

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. M-100, SUB 148

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter Of)	
)	
The Federal Tax Cuts and Jobs Act)	REPLY COMMENTS
)	OF PIEDMONT NATURAL
)	GAS COMPANY, INC.

Piedmont Natural Gas Company, Inc. (“Piedmont” or the “Company”), through counsel and pursuant to the January 3, 2018 *Order Ruling that Certain Components of Certain Public Utility Rates are Provisional as of January 1, 2018, Initiating a Generic Proceeding, and Requesting Comments* (“January 3 Order”), hereby submits its Reply Comments for consideration by the North Carolina Utilities Commission (“Commission”).

REPLY COMMENTS

In its January 3 Order, the Commission directed utilities and interested parties to file comments discussing details of the impact of the Federal Tax Cuts and Jobs Act (“Tax Act”). Piedmont filed its Initial Comments on February 1, 2018 and now offers these reply comments.

As Piedmont explained in its Initial Comments, Piedmont proposes to flow-through tax rate reductions under its Integrity Management Rider (“IMR”) mechanism, while deferring tax rate reductions on its base rates until its next general rate case proceeding where such deferral can be amortized and used to offset any requested base rate increase in that docket. For excess deferred income taxes,

Piedmont proposes to establish a regulatory liability and, similar to the Commission's treatment of excess deferred income taxes in Docket No. M-100, Sub 138, would propose that these liabilities be addressed in the Company's next general rate proceeding as well.

While some intervenors request that the Commission reduce customer rates and the utilities' revenues immediately to account for 100% of the impacts of the Tax Act, Piedmont submits that its proposals represent a more balanced approach. Piedmont recommends that customers receive an immediate benefit in the form of savings under the Tax Act through rate reductions commencing with its upcoming June 1, 2018 IMR rate adjustment, but that tax rate reductions on its base rates be deferred until its next general rate case proceeding.

Piedmont proposes to defer some of the savings associated with the Tax Act because customers benefit directly from a strong balance sheet and strong investment grade credit ratings through low cost of capital and strong access to capital during all market conditions. Piedmont submits that adopting an immediate pass-through of only the benefits under the Tax Act, in isolation and to the exclusion of other provisions of the Tax Act, would be detrimental to Piedmont's long-term financial stability and credit ratings. As an example of this type of impact of the Tax Act, on January 19, 2018, Moody's changed the rating outlook of Piedmont and twenty-three other utilities and utility holding companies from stable to negative in response to the financial impacts of the Tax Act and regulatory uncertainties related thereto. In addition, one attribute of the Tax Act is that it will increase rate base at a faster rate than has been experienced in recent years due to the elimination of bonus depreciation

for new capital investment going forward. Preserving the benefits of a lower tax rate until Piedmont's next general rate case will serve as a natural hedge against increasing rate base and help stabilize customer rates over the long run.

Thus, in order to minimize the negative impacts of the Tax Act on Piedmont's cash flows and credit quality in the long run and stabilize customer rates, Piedmont fully supports the adoption of a balanced approach that provides customers some benefits now, and some later.

CONCLUSION

Wherefore, Piedmont respectfully requests that the Commission accept these Reply Comments.

Respectfully submitted, this the 20th day of February, 2018.

Piedmont Natural Gas Company, Inc.

/s/ James H. Jeffries IV
James H. Jeffries IV
Moore & Van Allen PLLC
100 North Tryon Street, Suite 4700
Charlotte, NC 28202-4003
Telephone: 704-331-1079
jimjeffries@mvalaw.com

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the attached is being served this date upon all of the parties to this docket electronically or by depositing a copy of the same in the United States Mail, First Class Postage Prepaid, at the addresses contained in the official service list in this proceeding.

This the 20th day of February, 2018.

/s/ Richard K. Goley
Richard K. Goley