National Fuel

February 14, 2018

Hon. Kathleen H. Burgess
Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, NY 12123-1350

Re: Case 17-M-0815 – Proceeding on Motion of the Commission on Changes in Law that May Affect Rates

Dear Secretary Burgess,

Enclosed for filing are National Fuel Gas Distribution Corporation's ("Distribution") responses to Ms. Doris Stout's questions issued January 9, 2018. Per discussion with Staff on December 19, 2017, Distribution asked for and received a two week extension for responses requiring fiscal 2019 forecasted information. Distribution is appreciative of these accomodations.

For questions relating to this filing, please contact the undersigned at (716) 857-7155.

Respectfully submitted,

James A. Rizzo

James A. Rizzo
Assistant Vice President

Attachment 1

The following questions pertains to the Tax Cuts and Jobs Acts signed into law on December 22, 2017:

A. General

1. Identify, and provide a description, of each tax change that is expected to impact the utility company.

Response:

See response to A2 below.

2. Provide the date, and rationale, the utility company expects each tax change to become effective for its operations.

Response:

The following tax changes, with corresponding effective dates, will impact Distribution:

- **As a fiscal year taxpayer, Distribution's federal income will be taxed at a 24.5 percent blended federal corporate rate for fiscal year 2018 and 21 percent for fiscal year 2019.**
- **Bonus depreciation is not allowed during fiscal year 2018 and later years. Distribution will be required to use the MACRS method of tax deprecation.**
- **There have been many changes regarding the deductibility of meals and entertainment expenses. These rules are effective beginning January 1, 2018.**
- **The deductibility of certain executive compensation has changed. Specifically, the exception from Internal Revenue Code (IRC) Section 162(m) for performance based compensation paid in tax years beginning after January 1, 2018 (fiscal year 2019 for the Company) has been eliminated.**

B. Corporate Tax Rate

1. Identify the effects of the tax rate change for years 2018 and 2019, and, and provide all calculations and assumptions.

   (a) Current federal income tax expense
   (b) Deferred federal income tax expense (originating and reversing)

Response:

Based upon discussions with Staff on January 17, 2018, all calculations are being performed on a fiscal year September 30, 2018 and 2019 basis and based upon information available as of February 13, 2018.

(a) For Fiscal 2018, the current federal income tax expense is estimated to increase by $3.7 million. This increase is primarily the result of higher taxable income due to loss of bonus depreciation reduced by a 10.5% federal statutory rate reduction on estimated taxable income. For Fiscal 2019, Current federal income tax expense is estimated to decrease by $0.4 million. This decrease is primarily the result of higher taxable income due to loss of bonus depreciation reduced by a 14% federal statutory rate reduction on estimated taxable income.

(b) For Fiscal 2018, the deferred federal income tax expense is estimated to decrease by $10.5 million. $7.9 million of this decrease is the result of lower depreciation temporary differences and a 10.5% lower federal statutory rate. The remaining $2.6 million represents the reversal of excess accumulated deferred taxes under the Average Rate Assumption Method (ARAM). All temporary differences, with the exception of ARAM, reverse using a deferred tax rate of 24.5%. For Fiscal 2019, the deferred federal income tax expense is estimated to decrease by $9.3 million. $5.3 million of this decrease is the result of lower depreciation temporary differences and a 14% lower federal statutory rate. The remaining $4.0 million represents the reversal of excess accumulated deferred taxes under the Average Rate Assumption Method (ARAM). All temporary differences, with the exception of ARAM, reverse using a deferred tax rate of 21%.

Please see Exhibit I.

2. Identify the effective date of the corporate tax rate change for the utility company, and indicate and explain if the effective date of the change will result in a blended tax rate being used for the first year? If yes, identify the blended rate and show all calculations. If no, explain why there will be no blended rate.

Response:

As noted in A, The Company's blended tax rate will be 24.5 percent for fiscal year 2018. This is calculated under the Internal Revenue Code as 3 months (out of 12 months) using the tax rate of 35-percent (October 1 – December 31, 2017), or 8.75-percent, plus 9 months using the tax rate at 21-percent (January 1 – September 30, 2018), or 15.75-percent, for a total of 24.5-percent.

C. Excess Deferred Tax Reserve

1. As a result of the tax rate change from 35% to 21%, what is the estimate value of the excess accumulated deferred federal income tax (ADFIT) balance as of December 31, 2017? Provide all calculations. Provide the breakdown of the excess ADFIT by:

   (a) Accelerated Depreciation (i.e. protected)
   (b) Other tax timing differences (i.e. unprotected)

Response:

Based upon discussions with Staff on January 17, 2018, all calculations are being performed on a fiscal year basis. The calculation is based upon information available as of February 13, 2018.

The estimated decrease to accumulated deferred income taxes as a result of the rate change is as follows:

Plant (Decrease to ADFIT)	**$ 102.5**	**Million**
Other (Increase to ADFIT)	**(5.3)**	**Million**
Total	**$ 97.2**	**Million**

Please see Exhibit II.

2. As a result of the tax rate change from 35% to 21%, what is the estimated value of the excess ADFIT balance as of December 31, 2018 and December 31, 2019? Provide all calculations. Provide the breakdown of the identified excess ADFIT by:

   (a) Accelerated Depreciation (i.e. protected)
   (b) Other tax timing differences (i.e. unprotected)

Response:

Based upon discussions with Staff on January 17, 2018, all calculations are being performed on a fiscal year basis. For this response, the amounts are determined at September 30, 2018 and 2019. The calculation is based upon information available as of February 13, 2018. As required under GAAP, the re-measurement of ADFIT as of October 1, 2017 discussed in C.1. is a re-measurement of the existing temporary difference at the expected rate in the year of reversal. Therefore, the only additional amount for Fiscal 2019 would be 2018 originating temporary differences recorded at 24.5% that will reverse in a future year at 21%. This amount is estimated to be immaterial due to loss of bonus depreciation.

3. For the estimated value of the excess ADFIT balances at 12/31/17 and at 12/31/18:

   (a) To be consistent with the Commission’s identified goal of preserving the net tax benefits for ratepayers, explain how the

Company will account for the excess ADFIT.

Response:

Distribution is currently using the average rate assumption method (ARAM) of deferred income tax accounting for all plant related temporary differences. Distribution has accounted for the estimated 2018 decrease to deferred tax expense in its general ledger for the first quarter of fiscal 2018 and in its forecasted fiscal 2018 data. The ARAM reduction to deferred income tax expense is also a component of the estimated refund provision described in I 2. below.

Based upon discussions with Staff on January 17, 2018, all calculations are being performed on a fiscal year basis. For this response, the amounts are determined at September 30, 2017 and 2018. Distribution will adjust its regulatory balance sheet accounts, Taxes Refundable to Customers and Recoverable Future Taxes, for the excess ADFIT as of October 1, 2017. The calculation is based upon information available as of February 13, 2018.

(b) Provide the calculation and the specific accounting the Company plans to implement to record and return the excess ADFIT to ratepayers. Identify all assumptions.

Response:

For all plant related temporary difference, Distribution will use the average rate assumption method (ARAM) to calculate deferred taxes and return any excess ADFIT to ratepayers. This method is required to avoid a normalization violation under the IRC. The deferred tax records are maintained within the PowerTax deferred tax module. Deferred tax expense calculated using the ARAM is compared to net temporary difference for depreciation at the federal statutory rate. The difference is recorded as credit to deferred tax expense. For fiscal 2018, the estimated credit to deferred tax expense is $2.6 million. For fiscal 2019, the estimated credit to deferred tax expense is $4.0 million.

Please see Exhibit V.

(c) Identify and explain any and all restrictions the utility company believes exists on the allowed amortization of the excess ADFIT balances. This includes addressing any timing restrictions.

Response:

Distribution is required to use the average rate assumption method (ARAM) to return any excess ADFIT to ratepayers to avoid a normalization violation under the IRC.

(d) Identify and explain any and all natural unwinding that would occur of the excess ADFIT balances.

Response:

The use of the average rate assumption method (ARAM) will return any excess ADFIT to ratepayers as the book depreciation expense is recorded on the assets.

4. Regarding normalization:

(a) What is the effect of the normalization rules applicable to the excess ADFIT balances for the years 2018 and 2019? State how the utility will apply the normalization rules to the excess ADFIT balances.

Response:

Distribution will use the average rate assumption method (ARAM) to return any excess ADFIT to ratepayers.

For fiscal 2018 the estimated credit to deferred tax expense is $2.6 million. For fiscal 2019 the estimated credit to deferred tax expense is $4.0 million.

Please see Exhibit V.

(b) Identify, and provide the rationale, for which method of normalization the utility

Company employs or will employ, specifically the Average Rate Assumption Method (ARAM) or the Reverse South Georgia Method (RGSM).

Response:

Distribution will use the average rate assumption method (ARAM) to return any excess ADFIT to ratepayers. Distribution maintains its deferred tax record using the PowerTax deferred tax module. Distribution has the records to calculate ARAM and must use this method as prescribed in the Tax Cuts and Jobs Act.

(c) Has the utility company maintained sufficient records, i.e. the requisite vintage records, to use the ARAM? If no, explain why not.

Response:

Yes.

D. FAS 109

1. As a result of the tax rate change from 35% to 21%, the FAS 109 accounts will need to be revalued.

(a) What will be the effect on FAS 109 accounts balances as of December 31, 2017?

Response:

Based upon discussions with Staff on January 17, 2018, all calculations are being performed on a fiscal year basis. The estimated effect is determined as of September 30, 2017. The calculation is based upon information available as of February 13, 2018.

The effect on the FAS 109 balance as of September 30, 2017 will be as follows:

Recoverable Future Taxes will be reduced by $14.9 Million and Taxes Refundable to Customers will be increased by $119.3 Million. The net effect will be a reduction to ADIT – FAS 109 of $134.2 Million.

Please see Exhibit II.

(b) Will the revaluation of the FAS 109 accounts impact operating income? If so, what is the expected dollar impact and the rationale?

Response:

No. The revaluation of the FAS 109 account will not impact operating income.

(c) Provide the proposed journal entries resulting from the tax rate change with estimated dollar amounts, for the FAS 109 account balances

Response:

Dr. ADIT – FAS 109	**$134.2**	
Cr. Recoverable Future Taxes		**14.9**
Cr. Taxes Refundable to Customers		**119.3**

E. Net Operating Losses

1. Currently, what is the amount of net operating tax losses available to the utility company?

Response:

Distribution has a federal net operating loss carry forward into Fiscal 2018 of $28.3 million.

2. How will the changes contained in the Tax Act related to deduction of net operating losses effect the utility company?

Response:

There will be no impact. Net operating losses incurred before December 31, 2017 are not subject to limitation. The deferred tax asset for net operating losses has been revalued for the reduction to the federal tax rates. The impact of the rate decrease on net operating loss carryforward is $3.3 million and was recorded as a portion of the Taxes Refundable to Customers entry noted above in D.

See Exhibit IV.

F. Bonus Depreciation

1. What is the effect on the utility company due to the bonus depreciation changes contained within the Tax Act for the year 2017? The response should at a minimum address cash flow changes, revenue requirement effects/changes, as well any other changes the utility company expects. Provide supporting calculations, and identify all assumptions.

Response:

There is no impact on Distribution's fiscal year 2017. Bonus depreciation is not allowed during fiscal year 2018 and later years.

2. What is the effect on the utility company due to the bonus depreciation changes contained within the Tax Act for the years 2018 and 2019? The response should at a minimum address cash flow changes, revenue requirement effects/changes, as well any other changes the utility company expects. Provide supporting calculations, and identify all assumptions.

Response:

Based upon discussions with Staff on January 17, 2018, all calculations are being performed on a fiscal year basis.

Beginning on Fiscal 2018 the Company will be required to use the MACRS method of tax deprecation. The reduction to tax depreciation will decrease cash flow due to increased taxable income and increase ratebase due to decreased ADIT (Acct. 282). The estimated increase to rate base as of March 31, 2018 as the result of above is $.6 million.

Please see Exhibit III-A

The estimated increase to rate base as of September 30, 2018 and 2019 as the result of above under the average proration methodology is $2.7 and $13.9 million.

Please see Exhibit III-B.

3. In the utility company's current effective rate plan, are there any provisions that would be applicable, and automatically capture the impacts, of the Tax Act change in the treatment of bonus depreciation? If yes, please explain.

Response:

No. Distribution's last rate case was fully litigated and there was no provision for automatically capturing the impacts of the Tax Act change.

G. Interest Expense Deduction Limitation

1. For ratemaking purposes, does the utility utilize a consolidated or standalone capital structure?

Response:

In the Order related to Case 16-G-0257, the Commission required Distribution to utilize the consolidated capital structure.

2. Will the limitation of interest deductibility, have any impact on the utility operations, and any revenue requirement impact? If yes, explain in full, and provide the supporting calculations of the various impacts that are expected.

Response:

No. Based upon the current interpretations of the 2017 Tax Reform Act, the interest limitation rules should not apply to Distribution.

H. Interest Coverage, Cash Flow and Bond Ratings

1. Assuming the company's revenues are adjusted to reflect the various tax law changes contained within the Tax Act, what is the expected impact on the utility company's (a) cash flow, (b) interest coverage, and (c) bond ratings for the years 2018 and 2019?

Response:

For the fully forecasted fiscal year 2018, ending September 30, 2018, we expect the following impacts of the Tax Act:

(a) Cash Flow: The Company expects on a consolidated basis little to no change in cash flow as a result of the Tax Act.

(b) Interest Coverage: Using a metric of Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) compared to Interest Expense, the Company [redacted]ts its new [redacted]rest coverage ratio to be [redacted] down from [redacted] before the Tax Act.

(c) Bond Ratings: Moody’s and S&P have not indicated any changes to the Company’s bond rating or outlook. Moody’s did issue an industry-wide update that lowered the outlook on 25 regulated utilities (which did not include National Fuel Gas Company) on an expected negative impact from the Tax Act. S&P has not made any changes to industry ratings, however, they provided guidance that they expect the Tax Act to be negative for regulated utilities, but are waiting to see the reaction of regulators and/or companies to determine any possible ratings changes. For National Fuel Gas Company, the potential negative impact of the Tax Act on regulated subsidiary cash flows should be largely, if not more than, offset by the benefits received in its non-rate-regulated subsidiaries. This should keep the Company’s current credit ratings at their current level.

For the fully forecasted fiscal year 2019, ending September 30, 2019, we expect the following impacts of the Tax Act:

(a) Cash Flow: The Company expects, on a consolidated basis, a neutral-to-positive change in cash flow as a result of the Tax Act, particularly as a result of the Company’s non-regulated operations seeing a further reduction in the federal income tax rate to 21% and the maintenance of 100% bonus depreciation.

(b) Interest Coverage: Using a metric of Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) compared to Interest Expense, the Company expects its interest

coverage ratio to continue to increase in fiscal 2019 through a combination of flat-to-lower interest expense and increasing non-regulated ITDA, with a new ratio of EBITDA approaching [redacted] [redacted] Interest Expense.

(C) Bond Ratings: A similar explanation as provided for fiscal 2018 is relevant for fiscal 2019. The Company does not anticipate, based on what it knows today, any material deterioration in its credit metrics in fiscal 2019, and it is more likely that they remain consistent or become slightly improved during the forecasted fiscal 2019 period.

I. Other Items

1. Individually identify any other provision changes contained within the Tax Act, not mentioned above, which will have an impact on the utility company's revenue requirements. Which of the provision changes is expected to have a material impact?

Response:

The impact of the estimated re-measurement of deferred income taxes on the balance sheet for the Company's non-rate-regulated activities generated an immediate reduction income tax expense and a corresponding increase in retained earnings totaling $111.0 million. Additionally, the blended statutory rate of 24.5% for fiscal 2018 is forecasted to increase net income in other National Fuel subsidiaries outside of National Fuel Gas Distribution Corporation by an estimated total of [redacted] Collectively, these two items w[redacted]ompany's Shareholders' Equity by [redacted]

For fiscal 2019, the statutory rate further declines to 21.0% for the Company and would increase net income in other National Fuel subsidiaries outside of National Fuel Gas D[redacted]rporation by an estimated total of [redacted] relative to the previous 35% federa[redacted]te. Collectively, the Tax Reform impact for 2018 and 2019 would

increase t[redacted]areholders’ Equity by an estimated [redacted]

2. Identify the revenue requirement effects for each of the identified items for each of the years 2018 and 2019. Provide supporting calculations and identify all assumptions.

Response:

Based upon discussions with Staff on January 17, 2018, all calculations are being performed on a fiscal year basis.

Estimated Fiscal 2018 Pre-tax net book income multiplied by the 10.5% statutory rate decrease will decrease current and deferred tax expense by $4.2 million. The return of excess deferred taxes under the ARAM will decrease tax expense by $2.6 million. The sum of the two, increased by a revenue requirement factor of 1.416581, is expected to be $9.6 million.

Estimated Fiscal 2019 Pre-tax net book income multiplied by the 14% statutory rate decrease will decrease current and deferred tax expense by $5.7 million. The return of excess deferred taxes under the ARAM will decrease tax expense by $4.0 million. The sum of the two, increased by a revenue requirement factor of 1.349664, is expected to be $13.2 million.

Please see attached Exhibit I.

Estimated average rate base as of September 30, 2018 and 2019 will increase by $2.7 and $13.9 million due to the decreased federal rate and loss of bonus depreciation. This increase to rate base, multiplied by a ROR of 6.97% and a revenue requirement of 1.416581 and 1.349664, is expected to increase the revenue requirement by $0.3 and $1.3 million.

Please see attached Exhibit III-B.

The changes to the capital structure outlined above in section I.1., this provides an estimated increase to revenue requirement of $1.4 million.

The federal rate reduction to deferred tax assets relating to other than plant temporary difference and net operating loss carryforward of $5.3 million described in C.1.(b), increase by a revenue requirement factor of 1.416581, provides an estimated increase to revenue requirement of $7.5 million.

3. For each of the calendar years 2018 and 2019, identify how the utility company will account for the revenue requirement impact of the tax law changes contained within the Tax Act.

Response:

Based upon discussions with Staff on January 17, 2018, all calculations are being performed on a fiscal year basis.

The Company proposes to initially defer the net revenue requirement impact (see response to Question I.4. below).

4. In the Commission's December 29, 2017 Order, it identified the goal of preserving the net tax benefits resulting from the changes within the Tax Act for ratepayers.There are various options to provide the benefits to ratepayers, e.g. deferral approach until next rate case, implementation of a sur-credit, implementation in a second stage of a multi-year plan, rate case reopener, offset of other deferrals, etc.

   What is the utility company's proposal for treatment of the net tax benefits, and how do you propose ratepayers receive this net benefit amount? Explain why this proposed approach is the most optimal.

Response:

Distribution proposes to initially defer any net tax

benefits and to begin discussions with Staff and interested parties on proposed uses of the net benefit. Distribution believes, particularly in the current low gas cost environment experienced by Distribution's customers, that it would be beneficial to discuss options available for use of the net benefits including: potential offsets of other deferrals, a potential rate case reopener, and/or a potential partial implementation of a sur-credit.

5. Identify the carrying charge rate that should be utilized pending return of the net tax benefits to customers.Provide the rationale for use of this rate.

Response:

Since the benefits of the tax rate change will be provided to rate payers as soon as practical, and will only impact the Company's short term debt balance, the Company proposes that the other customer capital rate be utilized.

EXHIBIT I
Response to B.1.b; I.2.
Page 1

NYD REGULATORY ENTITY TAX PROVISION ESTIMATED FISCAL 2018 TAX PROVISION		TAX REFORM			PR. LAW		TRA VARIANCE	
		2018 YTD AMT	TAX EFFECT		2018 YTD AMT	TAX EFFECT	TRA VARIANCE YTD AMT	TAX EFFECT
PRE TAX NET BOOK INCOME	24.5%	39,828,887	9,758,077	35.0%	39,828,850	13,940,098	37	(4,182,020)
PERMANENT DIFFERENCES:								
Cost of Removal		(4,367,900)	(1,070,136)		(4,367,900)	(1,528,765)	-	458,630
Book Depreciation - FT		6,000,000	1,470,000		6,000,000	2,100,000	-	(630,000)
Meals & Entertainment		282,000	69,090		282,000	98,700	-	(29,610)
TOTAL PERM DIFFS		1,914,100	468,955		1,914,100	669,935	-	(200,981)
TEMPORARY DIFFERENCES:								
TOTAL TEMP DIFFS		2,541,229			(16,056,002)		18,597,231	
TAXABLE INCOME BEFORE STATE TAX DEDUCTION		44,284,216			25,686,948		18,597,231	
STATE INCOME TAX - CURRENT		967,964	730,813		940,221	611,144	27,743	119,669
STATE INCOME TAX - DEFERRED			491,523			423,166		68,358
TOTAL STATE INCOME TAX (NET OF FED BENEFIT)		967,964	1,222,336		967,964	1,034,309	27,743	188,027
TAXABLE INCOME BEFORE NOL AND SPECIAL DEDUCTIONS		43,316,252	-		24,718,984	-	18,597,268	
FED NOL UT - OPERATING	NOL C/F	(28,291,978)			(24,718,984)		(3,572,994)	
TAXABLE INCOME		15,024,274			-		15,024,274	
TAX AT EFFECTIVE RATE		3,680,947			-		3,680,947	
TAX CREDITS:								
RESEARCH & DEVELOPMENT CREDIT		-	-		-	-	-	-
FUEL TAX CREDIT		-	-		-	-	-	-
TOTAL TAX CREDITS		-			-		-	
INCOME TAX AFTER CREDITS		3,680,947			-		3,680,947	
FAS 109 - FEDERAL(ARAM)			(2,612,000)			-	-	(2,612,000)
TOTAL CURRENT FEDERAL PROVISION		3,680,947	8,837,368		-	15,644,342	3,680,947	(6,806,974)

TRA effect on current tax expense	3,680,947
TRA effect on deferred tax expense	(7,875,921)
Average Rate Assumption Method	(2,612,000)
Total Impact on Fiscal 2018 tax expense	(6,806,974)

NY Statutory Rate	6.50%	
Federal Benefit	-1.59%	
Federal Statutory Rate	24.50%	
	29.41%	
NYD REGULATORY RETENTION FACTOR	1.416581	1.416581
ESTIMATED REFUND PROVISION		(9,642,631)

(a) Current federal income tax expense will increase by $3.6 million due the 10.5% decrease in Federal statutory rate and loss of bonus depreciation
(b) Deferred federal income tax expense will decrease by $7.8 million due the 10.5% decrease in Federal statutory rate and loss of bonus depreciation
(c) Deferred federal income tax expense will decrease by $2.6 million due the Average Rate Assumption Method (ARAM)

EXHIBIT I
Response to B.1.b; I.2.
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		TAX REFORM			PR. LAW		TRA VARIANCE	
NYD REGULATORY ENTITY TAX PROVISION **ESTIMATED FISCAL 2019 TAX PROVISION**		**2019 YTD AMT**	**TAX EFFECT**		**2019 YTD AMT**	**TAX EFFECT**	**TRA VARIANCE YTD AMT**	**TAX EFFECT**
PRE TAX NET BOOK INCOME	21.0%	38,485,463	8,081,947	**35.0%**	38,485,463	13,469,912	-	(5,387,965)
PERMANENT DIFFERENCES:								-
Cost of Removal		(4,498,937)	(944,777)		(4,498,937)	(1,574,628)	-	629,851
Book Depreciation - FT		6,000,000	1,260,000		6,000,000	2,100,000	-	(840,000)
Meals & Entertainment		290,460	60,997		290,460	101,661	-	(40,664)
TOTAL PERM DIFFS		1,791,523	376,220		1,791,523	627,033	-	(250,813)
TEMPORARY DIFFERENCES:								
TOTAL TEMP DIFFS		(3,748,520)			(13,191,012)		9,442,492	
TAXABLE INCOME BEFORE STATE TAX DEDUCTION		36,528,466			27,085,974		9,442,492	
STATE INCOME TAX - CURRENT		1,274,753	1,007,055		1,187,660	771,979	87,093	235,076
STATE INCOME TAX - DEFERRED			(181,521)			170,336		(351,857)
TOTAL STATE INCOME TAX (NET OF FED BENEFIT)		1,274,753	825,534		1,187,660	942,315	87,093	(116,781)
TAXABLE INCOME BEFORE NOL AND SPECIAL DEDUCTIONS		35,253,713	-		25,898,314	-	9,355,399	
FED NOL UT - OPERATING	NOL C/F	-			(3,572,994)		3,572,994	
TAXABLE INCOME		35,253,713			22,325,320		12,928,393	
TAX AT EFFECTIVE RATE		7,403,280			7,813,862		(410,582)	
TAX CREDITS:							-	
RESEARCH & DEVELOPMENT CREDIT		(5,572)	-		(5,572)	-	-	-
FUEL TAX CREDIT		-	-		-	-	-	-
TOTAL TAX CREDITS		(5,572)			(5,572)		-	-
INCOME TAX AFTER CREDITS		7,397,708			7,808,290		(410,582)	-
								-
FAS 109 - FEDERAL(ARAM)			(4,045,000)			-	-	(4,045,000)
TOTAL CURRENT FEDERAL PROVISION		7,397,708	5,238,701		7,808,290	15,039,260	(410,582)	(9,800,559)

TRA effect on current tax expense	(410,582)
TRA effect on deferred tax expense	(5,344,977)
Average Rate Assumption Method	(4,045,000)
Total Impact on Fiscal 2019 tax expense	(9,800,559)

NY Statutory Rate	6.50%	
Federal Benefit	-1.59%	
Federal Statutory Rate	21.00%	
	25.91%	
NYD REGULATORY RETENTION FACTOR	1.349664	1.349664
ESTIMATED REFUND PROVISION		(13,227,465)

(a) Current federal income tax expense will decrease by $0.4 million due the 14% decrease in Federal statutory rate and loss of bonus depreciation
(b) Deferred federal income tax expense will decrease by $5.3 million due the 14% decrease in Federal statutory rate and loss of bonus depreciation
(c) Deferred federal income tax expense will decrease by $4.0 million due the Average Rate Assumption Method (ARAM)

National Fuel Gas Distribution - NYD
Accumulated Deferred Income Taxes
As of September 30, 2017

EXHIBIT II
Response to C.1.; D.1.a.

		AT PRIOR FEDERAL RATES				AT NEW FEDERAL RATES			TRA IMPACT		
TAX EFFECTED TEMP DIFFS:		TOTAL	PLANT	NON PLANT		TOTAL	PLANT	NON PLANT	TOTAL	PLANT	NON PLANT
			-	-							
			-	-							
FEDERAL TEMP DIFFS AT COMBINED RATE	#DIV/0!	(277,068,323)	(283,021,587)	5,953,264	25.39%	(178,311,572)	(182,304,664)	3,993,092	**98,756,751**	**100,716,922**	**(1,960,172)**
FEDERAL NOL		9,916,187		9,916,187		6,559,250	-	6,559,250	(3,356,936)		(3,356,936)
CURRENT YR STATE DEPR ADJ		9,851,231	9,851,231	-		11,605,496	11,605,496	-	1,754,266	1,754,266	
				-		-	-	-			
TOTAL		(257,300,905)	(273,170,356)	15,869,451		(160,146,825)	(170,699,168)	10,552,343	97,154,080	102,471,188	(5,317,108)
				-							
Rounded									**97.2**	**102.5**	**(5.3)**
				-							
ADIT PER GL		(243,280,361)	(255,898,668)	12,618,307		(243,280,361)	(255,898,668)	12,618,307			
(DEFICIENCY) EXCESS ADIT		(14,020,544)	(17,271,688)	3,251,144		83,133,536	85,199,500	(2,065,964)	97,154,080	102,471,188	(5,317,108)
		63.124%	63%	63%		0.3403005	34.0300%	34.0300%			
Revenue Requirement		(8,850,279)	(10,902,520)	2,052,240		28,290,381	28,993,430	(703,049)	37,140,660	39,895,950	(2,755,289)
Fas 109 ADIT		(22,870,823)	(28,174,208)	5,303,384		111,423,917	114,192,930	(2,769,013)	134,294,740	142,367,138	(8,072,397)
				-							
		(266,151,184)				(131,856,444)					

BALANCES PER GENERAL LEDGER								
282 ADIT - PROTECTED	(255,898,668)	(255,898,668)		(255,898,668)				
283 ADIT - OTHER	12,618,307		12,618,307	12,618,307				-
283 ADIT - FAS 109	(22,870,823)			111,423,917		134,294,740	142,367,138	(8,072,397)
TOTAL	(266,151,184)			(131,856,444)		134,294,740	142,367,138	(8,072,397)
186 TAXES RECOVERABLE	**33,343,638**			18,400,039		(14,943,599)	(14,943,599)	
254 TAXES REFUNDABLE	**(10,540,139)**			(129,854,540)		(119,314,401)	(127,423,539)	8,072,397
TOTAL	**22,803,499**			**(111,454,501)**		**(134,258,000)**	**(142,367,138)**	**8,072,397**

JOURNAL ENTRY TO RECORD TAX RATE DECREASE:		ROUNDED
283 ADIT - FAS 109	**$**	**134.2**
186 TAXES RECOVERABLE	**$**	**(14.9)**
254 TAXES REFUNDABLE	**$**	**(119.3)**

National Fuel Gas Distribution Corporation
New York Division
Accumulated Deferred Income Taxes
Liberalized Depreciation
Twelve Months Ending March 31, 2018
($000)

EXHIBIT III-A
Response to F.2.

Accumulated Deferred Income Taxes Liberalized Depreciation	Deferred Tax Expense NYS	 FED	 Total	282 Acc. Def. Inc. Tax Lib. Depr.	Per Original Case 16G-0257	TRA Impact Rate Base
Balance at December 31, 2015 - Per Books				(235,655)	(235,655)	-
Deferral: 1/1/2016 - 3/31/17 (15 mos)						
Depreciation, Depletion and Amortization	1,375	(4,880)	(3,505)			
Federal Bonus Depreciation		15,404	15,404			
Repairs and Maintenance Deduction	1,611	7,705	9,316			
Contribution in Aid of Construction	(311)	(1,487)	(1,798)			
Section 263 A - Unicap	(177)	(846)	(1,023)			
	2,498	15,895	18,393	(18,393)		
Balance at March 31, 2017				(254,048)	(254,048)	-
Deferral: 4/1/2017 - 3/31/18 (12 mos)						
Depreciation, Depletion and Amortization	695	(2,238)	(1,543)			
Federal Bonus Depreciation		5,166	5,166			
Repairs and Maintenance Deduction	614	3,093	3,707			
Contribution in Aid of Construction	(119)	(597)	(716)			
Section 263 A - Unicap	(67)	(340)	(407)			
Deferral 4/1/17 - 9/30/17 (with Bonus)	1,123	5,084	6,207	(6,207)		
Depreciation, Depletion and Amortization	793	(649)	144			
Federal Bonus Depreciation		-	-			
Repairs and Maintenance Deduction	614	2,165	2,779			
Contribution in Aid of Construction	(119)	(418)	(537)			
Section 263 A - Unicap	(67)	(238)	(305)			
Deferral 10/1/17 - 3/31/18 (with out Bonus)	1,221	861	2,082	(2,082)		
ARAM adjustment 10/1/17 - 3/31/18				1,300		
Balance at March 31, 2018				(261,037)	(266,448)	5,412
Average Balance				(257,542)	(260,248)	2,706
Average Proration Methodology				**(256,326)**	**(256,884)**	**558**

National Fuel Gas Distribution Corporation
New York Division
Accumulated Deferred Income Taxes
Liberalized Depreciation
Twelve Months Ending September 30, 2018 and 2019
($000)

EXHIBIT III-B
Response to F.2,I.2

	TAX REFORM		PRIOR LAW			
		Acct. 282		Acct. 282		
	Deferred Tax	Acc. Def.	Deferred Tax	Acc. Def.	TRA	Impact
Accumulated Deferred Income Taxes	Expense	Inc. Tax	Expense	Inc. Tax	Impact	Revenue
Liberalized Depreciation	FED	Lib. Depr.	FED	Lib. Depr.	Rate Base	Requireme
Balance at September 30, 2017 - Per Books		(255,899)		(255,899)	-	
Deferral: 10/1/2017 - 9/30/18 (12 mos)						
Depreciation, Depletion and Amortization	(1,852)		(2,646)			
Federal Bonus Depreciation	-		6,510			
ARAM	(4,050)		-			
Repairs and Maintenance Deduction	5,615		8,022			
Contribution in Aid of Construction	-		-			
Section 263 A - Unicap	(673)		(962)			
	(960)	960	10,924	(10,924)		
Balance at September 30, 2018		(254,939)		(266,823)		
Average Balance		(255,419)		(261,361)		
Average Proration Methodology		**(255,679)**		**(258,403)**	**2,724**	**269**
Deferral: 10/1/2018 - 9/30/19 (12 mos)						
Depreciation, Depletion and Amortization	(2,684)		(4,473)			
Federal Bonus Depreciation	-		3,305			
ARAM	(4,425)		-			
Repairs and Maintenance Deduction	4,682		7,804			
Contribution in Aid of Construction	-		-			
Section 263 A - Unicap	(595)		(991)			
	(3,021)	3,021	5,645	(5,645)		
Balance at September 30, 2019		(251,918)		(272,468)		
Average Balance		(253,428)		(269,646)		
Average Proration Methodology		**(254,246)**		**(268,117)**	**13,871**	**1,305**

NATIONAL FUEL GAS DISTRIBUTION - NY DIVISION
NET OPERATING LOSS CARRYFORWARD
AS OF SEPTEMBER 30, 2017

EXHIBIT IV
Response to E.2.

FEDERAL NOL CARRY FORWARD TO FISCAL 2017			28,291,978
DEFERRED TAX ASSET		35%	9,902,192
DEFERRED TAX ASSET		24.5%	6,931,535
Re-measurement at Beg of year	Step 1		(2,970,658)
ESTIMATED FISCAL 2018 NOL UTILIZATION*			(18,447,917)
TOTAL FEDERAL NOL	END OF YR		9,844,061
DEFERRED TAX ASSET		24.5%	2,411,795
DEFERRED TAX ASSET		21.0%	2,067,253
Re-measurement at END of year	Step 2		(344,542)
TOTAL FAS 109 RE-MEASUREMENT			(3,315,200)
ROUNDED			**$ (3.3)**

* This amount represents a previously estimated Fiscal 2018 utilization and was used to record the December 31, 2017 general ledger entry. This amount will be trued up on the general ledger.

PowerTax Deferred Tax Recovery By Type Report
National Fuel Gas Distribution Corporation
New York Division

EXHIBIT V
Response to C.3.b.; C.4.a.
Page 1

Tax Year: 2018	Tax Recovery			Book Recovery				Current Difference		Current Deferred Tax			
Jurisdiction: Federal	Depreciation	Loss/(Gain)	Tax Total	Depreciation	Loss/(Gain)	Book Total	Orig Diff	Depreciation	Orig Diff	Depreciation	Loss/(Gain)	Orig Diff	Total DIT
D Fed COR FT	-	4,368,000	4,368,000	4,043,339	-	4,043,339	-	(4,043,339)	-	-		-	-
D Fed Method/Life FT	1,949	-	1,949	1,205,214	-	1,205,214	-	(1,203,266)	-	-		-	-
D Fed AFUDC	-	-	-	193,892	-	193,892	(290,000)	(193,892)	290,000	-		-	-
D Fed AFUDC 2.5%	-	-	-	373,289	-	373,289	-	(373,289)	-	-		-	-
D Fed AFUDC 5%	-	-	-	479,049	-	479,049	-	(479,049)	-	-		-	-
D Fed Meals & Entertainment	-	-	-	1,883	-	1,883	-	(1,883)	-	-		-	-
Total Flow - Thru book recovery	1,949	4,368,000	4,369,949	6,296,666	-	6,296,666	(290,000)	(6,294,718)	290,000	-		-	-
D Fed Method/Life	29,510,625	-	29,510,625	35,090,712	4,686	35,095,398	-	(5,580,087)	-	(3,286,799)	(2,760)	-	(3,289,558)
D Fed Repairs & Maintenance	-	-	-	4,606,248	-	4,606,248	(22,917,000)	(4,606,248)	22,917,000	(1,584,484)		5,614,665	4,030,181
D Fed 481a Bonus Adj	1,375,168	-	1,375,168	-	-	-	-	1,375,168	-	481,309		-	481,309
D Fed 481a Repair Adj	(8,521,315)	-	(8,521,315)	-	-	-	-	(8,521,315)	-	(2,982,460)		-	(2,982,460)
D Fed CIAC	1,724,983	-	1,724,983	-	-	-	-	1,724,983	-	603,744		-	603,744
D Fed UNICAP	2,977,408	-	2,977,408	-	-	-	2,750,000	2,977,408	(2,750,000)	1,031,265		(673,750)	357,515
Company/JurSubtotal:	27,068,817	4,368,000	31,436,817	45,993,626	4,686	45,998,312	(20,457,000)	(18,924,809)	20,457,000	(5,737,425)	-	4,940,915	(799,269)
Less: Flow - Thru book recovery			(4,369,949)	(6,296,666)		(6,296,666)	290,000	6,294,718	(290,000)	-	-	-	-
Normalized Plant Temporary differences			27,066,869	39,696,960		39,701,646	(20,167,000)	(12,630,091)	20,167,000	(5,737,425)	-	4,940,915	(799,269)
Normalized Plant Temporary differences at 24.5%				12,630,091						(3,094,372)		4,940,915	
2018 ESTIMATED ARAM DIFFERENCE										(2,643,053)		-	
2018 ARAM DIFFERENCE - ROUNDED										**$ (2.6)**			

PowerTax Deferred Tax Recovery By Type Report
National Fuel Gas Distribution Corporation
New York Division

EXHIBIT V
Response to C.3.b.; C.4.a.
Page 2

Tax Year: 2019	Tax Recovery			Book Recovery				Current Difference		Current Deferred Tax			
Jurisdiction: Federal	Depreciation	Loss/(Gain)	Tax Total	Depreciation	Loss/(Gain)	Book Total	Orig Diff	Depreciation	Orig Diff	Depreciation		Orig Diff	Total DIT
D Fed COR FT	-	4,499,000	4,499,000	4,103,199	-	4,103,199	-	(4,103,199)	-		-	-	-
D Fed Method/Life FT	46,861	-	46,861	1,024,377	-	1,024,377	-	(977,517)	-		-	-	-
D Fed AFUDC	-	-	-	187,428	-	187,428	(263,000)	(187,428)	263,000	-		-	-
D Fed AFUDC 2.5%	-	-	-	346,300	-	346,300	-	(346,300)	-	-		-	-
D Fed AFUDC 5%	-	-	-	417,226	-	417,226	-	(417,226)	-	-		-	-
D Fed Meals & Entertainment	-	-	-	1,747	-	1,747	-	(1,747)	-	-		-	-
Total Flow - Thru book recovery	46,861	4,499,000	4,545,861	6,080,277	-	6,080,277	(263,000)	(6,033,417)	263,000	-		-	-
D Fed Method/Life	26,669,761	-	26,669,761	36,741,150	-	36,741,150	-	(10,071,389)	-	(5,239,515)		-	(5,239,515)
D Fed Repairs & Maintenance	-	-	-	4,394,570	-	4,394,570	(22,294,000)	(4,394,570)	22,294,000	(1,479,375)		4,681,740	3,202,365
D Fed 481a Bonus Adj	1,375,080	-	1,375,080	-	-	-	-	1,375,080	-	481,278		-	481,278
D Fed 481a Repair Adj	(8,278,775)	-	(8,278,775)	-	-	-	-	(8,278,775)	-	(2,897,571)		-	(2,897,571)
D Fed CIAC	1,558,059	-	1,558,059	-	-	-	-	1,558,059	-	545,321		-	545,321
D Fed UNICAP	3,035,038	-	3,035,038	-	-	-	2,833,000	3,035,038	(2,833,000)	1,019,959		(594,930)	425,029
			-										-
Company/JurSubtotal:	24,406,024	4,499,000	28,905,024	47,215,997	-	47,215,997	(19,724,000)	(22,809,974)	19,724,000	(7,569,903)	-	4,086,810	(3,483,093)
Less: Flow - Thru book recovery			(4,545,861)	(6,080,277)		(6,080,277)	263,000	6,033,417	(263,000)	-	-	-	-
Normalized Plant Temporary differences			24,359,163	41,135,720		41,135,720	(19,461,000)	(16,776,557)	19,461,000	(7,569,903)	-	4,086,810	(3,483,093)
Normalized Plant Temporary differences at 21%				16,776,557						(3,523,077)		4,086,810	
2019 ESTIMATED ARAM DIFFERENCE										(4,046,826)		-	
2019 ARAM DIFFERENCE - ROUNDED										**$ (4.0)**			