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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:

....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 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:
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
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

....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
.... 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


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


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