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**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 file to request an adjustment to 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, and as described in its February 2018 Certification of Exogenous Events filing, Liberty has determined that there were two Exogenous Events related specifically to the above sections of the Settlement that impacted distribution revenue during 2018 above the threshold amount and would trigger a filing for a rate adjustment. Those events were: 1) the change 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 income tax related Exogenous Event was the subject of Docket Nos. IR 18-001 and DE 18-050 and was resolved during 2018.

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 occurred pursuant to the aforementioned accounting standard change will be included in the test year operating income included in that rate filing and can be dealt with in that proceeding. Thus, given the timing of the rate case and in the interest of administrative efficiency, Liberty opts not to make a separate filing for an Exogenous Event related rate adjustment.

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

Sincerely,



Steven E. Mullen

Enclosure

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