Risk Factors Comparison 2024-02-21 to 2023-02-23 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

Limited partnerships and limited partnership interests are inherently different than corporations and shares of capital stock of a corporation, although many of the business risks to which NEP is subject are similar to those that would be faced by a corporation engaged in similar businesses and NEP has elected to be treated as a corporation for U. S. federal income tax purposes. If any of the following risks were to occur, **and whether or not expressly stated with respect to any particular risk factor,** NEP' s business, financial condition, results of operations and ability to **grow its business and** make cash distributions to its unitholders could be materially and adversely affected. In that case, NEP may not be able to pay distributions to its unitholders, the trading price of its common units could decline and investors could lose all or part of their investment in NEP. Performance Risks NEP' s ability to make cash distributions to its unitholders is affected by the performance of its renewable energy projects which could be impacted by wind and solar conditions and in certain circumstances by market prices. The output from NEP' s wind projects can vary greatly as local wind speeds and other conditions vary. Similarly, the amount of energy that a solar project is able to produce depends on several factors, including the amount of solar energy that reaches its solar panels. Wind turbine or solar panel placement, interference from nearby wind projects or other structures and the effects of vegetation, snow, ice, land use and terrain also affect the amount of energy that NEP' s wind and solar projects generate. In certain circumstances, NEP is exposed to the inherent market price risk created by the differences in pricing between commodity selling and purchasing locations known as basis risk. The failure of some or all of NEP' s projects to perform according to NEP' s expectations as well as basis risk could have a material adverse effect on its business, financial condition, results of operations and ability to **grow its business and** make cash distributions to its unitholders. Operation and maintenance of renewable energy projects and pipelines involve significant risks that could result in unplanned power outages, reduced output or capacity, **property damage,** personal injury or loss of life. There are risks associated with the operation of NEP' s renewable energy projects and pipelines, including: • breakdown or failure **, including, but not limited to, leaks, fires, explosions, mechanical problems or other major events,** of, or damage to, turbines, blades, blade attachments, solar panels, mirrors, pipelines **, batteries** and other equipment, which could reduce a project' s energy output or a pipeline' s ability to transport natural gas at expected levels or result in **significant property damage, environmental pollution,** personal injury or loss of life; • catastrophic events, such as fires, earthquakes, hurricanes, severe weather, tornadoes, ice ~~or~~ **and** hail storms, other meteorological conditions, landslides and other similar events beyond NEP' s control, which could severely damage or destroy all or a part of a project, pipeline or interconnection and transmission facilities, reduce its energy output or capacity, or result in **property damage,** personal injury or loss of life; • technical performance below expected levels, including, but not limited to, the failure of wind turbines, solar panels, mirrors **, batteries** and other equipment to produce energy as expected due to incorrect measures of expected performance provided by equipment suppliers; • interference from nearby wind projects or other structures; • ~~leaks, explosions or mechanical problems at a pipeline, which could reduce a pipeline' s ability to transport natural gas at expected levels or result in significant damage to property, environmental pollution, personal injury or loss of life; •~~ increases in the cost of operating the projects; • operator, contractor or supplier error or failure to perform or to fulfill any warranty obligations; • serial design ~~or~~ **,** manufacturing **or other** defects, which may not be covered by warranty; • extended events, including, but not limited to, force majeure ~~,~~ under certain PPAs that may give rise to a termination right of the customer under such a PPA (renewable energy counterparty); • failure to comply with permits and the inability to renew or replace permits that have expired or terminated; • the inability to operate within limitations that may be imposed by current or future governmental permits; • replacements for failed equipment, which may need to meet new interconnection standards or require system impact studies and compliance that may be difficult or expensive to achieve; • land use, environmental or other regulatory requirements; • **risks associated with potential harm to wildlife; •** disputes with the BLM, other owners of land on which NEP' s projects are located or nearby landowners; • changes in laws, regulations, policies and treaties; • government or utility exercise of eminent domain power or similar events; • existence of liens, encumbrances and other imperfections in title affecting real estate interests; and • insufficient insurance, warranties or performance guarantees to cover any or all lost revenues or increased expenses from the foregoing. These and other factors could require **the** ~~NEP to~~ shut down ~~its~~ **of NEP' s** renewable energy projects or ~~pipelines~~ - **pipeline investment** . For renewable energy projects or pipelines located near populated areas, including, but not limited to, residential areas, commercial business centers, industrial sites and other public gathering areas, **or areas more prone to wildfires,** the level of damage resulting from certain of these risks could be greater. These factors could also **reduce the useful lives of and** degrade equipment, ~~reduce the useful life of~~ interconnection **facilities** and transmission facilities **,** and materially increase maintenance and other costs. Unanticipated **costs** ~~capital expenditures~~ associated with maintaining or repairing NEP' s projects and ~~pipelines~~ - **pipeline investment** may reduce profitability. In addition, replacement and spare parts for solar panels, wind turbines **, batteries** and other key equipment may be difficult or costly to acquire or may be unavailable. ~~Furthermore, portions of NEP' s pipelines have been in service for several decades, which could result in an increased need for maintenance and repair activities and expenditures.~~ Such events or actions could significantly decrease or eliminate the revenues of a project or pipeline, significantly increase its operating costs, cause a default under NEP' s financing agreements or give rise to damages or penalties **payable** to a PPA or transportation agreement counterparty, another contractual counterparty, a governmental authority or other third parties or cause defaults under related contracts or permits. Any of these events could have a material adverse effect on NEP' s business, financial condition, results of operations and ability to **grow its business and** make cash distributions to its unitholders. NEP' s business, financial condition, results of operations and prospects can be materially adversely affected by weather conditions **and related impacts** , including, but not limited to, the impact of severe weather. Weather conditions directly influence the demand for electricity, natural gas and other fuels and affect the price of energy and energy- related commodities. In addition, severe weather and natural disasters, such as hurricanes, floods, tornadoes, droughts, extreme temperatures, icing events **, wildfires, severe convective storms** and earthquakes, can be destructive and cause power outages **, personal injury** and property damage, reduce revenue, affect the availability of fuel and water and require NEP to incur additional costs **to, for example, restore service and repair damaged facilities, obtain replacement power, access available financing sources, obtain insurance, pay for any associated injuries and damages and fund any associated legal matters and compliance penalties** . Furthermore, NEP' s physical plants could be placed at greater risk of damage should changes in the global climate produce unusual variations in temperature and weather patterns, resulting in more intense, frequent and extreme weather events and abnormal levels of precipitation. A disruption or failure of electric generation, transmission or distribution systems or natural gas production, transmission, storage or distribution systems in the event of a hurricane, tornado or other severe weather event, or otherwise, could prevent NEP from operating its business in the normal course and could result in any of the adverse consequences described above. Additionally, the actions taken to address the potential for severe weather such as additional winterizing of critical equipment and infrastructure, modifying or alternating plant operations and expanding load shedding options could result in significant increases in costs. Any of the foregoing could have a material adverse effect on NEP' s business, financial condition, results of operations and ability to **grow its business and** make cash distributions to its unitholders. Changes in weather can also affect the level of wind and solar resource available, and thus the production of electricity, at NEP' s power generating facilities. Because the levels of wind and solar resources are variable and difficult to predict, NEP’ s results of operations for individual wind and solar facilities specifically, and NEP' s results of operations generally, may vary significantly from period to period, depending on the level of available resources. To the extent that resources are not available at planned levels, the financial results from these facilities may be less than expected. NEP depends on certain of the renewable energy projects and **the investment in** ~~pipelines~~ **pipeline assets** in its portfolio for a substantial portion of its anticipated cash flows. NEP depends on certain of the renewable energy projects and **the investment in** ~~pipelines~~ **pipeline assets** in its portfolio for a substantial portion of its anticipated cash flows. Consequently, the impairment or loss of any one or more of those projects or **the** ~~pipelines~~ **pipeline investment** could materially and, depending on the relative size of the affected projects or ~~pipelines~~ **pipeline investment** , disproportionately reduce NEP’ s cash flows and, as a result, have a material adverse effect on NEP' s business, financial condition, results of operations and ability to **grow its business and** make cash distributions to its unitholders. **The** ~~NEP may pursue the~~ repowering of renewable energy projects ~~or the expansion of natural gas pipelines that would require~~ **requires** up- front capital expenditures and could expose NEP to project development risks. NEP ~~may~~ **from time to time** ~~pursue~~ **pursues** the repowering of renewable energy projects ~~or the expansion of natural gas pipelines~~ . **Repowering** ~~The development~~ of renewable energy ~~repowering~~ projects ~~and pipeline expansions~~ involves ~~numerous~~ regulatory, environmental, construction, safety, political and legal uncertainties and may require the expenditure of significant amounts of capital. These projects may not be completed on schedule, at the budgeted cost or at all. There may be cost overruns and construction difficulties. In addition, NEP may agree to pay liquidated damages to ~~committed shippers or~~ counterparties if a project does not achieve commercial operations before a specified date that the parties may agree ~~to~~ **upon** in advance. Any cost overruns NEP experiences or liquidated damages NEP pays could have a material adverse effect on NEP' s business, financial condition, results of operations and ability to **grow its business and** make cash distributions to its unitholders. In addition, NEP may choose to finance all or a portion of the development costs of any ~~expansion or~~ repowering project through the sale of additional common units or securities convertible into, or settleable with, common units, which could result in dilution to NEP’ s unitholders, or through other financings which could result in additional expense. **Any such financings could involve the issuance of securities or indebtedness that could be senior to the common units upon liquidation.** The construction related to ~~the expansion or~~ repowering projects may occur over an extended period of time and NEP may not receive increases in revenues until the projects are placed in service, or at all. Accordingly, NEP' s ~~expansion and~~ repowering efforts may not result in additional long- term contracted revenue streams that increase **, and could decrease,** the amount of cash available to execute NEP' s business plan and make cash distributions to its unitholders. Geopolitical factors, terrorist acts, cyberattacks or other similar events could impact NEP' s projects, ~~pipelines~~ **pipeline investment** or surrounding areas and adversely affect its business. Terrorists have attacked energy assets such as substations and related infrastructure in the past and may attack them in the future. Any attacks on NEP’ s projects, ~~pipelines~~ **pipeline investment** or the facilities of third parties on which its projects or ~~pipelines~~ **pipeline investment** rely could severely damage such projects or **the** ~~pipelines~~ **pipeline investment** , disrupt business operations, result in loss of service to customers and require significant time and expense to repair. Projects and ~~pipelines~~ **pipeline investment** in NEP' s portfolio, as well as projects ~~or pipelines~~ it may acquire and the transmission and other facilities of third parties on which NEP' s projects rely, may also be targets of terrorist acts and affected by responses to terrorist acts, each of which could fully or partially disrupt the ability of NEP' s projects or ~~pipelines~~ **pipeline investment** to operate. Cyberattacks, including, but not limited to, those targeting information systems or electronic control systems used to operate NEP' s energy projects (including, but not limited to, generation transmission tie lines) and the transmission and other facilities of third parties on which NEP' s projects rely, could severely disrupt business operations and result in loss of service to customers and significant expense to repair security breaches or system damage **. In addition, the advancement of artificial intelligence has given rise to added vulnerabilities and potential entry points for cyberattacks** . As cyber incidents continue to evolve, NEP may be required to expend additional resources to continue to modify or enhance NEP' s protective measures or to investigate and remediate any vulnerability to cyber incidents. To the extent geopolitical factors, terrorist acts, cyberattacks or other similar events equate to a force majeure event under NEP' s PPAs, the renewable energy counterparty may terminate such PPAs if such a force majeure event continues for a **specified** period ~~ranging from 12 months to 36 months, as specified in the applicable agreement~~ . As a result, a terrorist act, cyberattack or other similar event **, and governmental actions in response,** could significantly decrease revenues or result in significant reconstruction or remediation costs, **significant fines and penalties and reputational damage,** any of which could have a material adverse effect on NEP' s business, financial condition, results of operations and ability to **grow its business and** make cash distributions to its unitholders. The ability of NEP to obtain insurance and the terms of any available insurance coverage could be materially adversely affected by international, national, state or local events and company- specific events, as well as the financial condition of insurers. NEP' s insurance coverage does not provide protection against all significant losses. NEP shares insurance coverage with NEE and its affiliates, for which NEP reimburses NEE. NEE currently maintains liability insurance coverage for itself and its affiliates, including NEP, which covers legal and contractual liabilities arising out of bodily injury, personal injury or property damage to third parties. NEE also maintains coverage for itself and its affiliates, including NEP, for physical damage to assets and resulting business interruption, including, but not limited to, damage caused by terrorist acts. However, such policies do not cover all potential losses and coverage is not always available in the insurance market on commercially reasonable terms. To the extent NEE or any of its affiliates experience covered losses under the insurance policies, the limit of NEP' s coverage for potential losses may be decreased. NEE may also reduce or eliminate such coverage at any time. NEP may not be able to maintain or obtain insurance of the type and amount NEP desires at reasonable rates and NEP may elect to self- insure some of its wind and solar projects ~~and natural gas pipelines~~ . The ability of NEE to obtain insurance and the terms of any available insurance coverage could be materially adversely affected by international, national, state or local events and company- specific events, as well as the financial condition of insurers. If **NEP cannot or does not obtain** insurance coverage ~~is not available or obtainable on acceptable terms~~ , NEP may be required to pay costs associated with adverse future events. A loss for which NEP is not fully insured could have a material adverse effect on NEP' s business, financial condition, results of operations and ability to **grow its business and** make cash distributions to its unitholders. NEP relies on interconnection ~~,~~ **and** transmission and other pipeline facilities of third parties to deliver energy from its renewable energy projects and to transport natural gas to and from its ~~pipelines~~ - **pipeline investment** . If these facilities become unavailable, NEP' s projects and ~~pipelines~~ - **pipeline investment** may not be able to operate or deliver energy or may become partially or fully unavailable to transport natural gas. NEP depends on interconnection and transmission facilities owned and operated by third parties to deliver energy from its wind and solar projects. In addition, some of the renewable energy projects in NEP' s portfolio share essential facilities, including interconnection and transmission facilities, with projects that are owned by other affiliates of NEE. If the interconnection or transmission arrangement for a project is terminated, NEP may not be able to replace it on similar terms to the existing arrangement, or at all, or NEP may experience significant delays or costs in connection with such replacement. NEP also depends upon third- party pipelines and other facilities that transport natural gas to and from its ~~pipelines~~ - **pipeline investment** . Because NEP does not own these third- party pipelines or facilities, their continuing ~~operation~~ **operations** are not within its control. The unavailability of interconnection, transmission, pipeline or shared facilities could adversely affect the operation of NEP' s projects and ~~pipelines~~ - **pipeline investment** and the revenues received, which could have a material adverse effect on NEP' s business, financial condition, results of operations and ability to **grow its business and** make cash distributions to its unitholders. NEP' s business is subject to liabilities and operating restrictions arising from environmental, health and safety laws and regulations, compliance with which may require significant capital expenditures, increase NEP’ s cost of operations and affect or limit its business plans. NEP' s projects and ~~pipelines~~ - **pipeline investment** are subject to numerous environmental, health and safety laws, regulations, guidelines, policies, directives and other requirements governing or relating to the protection of avian **, bats** and other wildlife; the storage, handling, use and transportation of natural gas as well as other hazardous or toxic substances and other regulated substances, materials, and / or chemicals; air emissions, water quality, releases of hazardous materials into the environment and the prevention of and responses to releases of hazardous materials into soil and groundwater; federal, state or local land use, zoning, building and transportation laws and requirements; the presence or discovery of archaeological, religious or cultural resources at or near NEP' s projects or ~~pipelines~~ - **pipeline investment** ; and the protection of workers’ health and safety, among other things. If NEP' s projects or ~~pipelines~~ - **pipeline investment** do not comply with such laws, regulations, environmental licenses, permits, inspections or other requirements, NEP may be required to incur significant expenditures, pay penalties or fines, or curtail or cease operations of the affected projects or ~~pipelines~~ - **pipeline investment** and may also be subject to criminal sanctions or injunctions, such as restrictions on how it operates its facilities. NEP' s projects and ~~pipelines~~ - **pipeline investment** also carry inherent environmental, health and safety risks, including, without limitation, the potential for related civil litigation, regulatory compliance actions, remediation orders, fines and other penalties. Proceedings related to any such litigation or actions could result in significant expenditures as well as the restriction or elimination of the ability to operate any affected project. For example, if NEP fails to obtain eagle" take" permits under the BGEPA **or incidental take permits under the ESA** for certain of its wind facilities and eagles **or listed species, like cave bats,** perish in collisions with facility turbines, NEP or its subsidiaries ~~may~~ **could** face criminal prosecution under these laws. Environmental, health and safety laws and regulations have generally become more stringent over time, and NEP expects this trend to continue. Significant capital and operating costs may be incurred at any time to keep NEP' s projects or ~~pipelines~~ - **pipeline investment** in compliance with environmental, health and safety laws and regulations, including in response to any addition of species **, such as additional bat species,** to the endangered species list. If it is not economical to make those expenditures, or if NEP' s projects or ~~pipelines~~ - **pipeline investment** violate any of these laws and regulations, it may be necessary to retire the affected project or pipeline or restrict or modify its operations, which could have a material adverse effect on NEP' s business, financial condition, results of operations and ability to **grow its business and** make cash distributions to its unitholders. NEP' s renewable energy projects ~~or~~ **and** ~~pipelines~~ - **pipeline investment** may be adversely affected by ~~legislative changes~~ **new or revised laws or regulations, interpretations of these laws and regulations** or a failure to comply with **current** applicable energy and pipeline regulations. NEP' s renewable energy projects, ~~pipelines~~ - **pipeline investment** and PPA ~~/ transportation agreement~~ counterparties are subject to regulation by U. S. federal, state and local authorities. The wholesale sale of electric energy in the continental U. S., other than portions of Texas, is subject to the jurisdiction of the FERC and the ability of a project to charge the negotiated rates contained in its PPA is subject to that project' s maintenance of its general authorization from the FERC to sell electricity at market- based rates. The FERC may **impose penalties or** revoke a project' s market- based rate authorization if it determines that the project entity can exercise market power in transmission or generation, creates barriers to entry, has engaged in abusive affiliate transactions or fails to meet compliance requirements associated with such rates. The negotiated rates entered into under PPAs could be changed by the FERC if it determines such change is in the public interest or just and reasonable, depending on the standard in the respective PPA. If the FERC decreases the prices paid to NEP for energy delivered under any of its PPAs, NEP' s revenues could be below its projections and its business, financial condition, results of operations and ability to **grow its business and** make cash distributions to its unitholders could be materially adversely affected. ~~The Texas~~ **NEP' s investment in** ~~pipelines~~ - **pipeline assets, through** ~~are intrastate natural gas transportation pipelines and natural gas- gathering facilities which are exempt from~~ the ~~jurisdiction of the~~ **CPL is subject to** FERC **regulation** under the Natural Gas Act of 1938 (NGA) ~~. The rates, terms~~ and ~~conditions of some of the transportation services provided by the Texas pipelines are subject to FERC regulation under~~ the Natural Gas Policy Act of 1978 (NGPA) **as the CPL is a segment of a larger** , ~~which~~ **interstate pipeline. The NGPA** requires that rates charged for transportation **services** must be fair and equitable, and amounts collected in excess of fair and equitable rates are subject to refund with interest ~~. In addition, NEP' s investment in CPL, including the related expansion project, is subject to FERC regulation as the CPL is a segment of a larger, interstate pipeline~~ . Further, state regulation of transportation facilities generally includes various safety, environmental and, in some cases, non- discriminatory take requirements and complaint- based rate regulation. If **the CPL was** ~~any of NEP' s pipelines were~~ found to have provided services or otherwise operated in violation of the NGA or NGPA, that could result in the imposition of civil penalties, as well as a requirement to disgorge ~~charges~~ **amounts** collected for such services in excess of the rate established by the FERC. NEP' s renewable energy projects are subject to the mandatory reliability standards of the NERC. The NERC reliability standards are a series of requirements that relate to maintaining the reliability of the North American bulk electric system and cover a wide variety of topics, including, but not limited to, physical and cybersecurity of critical assets, information protocols, frequency response and voltage standards, testing, documentation and outage management. If NEP fails to comply with these standards, NEP could be subject to sanctions, including, but not limited to, substantial monetary penalties. Although the renewable energy projects are not subject to state utility rate regulation because they sell energy exclusively on a wholesale basis, NEP is subject to other state regulations that may affect NEP' s projects' sale of energy and operations. Changes in state regulatory treatment are unpredictable and could have a material adverse effect on NEP' s business, financial condition, results of operations and ability to **grow its business and** make cash distributions to its unitholders. The structure of the energy industry and regulation in the U. S. is currently, and may continue to be, subject to challenges and restructuring proposals. Additional regulatory approvals may be required due to changes in law or for other reasons. NEP expects the laws and regulation applicable to its business and the energy industry generally to be in a state of transition for the foreseeable future. Changes in the structure of the industry or in such laws and regulations could have a material adverse effect on NEP' s business, financial condition, results of operations and ability to **grow** ~~make cash distributions to its unitholders. Pemex may claim certain immunities under the Foreign Sovereign Immunities Act and Mexican law, and the Texas pipeline entities' ability to sue or recover from Pemex for breach of contract may be limited and may be exacerbated if there is~~ **its** ~~a deterioration in the economic relationship between the U. S. and Mexico. Pemex is an autonomous state enterprise controlled by the Mexican government. Accordingly, Pemex may claim sovereign immunity and it may not be possible to obtain a judgment in a U. S. court against Pemex unless the U. S. court determines that Pemex is not entitled to sovereign immunity with respect to that action. In addition, Mexican law does not allow attachment prior to judgment or attachment in aid of execution upon a judgment by Mexican courts upon the assets of Pemex or its subsidiary entities. As a result, the Texas pipeline entities' or NEP' s ability to enforce any judgments against Pemex in the courts of Mexico may be limited. Therefore, even if NEP were able to obtain a U. S. judgment against Pemex for breach of contract or in a similar action, NEP might not be able to obtain a judgment in Mexico that is based on that U. S. judgment. Further, renegotiation of existing trade agreements or changes in international trade laws, regulations, agreements, treaties or policies of the U. S. or Mexico could result in a deterioration in the economic relationship between the U. S. and Mexico. Such a deterioration could increase the difficulty of collecting receivables from Pemex or of filing suit for recovery of amounts owed and recovering amounts due from Pemex. This inability to sue or recover from Pemex could inhibit NEP from enforcing the Texas pipeline entities' contracts with Pemex, which could have a material adverse effect on NEP' s~~ business ~~, financial condition, results of operations~~ and ~~ability to~~ make cash distributions to its unitholders. NEP does not own all of the land on which the projects in its portfolio are located and its use and enjoyment of the property may be adversely affected to the extent that there are any lienholders or land rights holders that have rights that are superior to NEP' s rights or the BLM suspends its federal rights- of- way grants. NEP does not own all of the land on which the projects in its portfolio are located and they generally are, and its future projects may be, located on land occupied under long- term easements, leases and rights- of- way. The ownership interests in the land subject to these easements, leases and rights- of- way may be subject to mortgages securing loans or other liens and other easements, lease rights and rights- of- way of third parties that were created prior to NEP' s projects' easements, leases and rights- of- way. As a result, some of NEP' s projects' rights under such easements, leases or rights- of- way may be subject to the rights of these third parties. While NEP performs title searches, obtains title insurance, records its interests in the real property records of the projects' localities and enters into non- disturbance agreements to protect itself against these risks, such measures may be inadequate to protect against all risk that NEP' s rights to use the land on which its projects are or will be located and its projects' rights to such easements, leases and rights- of- way could be lost or curtailed. Additionally, NEP operations located on properties owned by others are subject to termination for violation of the terms and conditions of the various easements, leases or rights- of- way under which such operations are conducted. Further, NEP' s activities conducted under federal rights- of- way grants are subject to “ immediate temporary suspension ” of unspecified duration, at any time, at the discretion of the BLM. A suspension of NEP activities within a federal right- of- way may be issued by **the** BLM to protect public health or safety or the environment. An order to suspend NEP activities may be issued by **the** BLM prior to an administrative proceeding. Such an order may be issued verbally or in writing, and may require immediate compliance by NEP. Any violation of such an order could result in the loss or curtailment of NEP' s rights to use any federal land on which its projects are or will be located. Any such loss or curtailment of NEP' s rights to use the land on which its projects are or will be located as a result of any lienholders or leaseholders that have rights that are superior to NEP' s rights or the BLM’ s suspension of its federal rights- of- way grants could have a material adverse effect on NEP' s business, financial condition, results of operations and ability to **grow its business and** make cash distributions to its unitholders ~~. Additionally, NEP does not own all of the land on which its pipelines are located, and NEP is subject to the possibility of more onerous terms or increased costs when NEP needs to extend the duration of any necessary existing land use rights or if NEP needs to obtain any new land use rights in connection with any expansion projects NEP may choose to pursue~~ . In certain instances, rights- of- way may be subordinate to the rights of government agencies, which could result in costs or interruptions to NEP' s service. Restrictions on NEP' s ability to use rights- of- way could have a material adverse effect on NEP' s business, financial condition, results of operations and ability to **grow its business and** make cash distributions to its unitholders. NEP is subject to risks associated with litigation or administrative proceedings **. NEP** ~~that could materially impact its~~ **is** ~~operations~~ **subject to risks and costs** , including, but not limited to, ~~proceedings related to projects it acquires in the future. NEP is subject to risks and costs, including, but not limited to,~~ potential negative publicity **and reputational damage** , associated with ~~lawsuits or claims~~ **litigation and administrative proceedings, including without limitation, those that may** ~~contesting~~ --- **contest** the operation, construction or ~~expansion~~ **repowering** of its projects. The **impacts** ~~result and costs~~ of defending **, or failing to prevail in,** any such ~~lawsuit~~ **proceeding** , regardless of the merits ~~and eventual outcome~~ , may be material **to NEP and harm its reputation** . NEP is **subject to,** and may also become subject to additional **,** claims based on alleged negative health effects related to acoustics, shadow flicker or other claims associated with wind turbines from individuals who live near NEP' s projects. Any such legal proceedings or disputes could materially increase the costs associated with NEP' s operations. In addition, NEP may become subject to legal proceedings or claims contesting the **operation,** construction or ~~operation~~ **repowering** of NEP' s projects. Any such legal proceedings or disputes could materially delay NEP' s ability to complete construction **or repowering** of a project in a timely manner, or at all, or materially increase the costs associated with commencing or continuing a project’ s commercial operations. Any settlement of claims or unfavorable outcomes or developments relating to these proceedings or disputes, such as judgments for monetary damages, **penalties,** injunctions or denial or revocation of permits, could have a material adverse effect on NEP' s business, financial condition, results of operations and ability to **grow its business and** make cash distributions to its unitholders. NEP ~~' s operations require NEP to comply with anti- corruption laws and regulations of the U. S. government and Mexico. Doing business in the U. S. and conducting business with an entity controlled by the Mexican government requires NEP to comply with U. S. and Mexican anti- corruption laws and regulations. NEP' s failure to comply with these laws and regulations may expose NEP to liabilities. These laws and regulations may apply to NEP, the manager under the MSA, their respective affiliates and their respective individual directors, officers, employees (if any) and agents and may restrict NEP' s operations, trade practices, investment decisions and partnering activities. In particular, NEP' s business relationship with Pemex is subject to U. S. laws and regulations, such as the FCPA. The FCPA prohibits U. S. companies and their officers, directors, employees and agents acting on their behalf from offering, promising, authorizing or providing anything of value to foreign officials for the purposes of influencing official decisions or obtaining or retaining business or otherwise securing an improper advantage. The FCPA also requires companies to make and keep books, records and accounts that accurately and fairly reflect transactions and dispositions of assets and to maintain a system of adequate internal accounting controls. As part of its business, NEP deals with foreign officials for purposes of the FCPA. As a result, business dealings between NEP' s employees and any such foreign official could expose NEP to the risk of violating anti- corruption laws even if such business practices may be customary or are not otherwise prohibited between NEP and a private third party. Violations of these legal requirements are punishable by criminal fines and imprisonment, civil penalties, disgorgement of profits, injunctions, debarment from government contracts as well as remedial measures. NEP has established policies and procedures designed to assist it and personnel acting on its behalf in complying with applicable U. S. and Mexican laws and regulations. NEP' s compliance procedures to mitigate anti- corruption compliance risks may not detect or prevent potential violations of the FCPA or other applicable anti- corruption laws. Under such circumstances, NEP could be subject to criminal and civil penalties and other legal and regulatory liabilities and government- imposed requirements to undertake remedial measures, any of which could have a material adverse effect on NEP' s business, financial condition, results of operations and ability to make cash distributions to its unitholders. NEP~~ is subject to risks associated with its ownership interests in projects that ~~are under construction~~ **it identifies for repowering** , which could result in its inability to complete construction **at those** projects on time or at all, and make **those** projects too expensive to complete or cause the return on an investment to be less than expected. NEP ~~has~~ **from time to time pursues renewable energy projects and in the future may have** interests in ~~certain~~ projects that have not yet commenced operations or are under construction ~~and may pursue renewable energy repowering projects~~ . There may be delays or unexpected developments in completing any future construction projects, which could cause the construction costs of these projects to exceed NEP' s expectations, result in substantial delays or prevent the project from commencing commercial operations. Various factors could contribute to construction- cost overruns, construction halts or delays or failure to commence commercial operations, including: • delays in obtaining, or the inability to obtain, necessary permits and licenses; • delays and increased costs related to the interconnection of new projects to the transmission system; • the inability to acquire or maintain land use and access rights; • the failure to receive contracted third- party services; • interruptions to dispatch at the projects; • supply chain disruptions, including as a result of changes in international trade laws, regulations, agreements, treaties, taxes, tariffs, duties or policies of the U. S. or other countries in which NEP' s suppliers are located; • work stoppages; • labor disputes; • weather interferences; • unforeseen engineering, environmental and geological problems, including, but not limited to, discoveries of contamination, protected plant or animal species or habitat, archaeological or cultural resources or other environment- related factors; • unanticipated cost overruns in excess of budgeted contingencies; and • failure of contracting parties **, including suppliers,** to perform under contracts. In addition, if NEP or one of its subsidiaries has an agreement for a third party to complete construction of any project, NEP is subject to the viability and performance of the third party. NEP' s inability to find a replacement contracting party, if the original contracting party has failed to perform, could result in the abandonment of the construction of such project, while NEP could remain obligated under other agreements associated with the project, including, but not limited to, offtake power sales agreements. Any of these risks could cause NEP' s financial returns on these investments to be lower than expected or otherwise delay or prevent the completion of such projects or distribution of cash to NEP, or could cause NEP to operate below expected capacity or availability levels, which could have a material adverse effect on NEP' s business, financial condition, results of operations and ability to **grow its business and** make cash distributions to its unitholders. Contract Risks NEP relies on a limited number of customers and is exposed to the risk that they may be unwilling or unable to fulfill their contractual obligations to NEP or that they otherwise terminate their agreements with NEP. In most instances, NEP sells the energy generated by each of its renewable energy projects to a single PPA counterparty under a long-term PPA. Further, **through** NEP ~~transports~~ **' s pipeline investment,** natural gas **is transported** under long- term natural gas transportation agreements with a limited number of counterparties. NEP' s equity method investees also have contracts with a limited number of counterparties. NEP expects that its existing and future contracts will be the principal source of cash flows available to make distributions to its unitholders. Thus, the actions of even one customer may cause variability of NEP' s revenue, financial results and cash flows that are difficult to predict. Similarly, significant portions of NEP' s credit risk may be concentrated among a limited number of customers and the failure of even one of these key customers to fulfill its contractual obligations to NEP could significantly impact NEP' s business and financial results. Any or all of NEP' s customers may fail to fulfill their obligations under their contracts with NEP, whether as a result of the occurrence of any of the ~~following~~ factors **listed below** or otherwise ~~:~~**.** • Specified events beyond NEP' s control or the control of a customer may temporarily or permanently excuse the customer from its obligation to accept and pay for delivery of energy generated by a project. These events could include, among other things, a system emergency, transmission failure or curtailment, adverse weather conditions or labor disputes ~~. • Since Pemex, an autonomous state entity controlled by the Mexican government, makes payments with respect to natural gas transportation agreements, NEP is subject to the risk that Pemex may attempt to unilaterally change or terminate its contract with NEP, whether as a result of legislative, regulatory, political or other activities, including changes in international trade laws, regulations, agreements, treaties or policies of the U. S. or other countries~~ . • Certain of NEP' s customers have been impacted by wildfires in California and have been or could be subject to significant liability which have had or could be expected to have a significant impact on their financial condition. • The ability of NEP' s customers to fulfill their contractual obligations to NEP depends on their financial condition. NEP is exposed to the credit risk of its customers over an extended period of time due to the long- term nature of NEP' s contracts with them. These customers could become subject to insolvency or liquidation proceedings or otherwise suffer a deterioration of their financial condition when they have not yet paid for services delivered, any of which could result in underpayment or nonpayment under such agreements. • A default or failure by NEP to satisfy minimum energy ~~or natural gas delivery~~ requirements or mechanical availability levels under NEP' s agreements could result in damage payments to the applicable customer or termination of the applicable agreement. If NEP' s customers are unwilling or unable to fulfill their contractual obligations to NEP, or if they otherwise terminate such contracts, NEP may not be able to recover contractual payments due to NEP. Since the number of customers that purchase wholesale bulk energy or require the transportation of natural gas is limited, NEP **or its pipeline investment** may be unable to find a new customer on similar or otherwise acceptable terms or at all. In some cases, there currently is no economical alternative counterparty to the original customer. The loss of, or a reduction in sales to, any of NEP' s customers could have a material adverse effect on NEP' s business, financial condition, results of operations and ability to **grow its business and** make cash distributions to its unitholders. NEP **or its pipeline investment** may not be able to extend, renew or replace expiring or terminated PPAs, natural gas transportation agreements or other customer contracts at favorable rates or on a long- term basis. NEP' s **or its pipeline investment' s** ability to extend, renew or replace its existing PPAs, natural gas transportation agreements or other customer contracts depends on a number of factors beyond its control, including, but not limited to: • whether the PPA counterparty has a continued need for energy at the time of the agreement' s expiration, which could be affected by, among other things, the presence or absence of governmental incentives or mandates, prevailing market prices, and the availability of other energy sources; • the amount of commercial natural gas supply available to its ~~pipelines~~ **pipeline investment** ' **s** systems and changing natural gas supply flow patterns in North America; • the satisfactory performance of NEP **' s and its pipeline investment** ' s obligations under such PPAs, natural gas transportation agreements or other customer contracts; • the regulatory environment applicable to NEP' s contractual counterparties at the time; • macroeconomic factors present at the time, such as population, business trends, international trade laws, regulations, agreements, treaties or policies of the U. S. or other countries and related energy demand; and • the effects of regulation on the contracting practices of NEP' s contractual counterparties. If NEP is not able to extend, renew or replace on acceptable terms existing PPAs before contract expiration, or if such agreements are otherwise terminated prior to their expiration, NEP may be required to sell the energy on an uncontracted basis at prevailing market prices, which could be materially lower than under the applicable contract. If there is no satisfactory market for a project' s uncontracted energy, NEP may decommission the project before the end of its useful life. ~~If the portion of its pipelines' capacity covered by long- term firm transportation agreements decline, NEP' s revenues and contract volumes would be exposed to increased volatility.~~ Any failure to extend, renew or replace a significant portion of NEP **' s or its pipeline investment** ' s existing PPAs, natural gas transportation agreements or other customer contracts, or extending, renewing or replacing them at lower prices or with other unfavorable terms, or the decommissioning of a project could have a material adverse effect on NEP' s business, financial condition, results of operations and ability to **grow its business and** make cash distributions to its unitholders. If the energy production by or availability of NEP' s renewable energy projects is less than expected, they may not be able to satisfy minimum production or availability obligations under their PPAs. NEP' s energy production or its renewable energy projects' availability could be less than expected due to various factors, including, but not limited to, wind or solar conditions, natural disasters, equipment underperformance, operational issues, changes in law or regulations or actions taken by third parties. The PPAs contain provisions that require NEP to produce a minimum amount of energy or be available a minimum percentage of time over periods specified in the PPAs. A failure to produce sufficient energy or to be sufficiently available to meet NEP' s commitments under its PPAs could result in the payment of damages or the termination of PPAs and could have a material adverse effect on NEP' s business, financial condition, results of operations and ability to **grow its business and** make cash distributions to its unitholders. **Acquisition** Risks ~~Related to~~ NEP' s **ability to** ~~Acquisition Strategy and Future Growth NEP' s growth strategy depends on locating and acquiring~~ **acquire assets involves risks** ~~interests in additional projects consistent with its business strategy at favorable prices~~ . NEP **' s ability** ~~intends to pursue opportunities~~ to acquire contracted clean energy projects, including partial ownership interests, that are either operational or under construction, from NEER and third parties **involves risks** ~~consistent with its business strategy. NEP' s ability to grow through acquisitions~~ and **requires NEP** ~~increase distributions to its common unitholders is dependent in part on its ability~~ to identify attractive ~~candidates and make~~ acquisitions that ~~result in an~~ **can** ~~increase in~~ **provide positive** cash **flows** ~~distributions per common unit~~ . Such acquisitions may not be available to NEP on acceptable terms or at all. Various factors could affect the availability of such **acquisitions** ~~projects to grow NEP' s business~~ , including, but not limited to, the following factors and those described in more detail in the additional risk factors below: • competing bids for a project from companies that may have substantially greater purchasing power, capital or other resources or a greater willingness to accept lower returns or more risk than NEP does; • a failure to agree to commercially reasonable financial or legal terms with sellers with respect to any proposed acquisitions; • fewer acquisition opportunities than NEP expects, which could result from, among other things, available projects having less desirable economic returns or higher risk profiles than NEP believes suitable for its acquisition strategy and future growth; • NEP' s inability to obtain financing for acquisitions on economically acceptable terms; • NEP' s failure to successfully complete construction of and finance projects, to the extent that it decides to acquire projects that are not yet operational or to otherwise pursue construction activities with respect to new projects; • NEP' s inability to obtain regulatory approvals or other necessary consents to consummate an acquisition; and • the presence or potential presence of: ◦ pollution, contamination or other wastes at the project site; ◦ protected plant or animal species; ◦ archaeological or cultural resources; ◦ wind waking or solar shadowing effects caused by neighboring activities, which reduce potential energy production by decreasing wind speeds or reducing available insolation; ◦ land use restrictions and other environment- related siting factors; and ◦ local opposition to wind and solar projects ~~and pipeline projects~~ in certain markets due to concerns about noise, health, environmental or other alleged impacts of such projects. Any of these above factors could limit NEP' s acquisition opportunities and prevent it from executing, or diminish its ability to execute, its ~~growth~~ **acquisition** strategy. Additionally, factors could materially and adversely impact the extent to which suitable acquisition opportunities are made available from NEER, including, but not limited to, NEER' s financial position, the risk profile of an opportunity, the fit with NEP' s operations and other factors. Furthermore, as NEER' s ownership interest in NEP is reduced, NEER may be less willing to sell projects to NEP. An inability by NEP to identify, or a failure by NEER to make available, suitable acquisition opportunities could hinder NEP' s growth and materially adversely impact its business, financial condition, results of operations and ability to **grow its business and** make cash distributions to its unitholders. NEP may not be able to successfully consummate future acquisitions, whether from NEER or third parties. Any acquisition that may be available to NEP may necessitate that it be able to access the debt and equity markets. However, NEP may be unable to access such markets on satisfactory terms or at all. ~~If NEP is unable to make future acquisitions, its future growth and ability to increase distributions to its unitholders will be limited.~~ Furthermore, even if NEP does consummate acquisitions that NEP believes will be accretive, such acquisitions may cause a decrease in cash distributions per common unit as a result of incorrect assumptions in NEP' s evaluation of such acquisitions or unforeseen consequences or other external events beyond its control. Acquisitions involve numerous risks, including, but not limited to, difficulties in integrating acquired businesses and unexpected costs and liabilities. ~~These~~ **Any of the events described above could have a material adverse effect on NEP' s business, financial condition, results of operations and ability to grow its business and make cash distributions to its unitholders.** Reductions in demand for natural gas in the ~~United States or Mexico~~ **U. S.** and low market prices of natural gas could materially adversely affect NEP' s pipeline **investment' s** operations and cash flows. The price of natural gas fluctuates in response to changes in supply and demand, market uncertainty and additional factors that are beyond NEP' s control. These factors include worldwide economic conditions; weather conditions and seasonal trends; the levels of domestic ~~and Mexican~~ natural gas production and consumer demand; fluctuations in demand from electric power generators and industrial customers; the availability of imported liquid natural gas (LNG); the ability to export LNG; the availability of transportation systems with adequate capacity; the volatility and uncertainty of regional pricing differences; the price and availability of alternative fuels; the effect of energy efficiency and conservation measures; the nature and extent of governmental regulation and taxation; worldwide political events, including, but not limited to, actions taken by foreign natural gas producing nations and changes in international trade laws, regulations, agreements, treaties or policies of the U. S. or other countries; and the anticipated future prices of natural gas, LNG and other commodities. These events are beyond NEP' s control ~~and could impair its ability to execute its long- term strategy~~ . Lower overall economic output could reduce the volume of natural gas transported or gathered ~~, resulting in lower revenues and cash flows~~ . Transmission revenues could be affected by long- term economic declines which could result in the non- renewal of long- term contracts. Any of these events could have a material adverse effect on NEP' s business, financial condition, results of operations and ability to make cash distributions to its unitholders. Government laws, regulations and policies providing incentives and subsidies for clean energy could be changed, reduced or eliminated at any time and such changes may negatively impact NEP **and** ~~' s growth strategy. NEP' s strategy to grow~~ its **ability to make acquisitions. NEP' s** business ~~through the acquisition of~~ **, including NEP' s ability to acquire** clean energy projects **,** partly depends on current laws, regulations and policies that promote and support clean energy and enhance the economic viability of owning clean energy projects. Clean energy projects currently benefit from various U. S. federal, state and local governmental incentives, such as PTCs, ITCs, loan guarantees, RPS, MACRS for depreciation and other incentives, accelerated cost recovery deductions and other commercially oriented incentives. These laws, regulations and policies **, such as the IRA,** have had a significant impact on the development of clean energy and they could be changed, reduced or eliminated at any time. These incentives make the development of clean energy projects more competitive by providing tax credits or grants and accelerated depreciation for a portion of the development costs, decreasing the costs and risks associated with developing such projects or creating demand for renewable energy assets through RPS programs. The elimination of, loss of or reduction in such incentives, **including qualifications for renewable energy tax credits,** or the imposition of additional taxes, tariffs, duties or other assessments on clean energy or the equipment necessary to generate or deliver it, such as policies in place ~~to~~ **that** limit certain imports from China and other Southeast Asian countries, could decrease the attractiveness of clean energy projects to developers, including, but not limited to, NEE, which could reduce NEP' s acquisition opportunities. Such an elimination, loss or reduction could also reduce NEP' s willingness to pursue or develop certain renewable energy projects due to higher operating costs or decreased revenues under its PPAs. If these laws, regulations and policies are not continued or renewed, the market for future renewable energy PPAs may be smaller and the prices for future clean energy PPAs may be lower. If laws, regulations or policies limit the availability **or transferability** of the PTC or the ITC, the projects could generate reduced revenues and reduced economic returns, experience increased financing costs and encounter difficulty obtaining financing on acceptable terms. Additionally, some states with RPS targets have met, or in the near future will meet, their renewable energy targets. If, as a result of achieving these targets, these and other U. S. states do not increase their targets in the near future, demand for additional renewable energy could decrease. To the extent other states decrease their RPS targets, programs or goals, demand for renewable energy could decrease in the future. Any of the foregoing could have a material adverse effect on NEP' s business, financial condition, results of operations and ability to grow its business and make cash distributions to its unitholders. NEP' s ~~growth strategy~~ **ability to acquire projects** depends on the ~~acquisition~~ **availability** of projects developed by NEE and third parties, which face risks related to project siting, financing, construction, permitting, the environment, governmental approvals and the negotiation of project development agreements. Project development is a capital intensive business that relies heavily on the availability of debt and equity financing sources to fund projected construction and other capital expenditures. As a result, in order to successfully develop a project, development companies, including, but not limited to, other affiliates of NEE, must obtain sufficient financing to complete the development phase of their projects. Any significant disruption in the credit and capital markets or a significant increase in interest rates could make it difficult for development companies to raise funds when needed to secure capital financing, which would limit a project' s ability to complete the construction of a project that NEP may seek to acquire. Project developers, including, but not limited to, other affiliates of NEE, develop, construct, manage, own and operate clean energy generation facilities and energy transmission facilities. A key component of their businesses is their ability to construct and operate generation and transmission facilities to meet customer needs. As part of these activities, project developers must periodically apply for licenses and permits from various regulatory authorities and abide by their respective conditions and requirements. If project developers, including, but not limited to, other affiliates of NEE, are unsuccessful in obtaining necessary licenses or permits on acceptable terms or encounter delays in obtaining or renewing such licenses or permits, or if regulatory authorities initiate any associated investigations or enforcement actions or impose penalties or reject projects, the potential number of projects that may be available for NEP to acquire may be reduced or potential transaction opportunities may be delayed. If the challenges of developing projects increase for project developers, including, but not limited to, other affiliates of NEE, NEP' s pool of available opportunities may be limited, which could have a material adverse effect on NEP' s business, financial condition, results of operations and ability to grow its business and make cash distributions to its unitholders. Acquisitions of existing clean energy projects involve numerous risks. ~~NEP' s strategy includes growing its business through the acquisition of existing clean energy projects, including partial ownership interests.~~ The acquisition of existing clean energy projects involves numerous risks, including, but not limited to, exposure to existing liabilities and unanticipated post-acquisition costs associated with the pre- acquisition activities by the project, difficulty in integrating the acquired projects into NEP' s business and, if the projects are in new markets, the risks of entering markets where NEP has limited experience. Additionally, NEP risks overpaying for such projects or not making acquisitions on an accretive basis. Although NEP performs due diligence on prospective acquisitions, NEP may not discover all potential risks, operational issues or other issues in such projects. Further, the integration and consolidation of acquisitions require substantial human, financial and other resources and, ultimately, NEP' s acquisitions may divert NEP' s management' s attention from its existing business concerns, disrupt its ongoing business or not be successfully integrated. Future acquisitions might not perform as expected or the returns from such acquisitions might not support the financing utilized to acquire or maintain them. A failure to achieve the financial returns NEP expects when NEP acquires clean energy projects could have a material adverse effect on NEP' s business, financial condition, results of operations and ability to grow its business and make cash distributions to its unitholders. NEP may ~~continue to~~ **acquire assets that use other renewable energy technologies and may** acquire other ~~sources of clean energy and may expand to include other~~ types of assets. Any ~~further~~ **such** acquisition ~~of non- renewable energy projects~~ may present unforeseen challenges and result in a competitive disadvantage relative to NEP' s more- established competitors. NEP may ~~continue to~~ **acquire assets that use other renewable energy technologies, and it may** acquire other ~~sources~~ **types** of **assets** ~~clean energy~~ , including, but not limited to, ~~contracted natural gas and nuclear projects, and other types of assets, including, but not limited to,~~ transmission projects **and instruments relating to renewable energy** . NEP may be unable to identify attractive ~~non-~~

renewable energy or transmission acquisition opportunities or acquire such projects **or assets** at prices and on terms that are attractive. In addition, the consummation of such acquisitions could expose NEP to increased operating costs, unforeseen liabilities and additional risks including, but not limited to, regulatory and environmental issues associated with entering new sectors of the energy industry. This could require a disproportionate amount of NEP' s management' s attention and resources, which could have an adverse impact on NEP' s business and place NEP at a competitive disadvantage relative to ~~more established non- renewable~~ energy market participants **more experienced with new technologies and asset classes** . A failure to successfully integrate such acquisitions as a result of unforeseen operational difficulties or otherwise, could have a material adverse effect on NEP' s business, financial condition, results of operations and ability to grow its business and make cash distributions to its unitholders **. Certain agreements which NEP or its subsidiaries are parties to have provisions which may preclude NEP from engaging in specified change of control and similar transactions. The indebtedness, financing and other agreements of NEP and its subsidiaries, including the agreements under which the noncontrolling Class B investors own membership interests in certain NEP subsidiaries, contain provisions that may trigger acceleration of indebtedness or specified payment obligations of NEP or its subsidiaries upon or in connection with specified transactions, including specified change of control and similar transactions. Because these provisions may materially increase the capital NEP may need to expend to complete such a transaction, these provisions may preclude NEP from pursuing or consummating such transactions and limit the types of transactions NEP is able to consummate** . NEP faces substantial competition primarily from regulated utility holding companies, developers, IPPs, pension funds and private equity funds for opportunities in North America. NEP believes its primary competitors for opportunities in North America are regulated utility holding companies, developers, IPPs, pension funds and private equity funds. NEP competes with these companies to acquire projects with projected stable cash flows. NEP also competes for personnel with requisite industry knowledge and experience. Furthermore, the industry has experienced and may experience volatile demand for wind turbines, solar panels, pipeline equipment and related components. If demand for this equipment increases, suppliers may give priority to other market participants, including, but not limited to, NEP' s competitors, who may have greater resources than NEP. An inability to effectively compete with regulated utility holding companies, developers, IPPs, pension funds and private equity funds for opportunities in North America could have a material adverse effect on NEP' s **business, financial conditions, results of operations and its** ability to grow its business and ~~to~~ make cash distributions to its unitholders. The natural gas pipeline industry is highly competitive, and increased competitive pressure could adversely affect NEP' s ~~business. NEP' s pipelines~~ - **pipeline investment. NEP' s pipeline investment** ~~compete~~ **competes** with other energy midstream enterprises, some of which are much larger and have significantly greater financial resources and operating experience in its areas of operation. The ~~pipelines~~ - **pipeline investment** ' **s** competitors may expand or construct infrastructure that competes with the services it provides to customers. The ability to renew or replace existing contracts with the ~~pipelines~~ - **pipeline investment** ' **s** customers at rates sufficient to maintain current revenues and cash flows could be adversely affected by the activities of **its** ~~NEP' s~~ competitors and customers. All of these competitive pressures could have a material adverse effect on NEP' s business, financial condition, results of operations and ability to make cash distributions to its unitholders. Risks Related to NEP' s Financial Activities NEP may not be able to access sources of capital on commercially reasonable terms ~~, which would have a material adverse effect on its ability to consummate future acquisitions and pursue other growth opportunities~~ . ~~Since NEP expects, from time to time, to finance investments in clean energy projects partially or wholly through the issuance of additional securities of NEP, NEP OpCo and their subsidiaries,~~ NEP needs to be able to access capital on commercially reasonable terms when ~~acquisition~~ **acquisitions** ~~or~~ **,** other growth opportunities **or capital needs** arise. NEP' s ability to access capital **on commercially reasonable terms** is dependent on, among other factors, the overall state of the capital markets and investor appetite for investment in clean energy projects in general and **in** NEP **' s** , NEP OpCo **' s** or their subsidiaries **'** securities or securities convertible into, or settleable with, NEP common units in particular. Investor demand for securities of NEP or securities convertible into, or settleable with, NEP common units may be impacted by **, among other factors,** the amount of securities outstanding that are convertible into, or settleable with, NEP common units, the possibility of further sales of such securities, the **amount and** timing of any issuance **of NEP common units or the payment of cash in lieu** of NEP common units upon conversion or settlement, and any subsequent sales of such units by investors. Disruptions, uncertainty or volatility in those capital and credit markets, related to, among other factors, inflation, rising interest rates, geopolitical events and **declining investor sentiment in NEP and** ~~the planned phase out of the London Inter- Bank Offered Rate or the reform or replacement of other~~ -- **the** ~~benchmark interest rates~~ **renewable energy industry** , **has increased and** could ~~increase~~ **continue to adversely impact** NEP' s cost of capital and affect its ability to fund its liquidity and capital needs **including, without limitation, its ability to pay debt and buy out securities, such as noncontrolling Class B memberships interests in certain NEP subsidiaries** . An inability to obtain financing on commercially reasonable terms could **also** significantly limit NEP' s ability to consummate future acquisitions and pursue other growth opportunities. In addition, the issuance of NEP common units and securities convertible into, or settleable with, NEP common units could cause significant common unitholder dilution and reduce the cash distribution per common unit. Issuances of additional securities, or the possibility that these issuances may occur, including following the conversion or settlement of securities convertible into, or settleable with, NEP common units, could make it more difficult for NEP to sell NEP common units, or securities convertible into, or settleable with, NEP common units, in the future, as well as affect NEP' s decision whether and when to issue common units to purchase previously issued securities of NEP OpCo subsidiaries that are **or may be** settleable with NEP common units. Furthermore, there may not be sufficient availability under NEP OpCo' s **direct** ~~subsidiaries~~ **subsidiary** ~~'~~ **' s** revolving credit facility or the ability to obtain other financing arrangements on commercially reasonable terms when acquisition or other growth opportunities **or capital needs** arise. An inability to obtain the required or desired financing could significantly limit NEP' s ability to consummate acquisitions and pursue other growth opportunities. If financing is available, it may be available only on terms that could significantly increase NEP' s interest expense, impose additional or more restrictive covenants and reduce cash distributions to its unitholders. **Any of** ~~NEP' s inability to effectively consummate future acquisitions or pursue other~~ -- **the** ~~growth opportunities~~ **circumstances described above** could have a material adverse effect on NEP' s **business, financial condition, results of operations and** ability to grow its business and make cash distributions to its unitholders. Restrictions in NEP and its subsidiaries' financing agreements could adversely affect NEP' s business, financial condition, results of operations and ability to make cash distributions to its unitholders. NEP and its subsidiaries have entered into financing agreements which contain various covenants and restrictive provisions **and certain financial ratios** that may limit their ability to, among other things: • incur or guarantee additional debt; • make distributions on or redeem or repurchase common units; • make certain investments and acquisitions; • incur certain liens or permit them to exist; • enter into certain types of transactions with affiliates; • merge or consolidate with another company; and • transfer, sell or otherwise dispose of projects. Certain of the financing agreements also contain covenants requiring NEP OpCo and its subsidiaries to maintain certain financial ratios, including, but not limited to, as a condition to making cash distributions to NEP and its other unitholders. NEP OpCo' s and its subsidiaries' ability to meet those financial ratios can be affected by events beyond NEP' s control, and NEP OpCo may be unable to meet those ratios and tests and, therefore, may be unable to make cash distributions to its unitholders, including, but not limited to, NEP. As a result, NEP may be unable to make distributions to its unitholders. In addition, the financing agreements contain events of default provisions, including, but not limited to, provisions relating to certain changes in ownership of NEP or its subsidiaries and other customary provisions. The provisions of the financing agreements may affect NEP' s ability to obtain future financing and pursue attractive business opportunities and NEP' s flexibility in planning for, and reacting to, changes in business conditions. A failure to comply with the provisions of the applicable financing agreement could result in an event of default, which could enable the lenders to declare, subject to the terms and conditions of the applicable financing agreement any outstanding principal of that debt, together with accrued and unpaid interest, to be immediately due and payable and entitle lenders to enforce their security interest. If the payment of the debt is accelerated and NEP or a subsidiary fails to repay the debt, the revenue from the projects may be insufficient to repay such debt in full, the lenders could enforce their security interest and NEP' s unitholders could experience a partial or total loss of their investment. **Any of these events could have a material adverse effect on NEP' s business, financial condition, results of operations and ability to grow its business and make cash distributions to its unitholders. NEP may be unable to maintain its current credit ratings. The inability of NEP to maintain its current credit ratings could materially adversely affect its ability to raise capital or obtain credit on commercially reasonable terms, which, in turn, could impact its ability to service indebtedness, repay or refinance borrowings and other obligations, and finance acquisitions and other growth opportunities, and would likely increase its interest costs. In addition, certain agreements and guarantee arrangements would require posting of additional collateral in the event of a ratings downgrade. Some of the factors that can affect credit ratings are cash flows, liquidity, the amount of debt as a component of total capitalization, the rating agencies' treatment of certain financing arrangements and other instruments convertible into equity. There can be no assurance that one or more of the ratings of NEP will not be lowered or withdrawn entirely by a rating agency. Any of these events could have a material adverse effect on NEP' s business, financial condition, results of operations and ability to grow its business and make cash distributions to its unitholders.** NEP' s cash distributions to its unitholders may be reduced as a result of restrictions on NEP' s subsidiaries' cash distributions to NEP under the terms of their indebtedness or other financing agreements **or otherwise to address alternative business purposes** . NEP intends to pay quarterly cash distributions on all of its outstanding common units and NEP OpCo intends to pay quarterly cash distributions on its outstanding units (except for its non- economic Class B units **and tax allocation Class P units**). However, in any period, NEP' s and NEP OpCo' s **payment of** ~~ability to pay~~ cash distributions to their respective unitholders **will** ~~depends~~ - **depend** on, among other things, the performance of NEP' s subsidiaries **and present and anticipated future cash needs of the business** . The ability of NEP' s subsidiaries to make distributions to NEP and NEP OpCo **also** may be restricted **or limited** by, among other things, the provisions of existing and future indebtedness or other financing agreements. The agreements governing NEP' s subsidiaries' project- level debt contain financial tests and covenants that NEP' s subsidiaries must satisfy prior to making distributions and restrict the subsidiaries from making more than one distribution per quarter or per six- month period. If any of NEP' s subsidiaries is unable to satisfy these tests and covenants or is otherwise in default under such agreements, it would be prohibited from making distributions that could, in turn, affect the amount of cash distributed by NEP OpCo, and ultimately limit NEP' s ability to pay cash distributions to its unitholders. Additionally, such agreements require NEP' s projects to establish a number of reserves out of their revenues, including, but not limited to, reserves to service NEP OpCo' s debt and reserves for O & M expenses. These cash reserves will affect the amount of cash distributed by NEP OpCo, which ultimately will affect the amount of cash distributions NEP is able to make to its unitholders. Also, upon the occurrence of certain events, including, but not limited to, NEP' s subsidiaries' inability to satisfy distribution conditions for an extended period of time, NEP' s subsidiaries' revenues may be swept into one or more accounts for the benefit of the lenders under the subsidiaries' debt agreements and the subsidiaries may be required to prepay indebtedness. Under certain other financing agreements, noncontrolling Class B investors own **membership** interests in certain NEP subsidiaries and receive a portion of the related NEP subsidiaries' cash distributions specified in the applicable limited liability company agreements. NEP has the option (buyout right), subject to certain limitations, to purchase 100 % of the noncontrolling Class B **membership** interests during specified periods. If NEP does not exercise the buyout rights during the specified periods **because of a lack of access to capital on commercially reasonable terms or otherwise** , or if NEP only partially exercises the buyout rights during the specified periods, the portion of the NEP subsidiaries' cash distribution allocated to the noncontrolling Class B investors would significantly increase. Any increase in the portion of NEP subsidiaries' cash distributions allocated to the noncontrolling Class B investors would reduce the amount of cash distributions allocated to NEP OpCo and NEP. **Further, NEP may reserve cash that otherwise would be available for distribution to unitholders for any such buyout or other business purposes in its discretion.** Provisions preventing or reducing NEP' s subsidiaries' cash distributions **and other factors** could have a material adverse effect on NEP' s business, financial condition, results of operations and ability to **grow its business and** make cash distributions to its unitholders. NEP' s **and its** subsidiaries' substantial amount of indebtedness may adversely affect NEP' s ability to operate its business, and its failure to comply with the terms of its subsidiaries' indebtedness **or refinance, extend or repay the indebtedness** could have a material adverse effect on NEP' s financial condition. NEP' s **and its** subsidiaries' substantial indebtedness could have important consequences. For example, • failure to comply with the covenants in the agreements governing these obligations could result in an event of default under those agreements, which could be difficult to cure, result in bankruptcy or, with respect to subsidiary debt, result in loss of NEP OpCo' s ownership interest in one or more of its subsidiaries or in some or all of their assets as a result of foreclosure; • NEP' s **and its** subsidiaries' debt service obligations require them to dedicate a substantial portion of their cash flow to pay principal and interest on their debt, thereby reducing **, in the case of NEP' s subsidiaries,** their cash available for distribution to NEP **and, in the case of NEP, its cash available for distribution to its unitholders** ; • NEP' s **and its** subsidiaries' substantial indebtedness could limit NEP' s ability to fund operations of any projects acquired in the future and NEP' s financial flexibility, which could reduce its ability to plan for and react to unexpected opportunities or challenges; • NEP' s **and its** subsidiaries' substantial debt service obligations make NEP vulnerable to adverse changes in general economic, credit markets, capital markets, industry, competitive conditions and government regulation that could place NEP at a disadvantage compared to competitors with less debt; ~~and~~ • NEP' s **and its** subsidiaries' substantial indebtedness could limit NEP' s ability to obtain financing for working capital, including, but not limited to, collateral postings, capital expenditures, debt service requirements **and events of default, as well as** , acquisitions and general partnership or other purposes **; and • NEP' s and its subsidiaries' failure to repay or refinance debt at or prior to maturity could limit NEP' s ability to obtain financing for working capital** . If NEP ~~' s~~ **and its** subsidiaries, including NEP OpCo, do not comply with their obligations under their debt instruments, they may need to refinance all or a part of their indebtedness, which they may not be able to do on similar terms or at all. Increases in interest rates ~~and~~ **,** changes in debt covenants **and changes in NEP' s credit ratings and other factors** may reduce the amounts that NEP and its subsidiaries can borrow, reduce NEP' s cash flows ~~and~~ **,** increase the equity investment NEP may be required to make in any projects NEP may acquire **and increase** ~~. In addition,~~ the **amount of equity** ~~project- level financing for projects that~~ NEP may **need to issue** ~~acquire that are under construction may prohibit distributions until such project commences operations~~ . If NEP' s subsidiaries are not **otherwise** able to generate sufficient ~~operating~~ cash ~~flow~~ to repay their outstanding indebtedness or ~~otherwise~~ are unable to comply with the terms of their indebtedness, NEP could be required to reduce overhead costs, reduce the scope of its projects, sell some or all of its projects or delay construction of projects NEP may acquire **or repower** , all of which could have a material adverse effect on its business, financial condition, results of operations and ability to **grow its business and** make cash distributions to its unitholders. NEP is exposed to risks inherent in its use of interest rate swaps. Some of NEP' s subsidiaries' indebtedness accrues interest at variable rates, and some of its subsidiaries use interest rate swaps to try to protect against market volatility. The use of interest rate swaps, however, does not eliminate the possibility of fluctuations in the value of a position or prevent losses if the value of a position declines. Such transactions may also limit the opportunity for gain if the value of a position increases. In addition, to the extent that actively- quoted market prices and pricing information from external sources are not available, the valuation of these contracts involves judgment or the use of estimates. As a result, changes in the underlying assumptions or use of alternative valuation methods could affect the reported fair value of these contracts. If the values of these financial contracts change in a manner that NEP does not anticipate, or if a counterparty fails to perform under a contract, it could have a material adverse effect on its business, financial condition, results of operations and ability to **grow its business and** make cash distributions to its unitholders. Widespread public health crises and epidemics or pandemics may have material adverse impacts on NEP' s business, financial condition, liquidity, results of operations and ability to **grow its business and** make cash distributions to its unitholders. NEP is subject to the impacts of widespread public health crises, epidemics and pandemics, including, but not limited to, impacts on the global, national or local economy, capital and credit markets, NEP' s customers and suppliers or the services NEER provides to NEP. The ultimate severity, duration and impact of public health crises, epidemics and pandemics cannot be predicted. Actions taken in response to such crises by federal, state and local government or regulatory agencies may impact NEP' s ability to access capital and could have a material adverse impact on NEP' s business, financial condition, liquidity, results of operations and ability to **grow its business and** make cash distributions to its unitholders. Risks Related to NEP' s Relationship with NEE NEE has influence over NEP. Under NEP' s partnership agreement, the board oversees and directs the operations and policies of NEP and exercises management oversight over NEP. At each annual meeting, four of NEP' s seven directors will be elected by NEP' s limited partners. Three directors will be appointed by NEP GP, in its sole discretion. The directors appointed by NEP GP will be, and one director elected by holders of NEP' s common units may be, officers or employees of NEE or its affiliates. In addition, NEE holds voting power over certain matters that require NEP unitholder approval. NEE Management, pursuant to the terms of the MSA, will designate the officers of NEP so long as NEE or one of its affiliates is the manager under the MSA. The attorneys, independent accountants and others who perform services for NEP will be selected by the board, which may be affiliated with NEE, or its conflicts committee and may perform services for NEE or its affiliates. NEP may retain separate counsel for itself or the holders of common units in the event of a conflict of interest between NEE and its affiliates, on the one hand, and NEP or the holders of common units, on the other, depending on the nature of the conflict. NEP does not intend to do so in most cases. Under the CSCS agreement, NEP receives credit support from NEE and its affiliates. NEP' s subsidiaries may default under contracts or become subject to cash sweeps if credit support is terminated, if NEE or its affiliates fail to honor their obligations under credit support arrangements, or if NEE or another credit support provider ceases to satisfy creditworthiness requirements, and NEP will be required in certain circumstances to reimburse NEE for draws that are made on credit support. Under the CSCS agreement, guarantees and letters of credit ~~that~~ have been provided by NEECH, NEER and other NEE affiliates to counterparties on behalf of NEP' s subsidiaries to satisfy NEP' s subsidiaries' contractual obligations to provide credit support, including, but not limited to, under PPAs. These NEE affiliates also have provided credit support to lenders to fund reserve accounts. NEP expects NEECH, NEER and other NEE affiliates, upon NEP' s request and at NEER' s option, to provide credit support on behalf of any projects NEP may acquire in the future on similar terms but they are under no obligation to do so. Any failure of NEP' s subsidiaries to maintain acceptable credit support or credit support providers to honor their obligations under their respective credit support arrangements could cause, among other things, events of default to arise under NEP' s subsidiaries' PPAs and financing agreements. Such events of default could entitle customers to terminate their contracts with NEP' s subsidiaries or could entitle lenders to accelerate indebtedness owed to them, which could result in the insolvency of NEP' s subsidiaries. In addition, if beneficiaries draw on credit support provided by NEECH, NEER and these other NEE affiliates, then NEP OpCo may be required to reimburse them for the amounts drawn, which could reduce NEP OpCo' s cash distributions. These events could decrease NEP' s revenues, restrict distributions from its subsidiaries, or result in a sale of or foreclosure on its assets. Further, NEE affiliates may not provide credit support in respect of new projects on the same terms on which they currently provide credit support for NEP' s existing projects, which may require NEP to obtain credit support from third parties on less favorable terms and may prevent NEP from acquiring additional projects. All of the foregoing events, including, but not limited to, a failure of NEP OpCo to have sufficient funds to satisfy its reimbursement obligations, could have a material adverse effect on NEP' s business, financial condition, results of operations and ability to **grow its business and** make cash distributions to its unitholders. NEER and certain of its affiliates are permitted to borrow funds received by NEP OpCo or its subsidiaries and is obligated to return these funds only as needed to cover project costs and distributions or as demanded by NEP OpCo. NEP' s financial condition and ability to make distributions to its unitholders, as well as its ability to grow distributions in the future, is highly dependent on NEER' s performance of its obligations to return all or a portion of these funds. NEER and certain of its affiliates are permitted to withdraw funds received by NEP OpCo under the CSCS agreement, or NEP OpCo' s subsidiaries in connection with certain long- term debt agreements, and hold them in an account of NEER or its affiliates to the extent the funds are not required to pay project costs or otherwise required to be retained by NEP' s subsidiaries, until the financing agreements permit distributions to be made, or, in the case of NEP OpCo, until such funds are required to make distributions or to pay expenses or other operating costs or NEP OpCo otherwise demands the return of such funds. If NEER or one of its affiliates realizes any earnings on the withdrawn funds prior to the return of such funds, it will be permitted to retain those earnings **except as otherwise agreed upon with NEP OpCo** . The failure of NEER to return funds to NEP' s subsidiaries for any reason could have a material adverse effect on NEP' s business, financial condition, results of operations and ability to **grow its business and** make cash distributions to its unitholders. NEER' s right of first refusal may adversely affect NEP' s ability to consummate future sales or to obtain favorable sale terms. NEP and NEP OpCo have entered into a ROFR agreement with NEER granting NEER and its subsidiaries (other than NEP OpCo and its subsidiaries) a right of first refusal on any proposed sale of any of the NEP OpCo ROFR assets. The obligations of NEP OpCo under the ROFR agreement may discourage a third party from pursuing a transaction with NEP OpCo. Even if such third party is able to acquire the applicable asset, NEP OpCo' s compliance with its obligations under the ROFR agreement could result in delays and transaction costs, as well as a reduced sales price. In addition, since the number of third parties willing to make an offer for a NEP OpCo ROFR asset may be limited due to the ROFR agreement, NEP OpCo may consummate the sale of any NEP OpCo ROFR asset on less favorable terms, or may not be able to sell such asset, which could have a material adverse effect on NEP' s business, financial condition, results of operations and ability to **grow its business and** make cash distributions to its unitholders. NEP GP and its affiliates may have conflicts of interest with NEP and have limited duties to NEP and its unitholders. The board will appoint officers of NEP (including its chief executive officer) designated by the manager in accordance with the terms of the MSA. As a result, all of NEP' s executive officers could be, and currently are, officers of NEE or one of its affiliates. NEP' s partnership agreement provides contractual standards governing the duties of directors and officers, and directors and officers will not have fiduciary duties to NEP or its unitholders. Conflicts of interest exist and may arise as a result of the relationships between NEE and the directors and officers of NEP affiliated with NEE, on the one hand, and NEP and NEP' s limited partners, on the other hand. To the extent any directors or officers of NEP are also officers of NEE, such directors and officers will have fiduciary duties to ~~both~~ NEE ~~and~~ **but not to** NEP, and the interests of NEE and NEP may be different or in conflict. In resolving such conflicts of interest, the directors and officers of NEP affiliated with NEE may favor NEE' s interests and the interests of NEE' s affiliates over the interests of NEP and its unitholders. These conflicts include the following situations, among others: • No agreement requires NEE or its affiliates to pursue a business strategy that favors NEP or uses NEP' s projects or dictates what markets to pursue or grow. • NEE and its affiliates are not limited in their ability to compete with NEP, and neither NEP GP nor its affiliates have any obligation to present business opportunities to NEP. • So long as the officers of NEP are officers of NEE or its affiliates, they will also devote significant time to the business of NEE or its affiliates and will be compensated by NEE or its affiliates. • The board may cause NEP to borrow funds in order to permit the payment of cash distributions, even if the purpose or effect of the borrowing is to **settle** ~~make a~~ payment **obligations to NEE** ~~of the IDR fee~~ . • NEP' s partnership agreement replaces the fiduciary duties that would otherwise be owed by NEP GP and the directors and officers of NEP with contractual standards governing their duties and limits NEP GP' s and such directors' and officers' liabilities and the remedies available to NEP' s unitholders for actions that, without these limitations, might constitute breaches of fiduciary duty under applicable Delaware law. • Except in limited circumstances, the board has the power and authority to conduct NEP' s business without the approval of NEP GP or NEP' s unitholders. • Actions taken by the board may affect the amount of cash available to pay distributions to NEP' s unitholders. • NEP GP has limited liability regarding NEP' s contractual and other obligations. • The board controls the exercise of the rights of NEP against NEE and its affiliates, and the enforcement of the obligations that NEE and its affiliates owe to NEP. As a result of the overlapping nature of the management of NEP and NEE and its affiliates, effectively managing these actual, perceived and potential conflicts may require substantial attention, and there is no assurance that all relevant actual, perceived or potential conflicts will be identified or that such conflicts will be adequately addressed. A decision by NEP GP or the board to favor its own interests or the interests of NEE over NEP' s interests and the interests of its unitholders could have a material adverse effect on NEP' s business, financial condition, results of operations and ability to **grow its business and** make cash distributions to its unitholders. NEP GP and its affiliates and the directors and officers of NEP are not restricted in their ability to compete with NEP, whose business is subject to certain restrictions. NEP’ s partnership agreement provides that its general partner is restricted from engaging in any business activities other than acting as NEP GP and those activities incidental to its ownership of interests in NEP. Affiliates of NEP GP, including, but not limited to, NEE and its other subsidiaries, are not prohibited from owning projects or engaging in businesses that compete directly or indirectly with NEP. NEE currently holds interests in, and may make investments in and purchases of, entities that acquire, own and operate clean energy projects. NEER is under no obligation to make any acquisition opportunities available to NEP. In addition, pursuant to NEP’ s partnership agreement, its subsidiaries generally will not have any power or authority to solicit, review, respond to or otherwise participate in certain activities or lines of business. Under the terms of NEP’ s partnership agreement, the doctrine of corporate opportunity, or any analogous doctrine, does not apply to NEP GP and its affiliates, including, but not limited to, NEE or to NEP' s directors or officers. Any such person or entity that becomes aware of a potential transaction, agreement, arrangement or other matter that may be an opportunity for NEP will not have any duty to communicate or offer such opportunity to NEP. Any such person or entity will not be liable to NEP or to any limited partner for breach of any fiduciary duty or other duty by reason of the fact that such person or entity pursues or acquires such opportunity for itself, directs such opportunity to another person or entity or does not communicate such opportunity or information to NEP. This may create actual and potential conflicts of interest between NEP and affiliates of NEP GP and result in less than favorable treatment of NEP and holders of its common units **. Any of the foregoing could have a material adverse effect on NEP' s business, financial condition, results of operations and ability to grow its business and make cash distribution to its unitholders** . NEP may only terminate the MSA under certain limited circumstances. The MSA provides that NEP and certain affiliates may terminate the agreement only upon 90 days' prior written notice to NEE Management under certain limited circumstances. The agreement continues until January 1, 2068 and thereafter renews for successive five- year periods unless NEP OpCo or NEE Management provides written notice to the other that it does not wish for the agreement to be renewed. If NEE Management’ s performance does not meet the expectations of investors and NEP is unable to terminate the MSA, the market price of NEP' s common units could suffer. In addition, even if the MSA is terminated, it may not terminate in respect of provisions relating to **all** ~~the payment of the IDR fee~~ **fees** payable to NEE Management under that agreement, which could result in NEE or its affiliates receiving payments that could otherwise be distributed to NEP' s unitholders even though NEE Management would be no longer obligated to provide services to NEP under the MSA. If ~~the~~ **certain** agreements with NEE Management or NEER are terminated, NEP may be unable to contract with a substitute service provider on similar terms. NEE' s affiliates provide, or arrange for the provision of, administrative, O & M and construction management services under agreements with NEE Management and NEER, respectively. Any failure by NEE Management or NEER to perform their administrative, O & M and construction management services obligations or the failure by NEP to identify and contract with replacement service providers, if required, could materially impact the successful operation of its projects. Under these agreements, certain NEE employees provide services to NEP. These services are not the primary responsibility of these employees, nor are these employees required to act for NEP alone. The agreements do not require any specific individuals to be provided by NEE and NEE has the discretion to determine which of its employees perform services required to be provided to NEP. NEE Management and NEER have agreed to provide NEP with management services under the MSA and the management sub- contract, respectively, and NEP does not have independent executive or senior management personnel. Each of the MSA and the management sub- contract, respectively, provides that NEE Management and NEER, respectively, may terminate the applicable agreement upon 180 days’ prior written notice of termination to NEP if NEP defaults in the performance or observance of any material term, condition or covenant contained in the agreement in a manner that results in material harm to NEE Management or its affiliates other than NEP or its subsidiaries, and the default continues unremedied for a period of 90 days after written notice thereof is given to NEP or upon the happening of certain specified events. If NEE Management terminates the MSA, if NEER terminates the management sub- contract or if either of them defaults in the performance of its obligations under the respective agreement, NEP may be unable to contract with a substitute service provider on similar terms, and the costs of substituting service providers may be substantial. If NEP cannot locate a service provider that is able to provide NEP with substantially similar services as NEE Management and NEER provide under the MSA and the management sub- contract, respectively, on similar terms, it would likely have a material adverse effect on NEP' s business, financial condition, results of operations and ability to **grow its business and** make cash distributions to its unitholders. NEP' s arrangements with NEE limit NEE’ s potential liability, and NEP has agreed to indemnify NEE against claims that it may face in connection with such arrangements, which may lead NEE to assume greater risks when making decisions relating to NEP than it otherwise would if acting solely for its own account. Under the MSA, NEE Management and its affiliates do not assume any responsibility other than to provide or arrange for the provision of the services described in the MSA in good faith. Additionally, under the MSA, the liability of NEE Management and its affiliates is limited to the fullest extent permitted by law to conduct involving bad faith, fraud, willful misconduct or recklessness or, in the case of a criminal matter, to action that was known to have been unlawful. NEP has agreed, and will cause certain affiliates to, indemnify NEE Management and its affiliates and any of their directors, officers, agents, members, partners, stockholders and employees and other representatives of NEE Management and its affiliates to the fullest extent permitted by law from and against any claims, liabilities, losses, damages, costs or expenses incurred by an indemnified person or threatened in connection with NEP' s, NEP OpCo GP' s, NEP OpCo' s and certain affiliates' operations, investments and activities or in respect of or arising from the MSA or the services provided thereunder by NEE Management and its affiliates, except to the extent that the claims, liabilities, losses, damages, costs or expenses are determined to have resulted from the conduct in respect of which such persons have liability as described above. Additionally, the maximum amount of the aggregate liability of NEE Management or any of its affiliates in providing services under the MSA or otherwise (including, but not limited to, NEER under the management sub- contract), or of any director, officer, employee, contractor, agent, advisor or other representative of NEE Management or any of its affiliates, will be equal to the base management fee previously paid by NEP in the most recent calendar year under the MSA. These protections may result in NEE Management and its affiliates tolerating greater risks when making decisions than otherwise would be the case, including, but not limited to, when determining whether to use leverage in connection with acquisitions. The indemnification arrangements to which NEE Management and its affiliates are a party may also give rise to legal claims for indemnification, which could have a material adverse effect on NEP' s business, financial condition, results of operations and ability to **grow its business and** make cash distributions to its unitholders. Risks Related to Ownership of NEP' s Units NEP' s ability to make distributions to its unitholders depends on the ability of NEP OpCo to make cash distributions to its limited partners. NEP' s cash flow is generated from distributions NEP receives from NEP OpCo, which will consist primarily of cash distributions that NEP OpCo has received from its subsidiaries. The amount of cash that NEP OpCo' s subsidiaries will be able to distribute to NEP OpCo each quarter principally depends upon the amount of cash such subsidiaries generate from their operations and investments. NEP OpCo may not have sufficient available cash each quarter to continue paying distributions at its current level or at all. If NEP OpCo reduces its per unit distribution, because of reduced operating cash flow, higher expenses, capital requirements or otherwise, NEP will have less cash to distribute to its unitholders and would likely be required to reduce its per common unit distribution. The amount of cash that NEP OpCo generates from its operations will fluctuate from quarter to quarter based on such things as the amount of power generated from its projects and the amount of natural gas transported in its ~~pipelines~~ **pipeline investment** , and the prices received therefor; its operating and capital costs; payment of interest and principal amortization, which depends on the amount of its indebtedness and the interest payable thereon; and the ability of NEP OpCo' s subsidiaries to distribute cash under their respective financing agreements. In addition, the amount of cash that NEP OpCo will have available for distribution will depend on factors, some of which are beyond its control, such as: • the amount of cash reserves established by NEP OpCo GP, NEP OpCo' s general partner, for the proper conduct of ~~its~~ **partnership** business **, including for the payment of debt and other obligations and capital needs (such as the exercise of buyout rights) as they come due or arise** ; • timing and collectability of receivables; • fluctuations in its working capital needs; • availability of borrowings under its subsidiaries' credit facility to pay distributions; and • access to credit or capital markets. Because of these factors, NEP OpCo may not have sufficient available cash each quarter to pay a quarterly distribution per common unit or any other amount. Furthermore, the amount of cash that NEP OpCo has available for distribution depends primarily upon its cash flow, including, but not limited to, cash flow from financial reserves and working capital borrowings, and is not solely a function of profitability, which will be affected by non- cash items. As a result, NEP OpCo may be able to make cash distributions during periods when it records net losses and may not be able to make cash distributions during periods when it records net income **, which would limit the amount of distributions NEP is able to make to its unitholders** . If NEP incurs material tax liabilities, NEP' s distributions to its unitholders may be reduced, without any corresponding reduction in the amount of the IDR fee **, which is currently suspended** . The IDR fee **, which is currently suspended,** is an expense of NEP OpCo that reduces the amount of cash distributions by NEP OpCo to NEP OpCo' s unitholders, including NEP. The IDR fee is not reduced for NEP' s income tax liabilities. Instead, NEP must use the cash proceeds of any distributions NEP receives from NEP OpCo to satisfy NEP' s income tax liabilities. Any such payments of income taxes by NEP will reduce the amount of cash distributions by NEP to its unitholders. As a result, if NEP incurs material income tax liabilities, NEP' s distributions to its unitholders may be reduced, without any corresponding reduction in the amount of the IDR fee. Holders of NEP' s units may be subject to voting restrictions. Under NEP' s partnership agreement, limited partners are allowed to vote for four of the seven members of the board. Moreover, any person, together with the members of any related group, who beneficially owns 5 % or more of the outstanding units will be permitted to vote not more than 5 % of such outstanding units in an election or removal of certain directors. Further, if, after giving effect to the 5 % limitation, any person, together with the members of any related group, still has the power to cast votes equal to or greater than 10 % of the units present and actually voted on any matter (including an election or removal of certain directors), such person will be entitled to direct the voting of only the units held by such person representing not more than 9. 99 % of the units actually voted on such matter, and any units held by such person equal to 10 % or more of such voting power will be voted proportionally with the votes cast by other unitholders on such matter. However, if such person is NEP' s general partner or any of its affiliates, the 9. 99 % limitation on voting power applies only to the election or removal of certain directors. NEP' s partnership agreement replaces the fiduciary duties that NEP GP and NEP' s directors and officers might have to holders of its common units with contractual standards governing their duties and the NYSE does not require a publicly traded limited partnership like NEP to comply with certain of its corporate governance requirements. NEP' s partnership agreement contains provisions that eliminate the fiduciary standards to which NEP GP or any of NEP' s directors and officers would otherwise be held by state fiduciary duty law and replaces those standards with several different contractual standards. For example, NEP' s partnership agreement permits the board to make some decisions in its sole discretion, free of any duties to NEP or its unitholders other than the implied contractual covenant of good faith and fair dealing (which means that a court will enforce the reasonable expectations of the partners where the language of the partnership agreement does not provide for a clear course of action). These provisions entitle the board to consider only the interests and factors that the board desires and relieves the board of any duty or obligation to give any consideration to any interest of, or factors affecting, NEP, its affiliates or NEP' s limited partners. NEP' s partnership agreement permits NEP GP to make a number of decisions in its individual capacity, as opposed to in its capacity as NEP' s general partner, free of any duties to NEP or its unitholders other than the implied contractual covenant of good faith and fair dealing. These provisions entitle NEP GP and its affiliates to consider only the interests and factors that they desire and relieve them of any duty or obligation to give any consideration to any interest of, or factors affecting, NEP, its affiliates or NEP' s limited partners. Examples of decisions that NEP GP and its affiliates may make in their individual capacities include: •

appointment of three directors of NEP; • how to exercise voting rights with respect to the units NEP GP or its affiliates own in NEP OpCo and NEP; • whether to exchange NEP OpCo common units owned by NEE Equity for NEP common units or, with the approval of the conflicts committee, to have NEP OpCo redeem NEP OpCo common units owned by NEE Equity for cash; and • whether to consent to, among other things, NEP' s participation in certain activities or lines of business, the sale of all or substantially all of the assets of NEP, any merger, consolidation or conversion of NEP, dissolution of NEP, or an amendment to NEP OpCo' s partnership agreement. Additionally, as NEP is a publicly traded limited partnership listed on the NYSE, it is not required to have, and it does not currently have, a majority of independent directors on the board and is not required to establish a compensation committee or a nominating and corporate governance committee. NEP' s partnership agreement restricts the remedies available to holders of NEP' s common units for actions taken by NEP' s directors or NEP GP that might otherwise constitute breaches of fiduciary duties. NEP' s partnership agreement contains provisions that restrict the remedies available to its unitholders for actions taken by NEP' s directors or NEP GP that might otherwise constitute breaches of fiduciary duties under state law. For example, NEP' s partnership agreement provides that: • whenever NEP GP or the board, or any director or any committee of the board (including, but not limited to, the conflicts committee), makes a determination or takes, or declines to take, any other action in its respective capacity, they are required to act in good faith; • NEP GP will not have any liability to NEP or its unitholders for decisions made in its capacity as a general partner so long as such decisions are made in good faith; • NEP GP and its officers and directors and the officers and directors of NEP will not be liable for monetary damages to NEP or NEP' s limited partners resulting from any act or omission unless there has been a final and non- appealable judgment entered by a court of competent jurisdiction determining such persons acted in bad faith or engaged in fraud or willful misconduct or, in the case of a criminal matter, acted with knowledge that the conduct was criminal; and • NEP GP and its affiliates and NEP' s directors will not be in breach of their obligations under NEP' s partnership agreement (including, but not limited to, any duties to NEP or its unitholders) if a transaction with an affiliate or the resolution of a conflict of interest is: • approved by the conflicts committee of the board, although the board is not obligated to seek such approval; • approved by the vote of a majority of the outstanding common units, excluding any common units owned by NEP GP and its affiliates if the conflict involves NEP GP or any of its affiliates; • determined by the board to be on terms no less favorable to NEP than those generally being provided to or available from unrelated third parties; or • determined by the board to be fair and reasonable to NEP, taking into account the totality of the relationships among the parties involved, including, but not limited to, other transactions that may be particularly favorable or advantageous to NEP. In connection with a situation involving a transaction with an affiliate or a conflict of interest, any determination by NEP GP or the board, or the conflicts committee of the board, must be made in good faith. If an affiliate transaction or the resolution of a conflict of interest is not approved by NEP' s unitholders or the conflicts committee and the board determines that the resolution or course of action taken with respect to the affiliate transaction or conflict of interest satisfies either of the standards set forth in the third and fourth sub- bullets above, then it will be presumed that, in making its decision, the board acted in good faith, and in any proceeding brought by or on behalf of any limited partner or NEP challenging such determination, the person bringing or prosecuting such proceeding will have the burden of overcoming such presumption. Certain of NEP' s actions require the consent of NEP GP. Under NEP' s partnership agreement, NEP GP' s consent is required for certain actions of NEP, in addition to approval by the board or unitholders, as applicable. Because NEP GP is indirectly owned by NEE, NEE can cause NEP GP to exercise certain protective rights. NEP' s partnership agreement provides that NEP GP may grant or withhold its consent in its sole discretion. To the extent NEP GP withholds its consent, NEP unitholders and the board will be prevented from taking actions which they may consider beneficial to NEP or its unitholders. Holders of NEP' s common units currently cannot remove NEP GP without NEE' s consent and provisions in NEP' s partnership agreement may discourage or delay an acquisition of NEP that NEP unitholders may consider favorable. The vote of the holders of at least 66 2/ 3 % of all outstanding common units and special voting units voting together as a single class is required to remove NEP' s general partner. Further, the vote of the holders of at least a majority of all outstanding common units and special voting units voting together as a single class is required to name a new general partner of NEP. Given NEP GP and its affiliates current voting power with respect to NEP' s outstanding units, a vote to remove NEP' s general partner would currently require NEE' s consent. In addition, certain provisions in NEP' s partnership agreement, including limitations upon the ability of unitholders to make binding proposals of other business to be considered at annual meetings or to request special meetings, may discourage unitholders from attempting to remove the general partner or otherwise change NEP' s management. These provisions may have the effect of limiting the ability of a third party to acquire control of NEP that might involve a premium to the market price of NEP' s common units or otherwise be in the unitholders' best interests. NEE' s interest in NEP GP and the control of NEP GP may be transferred to a third party without unitholder consent. NEP' s partnership agreement does not restrict the ability of NEE to transfer all or a portion of its ownership interest in NEP GP to a third party. NEP' s partnership agreement also does not restrict the ability of NEP GP to issue equity securities in a public or private transaction. A new owner of all or a portion of an ownership interest in NEP GP could then be in a position to designate its own representatives to the board. Reimbursements and fees owed to NEP GP and its affiliates for services provided to NEP or on NEP' s behalf will reduce cash distributions from NEP OpCo and from NEP to NEP' s unitholders, and there are no limits on the amount that NEP OpCo may be required to pay. Under NEP OpCo' s partnership agreement, prior to making any distributions on its units, NEP OpCo will reimburse NEP GP and its affiliates, including, but not limited to, NEE, for out- of- pocket expenses they incur and payments they make on NEP' s behalf and for certain payments made under credit support arrangements provided by NEER on behalf of NEP' s subsidiaries. NEP OpCo will also pay certain fees and reimbursements under the MSA and the CSCS agreement prior to making any distributions on its units. The reimbursement of expenses and certain payments made under credit support arrangements and payment of fees, if any, to NEP GP and its affiliates will reduce the amount of available cash NEP OpCo has to pay cash distributions to NEP and the amount that NEP has available to pay distributions to NEP' s unitholders. Under NEP OpCo' s partnership agreement, there is no limit on the fees and expense reimbursements NEP OpCo may be required to pay. Increases in interest rates could adversely impact the price of NEP' s common units, NEP' s ability to issue equity or incur debt for acquisitions or other purposes and NEP' s ability to make cash distributions to its unitholders. Interest rates on future credit facilities and debt offerings could be higher than current levels, causing NEP' s financing costs to increase accordingly. NEP' s common unit price is impacted by the level of its cash distributions and implied distribution yield. The distribution yield is used by investors to compare yield- oriented securities for investment decision- making purposes. Therefore, changes in interest rates, either positive or negative, may affect the yield requirements of investors who invest in NEP' s common units, and a rising interest rate environment **or sustained high interest rates** could adversely impact the price of NEP' s common units, NEP' s ability to issue equity or incur debt for acquisitions or other purposes and NEP' s ability to **grow its business and** make cash distributions to its unitholders. The liability of holders of NEP' s units, which represent limited partnership interests in NEP, may not be limited if a court finds that unitholder action constitutes control of NEP' s business. A general partner of a limited partnership generally has unlimited liability for the obligations of the limited partnership except for those contractual obligations of the limited partnership that are expressly made without recourse to the general partner. NEP is organized under Delaware law and NEP conducts business in a number of other states. The limitations on the liability of holders of limited partnership interests for the obligations of a limited partnership have not been clearly established in some of the other states in which NEP does business. A unitholder could be liable for any and all of NEP' s obligations as if the unitholder were a general partner if a court or government agency were to determine that: • NEP was conducting business in a state but had not complied with that particular state' s limited partnership statute; or • the unitholder' s right to act with other unitholders to remove or replace NEP GP, to approve some amendments to NEP' s partnership agreement or to take other actions under NEP' s partnership agreement constitute " control " of NEP' s business. Unitholders may have liability to repay distributions that were wrongfully distributed to them. Under certain circumstances, unitholders may have to repay amounts wrongfully returned or distributed to them. Under Delaware law, NEP may not make a distribution to its unitholders if the distribution would cause NEP' s liabilities to exceed the fair value of its assets. Delaware law provides that for a period of three years from the date of an impermissible distribution, limited partners who received the distribution and who knew at the time of the distribution that it violated Delaware law will be liable to the limited partnership for the distributed amount. Transferees of common units are liable both for the obligations of the transferor to make contributions to the partnership that were known to the transferee at the time of transfer and for those obligations that were unknown if the liabilities could have been determined from the partnership agreement. Neither liabilities to partners on account of their partnership interest nor liabilities that are non- recourse to the partnership are counted for purposes of determining whether a distribution is permitted. The issuance of common units, or other limited partnership interests, or securities convertible into, or settleable with, common units, and any subsequent conversion or settlement, will dilute common unitholders' ownership in NEP, may decrease the amount of cash available for distribution for each common unit, will impact the relative voting strength of outstanding NEP common units and issuance of such securities, or the possibility of issuance of such securities, as well as the resale, or possible resale following conversion or settlement, may result in a decline in the market price for NEP' s common units. NEP' s partnership agreement does not limit the number of additional limited partnership interests, including, but not limited to, limited partnership interests that rank senior to the common units, which NEP may issue at any time without the approval of its unitholders. NEP has issued and outstanding convertible notes and certain NEP OpCo subsidiaries have issued and outstanding noncontrolling Class B **membership** interests in their subsidiaries that may be settled in whole or in part as specified in the related limited liability company agreement, at NEP' s election with NEP common units, and may issue similar securities in the future. Subject to certain limitations, the convertible notes may be converted by the holders of such notes, with NEP paying cash up to the aggregate principal amount of the notes being converted. NEP will have the option to deliver NEP common units for the remainder, if any, of NEP' s conversion obligation in excess of the aggregate principal amount of the notes being converted. NEP has the option, subject to certain limitations and extensions, to purchase the noncontrolling Class B **membership** interests in those NEP OpCo subsidiaries. If exercised, NEP has the right to pay all or a portion of the buyout price in NEP non- voting common units (convertible into NEP common units) or NEP common units, as specified in the related limited liability company agreement, issued at the then- current market price of NEP common units, subject to certain limitations. If holders of the noncontrolling Class B **membership** interests, convertible notes or any convertible securities issued in the future, were to dispose of a substantial portion of these common units in the public market following such a conversion or settlement, whether in a single transaction or series of transactions, it could adversely affect the market price for NEP' s common units. The holders of the noncontrolling Class B **membership** interests generally have certain registration rights that would facilitate such dispositions promptly and NEP cannot guarantee that these holders will not dispose of a substantial portion or all of their common units promptly upon conversion or settlement. Any issuance of NEP common units, or other NEP limited partnership interests, securities convertible into, or settleable with, common units as well as the issuance of NEP non- voting common units or NEP common units, as the case may be, upon conversion or settlement, will or may have the following effects: • an existing common unitholder' s proportionate ownership interest in NEP may decrease; • the amount of cash distributions per common unit may decrease; and • the relative voting strength of each previously outstanding common unit may be diminished. In addition, any issuance, or the possibility of issuance, of the securities described in the preceding sentence, as well as the resale, or possibility of resale, of NEP common units following conversion or settlement may result in a decline in the market price of NEP common units and could make it more difficult for NEP to sell NEP' s common units in the future. Taxation Risks NEP' s future tax liability may be greater than expected if NEP does not generate net operating losses (NOLs) sufficient to offset taxable income or if tax authorities challenge certain of NEP' s tax positions. Even though NEP is organized as a limited partnership under state law, NEP is treated as a corporation for U. S. federal income tax purposes and thus is subject to U. S. federal income tax at regular corporate rates on NEP' s net taxable income. NEP expects to generate NOLs and NOL carryforwards that it can use to offset future taxable income. As a result, NEP does not expect to pay meaningful U. S. federal income tax for over 15 years. This estimate is based upon assumptions NEP has made regarding, among other things, NEP OpCo' s income, capital expenditures, cash flows, net working capital and cash distributions. Further, the IRS or other tax authorities could challenge one or more tax positions NEP or NEP OpCo takes, such as the classification of assets under the income tax depreciation rules, the characterization of expenses (including, but not limited to, ~~NEP' s share of the IDR fee~~ **fees paid to NEE**) for income tax purposes, the extent to which sales, use or goods and services tax applies to operations in a particular state or the availability of property tax exemptions with respect to NEP' s projects. Further, any change in tax law may affect NEP' s tax position, including changes in corporate income tax laws, regulations ~~and~~ **,** policies **and guidance, including related to the qualification for renewable energy tax credits,** applicable to NEP. While NEP expects that its NOLs and NOL carryforwards will be available to NEP as a future benefit, in the event that they are not generated as expected, are successfully challenged by the IRS (in a tax audit or otherwise) or are subject to future limitations as described below, NEP' s ability to realize these benefits may be limited **and could have a material adverse effect on NEP' s business, financial condition, results of operations and ability to grow its business and make cash distributions to its unitholders** . NEP' s federal, state ~~,~~ **or** local ~~or Canadian~~ tax positions may be challenged by the relevant tax authority. The process and costs, including, but not limited to, potential penalties for nonpayment of disputed amounts, of appealing such challenges, administratively or judicially, regardless of the merits, could be material. A reduction in NEP' s expected NOLs, a limitation on NEP' s ability to use such losses, or other tax attributes, such as tax credits, and future tax audits or a challenge by tax authorities to NEP' s tax positions may result in a material increase in NEP' s estimated future income taxes or other tax liabilities, which would negatively impact the amount of after- tax cash distributions to NEP' s unitholders and its financial condition. NEP' s ability to use NOLs to offset future income may be limited. NEP' s ability to use its NOLs to offset future taxable income could be substantially limited if NEP’ s unitholders that own 5 % or more of NEP’ s outstanding common units, as defined under Code Section 382, increase their ownership in NEP by more than 50 percentage points over a rolling three- year period through, among other things, additional purchases of NEP' s common units and certain types of reorganization transactions. Any NOLs that exceed this limitation may be carried forward and used to offset taxable income for the remainder of the carryforward period (i. e., 20 years from the year in which such NOL was generated for NOLs generated prior to January 1, 2018 and no carryforward limitation for any subsequently generated NOLs). Based on NEP’ s most recent annual assessment, NEP does not expect the Section 382 limitation to impact its ability to utilize any of its NOLs to offset future taxable income. Additionally, valuation allowances may be needed for deferred tax assets that NEP estimates are more likely than not to be unusable, based on available evidence at the time the estimate is made. Potential changes in the tax law or in NEP’ s projections could impact NEP' s assessment and valuation allowance estimates, which could have a material adverse impact on NEP' s **business,** financial condition ~~and~~ **,** results of operations **and ability to grow its business and make cash distributions to its unitholders** . NEP will not have complete control over NEP' s tax decisions. NEP and / or NEP OpCo may be included in the combined or unitary tax returns of NEE or one or more of its subsidiaries for U. S. state or local income tax purposes. NEP is a party to a tax sharing arrangement which determines the share of taxes that NEP will pay to, or receive from, NEE. In addition, by virtue of NEP' s inclusion in NEE’ s combined or unitary income tax returns, NEE will effectively control all of NEP' s state and local tax decisions in connection with any combined or unitary income tax returns in which NEP is included. NEE will have sole authority to respond to and conduct all tax proceedings (including, but not limited to, tax audits) related to NEP, to file all state and local income tax returns on NEP' s behalf, and to determine the amount of NEP' s liability to, or entitlement to payment from, NEE in connection with any combined or unitary income tax returns in which NEP is included. This may result in conflicts of interest between NEE and NEP **and could have a material adverse impact on NEP' s business, financial condition, results of operations and ability to grow its business and make cash distributions to its unitholder** . Distributions to unitholders may be taxable as dividends. Even though NEP is organized as a limited partnership under state law, NEP is treated as a corporation for U. S. federal income tax purposes. Accordingly, if NEP makes distributions from current or accumulated earnings and profits as computed for U. S. federal income tax purposes, such distributions will generally be taxable to unitholders as ordinary dividend income for U. S. federal income tax purposes. Distributions paid to non- corporate U. S. unitholders will be subject to U. S. federal income tax at preferential rates, provided that certain holding period and other requirements are satisfied. However, it is difficult to predict whether NEP will generate earnings and profits as computed for U. S. federal income tax purposes in any given tax year, and although NEP expects that a portion of its distributions to unitholders may exceed its current and accumulated earnings and profits as computed for U. S. federal income tax purposes and therefore constitute a non- taxable return- of- capital distribution to the extent of a unitholder’ s basis in its units, this may not occur. In addition, although return- of- capital distributions are generally non- taxable to the extent of a unitholder’ s basis in its units, such distributions will reduce the unitholder’ s adjusted tax basis in its units, which will result in an increase in the amount of gain (or a decrease in the amount of loss) that will be recognized by the unitholder on a future disposition of NEP' s common units, and to the extent any return- of- capital distribution exceeds a unitholder’ s basis, such distributions will be treated as gain on the sale or exchange of the units. ~~25~~ **24**