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Jim Robo's Blog - Plugged In

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## Tax reform impacts on our business

by [Robo, Jim](#) on 1/26/2018 3:33 PM

This morning, we announced our financial performance for the final quarter of 2017 and for the full year. Eric and Armando sent their teams an overview for [FPL](#) and [NEER](#), and the earnings materials are available on the investor relations websites of [NEE](#) and [NEP](#). Please take a few minutes to check those out.

The short version is that we had a very strong year in 2017, and every member of the team can feel good about how we are positioned for 2018.

I do want to draw your focus to the issue of tax reform, which I discussed in some detail on the call. This topic was raised in Q&A at our last town hall in December, but the legislation had not been finalized at that point so we could not say much for certain.

Here are some of our high-level observations on what tax reform means for our business.

First, tax reform is terrific news for FPL customers. FPL will use federal tax savings to forgo recovery of the costs of Hurricane Irma restoration, which saves every customer an average of \$250. In addition, FPL may potentially avoid a base rate increase for up to two years beyond our current settlement agreement. All this means FPL customer bills can continue to stay significantly lower than the national average.

Second, we have increased our financial expectations to take into account the favorable impact of tax reform at Energy Resources. Our financial expectations now reflect the approximately 45 cents per share 2018 benefit from tax reform and we have extended them by an additional year through 2021. We are extremely proud of our long-term track record of providing value creation for our shareholders and are poised to continue that track record going forward.

Third, tax reform did not retroactively change federal tax incentives for renewable energy, which means we still have a terrific opportunity to grow our wind, solar and storage business even further in the years ahead. Multiple innovations in several renewable technologies continue to drive costs down and make renewable energy more attractive for more customers.

Please read the earnings materials for more detail on these technology improvements and our financial expectations. My big takeaways for the team are:

- Tax reform positions us even better for further growth.
- Tax reform will drive changes in all our businesses, so we must seize the day and create new competitive advantages wherever we can.

I hope all you share my optimism for what we can accomplish in 2018 and beyond. And please be safe at work, at home and on the road.

Jim

| | [3 Comment\(s\)](#)

### Comments

#### Tax reform and employee benefits.

Good morning,

I realize employees will benefit from stock increases, lower electric bills and new payroll tax rates but will there be any benefit to employees in form of bonuses like several other companies?

Thank you.

[Wade, Jeff](#) on 1/29/2018 6:40 AM

#### Tax Reform and Employee benefits

If bonuses aren't possible to benefit employees with the tax reform, is FPL/NEE looking at other options that can benefit bargaining/non-bargaining employees such as increasing 401k matching, 401K contribution, lowering healthcare costs, or giving 1 time pay increases?

Thanks,

Tony G

[Gonzalez, Antonio](#) on 1/29/2018 8:36 AM

#### Thanks

Jeff/ Tony -

Thanks for your comments. There's no question our team is the foundation of our success, and we want to make sure that our employee benefits are competitive and allow us to attract and retain top talent.

That said, when looking at the impact of tax reform we put our customers first. On the FPL side federal taxes are collected through customer bills, and so we believed that getting the benefits of tax reform to customers as quickly as possible was the right thing to do. Our settlement agreement provided the flexibility for us to do that. All FPL customers will share in the benefits of lower customer bills as a result of avoiding a surcharge for Hurricane Irma restoration costs. From what I have seen reported, other U.S. utilities likewise are looking for ways to return tax reform benefits to customers.

On the NEER side, it's important to understand that most of the financial benefits of tax reform are on a non-cash basis. I didn't go into detail on this point in the main blog post, but many of our peer companies are now struggling with the reality that they will have less cash coming in to service their debt and therefore could have weaker credit metrics going forward, which in turn could impact their ability to invest in their businesses. Thankfully, a strong balance sheet has been one of our major strengths for several years, and the ratings agencies recently revised our credit metrics in a way that gives us extra balance sheet capacity.

All to say: Tax reform is positive for NEER and for NEE, but not in the same way as it is for companies in other industries that have made the public announcements you've referenced.

Jim

[Robo, Jim](#) on 1/30/2018 9:39 AM

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