Approved Messaging
Topic: *RTQs – Tax Reform Update*
Channel(s): *Bill message, print bill insert*
Date/Deadline: *ASAP – Jan. 16, 2018*
Staff Lead: *Sarah Gatewood*
Reviewed/Approved by: *Mark Bubriski, Scott Bores, Rob Gould, Bob Barrett, Wade Litchfield, Ken Hoffman, John Ketchum, Charlie Sieving, Jim Robo*

Key Messages:

Because of federal tax savings beginning in 2018, FPL will not need to raise rates to pay for the unprecedented Hurricane Irma restoration.

- Customers will not pay a surcharge for Hurricane Irma restoration as previously expected; instead, FPL plans to apply federal tax savings toward the $1.3 billion cost of Hurricane Irma restoration.
- That translates into an average savings of $250 for each of FPL's nearly 5 million customers.
- Already among the lowest in the nation, FPL's typical 1,000-kWh customer bill will drop to nearly 30 percent below the latest national average with a decrease of $3.35 a month that will take effect March 1 with the completion of the recovery of costs for Hurricane Matthew.

We believe this plan is the fastest way to begin passing tax savings along to customers and the most appropriate approach to keeping rates low and stable for years to come.

- The timing of federal tax reform (coming on the heels of the most expensive hurricane in Florida history), coupled with the flexibility we have under our current settlement agreement, created an unusual and unprecedented opportunity to promptly pass tax savings along to customers, while keeping rates low and stable for years to come.

In addition to avoiding a surcharge for Hurricane Irma restoration costs, future federal tax savings may enable us to avoid a general base rate increase potentially through the end of 2022.

- FPL's current rate agreement does not permit any general base rate increases from now through 2020. (Note: Narrow base rates increase for Okeechobee and solar are allowed, partially offset by fuel rate decreases.)
- We may be able to use future federal tax savings to continue operating under the current base rate agreement beyond the initial term, for up to two additional years (2021 & 2022).

RTQs:

Why is FPL doing this rather than other options (e.g., lowering base rates or issuing rate credits)? Why do you think this is the best option for FPL's customers?
We believe this plan is the fastest way to begin passing tax savings along to customers and the most appropriate approach to keeping rates low and stable for years to come.

Under this plan, customers will not pay a surcharge for Hurricane Irma restoration as previously expected; instead, FPL plans to apply federal tax savings toward the $1.3 billion cost of Hurricane Irma restoration. In addition, FPL may be able to use future federal tax savings to avoid a general base rate increase potentially through the end of 2022 – for up to two additional years.

How is this possible? How is FPL applying the tax savings to pay for Hurricane Irma restoration? How does the math work? How much money is FPL expecting to see in tax savings this year / per year / etc.? *[any other questions on the specifics]*
The ability to leverage the federal tax savings in this way is afforded by FPL's current base rate agreement, which was negotiated with the Office of Public Counsel and other customer groups and approved unanimously by the Public Service Commission in 2016. The agreement set parameters for base rates and storm surcharges from 2017 through at least 2020.

If pressed further: At this time, we will not be providing additional details.

Is this an attempt to avoid lowering base rates, as other IOUs in Florida are expected to do?
In reality, our plan has the same effect as lowering base rates because, by avoiding a hurricane surcharge, FPL customers will pay lower bills than they otherwise would have – saving an average of $250 each. Also, our proposal has the potential to avoid a general base rate increase for up to two additional years beyond our current rate agreement.

Again, we believe this is the right way to pass our tax savings along to our customers and the most appropriate approach to keeping rates low and stable for years.

- It's also important to recognize that FPL's typical 1,000-kWh customer bill is already among the lowest in the nation and will drop to nearly 30 percent below the latest national average with a decrease of $3.35 a month that will take effect March 1 with the completion of the recovery of costs for Hurricane Matthew.

If needed: There is a significant difference between FPL's situation and the other utilities'. The other IOUs' current rate agreements explicitly require tax savings in whole or in part to be used to reduce rates. Our rate agreement – which was negotiated and supported by Public Counsel and other customer advocacy groups – does not. Our rate agreement gives us the flexibility to manage changes such as this as long as we stay within our allowed return-on-equity. We are using that flexibility to avoid a surcharge for Irma restoration costs and to potentially avoid a general base rate increase for up to two additional years beyond our rate agreement's current term.

Will the PSC still review FPL's restoration costs associated with Hurricane Irma?
Yes, we expect to participate in the PSC's review of Hurricane Irma restoration efforts generally, and any specific audit and/or review of Irma-related costs – just as we are doing right now for Hurricane Matthew.