414 Nicollet Mall
Minneapolis, MN 55401

February 1, 2018

--Via Electronic Filing--

Ms. Patricia Van Gerpen, Executive Director
South Dakota Public Utilities Commission
Capitol Building, 1st Floor
500 E. Capitol Ave.
Pierre, SD 57501-5070

RE: INITIAL COMMENTS
STAFF'S REQUEST TO INVESTIGATE EFFECTS OF THE
TAX CUTS AND JOBS ACT
DOCKET NO. GE17-003

Dear Ms. Van Gerpen:

Northern States Power Company, doing business as Xcel Energy, submits the enclosed Initial Comments in the above-referenced docket pursuant to Commission Order dated December 29, 2017.

Please contact me at aakash.chandarana@xcelenergy.com, or 612-215-4663 or Charles Burdick at charles.r.burdick@xcelenergy.com or 612-330-6646, if you have any questions regarding this filing.

SINCERELY,

/s/

Aakash H. Chandarana
Regional Vice President Rate & Regulatory Affairs

Enclosure

PUBLIC UTILITIES COMMISSION
STATE OF SOUTH DAKOTA

Kristie Fiegen	Chairperson
Gary Hanson	Vice Chairman
Chris Nelson	Commissioner

IN THE MATTER OF STAFF'S REQUEST TO INVESTIGATE THE TAX CUTS AND JOBS ACT ON SOUTH DAKOTA

DOCKET NO.: GE17-003

Initial Comments

INTRODUCTION

On December 22, 2017, the Tax Cuts and Jobs Act (TCJA) was signed by the President, which enacted significant changes to the Internal Revenue Code. While we are currently evaluating the precise impacts of the new legislation, we believe that tax reform is beneficial—both for Xcel Energy customers generally and for our South Dakota customers, in particular.

As an initial matter, we note that it has been an accepted tenet of ratemaking that expenses rise and fall between rate cases and corrective action is not taken on a one-off basis in response to those fluctuations. The focus, instead, has been on the fundamental question of earnings: Is the utility overearning? Here, the Company has under-earned in South Dakota for over 10 years. We mention this at the outset not because we intend to object on legal grounds to finding a solution in this case; but rather, to reflect on the foundational tenets that have governed—and we believe should continue to govern—the regulatory framework in South Dakota.

That said, the Company acknowledges that the recently passed TCJA is the most significant piece of federal tax legislation that has been passed in over thirty years. Given the character of the reform and the magnitude of its estimated impacts, the Company is committed to working with the Commission and its Staff to identify a path forward that delivers the value of the tax reforms to our South Dakota customers. In fact, with the help of Commission Staff, we have already started that work.

BACKGROUND

The implications of the TCJA are more complex and nuanced than a simple modification of the corporate tax rate. While it is true that the TCJA modified the federal corporate tax rate from 35 percent to 21 percent beginning January 1, 2018, that change reflects one component of a complex and interrelated law. Indeed, the TCJA exceeds 400 pages with multiple subparts and requirements that reflect significant changes from the status quo and that have not been the subject of a further rulemaking or received the benefit of any other governmental guidance. Along with the corporate tax rate, several major elements of the TCJA will have potentially significant impacts, and require considerable attention. Issues that may need to be addressed include the following:

- ***Reduced Corporate Tax Rate (from 35 percent to 21 percent).*** This results in excess deferred income taxes returned over average remaining lives, but requires a complex and time-intensive analysis of excess deferred taxes.

- ***Bonus Depreciation Changes.*** Under prior law, bonus depreciation applicable to regulated utilities was to be phased out during 2018 and 2019. The loss of bonus depreciation under the TCJA is expected to increase rate base in the near term.

- ***Recovery Period for Net Operating Losses ("NOLs").*** NOL recovery periods may need to be adjusted due to changes in tax law relative to utilization limitations.

- ***Lost Deductibility of Certain Expenses.*** The deductibility of certain employee compensation, lobbying, and employee expenses is reduced, partially offsetting the benefits of the reduced corporate tax rate.

- ***Negative Cash Flow Impacts.*** The TCJA affects credit metrics such as the Cash From Operations to Debt ("CFO/Debt") ratio on which credit rating agencies rely heavily, due to lost bonus depreciation, reduced revenues, and increased rate base. This deterioration of credit metrics, in turn, requires an assessment of what adjustments may be needed to retain the Company's credit rating under the new law. These adjustments may include increasing the annual depreciation expense, increasing the Company's equity ratio in its capital structure, and/or increasing the Company's authorized ROE. Any of these potential adjustments will affect the cost of service.

Notwithstanding the complexity of the TCJA, we have engaged in a preliminary analysis in order to provide the Commission with a directional view as to the impacts of tax reform. We note that our analysis is evolving along with our understanding of the TCJA and its impacts. Additionally, the Company has not yet filed its 2017 financial statements. Accordingly, we expect that certain values may shift and additional components may be identified as we go through our year-end financial processes and our understanding of the TCJA matures. That said, we believe that we have identified a proposed path forward that fairly accounts for the true impacts of the TCJA while delivering the value of those reforms to customers.

ANALYSIS

As noted above, the provisions of the Tax Cuts and Jobs Act (TCJA) are complex and varied, with many detailed impacts on the cost of service that are described in more detail below. In total, across all rate mechanisms, we estimate the revenue requirement value of the TCJA to be approximately -4.5 percent compared to current rates. That amounts to an estimated overall impact of approximately $10 million.

1. Current Tax Rate Impacts

Changing the federal tax rate has a direct impact on the income tax expense and the revenue conversion factor used to "gross up" the revenue requirement items subject to tax to account for the income taxes the company is required to pay. Ultimately, the tax rate decrease lowers income taxes and revenue requirements, which is primarily driven by the gross up on the equity return on rate base.

The revenue conversion factor is calculated using the statutory composite tax rate, which effectively combines the state and federal income tax rates. The table below provides the revenue conversion factor for South Dakota before and after tax reform:

	Before Tax Reform	**After Tax Reform**
Federal Tax rate	35.0%	21.0%
State Statutory rate	0.0%	0.0%
Statutory Composite rate	35.0%	21.0%
Revenue Conversion Factor (1/(1-Statutory Composite Tax Rate))	1.538	1.266
Corporate Composite rate	40.8%	28.1%

In South Dakota, prior to tax reform, for every dollar of operating income deficiency, 53.8 cents is added to reflect the amount of income taxes paid on the revenue collected (1 + 0.538 = 1.538 revenue conversion factor). After tax reform, 26.6 cents is added to reflect income taxes paid on revenue collected (1 + 0.266 = 1.266).

2. Deferred Tax Rate Impacts

In recent years, the Company has experienced deferred tax rate impacts which is the result of tax depreciation that occurs faster than book depreciation. On a Company-wide basis, the Company has accumulated several billion dollars of Deferred Tax Liabilities (DTLs) that are reflected in the cost of service as a reduction to rate base as Accumulated Deferred Income Taxes (ADIT).

These liabilities were booked assuming the previous 35 percent federal corporate income tax rate and, as such, they must be adjusted to the new 21 percent federal corporate income tax rate. This adjustment results in excess ADIT. The excess ADIT may not be returned to customers any faster than over the remaining lives of the underlying assets, which will increase rate base and reduce deferred income tax expense.

<u>Plant Adjustments</u>

There are two primary impacts on plant-related deferred taxes of the TCJA. First, bonus depreciation has been eliminated for utilities. As a result, NSPM has estimated the revenue requirement associated with eliminating the effect of bonus depreciation related to plant additions after the effective date on plant current and deferred tax expense.

Second, the lower corporate federal income tax rate impacts the calculation of deferred taxes. The plant-related deferred taxes were recalculated at the new lower federal tax rate, but because of IRS normalization rules, the lower federal tax rate is applied only to those timing differences where the vintage balance was increasing. For deferred tax liabilities, this means that current tax depreciation is greater than the book depreciation. For the timing differences where the vintage balance was decreasing (i.e., current year book depreciation is greater than the tax depreciation), NSPM used the average rate assumption method ("ARAM"). ARAM is a method where the tax rate for the deferred tax expense calculation is modified to an average of all the tax rates used when the balances were growing. This assures that the benefit of a tax rate change on the deferred tax balance is ratably shared with all customers receiving benefit from the asset over the remaining life of that asset. Through this method, the excess ADIT is flowed back to customers at the historical rates.

Non-plant-related Federal Deferred Income Taxes

The change in federal tax rate also caused NSPM to revalue its non-plant deferred tax assets and liabilities. To account for this reduction in non-plant tax rates, NSPM decreased its non-plant Deferred Tax Assets (DTAs) and DTLs. Because portions of these DTAs and DTLs were formerly credited to or recovered from customers, the corresponding rate changes were recorded to a regulatory asset or liability and will be similarly included in rate base. NSPM is proposing to recover the regulatory asset and pay back the regulatory liability over varying periods.

3. Production Tax Credit Impacts and Wind Assets

The TCJA preserved Production Tax Credits and the Safe Harbor provisions. The phase-out of Production Tax Credits from 2017 to 2019 also remains in effect. As this Commission knows, NSPM is in the process of expanding its wind capacity, including investment in 1,550 MW of new wind generation. The federal Production Tax Credit (PTC) plays an important role in wind generation in that it helps ensure that wind will deliver a great value to customers. It is important to note that the TCJA does not change the value of PTCs. They will continue to be earned at $0.024/kWh, adjusted annually for inflation. However, in ratemaking, the PTCs are grossed-up for taxes to calculate the amount to be refunded to customers. Therefore, the TCJA change in corporate tax rate from 35 percent to 21 percent reduces the tax gross-up factor and the revenue requirement amount to be credited to customers.

The TCJA also impacts the current and deferred taxes on the wind capital investments and decreases revenue requirements due to lower tax rates. However, these decreases are offset by the PTC revenue requirements impacts discussed above.

4. Net Operating Loss

The elimination of bonus tax depreciation under the TCJA results in higher taxable income in the current year as tax depreciation expense will only be the Modified Accelerated Cost Recovery System (MACRS) portion for the asset rather than the 50 percent bonus deprecation and the MACRS portion on the remaining 50 percent of the asset. The higher taxable income in isolation would result in higher utilization of the Net Operating Loss in 2018.

Another key provision of the TCJA is Net Operating Losses can only be utilized up to 80 percent of taxable income rather than offsetting the entire taxable income. This provision in isolation would result in lower utilization in each year stretching out the consumption of the Net Operating Loss further into the future. It is worth noting that under tax reform a company can use tax credits, subject to limitations, to further reduce a company's tax payable. With this change, the Company is planning to utilize more PTCs earlier than previously forecasted. Finally, the TCJA eliminated NOL carrybacks starting in 2018.

5. Miscellaneous Provisions

Interest Expense Deductibility

The TCJA allows utilities to continue to deduct interest expense. The cost of service will continue to reflect a tax deduction for debt interest.

Investment Tax Credit (ITC)

There is no change in the treatment of the ITC due to the TCJA. Projects that commence construction before 2020 continue to qualify for 30 percent ITC. Also, the ITC continues to have a phase-down for projects commencing construction in 2020 (26 percent), 2021 (22 percent) and after 2021 (10 percent). The cost of service will continue to reflect use of ITCs when applicable.

No Section 199 deduction

The TCJA eliminated the Manufacturer's Production Deduction (Section 199 Deduction), thus the Company will no longer apply such deductions in the cost of service.

Other Deductions Modified or Eliminated

The TCJA also modified various other deductions including the meals and entertainment deduction. Further, the TCJA eliminated several deductions that are relevant to the Company's consolidated financials, but are not included in ratemaking such as lobbying and executive performance-based compensation.

Corporate Alternative Minimum Tax (AMT)

The TCJA eliminated the Corporate Alternative Minimum Tax. While potentially relevant to the Company's consolidated financials, the cost of service never modeled a Corporate AMT and so there is no change for ratemaking.

6. Effect on Credit Metrics

In general, the reduction to revenue resulting from the TCJA will have a negative credit impact on utilities. The lower income tax rate will be passed through to customers via a lower revenue requirement on the equity return tax gross-up. Net income will remain unaffected (statically before accounting for the higher rate base over time), but Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) will be lower. Furthermore, the lower corporate rate will reduce the amount of deferred income taxes a utility recognizes, which have supported a significant portion of the sector's cash from operations in recent years. Lastly, tax reform also includes the elimination of bonus depreciation effective Q4 2017. Bonus depreciation was previously expected to phase out in 2019. Losing bonus deductions will also lower the amount of deferred taxes, further reducing cash flow from operations.

Each of the three major credit rating agencies has published utility sector reports in the past month on the negative credit impacts of tax reform. It is this cash flow impact that led Moody's Investors Service to change the rating outlook from stable to negative for 24 regulated utilities and utility holding companies.[1] Southwestern Public Service Company, an Xcel Energy utility that operates in Texas and New Mexico, was one of the companies identified in the Rating Action.

Generally, three avenues exist that could help mitigate the credit risks presented by tax reform. The first option is for the utility to increase its equity portion of capitalization via higher regulated equity ratios. The second option is to increase the amount of book depreciation expense a utility recognizes, which would support higher cash flow from operations. The third is to earn a higher return, via a higher authorized return on equity. The credit rating agencies understand the different levers available to mitigate the negative credit impacts and are closely following the regulatory proceedings to see what actions are taken.

7. Existing Recovery Mechanisms

In South Dakota the Company has the following rate mechanisms:

- Base Rates
- Fuel Clause Adjustment
- Transmission Cost Recovery Rider (TCR)
- Infrastructure Rider

Base Rates were set in the last South Dakota rate case, docket EL14-058, which included a stay-out provision through 2017 and an earnings sharing mechanism to protect customers against the Company's ability to over earn. The earnings sharing mechanism provides protection in the near term for South Dakota customers so that benefits of the tax law change above and beyond the Company's authorized return will be automatically shared with customers.

[1] Moody's Investors Service Rating Action, Global Credit Research, January 19, 2018. Attached as Exhibit 1.

The Fuel Clause Adjustment includes a true-up of PTCs, which are affected as described above. We do not see any other impacts relevant to the Fuel Clause Adjustment. The PTC true-up occurs as a normal compliance activity for the Fuel Clause and so customers will automatically see that difference. All other things being equal, because PTCs are a credit to customers, we anticipate customers will see somewhat higher net Fuel Clause Adjustment revenue requirements.

The Transmission Cost Recovery rider will be affected by the changes on current taxes and deferred taxes as described above. We currently forecast that the TCR revenue requirements will net increase. This is because the TCR includes a revenue credit from transmission facilities that are regionally shared among other utilities. Since revenue requirements in general go down, the revenue credit related to these regionally shared facilities also goes down. We forecast that for the TCR, this impact from regionally shared facilities is greater than the direct impact of the decrease in requirements on the select transmission projects included in the rider. Customers will automatically see these differences as part of the true-up process in the rider.

The Infrastructure Rider is forecasted to decrease in revenue requirements due to the TCJA. Customers will automatically see the decrease in the true-up process for the rider.

Again, in total across all rate mechanisms, we estimate the revenue requirement value of the TCJA to be approximately -4.5 percent compared to current rates. That amounts to an estimated overall impact of approximately $10 million.

In considering the potential ways in which the Company can deliver the value of the tax impacts to South Dakota customers, one potential option is to forego an immediate refund in exchange for putting the Company in a rate case stay-out posture for an identified term—spanning multiple years. During the proposed multi-year rate case moratorium, the Company would still be permitted to use both the TCR and some form of the Infrastructure Rider, even if limited in scope.

We have introduced this option to SDPUC Staff and will continue to work with them in determining whether we can land on a formal proposal to bring forward for the Commission's consideration.

CONCLUSION

We look forward to the opportunity to work with Staff to find ways to deliver the value of the federal tax reform impacts to South Dakota customers in a lasting way. We appreciate the Commission's approach to this issue, which provides the Company the time necessary to fully and accurately understand the impacts of tax reform and to work with Staff to identify a solution that maximizes the impact of this significant and unusual change.

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 polices 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

....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

..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

....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

..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

..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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