March 20, 2018

Mr. Brandon Frey
Interim Executive Secretary
Louisiana Public Service Commission
602 North 5th Street, 12th floor
Baton Rouge, Louisiana 70802

RE: Impact of Federal Tax Cuts and Jobs Act
LPSC Docket No. X-34747 and R-34754
KM File No. 18832-0

Dear Mr. Frey:

Pierre Part Natural Gas Company, Inc. (“Pierre Part”) submits this letter to the Louisiana Public Service Commission (“LPSC”) in response to a request that regulated utilities submit a report in the referenced docket prior to March 21, 2018, regarding savings that are anticipated to be flowed to ratepayers as a result of the Federal Tax Cuts and Jobs Act which reduced the federal income tax rate from 35% to 21%.

Pierre Part operates under a fiscal tax year of July 1-June 30, and understands from its auditors that it will experience a reduction in tax expense as a result of the Tax Cuts and Jobs Act beginning January 1, 2018.

Pierre Part further understands there will be two impacts from the tax reduction. First, there is a reduction in annual federal tax expense incurred by Pierre Part. Second, there is a reduction in the amount of accelerated deferred taxes that Pierre Part is required to reflect on its balance sheet and a corresponding increase in rate base. Each of these impacts is discussed below.

Regarding the reduction in annual federal tax expense, Pierre Part estimates the reduction will be approximately $5,075 based on June 1, 2017 - July 31, 2018 fiscal year data. Current rates are based on federal tax expense of $12,689, which would be reduced to 7,615 based on a 21% tax rate, for a difference of $5,075.

Regarding the reduction in deferred taxes, Pierre Part estimates the reduction would be approximately $853 per year. The reduction of deferred taxes on the balance sheet would be $22,800, amortized over 25 years, for an annual amount of $853 after offsetting the corresponding effect of increased rate base. A workpaper showing the calculation is attached.
In order to flow the benefits of the tax reductions to its customers, Pierre Part contemplates that it would implement a rate adjustment as soon as possible. Pierre Part is currently targeting implementation on or before July bills, which would reflect the estimated annual benefits for January-December 2018, amortized and flowed to customers over the remaining months of calendar year 2018. The rate adjustment would be subject to true-up, based on the actual achieved tax reduction outcome. The rate adjustment would be implemented on a per Mcf basis as part of the monthly purchased gas adjustment. Pending flow through of the tax reduction benefits to its customers, Pierre Part will reflect a regulatory liability on its balance sheet for the reduced tax expense.

Meanwhile, before proceeding with the implementation, Pierre Part is continuing to evaluate the tax reduction and its plans for flow through of benefits to customers to ensure that its calculations and plans are appropriate and consistent with tax rules and regulations and requirements of the Louisiana Public Service Commission applicable to all of the jurisdiction natural gas distribution companies.

In considering the calculation and implementation steps to flow back the tax reduction benefits to ratepayers, Pierre Part has a number of questions, including as follows:

1) Can the flow through of benefits from the tax reduction to customers be implemented on an mcf basis?

2) Can the flow through of benefits from the tax reduction to customers be subject to true-up, after actual tax savings are confirmed at the end of the tax year?

3) Will all of the natural gas distribution utilities be required to flow the benefits of the tax reduction to customers as a dollar-for-dollar reduction?

4) Does Staff have any questions or input on Pierre Part’s anticipated approach discussed above.

Pierre Part looks forward to working with LPSC Staff to address the above questions and any additional implementation steps in the LPSC Rulemaking initiated on this topic, in Docket R-34754.
Please let us know if you have any questions or need additional information from Pierre Part regarding this matter.

Very truly yours,

Justilien Cortez, Jr.
Comptroller
Pierre Part Natural Gas Company, Inc.

cc: LPSC Commissioners
Melissa Watson
Lauren Temento
Paul Zimmering
Noel Darce
Lane Sisung
 Deferred Tax Analysis - Special
South Coast Gas Co., Inc.

Pierre Part Natural Gas Company, Inc.

<table>
<thead>
<tr>
<th>Component</th>
<th>Timing Difference</th>
<th>@ 35%</th>
<th>@ 21%</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation</td>
<td>162,860</td>
<td>(57,001)</td>
<td>(34,201)</td>
<td>(22,800)</td>
</tr>
<tr>
<td>Balance, 6/30/17</td>
<td>162,860</td>
<td>(57,001)</td>
<td>(34,201)</td>
<td>(22,800)</td>
</tr>
</tbody>
</table>

Journal Entries

Deferred Tax Expense 22,800
Deferred Income Taxes 22,800

Adjustment Calculation for tax savings through ADIT:
ADIT adjustment 22,800
Amortization period 25 years
912

Adjustment calculation for income shortfall with reduced ADIT:
ADIT adjustment 22,800
Amortization period 25 years
Additional Rate Base 912
Equity Ratio 65%
593
Allowed Return on Equity 10%
Shortfall 59

\[5,075 + 912 - 59 = 5,928\]