantages across this business.

Certainly our experience in it is extremely important. It is not only that we have a significant amount scale, we're investing a substantial amount of capital. We've got great relationships with our suppliers where we're a meaningful customer of theirs, And of course we've had continued significant investments in digital technologies to keep getting better at this business every year.

So we love the business. We think it's a terrific growth opportunity for us. And as you look out over the next couple of years, you'll continue to see the returns from Energy Resources along the lines of what John highlighted at the investor conference, continue to be very attractive.

On the on the tariffs, this changes minute-by-minute and day-by-day. So what our supply chain team continues to focus on is working very closely with our suppliers. Obviously, that story might be a little different between wind and solar, but they have obviously anticipated the uncertainty that could be in the market in the coming years and we've positioned ourselves appropriately so that we can continue executing our developmental program at attractive returns.

Operator

And our next question today comes from Pavel Molchanov of Raymond James. Please go ahead.

Pavel Molchanov

On the power storage front, you've talked about the kind of mainstreaming of storage deployments. I'm curious if in your business development efforts, you found any storage technologies other than lithium-ion that you think are worth commercializing and scaling up in a serious way.

Rebecca Kujawa

We continue - just like we have been with the gas business before, then the wind business, gas business before, then the wind business, then the solar business, we always remain technology agnostic and whatever becomes commercialized that we can deploy at scale with high confidence in the long term total cost of ownership, we would certainly be open to it.

That said what we continue to see and what we are currently signing contracts with our customers is predominantly lithium ion but there is a lot of venture capital and a lot of private equity for further stage investments being invested in this space to see if we can find something even better than lithium ion.

But with the electric vehicle sector really focusing on lithium ion, those that are producing lithium ion batteries are investing in the manufacturing scale which is producing significant cost improvements and some technology improvements that’s making it very compelling.

So, as you look at in our materials, you look at what we think is likely to happen in the middle part of the next decade, you’re talking about a $5 to $7 a megawatt hour adder to get to a nearly firm wind or solar resource. That's a pretty attractive price. So, in order to beat that, you'd have to see a pretty big step change in where some of these other technologies are to truly be competitive.

Pavel Molchanov

And then kind of a corollary to that maybe on the flip side of the value chain, EV charging, any update on the role that you guys are playing in that Florida build out? The state overall still lags behind a lot of the other coastal states in its EV infrastructure. So, curious what you guys are doing to resolve that?

Rebecca Kujawa

It has been a focus in Tallahassee at the state government level to really think about it and think about what part of different companies and organizations might play in it. And we certainly have worked on a couple of pilot opportunities to think about how that infrastructure can be built out. There may be more to do at some point, but we're still evaluating whether or not that's an opportunity within the regulated utilities or potentially on the competitive side.

Operator

And ladies and gentlemen, this concludes today's question-and-answer session and today's conference call. We thank you all for attending today's presentation. You may now disconnect your lines and have a wonderful day.