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October 5, 2018

Via Hand Delivery

The Honorable Earl Taylor
Executive Director
c/o Sharla Dillon
Tennessee Public Utility Commission
502 Deaderick Street, Fourth Floor
Nashville, TN 37243

Re: *Piedmont Natural Gas Company's Response to the February 6, 2018 Order
Opening an Investigation and Requiring Deferred Accounting Treatment ISS by
the TPUC;*

***Testimony and Exhibits of Pia K. Powers, On Behalf of Piedmont
Natural Gas Company, Inc.;*** Docket No. 18-00040

Dear Mr. Taylor:

Enclosed please find an original and five (5) copies of Piedmont Natural Gas Company, Inc.'s ("Piedmont") Testimony and Exhibits of Pia K Powers. This document is also being filed today by way of email to the Tennessee Public Utility Commission Docket Manager, Sharla Dillon.

Please file the original and four copies of the document and stamp the additional copy as "filed." Then please return the stamped copy to me by way of our courier.

Should you have any questions concerning this matter, please do not hesitate to contact me at the email address or telephone number listed above.

With kindest regards, I remain

Very truly yours,

A handwritten signature in blue ink that reads "Paul S. Davidson". The signature is stylized with a large, flowing "P" and "D".

Paul S. Davidson

PSD:cdg
Enclosures

**Before the
Tennessee Public Utility Commission**

Docket No. 18-00040

**Piedmont's Natural Gas Company's Response
to the February 6, 2018 Order Opening an
Investigation and Requiring Deferred Accounting
Treatment ISS by The TPUC**

**Testimony and Exhibits
of
Pia K. Powers**

**On Behalf of
Piedmont Natural Gas Company, Inc.**



October 5, 2018

1 **Q. Please state your name and business address.**

2 A. My name is Pia K. Powers. My business address is 4720 Piedmont Row Drive,
3 Charlotte, North Carolina.

4 **Q. By whom and in what capacity are you employed?**

5 A. I am the Director – Gas Rates & Regulatory Affairs for Piedmont Natural Gas
6 Company, Inc., (“Piedmont” or the “Company”).

7 **Q. Please briefly describe your educational and professional background.**

8 A. I have a Bachelor of Arts degree in economics from Fairfield University and a
9 Master of Science degree in environmental and resource economics from the
10 University College London. From 1999 through 2003, I was employed as an
11 Economist with the Energy Information Administration, the statistical agency
12 of the U.S. Department of Energy, where I focused on international energy
13 forecasting and environmental issues. I was hired by Piedmont as a Regulatory
14 Analyst in 2003, promoted to Supervisor of Federal Regulatory in 2005, and
15 promoted to Manager of Regulatory Affairs in 2006. In 2013, I was promoted
16 to my current position as a Director.

17 **Q. Have you previously testified before the Tennessee Public Utility
18 Commission or any other regulatory authority?**

19 A. Yes. I have presented testimony before the Tennessee Public Utility
20 Commission (“TPUC” or “Commission”), the Public Service Commission of
21 South Carolina, and the North Carolina Utilities Commission on a number of
22 occasions.

23 **Q. What is the purpose of your testimony in this proceeding?**

1 A. The purpose of my testimony in this proceeding is to support Piedmont's
2 position on federal tax reform reflected in its April 2, 2018 compliance filing in
3 this docket.

4 **Q. In the Commission's February 6, 2018 Order in Docket No. 18-00001**
5 **("February 6th Order"), the Commission directed Piedmont to track and**
6 **accumulate in a deferred account the portion of its revenues representing**
7 **the difference between the cost of service approved by the Commission in**
8 **Piedmont's most recent rate case and the cost of service that would result**
9 **if the underlying federal corporate income tax rate embedded in that cost**
10 **of service was 21% instead of 35%. Has Piedmont complied with the**
11 **Commission's directive in this regard?**

12 A. Yes. Piedmont has complied with this Commission directive. Each month
13 Piedmont has recorded a portion of its actual revenues -- the portion associated
14 with the cost of service impact from the federal income tax rate decrease -- to a
15 regulatory liability account. The balance in that account as of August 31, 2018,
16 which represents an amount due customers, is \$4,877,400.

17 **Q. Please explain the process by which Piedmont determined the appropriate**
18 **portion of revenues to record to the regulatory liability account each**
19 **month.**

20 A. In Piedmont's April 2, 2018 Compliance Filing ("April 2nd Filing") in this
21 docket, Piedmont provided a schedule illustrating the annual cost of service

1 impact following the calculation directed by the Commission. For ease of
2 reference, I have included that schedule from the April 2nd Filing as
3 Exhibit_(PKP-1) to my testimony. Exhibit_(PKP-1) shows the annual cost of
4 service impact to be \$5,581,438.¹ In other words, had Piedmont's approved
5 cost of service from its last general rate case been computed using a 21%
6 federal income tax rate instead of the then-current 35% federal income tax rate,
7 it would have yielded a smaller annual revenue requirement – specifically, an
8 annual revenue requirement that was \$5,581,438 lower than that included in the
9 stipulation approved by the Commission in Docket No. 11-00144.

10 Exhibit_(PKP-2) illustrates the impact to customer billing rates (rates
11 per them) associated with a \$5,581,438 downward adjustment to the
12 Company's approved annual revenue requirement. The rate adjustments
13 shown on Line 5 of Exhibit_(PKP-2) were calculated using the same revenue
14 requirement allocation by customer class and rate schedule that was approved
15 by the Commission in Piedmont's last general rate case. Exhibit_(PKP-2)
16 shows, for example, that Rate 301 for Residential Service would have been
17 \$0.02991/therm lower than that approved in Piedmont's last general rate case
18 had the annual cost of service in the last general rate case been computed using
19 a 21% federal income tax rate instead of the then-current 35% federal income

1 This amount includes the necessary income tax gross-up associated with an annual revenue requirement computation. Without consideration of the income tax gross-up, the annual cost of service impact is \$4,121,460.

1 tax rate. Similarly, Rates 302 and 352 for Small General Service and Medium
2 General Service, respectively, would have each been reduced by
3 \$0.02613/therm. The various volumetric rates for Large General Service would
4 have been reduced by \$0.00487/therm, and the rate for Resale Service would
5 have been reduced by \$0.01482/therm.

6 To determine the portion of actual revenues to record to the regulatory
7 liability account each month pursuant to the Commission's February 6th Order,
8 Piedmont applied the rate adjustments shown on Exhibit_(PKP-2) to the actual
9 customer usage each month, further adjusted for WNA as necessary. The
10 product of this calculation each month yielded the amount of revenue to defer
11 due to the federal income tax rate decrease that took effect January 1, 2018.
12 Exhibit_(PKP-3) summarizes the actual revenue amount by customer class, as
13 deferred for each month through August 2018.

14 **Q. In its February 6th Order, the Commission also directed Piedmont to**
15 **calculate the excess deferred tax reserve caused by the reduction in the**
16 **corporate federal income tax rate and recognize as a deferred liability the**
17 **estimated reduction of the utility's revenue requirement resulting from the**
18 **2017 Tax Cuts and Jobs Act ("Tax Act"). Has Piedmont complied with**
19 **this aspect of the Commission's prior Order?**

20 A. Yes. In Piedmont's April 2nd Filing, Piedmont included an exhibit which
21 quantified Piedmont's excess accumulated deferred income taxes under the new

1 Tax Act to be \$64,600,248. Piedmont has recorded this amount as a regulatory
2 liability pending approval of a mechanism to flow this amount through to its
3 customers.

4 **Q. Finally, in its February 6th Order, the Commission directed Piedmont to**
5 **present any proposals to reduce rates or make other ratemaking**
6 **adjustments to account for the tax benefits resulting from the Tax Act.**
7 **Has Piedmont complied with this directive?**

8 A. Yes. In our April 2nd Filing we laid out several proposals regarding how the
9 impacts of the Tax Act should be addressed and the benefits of that legislation
10 ultimately provided to our customers.

11 **Q. Can you explain Piedmont's proposals?**

12 A. Yes. Piedmont's proposed approach to the impacts of the Tax Act has three
13 components. The first component is an adjustment to the federal corporate tax
14 rate and related cost of service components embedded in Piedmont's Integrity
15 Management Rider ("IMR") mechanism to fully incorporate the change in
16 federal corporate tax rate from 35% to 21%. This change has already been
17 adopted by Piedmont and approved by the Commission in Docket No. 17-
18 00138. Thus, with regard to all new integrity management investment included
19 under the IMR mechanism, Piedmont's customers are receiving the full benefit
20 of the reduced federal corporate tax rates implemented by the Tax Act.

1 **Q. Please quantify the Tax Act benefit customers are already receiving**
2 **through the TPUC- approved IMR mechanism.**

3 A. The IMR rates proposed by the Company and approved by TPUC earlier this
4 year in Docket No. 17-00138 were computed using a revenue requirement
5 calculation incorporating the current 21% federal income tax rate. This
6 resulted in an annual revenue requirement reduction of \$2.9 million. In other
7 words, Piedmont has already passed onto its customer \$2.9 million in annual
8 rate relief due to the Tax Act under its IMR mechanism.

9 **Q. What is the second component of Piedmont's Tax Act implementation**
10 **proposal?**

11 A. As I mentioned previously, Piedmont is deferring the revenue differential
12 between its approved cost of service from its last rate case and the cost of
13 service that would result from implementing a lower federal corporate tax rate
14 of 21%. Piedmont fully supports the return of these deferred funds to its
15 customers and is making no proposal in this or any other docket to keep any of
16 these deferred funds for its own benefit. The question before the Commission
17 in this docket is how and when these funds should be returned to customers.
18 Piedmont proposes that the amounts continue to be deferred until the date of its
19 next base rate adjustment in the context of a general rate case proceeding.

20 **Q. What is the third component of Piedmont's Tax Act implementation**
21 **strategy?**

1 A. The third component of Piedmont's Tax Act implementation proposal is to
2 establish a regulatory liability for the excess accumulated deferred income taxes
3 that arose due to the Tax Act, and then to amortize that liability over an
4 appropriate period as part of Piedmont's next general rate case proceeding.
5 Accordingly, Piedmont recommends the excess accumulated deferred income
6 taxes be returned to customers, as amortized, within the context of its next
7 general rate case proceeding.

8 **Q. Wouldn't the simplest approach to address the federal income tax**
9 **decrease and the excess accumulated deferred income taxes be to simply**
10 **amend Piedmont's base rates now, outside of a general rate case**
11 **proceeding?**

12 A. That would be a simple solution but it has consequences that are negative for
13 both Piedmont and its customers that need to be considered and which, in
14 Piedmont's view, make it less desirable than the alternative approach that
15 Piedmont proposes which, as stated above, is to address these matters in its
16 next general rate case.

17 **Q. Please explain.**

18 A. If Piedmont were to immediately adjust its base rates to fully accommodate the
19 impacts of the Tax Act, that action would immediately produce a cash-flow
20 shortfall. The shortfall could (and likely would) require Piedmont to incur
21 significant amounts of new debt, with a corresponding increase in debt carrying

1 costs, and would detrimentally influence Piedmont's credit profile. In turn, this
2 would increase the cost of all of Piedmont's debt. This cascading impact is
3 potentially significant and will lead to higher costs to Piedmont's customers as
4 these incremental costs are passed through to those customers.

5 The cash-flow and credit issues associated with an immediate change
6 in Piedmont's base rates to flow-through the impacts of the Tax Act are not
7 conjecture on Piedmont's part. In fact, in a Moody's Investor Services report
8 issued on January 19th of this year, that agency downgraded the ratings outlook
9 for 24 regulated US utilities and utility holding companies from stable to
10 negative as a consequence of the anticipated impacts from an immediate flow-
11 through of the benefits of the Tax Act to customers. The affected utilities
12 included Piedmont.

13 A copy of the Moody's report was attached to Piedmont's April 2nd
14 Filing and is also attached hereto as Exhibit_(PKP-4). According to Moody's,
15 the "change in outlook to negative from stable for the 24 companies affected in
16 this rating action primarily reflects the incremental cash flow shortfall caused
17 by tax reform on projected financial metrics that were already weak, or were
18 expected to become weak, given the existing rating for those companies. The
19 negative outlook also considers the uncertainty over the timing of any
20 regulatory actions or other changes to corporate finance policies made to offset
21 the financial impact."

1 Immediately flowing the corporate tax rate reductions and the excess
2 accumulated deferred income taxes through near term changes in Piedmont's
3 base rates will also increase the pressure on Piedmont to file its next general
4 rate case proceeding sooner rather than later. All of these are negative
5 consequences of the Tax Act for Piedmont and its customers, but they can be
6 largely avoided by Piedmont's proposed approach for flowing-through these
7 benefits of the Tax Act to its customers.

8 **Q. Please summarize Piedmont's proposal for flowing through the benefits of**
9 **reduced federal income taxes and excess deferred income taxes associated**
10 **with the Tax Act to Piedmont's customers?**

11 A. In order to mitigate the undesirable cash-flow and credit issues associated with
12 implementation of the Tax Act, Piedmont proposes to continue deferring the
13 flow-through of corporate income tax rate reductions until Piedmont's next
14 general rate case. This approach would preserve customer interests in the lower
15 tax rates resulting from the Tax Act because those savings would be deferred in
16 the interim but would mitigate the cash-flow and credit issues identified above
17 and in the Moody's Investors Services report. It would continue to increase the
18 regulatory liability that would, as a practical matter, act as a hedge against any
19 increase in rates established in Piedmont's next general rate case filing. In
20 short, over the period between now and the effective amortization of any
21 regulatory liability established pursuant to Piedmont's request herein, customers

1 would pay the exact same amount for corporate income taxes under either
2 Piedmont's proposal or a direct and immediate flow-through scenario. The
3 difference would be that under Piedmont's proposal those payments would be
4 part of a substantially more stable and less volatile set of base rates over the
5 entire period and the cash-flow and credit profile issues discussed above would
6 not be experienced.

7 Similarly, excess accumulated deferred income taxes should be
8 returned to customers within the context of its next general rate case in order to
9 avoid the negative consequences associated with cash flow shortfalls as
10 previously explained.

11 **Q. Do you believe that Piedmont's proposals regarding implementation of the**
12 **Tax Act are reasonable?**

13 A. Yes. I believe that Piedmont's approach will give customers an immediate
14 benefit from adjusting tax rates under the IMR mechanism but will also
15 preserve to protect their longer term interests and the strength of Piedmont's
16 financials by deferring base rate and excess deferred income tax changes until
17 Piedmont's next general rate case proceeding where matters including
18 corporate income tax expense and accumulated deferred income taxes are
19 normally absorbed into the larger calculation of Piedmont's base rates.

20 **Q. Does this conclude your pre-filed direct testimony?**

21 A. Yes.

EXHIBIT_(PKP-1)

Exhibit_(PKP-1)

PIEDMONT NATURAL GAS COMPANY
DOCKET NO 18-
STATEMENT OF CHANGE DUE TO FEDERAL TAX REDUCTION

Column 1	Column 2	Column 3	Col 4 = Col 2 + 3	Column 5	Col 6 = Col 4 - 5
	Docket No. 11-00144 Settlement Att. A, Sch. 6	Docket No. 11-00144 Increase Per Settlement Att. A, Sch. 1	Total Federal Taxes After Rate Increase (Docket No. 11-00144)	Total Federal Taxes After Reduction From Tax Act	Difference Due To Tax Act
<u>Description</u>					
1 Operating Revenues	\$189,205,584	\$11,900,000	\$201,105,584	\$201,105,584	
2 Cost of Gas	\$94,601,622	\$0	\$94,601,622	\$94,601,622	
3 Gross Margin	\$94,603,962	\$11,900,000	\$106,503,962	\$106,503,962	
4 Salaries and Wages	\$18,068,459		\$18,068,459	\$18,068,459	
5 Transmission and Distribution Expense	\$5,631,656		\$5,631,656	\$5,631,656	
6 Uncollectible Expense	\$57,564	\$3,665	\$61,229	\$61,229	
7 Other Customer Accounts Expense	\$880,193		\$880,193	\$880,193	
8 Administrative and General	\$15,358,729		\$15,358,729	\$15,358,729	
9 Sales Expense	\$118,163		\$118,163	\$118,163	
10 Depreciation and Amortization Expense	\$19,600,350		\$19,600,350	\$19,600,350	
11 Taxes Other Than Income	\$9,048,687		\$9,048,687	\$9,048,687	
12 NOI Before Excise and Income Taxes	\$25,840,160	1 \$11,896,335	\$37,736,496	\$37,736,496	
13 AFUDC	\$2,817,115		\$2,817,115	\$2,817,115	
14 Interest Expense	(\$9,068,052)		(\$9,068,052)	(\$9,068,052)	
15 Pre-tax Book Income	\$19,589,223	\$11,896,335	\$31,485,559	\$31,485,559	
16 Schedule M Adjustments	\$0	\$0	\$0	\$0	
17 Excise Taxable Income	\$19,589,223	\$11,896,335	\$31,485,559	\$31,485,559	
18 Excise Tax Rate	6.50%	6.50%	6.50%	6.50%	
19 Excise Tax Expense	\$1,273,299	\$773,262	\$2,046,561	\$2,046,561	
20 Excise Tax NOL	\$0	\$0	\$0	\$0	
21 Excise Tax	\$1,273,299	\$773,262	\$2,046,561	\$2,046,561	
22 Schedule M Adjustments	\$0	\$0	\$0	\$0	
23 FIT Taxable Income	\$18,315,923	1 \$11,123,073	\$29,438,997	\$29,438,997	
24 FIT Rate	35%	35%	35%	21%	14%
25 Federal Income Tax Expense	\$6,410,573	\$3,893,076	\$10,303,649	\$6,182,189	\$4,121,460
26 ITC Amortization	(\$34,404)	(\$34,404)	(\$34,404)	(\$34,404)	
27 Federal Income Tax Expense	\$6,376,169	\$3,858,672	\$10,269,245	\$6,147,785	\$4,121,460
28 Revenue Conversion Factor Per Line 37					1.354238
29 Annual Amount Due Customers					\$5,581,438
<u>Revenue Conversion Factor</u>					
30 Revenue		1.000000			
31 Uncollectible Ratio	0.000308				
32 Balance		0.999692			
33 State Excise Tax	0.065000	0.064980			
34 Balance		0.934712			
35 Federal Income Tax	0.210000	0.196290			
36 Balance		0.738422			
37 Revenue Conversion Factor (Line 30/ Line 36)		1.354238			

Note 1 amount adjusted by \$1 to match rounding from Settlement Attachment A, Schedule 6 in Docket No. 11-00144.

EXHIBIT_(PKP-2)

Exhibit_(PKP-2)

Piedmont Natural Gas Company, Inc.

Base Rate Adjustment for Cost of Service Impact due to Decrease in FIT Rate (35% to 21%)

State of Tennessee

Docket No. 18-00040

Line No.	Notes	Residential (301)	Small & Medium General (302, 352)	Large General (303, 304, 313, 314)	Resale Service (310)	Total
1	Customer Class Apportionment Percent	see table below	59.64%	31.20%	9.13%	100.00%
2	Base Rate Adjustment for Recovery (Refund)	see table below	\$ (3,328,988)	\$ (1,741,442)	\$ (509,479)	\$ (1,528)
3	Annualized Throughput from 2011 Rate Case (DTs)	Docket No. 11-00144	11,130,214	6,664,958	10,466,595	10,312
4	Base Rate Adjustment Per DT	[= Line 2 / Line 3]	(0.2991)	(0.2613)	(0.0487)	(0.1482)
5	Base Rate Adjustment Per Therm	[= Line 4 / 10]	(0.02991)	(0.02613)	(0.00487)	(0.01482)

Derivation of Customer Class Apportionment Percentage

Docket No. 11-00144: 2011 Rate Case		Annual
<u>Margin Revenues</u>	<u>Total</u>	<u>Allocation %</u>
6 Residential (301)	\$ 62,049,925	59.64%
7 Sm & Med General Service (302, 352)	\$ 32,459,219	31.20%
8 Large General Service (303, 304, 313, 314)	\$ 9,496,322	9.13%
9 Resale Service (310)	\$ 28,481	0.03%
10 Total	\$ 104,033,947	100.00%

Annual Revenue Requirement <u>Adjustment</u>	
11 2018 Federal Tax Reform, FIT rate of 21%	\$ (5,581,438)

EXHIBIT_(PKP-3)

Exhibit_(PKP-3)

Piedmont Natural Gas Company, Inc.

Calculation of Revenue Deferral for Cost of Service Impact due to Decrease in FIT Rate (35% to 21%)

State of Tennessee

Docket No. 18-00040

	<u>Amount Recorded to Regulatory Liability</u>
January-18	\$2,089,751
February-18	\$1,185,010
March-18	\$543,026
April-18	\$447,110
May-18	\$180,886
June-18	\$167,998
July-18	\$159,757
August-18	\$103,862
YTD Total	<u><u>\$4,877,400</u></u>

Exhibit_(PKP-3)

Piedmont Natural Gas Company, Inc.

Calculation of Revenue Deferral for Cost of Service Impact due to Decrease in FIT Rate (35% to 21%)

State of Tennessee

Docket No. 18-00040

	Actual Usage (Dekatherms)	Base Rate Adjustment Per Dekatherm	Base Revenue Deferral	WNA Revenue Deferral ¹	Total Deferred Amount
January-18					
Residential	4,879,597.7	\$0.2991	\$1,459,488	(\$89,077)	\$1,370,411
Small / Med General	2,709,911.7	\$0.2613	\$708,100	(\$40,364)	\$667,736
Large General	1,488,645.9	\$0.0487	\$72,497		\$72,497
Resale	350.6	\$0.1482	\$52		\$52
Total January 2018			\$2,240,137	(\$129,441)	\$2,110,696 ²
February-18					
Residential	1,608,618.1	\$0.2991	\$481,138	\$324,575	\$805,713
Small / Med General	786,121.0	\$0.2613	\$205,413	\$118,863	\$324,276
Large General	1,129,262.6	\$0.0487	\$54,995		\$54,995
Resale	174.3	\$0.1482	\$26		\$26
Total February 2018			\$741,572	\$443,438	\$1,185,010
March-18					
Residential	1,369,559.6	\$0.2991	\$409,635	(\$116,245)	\$293,390
Small / Med General	850,728.3	\$0.2613	\$222,295	(\$31,160)	\$191,136
Large General	1,200,712.9	\$0.0487	\$58,475		\$58,475
Resale	170.7	\$0.1482	\$25		\$25
Total March 2018			\$690,431	(\$147,405)	\$543,026
April-18					
Residential	1,025,556.8	\$0.2991	\$306,744	(\$49,489)	\$257,255
Small / Med General	607,731.1	\$0.2613	\$158,800	(\$23,207)	\$135,593
Large General	1,113,850.1	\$0.0487	\$54,244		\$54,244
Resale	118.5	\$0.1482	\$18		\$18
Total April 2018			\$519,806	(\$72,696)	\$447,110
May-18					
Residential	246,041.1	\$0.2991	\$73,591	\$14	\$73,604
Small / Med General	242,608.1	\$0.2613	\$63,393	\$97	\$63,490
Large General	899,072.3	\$0.0487	\$43,785		\$43,785
Resale	43.1	\$0.1482	\$6		\$6
Total May 2018			\$180,776	\$110	\$180,886

Exhibit_(PKP-3)

Piedmont Natural Gas Company, Inc.

Calculation of Revenue Deferral for Cost of Service Impact due to Decrease in FIT Rate (35% to 21%)

State of Tennessee

Docket No. 18-00040

	Actual Usage (Dekatherms)	Base Rate Adjustment Per Dekatherm	Base Revenue Deferral	WNA Revenue Deferral ¹	Total Deferred Amount
June-18					
Residential	156,121.2	\$0.2991	\$46,696	\$4	\$46,699
Small / Med General	311,599.1	\$0.2613	\$81,421	\$57	\$81,477
Large General	817,588.2	\$0.0487	\$39,817		\$39,817
Resale	27.4	\$0.1482	\$4		\$4
Total June 2018			\$167,937	\$60	\$167,998
July-18					
Residential	179,985.6	\$0.2991	\$53,834		\$53,834
Small / Med General	250,941.6	\$0.2613	\$65,571	(\$2)	\$65,569
Large General	828,542.3	\$0.0487	\$40,350		\$40,350
Resale	26.4	\$0.1482	\$4		\$4
Total July 2018			\$159,759	(\$2)	\$159,757
August-18					
Residential	89,459.1	\$0.2991	\$26,757	\$12	\$26,769
Small / Med General	136,706.1	\$0.2613	\$35,721		\$35,721
Large General	849,427.9	\$0.0487	\$41,367		\$41,367
Resale	29.7	\$0.1482	\$4		\$4
Total August 2018			\$103,850	\$12	\$103,862
Total Amount For Deferral Through August 2018			\$4,804,267	\$94,077	\$4,898,344 ²
Actual Deferral Recorded Through August 2018					\$4,877,400 ²
<i>Difference</i>					<i>(\$20,944)</i> ²

1/ The WNA Revenue Deferral was calculated for each applicable customer class as the product of the actual total WNA revenue amount recorded for the month and the percentage difference between Piedmont's current base billing rate (as set per its last general rate case) relative to the base billing rate as adjusted per Exhibit_(PKP-2) for the impact of tax reform.

2/ The difference of \$20,944 is related to a prior period correction (a correction for January 2018) that Piedmont will record to its general ledger in September 2018. As of August 31, 2018, the recorded deferral for January 2018 erroneously stands at \$2,089,751, which is \$20,944 less than should have been recorded to the deferred account for January 2018.

EXHIBIT_(PKP-4)

MOODY'S

INVESTORS SERVICE

Rating Action: Moody's changes outlooks on 25 US regulated utilities primarily impacted by tax reform

Global Credit Research - 19 Jan 2018

New York, January 19, 2018 -- Moody's Investors Service, ("Moody's") has changed the rating outlooks to negative from stable for 24 regulated utilities and utility holding companies; and to stable from positive for one utility holding company in the United States. The short-term and long-term ratings for all 25 companies were affirmed.

RATINGS RATIONALE

"Today's action primarily applies to companies that already had limited cushion in their rating for deterioration in financial performance, will be incrementally impacted by changes in the tax law and where we now expect key credit metrics to be lower for longer," said Jim Hempstead, a Managing Director at Moody's. "Utilities will work closely with state regulators to try to mitigate the negative impact of tax reform and in some cases they may seek to refine their corporate financial policies. Where successful, their rating outlooks could revert to stable."

Tax reform is credit negative for US regulated utilities because the lower 21% statutory tax rate reduces cash collected from customers, while the loss of bonus depreciation reduces tax deferrals, all else being equal. Moody's calculates that the recent changes in tax laws will dilute a utility's ratio of cash flow before changes in working capital to debt by approximately 150 - 250 basis points on average, depending to some degree on the size of the company's capital expenditure programs. From a leverage perspective, Moody's estimates that debt to total capitalization ratios will increase, based on the lower value of deferred tax liabilities.

The change in outlook to negative from stable for the 24 companies affected in this rating action primarily reflects the incremental cash flow shortfall caused by tax reform on projected financial metrics that were already weak, or were expected to become weak, given the existing rating for those companies. The negative outlook also considers the uncertainty over the timing of any regulatory actions or other changes to corporate finance policies made to offset the financial impact.

The change in outlook to stable from positive for American Electric Power Company, Inc. (AEP, Baa1 stable) reflects Moody's calculations that the projected ratio of cash flow before changes in working capital to debt, incorporating the effects of tax reform, will remain in the mid-teens range. At this level, Moody's believes AEP's Baa1 rating is appropriate.

The vast majority of US regulated utilities, however, continue to maintain stable rating outlooks. We do not expect the cash flow reduction associated with tax reform to materially impact their credit profiles because sufficient cushion exists within projected financial metrics for their current ratings. Nonetheless, further actions could occur on a company specific basis.

Over the next 12 to 18 months, Moody's will continue to monitor the financial impact of tax reform on each company, including its regulatory approach to rate treatment and any changes to corporate finance strategies. This will include balance sheet changes due to the reclassification of excess deferred tax liabilities as a regulatory liability and the magnitude of any amounts to be refunded to customers. If the financial impact of tax reform is more severe than Moody's initial estimates or the companies fail to materially mitigate any weaknesses in their financial profiles, the ratings could be downgraded.

That said, Moody's expects that most utilities will attempt to manage any negative financial implications of tax reform through regulatory channels. Corporate financial policies could also change. The actions taken by utilities will be incorporated into the credit analysis on a prospective basis. As a result, it is conceivable that some companies will sufficiently defend their credit profiles. For these companies, it is possible for the outlook to return to stable.

Potential regulatory offsets to tax-related cash leakage could include: accelerated cost recovery of certain regulatory assets or future investment; changes to the equity layer or allowed ROEs in rates, and other actions. Changes to corporate financial policies could include changes to capitalization, the financing of future

investments, dividend growth, or others. Some of these corporate measures could have a more immediate boost to projected metrics than certain regulatory provisions, which may take time to approve and implement.

Outlook Actions:

..Issuer: American Electric Power Company, Inc.

....Outlook, Changed To Stable From Positive

..Issuer: Avista Corp.

....Outlook, Changed To Negative From Stable

..Issuer: Avista Corp. Capital II

....Outlook, Changed To Negative From Stable

..Issuer: Duke Energy Corporation

....Outlook, Changed To Negative From Stable

..Issuer: Entergy Corporation

....Outlook, Changed To Negative From Stable

..Issuer: New Jersey Natural Gas Company

....Outlook, Changed To Negative From Stable

..Issuer: Northwest Natural Gas Company

....Outlook, Changed To Negative From Stable

..Issuer: ONE Gas, Inc

....Outlook, Changed To Negative From Stable

..Issuer: Piedmont Natural Gas Company, Inc.

....Outlook, Changed To Negative From Stable

..Issuer: Public Service Company of Oklahoma

....Outlook, Changed To Negative From Stable

..Issuer: Questar Gas Company

....Outlook, Changed To Negative From Stable

..Issuer: South Jersey Gas Company

....Outlook, Changed To Negative From Stable

..Issuer: Alabama Power Capital Trust V

....Outlook, Changed To Negative From Stable

..Issuer: Alabama Power Company

....Outlook, Changed To Negative From Stable

..Issuer: Southern Company (The)

....Outlook, Changed To Negative From Stable

..Issuer: Southern Elect Generating Co

....Outlook, Changed To Negative From Stable

..Issuer: Southwestern Public Service Company

....Outlook, Changed To Negative From Stable

..Issuer: Wisconsin Gas LLC

....Outlook, Changed To Negative From Stable

..Issuer: American Water Capital Corp.

....Outlook, Changed To Negative From Stable

Issuer: American Water Works Company, Inc.

....Outlook, Changed To Negative From Stable

Outlook Actions:

..Issuer: Consolidated Edison Company of New York, Inc.

....Outlook, Changed To Negative From Stable

..Issuer: Consolidated Edison, Inc.

....Outlook, Changed To Negative From Stable

..Issuer: Orange and Rockland Utilities, Inc.

....Outlook, Changed To Negative From Stable

..Issuer: Brooklyn Union Gas Company, The

....Outlook, Changed To Negative From Stable

..Issuer: KeySpan Gas East Corporation

....Outlook, Changed To Negative From Stable

Affirmations:

..Issuer: American Electric Power Company, Inc.

.... Commercial Paper, Affirmed P-2

....Senior Unsecured Shelf, Affirmed (P)Baa1

....Junior Subordinated Shelf, Affirmed (P)Baa2

....Senior Unsecured Regular Bond/Debenture, Affirmed Baa1

..Issuer: Avista Corp.

.... Issuer Rating, Affirmed Baa1

....Senior Secured First Mortgage Bonds, Affirmed A2

....Underlying Senior Secured First Mortgage Bonds, Affirmed A2

....Senior Secured Medium-Term Note Program, Affirmed (P)A2

....Senior Secured Regular Bond/Debenture, Affirmed A2

....Senior Unsecured Medium-Term Note Program, Affirmed (P)Baa1

..Issuer: Avista Corp. Capital II

Exhibit_(PKP-4)

....Pref. Stock Preferred Stock, Affirmed Baa2
..Issuer: Duke Energy Corporation
.... Issuer Rating, Affirmed Baa1
....Junior Subordinated Regular Bond/Debenture, Affirmed Baa2
....Senior Unsecured Shelf, Affirmed (P)Baa1
....Senior Unsecured Bank Credit Facility, Affirmed Baa1
....Senior Unsecured Commercial Paper, Affirmed P-2
....Senior Unsecured Regular Bond/Debenture, Affirmed Baa1
..Issuer: Entergy Corporation
.... Issuer Rating, Affirmed Baa2
....Senior Unsecured Commercial Paper, Affirmed P-2
....Senior Unsecured Regular Bond/Debenture, Affirmed Baa2
....Senior Unsecured Shelf, Affirmed (P)Baa2
..Issuer: New Jersey Natural Gas Company
.... Commercial Paper, Affirmed P-1
..Issuer: Northwest Natural Gas Company
.... Commercial Paper, Affirmed P-2
....Senior Secured Medium-Term Note Program, Affirmed (P)A1
....Senior Unsecured Medium-Term Note Program, Affirmed (P)A3
....Senior Secured Shelf, Affirmed (P)A1
....Senior Unsecured Shelf, Affirmed (P)A3
....Preferred Shelf, Affirmed (P)Baa2
....Senior Secured First Mortgage Bonds, Affirmed A1
....Senior Secured Regular Bond/Debenture, Affirmed A1
..Issuer: ONE Gas, Inc
....Senior Unsecured Commercial Paper, Affirmed P-1
....Senior Unsecured Regular Bond/Debenture, Affirmed A2
..Issuer: Piedmont Natural Gas Company, Inc.
....Senior Unsecured Commercial Paper, Affirmed P-1
....Senior Unsecured Regular Bond/Debenture, Affirmed A2
..Issuer: Public Service Company of Oklahoma
.... Issuer Rating, Affirmed A3
....Senior Unsecured Regular Bond/Debenture, Affirmed A3

Exhibit_(PKP-4)

..Issuer: Questar Gas Company
....Senior Unsecured Commercial Paper, Affirmed P-1
....Senior Unsecured Medium-Term Note Program, Affirmed (P)A2
....Senior Unsecured Regular Bond/Debenture, Affirmed A2
..Issuer: Alabama Power Capital Trust V
....Pref. Stock Preferred Stock, Affirmed A2
..Issuer: Alabama Power Company
.... Commercial Paper, Affirmed P-1
.... Issuer Rating, Affirmed A1
....Senior Unsecured Shelf, Affirmed (P)A1
....Preferred Shelf, Affirmed (P)A3
....Preference Shelf, Affirmed (P)A3
....Pref. Stock Preferred Stock, Affirmed A3
....Senior Unsecured Bank Credit Facility, Affirmed A1
....Senior Unsecured Commercial Paper, Affirmed P-1
....Senior Unsecured Regular Bond/Debenture, Affirmed A1
..Issuer: Columbia (Town of) AL, Industrial Dev. Board
....Senior Unsecured Revenue Bonds, Affirmed A1
....Senior Unsecured Revenue Bonds, Affirmed VMIG 1
..Issuer: Eutaw (City of) AL, Industrial Dev. Board
....Senior Unsecured Revenue Bonds, Affirmed A1
....Senior Unsecured Revenue Bonds, Affirmed VMIG 1
..Issuer: Mobile (City of) AL, I.D.B.
....Senior Unsecured Revenue Bonds, Affirmed A1
....Senior Unsecured Revenue Bonds, Affirmed VMIG 1
..Issuer: Walker County Econ & Ind Dev Authority
....Senior Unsecured Revenue Bonds, Affirmed A1
....Senior Unsecured Revenue Bonds, Affirmed VMIG 1
..Issuer: West Jefferson (Town of) AL, Ind. Devel. Bd.
....Senior Unsecured Revenue Bonds, Affirmed A1
....Senior Unsecured Revenue Bonds, Affirmed VMIG 1
..Issuer: Wilsonville (Town of) AL, I.D.B.
....Senior Unsecured Revenue Bonds, Affirmed A1
....Senior Unsecured Revenue Bonds, Affirmed VMIG 1

Exhibit_(PKP-4)

....Underlying Senior Unsecured Revenue Bonds, Affirmed A1
..Issuer: South Jersey Gas Company
.... Issuer Rating, Affirmed A2
....Senior Secured First Mortgage Bonds, Affirmed Aa3
....Senior Secured Medium-Term Note Program, Affirmed (P)Aa3
....Senior Secured Regular Bond/Debenture, Affirmed Aa3
....Senior Unsecured Commercial Paper, Affirmed P-1
..Issuer: New Jersey Economic Development Authority
....Senior Secured Revenue Bonds, Affirmed Aa3
....Underlying Senior Secured Revenue Bonds, Affirmed Aa3
....Senior Secured Revenue Bonds, Affirmed Aa2
....Underlying Senior Secured Revenue Bonds, Affirmed Aa2
..Issuer: Southern Company (The)
.... Commercial Paper, Affirmed P-2
....Junior Subordinated Regular Bond/Debenture, Affirmed Baa3
....Senior Unsecured Shelf, Affirmed (P)Baa2
....Junior Subordinated Shelf, Affirmed (P)Baa3
....Senior Unsecured Bank Credit Facility, Affirmed Baa2
....Senior Unsecured Regular Bond/Debenture, Affirmed Baa2
..Issuer: Southern Elect Generating Co
.... Issuer Rating, Affirmed A2
....Senior Unsecured Regular Bond/Debenture, Affirmed A1
..Issuer: Southwestern Public Service Company
.... Issuer Rating, Affirmed Baa1
....Senior Secured Shelf, Affirmed (P)A2
....Senior Unsecured Shelf, Affirmed (P)Baa1
....Senior Secured First Mortgage Bonds, Affirmed A2
....Senior Unsecured Bank Credit Facility, Affirmed Baa1
....Senior Unsecured Commercial Paper, Affirmed P-2
....Senior Unsecured Regular Bond/Debenture, Affirmed Baa1
..Issuer: Wisconsin Gas LLC
.... Commercial Paper, Affirmed P-1
....Senior Unsecured Regular Bond/Debenture, Affirmed A2

Exhibit_(PKP-4)

..Issuer: American Water Capital Corp.
.... Issuer Rating, Affirmed A3
....Senior Unsecured Shelf, Affirmed (P)A3
....Senior Unsecured Commercial Paper, Affirmed P-2
....Senior Unsecured Regular Bond/Debenture, Affirmed A3
..Issuer: American Water Works Company, Inc.
.... Issuer Rating, Affirmed A3
..Issuer: Berks County Industrial Development Auth., PA
....Senior Unsecured Revenue Bonds, Affirmed A3
..Issuer: California Pollution Control Financing Auth.
....Senior Unsecured Revenue Bonds, Affirmed A3
..Issuer: Illinois Development Finance Authority
....Senior Unsecured Revenue Bonds, Affirmed A3
..Issuer: Illinois Finance Authority
....Senior Unsecured Revenue Bonds, Affirmed A3
..Issuer: Indiana Finance Authority
....Senior Unsecured Revenue Bonds, Affirmed A3
..Issuer: MARICOPA COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY,
....Senior Unsecured Revenue Bonds, Affirmed A3
..Issuer: Northampton County I.D.A., PA
....Senior Unsecured Revenue Bonds, Affirmed A3
..Issuer: Owen (County of) KY
....Senior Unsecured Revenue Bonds, Affirmed A3
..Issuer: Consolidated Edison Company of New York, Inc.
.... Issuer Rating, Affirmed A2
....Senior Unsecured Shelf, Affirmed (P)A2
....Subordinate Shelf, Affirmed (P)A3
....Preferred Shelf, Affirmed (P)Baa1
....Senior Unsecured Commercial Paper, Affirmed P-1
....Senior Unsecured Regular Bond/Debenture, Affirmed A2
....Underlying Senior Unsecured Regular Bond/Debenture, Affirmed A2
..Issuer: New York State Energy Research & Dev. Auth.
....Senior Unsecured Revenue Bonds, Affirmed A2
....Underlying Senior Unsecured Revenue Bonds, Affirmed A2

Exhibit_(PKP-4)

..Issuer: New York State Research & Development Auth.
....Senior Unsecured Revenue Bonds, Affirmed A2
....Underlying Senior Unsecured Revenue Bonds, Affirmed A2
..Issuer: Consolidated Edison, Inc.
.... Issuer Rating, Affirmed A3
....Senior Unsecured Shelf, Affirmed (P)A3
....Senior Unsecured Commercial Paper, Affirmed P-2
....Senior Unsecured Regular Bond/Debenture, Affirmed A3
..Issuer: Orange and Rockland Utilities, Inc.
.... Issuer Rating, Affirmed A3
....Senior Unsecured Commercial Paper, Affirmed P-2
....Senior Unsecured Regular Bond/Debenture, Affirmed A3
..Issuer: Brooklyn Union Gas Company, The
....LT Issuer Rating, Affirmed A2
....Senior Unsecured Regular Bond/Debenture, Affirmed A2
..Issuer: New York State Energy Research & Dev. Auth.
....Backed LT IRB/PC Insured, Affirmed A2
...Underlying LT IRB/PC, Affirmed A2
Issuer: KeySpan Gas East Corporation
....LT Issuer Rating, Affirmed A2
....Senior Unsecured Regular Bond/Debenture, Affirmed A2

The principal methodology used in rating Public Service Company of Oklahoma, Southwestern Public Service Company, Southern Company (The), Alabama Power Company, Alabama Power Capital Trust V, Southern Elect Generating Co, South Jersey Gas Company, Wisconsin Gas LLC, American Electric Power Company, Inc., Duke Energy Corporation, Piedmont Natural Gas Company, Inc., Avista Corp., Avista Corp. Capital II, ONE Gas, Inc, New Jersey Natural Gas Company, Northwest Natural Gas Company, Questar Gas Company, Entergy Corporation, Consolidated Edison, Inc., Consolidated Edison Company of New York, Inc., Brooklyn Union Gas Company, The, KeySpan Gas East Corporation, and Orange and Rockland Utilities, Inc. was Regulated Electric and Gas Utilities published in June 2017. The principal methodology used in rating American Water Works Company, Inc. and American Water Capital Corp. was Regulated Water Utilities published in December 2015. Please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

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