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February 28, 2018

**Via Electronic and US Mail**

Debra A. Howland  
Executive Director  
New Hampshire Public Utilities Commission  
21 S. Fruit Street, Suite 10  
Concord, NH 03301-2429

**Re: Docket No. DE 16-383  
Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities  
Certification of Exogenous Events**

Dear Ms. Howland:

The Stipulation and Settlement Agreement Regarding Permanent Rates (the "Settlement"), approved by the Commission in Order No. 26,005 (April 12, 2017), contains a provision relating to Exogenous Events. In particular, the Settlement provides, at Section III.A, that Liberty Utilities ("Liberty") may adjust its distribution rates upward or downward as a result of certain defined Exogenous Events. Those events fall into five categories, specifically:

- III.B.1 State Initiated Cost Change
- III.B.2 Federally Initiated Cost Change
- III.B.3 Regulatory Cost Reassignment
- III.B.4 Regulatory Cost Reassignment
- III.B.5 Externally Imposed Accounting Rule Change

Section III.C requires Liberty to file with the Commission, no later than the last day of February of 2018 and 2019, a Certification of Exogenous Events for the prior calendar year. In the event that an Exogenous Event has occurred and it exceeds the threshold level of impact to distribution revenue specified in the Settlement, Liberty is required to provide sufficient detail supporting the change to its revenue requirement to the Commission, Staff, and OCA. The Settlement further specifies that any adjustment to Liberty's revenue requirement due to Exogenous Events shall be subject to review and approval by the Commission and shall be implemented for service rendered on or after May 1 of that year.

After review, Liberty has determined that there were no Exogenous Events related specifically to the above sections of the Settlement that impacted distribution revenue above the threshold amount and would trigger a rate adjustment. This filing meets the certification obligation for 2017. Liberty notes, however, that two events of which it became aware in 2017 but took effect in 2018 qualify as Exogenous Events and will be reported on or before February 28, 2019. Those events are: 1) the change

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to federal tax law under the Tax Cuts and Jobs Act that resulted in a decrease to Liberty's tax liability for 2018 effective January 1, 2018; and 2) a change to accounting standards issued by the Financial Accounting Standards Board (Accounting Standards Update No. 2017-07) related to pension and other post-employment benefits ("OPEB") costs requiring that certain costs related to pensions and OPEBs can no longer be capitalized and must be expensed, resulting in an increase to the revenue requirement. The former Exogenous Event is currently the subject of Docket No. IR 18-001.

Liberty further notes that under the Settlement, the test year for Granite State's next general distribution rate case shall be no sooner than the twelve-month period ending December 31, 2018. Liberty currently plans to file a distribution rate case for Granite State in 2019, utilizing 2018 as a test year. Therefore, any changes to Granite State's revenue requirement that would otherwise occur pursuant to an Exogenous Event will be included in the test year operating income included in that rate filing and could be dealt with in that proceeding. Alternatively, the change could be implemented for both of these Exogenous Events on May 1, 2019.

Thank you for your attention to this matter. Please do not hesitate to call if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Stephen R. Hall". The signature is written in a cursive, flowing style.

Stephen R. Hall

Enclosure

cc: Paul Dexter, Esq.  
D. Maurice Kreis, Consumer Advocate