

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

DE 18-171

## **NEW HAMPSHIRE TRANSMISSION, LLC**

## Petition for Approval of Financing Related to Seabrook Substation

## **Petition for Extension of Financing Authorization Period**

**TESTIMONY OF RICHARD W. ALLEN  
ON BEHALF OF  
NEW HAMPSHIRE TRANSMISSION, LLC**

November 5, 2020

### **Background and Qualifications**

**Q. Please state your name and business address.**

A. My name is Richard W. Allen. My business address is 700 Universe Juno Beach, FL 33408.

**Q. Who is your current employer and what position do you hold?**

A. I am employed as President of New Hampshire Transmission, LLC (“NHT” or the “Company”), an indirect subsidiary of NextEra Energy, Inc. (“NextEra”). I was appointed to my current position on July 29, 2020, and I have worked for NextEra since August 5, 2019. I am responsible for managing NHT’s Seabrook Substation asset, including compliance, the capital and operations and maintenance plan, and interfacing with external stakeholders such as the Independent System Operator of New England (“ISO-NE”). I am also responsible for transmission development in the New England region.

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1           **Q. Please summarize your professional experience and educational**  
2           **background.**

3           A.     Immediately before joining NextEra, I was Vice President of Project and  
4     Business Development with the New York Power Authority (“NYPA”) responsible for  
5     the development of major transmission and generation projects. Prior to joining NYPA I  
6     was employed by National Grid for 25 years in positions with increasing levels of  
7     responsibility in Engineering, Operations, Project Management, and Business  
8     Development. In 2014 I was appointed as the Vice President for NY Transco, an affiliate  
9     of National Grid. I have a Bachelor of Science Degree in Electrical Engineering from  
10    Clarkson University, a Master’s of Electric Power Engineering from Rensselaer  
11    Polytechnic Institute, and a Master’s in Business Administration also from Rensselaer  
12    Polytechnic Institute.

## **Purpose of Testimony**

**Q. What is the purpose of your testimony?**

15       A.     The purpose of my testimony is to describe for the New Hampshire Public  
16 Utilities Commission (“Commission”) the current financing between NextEra Energy  
17 Capital Holdings, Inc. (“NextEra Capital”) and NHT approved in this docket, DE 18-  
18 171, in Order No. 26,204, issued on December 21, 2018 (“the Financing”), and to  
19 explain why extending the authorization period for this Financing for another two years  
20 is for the public good.

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### **Background on NHT**

2           **Q. Please describe the corporate relationship among NextEra, Florida  
3 Power & Light Company, NextEra Capital, NextEra Energy Resources, LLC and  
4 NHT.**

5           A.     NextEra has two primary direct subsidiaries: Florida Power & Light  
6 Company (“FPL”) and NextEra Capital. FPL is a vertically integrated electric utility  
7 serving retail customers within peninsular Florida. NextEra Capital, a wholly-owned  
8 subsidiary of NextEra Energy, Inc., holds the capital stock of, or has equity interests in,  
9 NextEra's operating subsidiaries (including NHT as an indirect subsidiary) and provides  
10 funding for those subsidiaries. NextEra Capital owns the capital stock of and provides  
11 the funding for NextEra’s non-FPL companies, including NEER and NextEra Energy  
12 Infrastructure, LLC (“NEI”). NEER indirectly owns generation assets, including the  
13 Seabrook Nuclear Generating Station (directly owned by NextEra Energy Seabrook,  
14 LLC). NHT owns transmission assets, including the 345 kV transmission substation  
15 which is operated as part of the ISO-NE transmission network, and which is located on  
16 the grounds of, and utilized by, the Seabrook Nuclear Generating Station (the “Seabrook  
17 Substation”).

18           **Q. Please provide further background on NHT and Seabrook Substation.**

19           A.     Pursuant to Order No. 24,321 in DE 03-186, 89 NH PUC 267 (2004), the  
20 Commission authorized FPL to be a New Hampshire public utility for the limited purpose  
21 of owning (an 88.23 percent share) and operating the Seabrook Substation, and approved  
22 a settlement agreement that spelled out the requirements that FPL had to follow. One of  
23 those requirements was that it be subject to the provisions of RSA 369 and certain other

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1 applicable regulatory laws with respect to any financing. The Commission has approved  
2 five financings for NHT and its predecessor, FPL-NED. *See* Order No. 24,935 issued on  
3 January 30, 2009, in DE 08-164, 94 NH PUC 37 (2009); Order No. 25,138 issued on  
4 August 12, 2010, in DE 10-062, 95 NH PUC 429 (2010); Order No. 25,556 issued on  
5 July 30, 2013, in DE 13-138; Order No. 25,955 in DE 16-813, issued on October 21,  
6 2016; and Order No. 26,204 in DE 18-171, issued on December 21, 2018.

In Order No. 25,105 in DE 10-042, 95 NH PUC 235 (2010), the Commission approved the transfer of the Seabrook Substation from FPL to NHT. As an NHT asset, the Seabrook Substation remains operationally and financially independent from NextEra's utility operations elsewhere. Seabrook Substation is a 345 kV Pool Transmission Facility operated as part of the transmission network of ISO-NE. It interconnects the Seabrook Nuclear Generating Station, the largest single electric generation resource in New England, with three major 345 kV transmission lines that are key components of the ISO-NE transmission network. Even when the Seabrook Nuclear Generating Station is not operating, the interconnection facilities associated with Seabrook Substation are essential to the reliable operation of the ISO-NE transmission network. Seabrook Substation is NHT's only operating asset, and it does not own any other electricity generation, transmission or distribution facilities, either in the ISO-NE market or anywhere else in the United States.

### **The Current Financing**

21           **Q.       Please describe the Financing approved by the Commission in 2018**  
22           **which is currently in effect.**

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1                   A.     In 2018 NHT sought authorization to enter into a third amended and  
2 restated loan agreement (the “Third Amended and Restated Loan Agreement”) with  
3 NextEra Capital, NHT’s lender and indirect parent company. NHT wished to issue long-  
4 term, secured debt securities in an aggregate principal amount not to exceed \$59 million  
5 during a two year period, beginning on January 1, 2019 (“the Authorization Period”).  
6 Under the terms of the Financing approved by this Commission in Order No. 26,204 in  
7 2018, the principal amount of total borrowings, including existing obligations plus new  
8 loans, was not to exceed \$80,633,431, which included the outstanding principal balance of  
9 existing obligations of \$21,633,431 and the new loan of \$59 million. The Commission  
10 authorized NHT to enter into the Third Amended and Restated Loan Agreement with  
11 NextEra Capital and to issue long-term, secured debt instruments in an aggregate principal  
12 amount not to exceed \$59 million during the two-year period beginning on January 1, 2019.

13                  The terms of the 2018 Financing were essentially the same as approved by this  
14 Commission and the Federal Energy Regulatory Commission (“FERC”) in 2013 and  
15 2016. After NHT received approval from this Commission and FERC in 2018, NHT  
16 issued long-term, secured debt securities in an aggregate principal amount of  
17 \$13,685,971.11. The remaining balance of the loan is \$45,314,028.89. NHT is applying  
18 for approval from this Commission and FERC pursuant to section 204 of the Federal  
19 Power Act to extend the Authorization Period approved in 2018 for an additional two  
20 years, until January 1, 2023, so that it can complete the issuance of long-term, secured  
21 debt securities up to the total of \$59 million in order to complete the work and continue  
22 operations. The remainder of the terms of the 2018 Financing approved by the  
23 Commission will remain the same.

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- 1           **Q. Please provide more detail regarding the Financing.**
- 2           A.     The Third Amended and Restated Loan Agreement was executed on
- 3     September 24, 2018, prior to obtaining the financing approvals from the Commission and
- 4     FERC. On October 23, 2018, NHT applied for authorization of issuance of long-term
- 5     debt securities under section 204 of the Federal Power Act and requested expedited
- 6     consideration of the same from FERC; NHT filed for financing approval from this
- 7     Commission on November 5, 2018. New loans were made under the Third Amended and
- 8     Restated Loan Agreement after obtaining the approval of this Commission and FERC,
- 9     once the Authorization Period took effect. All principal, accrued interest and fees under
- 10   any new loans were to have a maturity of 30 years from the 2013 closing of the original
- 11   loan facility (September 26, 2043) and be secured and bear interest as described below.
- 12   All issuances of debt securities under the Third Amended and Restated Loan Agreement
- 13   were to an existing holder of comparable debt with an interest rate based on U.S.
- 14   Treasury bonds of comparable maturity. The interest rates for any new loans were to be
- 15   established and fixed on the business day immediately preceding the date upon which the
- 16   New Loan was funded by NextEra Capital; it was to equal the sum of (i) the applicable
- 17   benchmark U.S. Treasury bond yield plus (ii) a margin of two hundred thirty-two (232)
- 18   basis points per annum. The applicable benchmark U.S. Treasury bond yield for any
- 19   New Loan was to be based upon the yield to maturity for a U.S. Treasury bond having a
- 20   remaining term to maturity and principal amount which most closely approximated that
- 21   of the New Loan as published in the Wall Street Journal for the business day immediately
- 22   preceding the date upon which the New Loan in question was funded by NextEra Capital.

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1           **Q.     What is the requested timetable for approval of this extension of the**  
2           **Authorization Period?**

3           A.     NHT is requesting an order from the Commission with an effective date  
4     no later than December 24, 2020 approving a two year extension of the Authorization  
5     Period for the Financing.

6           **Q.     Please describe what NHT's indebtedness will be as a result of this**  
7           **Financing.**

8           A.     Debt obligations pursuant to the Third Amended and Restated Loan  
9     Agreement will be the only long-term indebtedness that will be incurred or held by NHT  
10    during the term of the extended Authorization Period. The long-term debt securities will  
11    be secured by a pledge of NHT's revenues and all of its assets, including its share of the  
12    Seabrook Substation and all upgrades associated with Seabrook Substation. NHT  
13    receives all of its revenues from transmission service provided by Seabrook Substation in  
14    accordance with ISO-NE Transmission, Markets and Services Tariff accepted by FERC.

15          **Q.     How has NHT used the net proceeds of the Financing to date and how**  
16          **does it intend to use the proceeds if allowed to extend the Authorization Period?**

17          A.     The Financing has been used to fund its share of repairs and upgrades at  
18    Seabrook Substation, and for other capital costs and operating expenses. If the extension  
19    of the Authorization Period is approved, NHT will use the proceeds from the newly  
20    issued securities to complete the multi-phase solution to address concerns associated with  
21    aging infrastructure in the Seabrook Substation, including like-kind replacements of  
22    horizontal gas-insulated conductors, circuit breakers, insulators and other equipment and  
23    to support other capital costs and operating expenditures, including a potential financing

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1 of the costs associated with NHT's interconnection facilities to be paid by the Seabrook  
2 Nuclear Generating Station.

3           **Q.     What are the estimated costs associated with this Financing?**

4           A.     NextEra Capital did not charge an upfront fee at closing, which would  
5 typically be the case for a third-party financing. NextEra Capital charged NHT interest in  
6 connection with the Financing as described above. Moreover, NextEra Capital agreed  
7 not to charge a prepayment penalty or premium if NHT desires to prepay any obligation  
8 under the Third Amended and Restated Loan Agreement.

9           **Q.     Have you reviewed Form F-4, the form that the Commission requires  
10 for the approval of financing petitions?**

11          A.     Yes, I have reviewed this form and the Commission's rule, Puc 308.12.

12          **Q.     Are all the requirements for a typical financing by an electric  
13 distribution public utility applicable to the Financing that is the subject of this  
14 petition?**

15          A.     No. Certain requirements are not applicable to the proposed extension of  
16 the Authorization Period associated with the Financing that was approved in 2018, and  
17 because the amended loan agreement is between NextEra Capital and NHT, which are  
18 affiliated corporations. In addition, NHT is not a traditional distribution electric utility.  
19 As recognized in the 2004 settlement approved by the Commission and subsequent  
20 orders, NHT has no retail customers and as such has no retail rates, only tariffed  
21 transmission rates approved by FERC, and is therefore subject to only limited regulation  
22 by this Commission. The Financing is not be a publicly issued security, nor is it a  
23 security that requires an exemption from registration under the federal securities laws.

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- 1    Moreover, there are no external reporting requirements under federal securities laws and
- 2    there is no promissory note.

**Q. Have you provided pro forma and current income statements?**

4           A.     Yes. A current income statement and a pro forma statement are included  
5       in Exhibit 4 to the Petition.

## Conclusion

**Q. Does NHT believe that the proposed extension of the Authorization**

## 8 Period for the approved Financing is for the public good?

9           A.     Yes. As noted above, the Financing was and continues to be necessary to  
10      allow NHT to enter into a loan agreement with NextEra Capital pursuant to which NHT  
11      has the right to borrow additional amounts in excess of the \$21.6 million obligation to  
12      NextEra Capital, and the additional amounts that have been utilized under the authority  
13      granted in 2018, in order to finance reliability upgrades at Seabrook Station.

14 The Seabrook Substation is a critical node in the New England transmission  
15 system due to its geographic location near the North-South interface and the fact that it  
16 connects three major 345kV transmission lines. The upgrades mentioned above include  
17 the procurement of equipment, systems, facilities, materials and supplies, and the conduct  
18 of work and services, relating to, used in connection with or supporting facility and  
19 operational upgrades at Seabrook Substation. As such, the extension of the Authorization  
20 Period for this Financing is essential for NHT to continue its prudent capital and  
21 operational expenditure plan that will allow NHT to reliably maintain operation of the  
22 facility. For these reasons, NHT submits that the extension of the Authorization Period  
23 for these securities to be issued will be consistent with the public good, and that NHT is

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1 entitled to issue said securities under RSA 369 for the purposes set forth in this testimony  
2 and the accompanying petition, as well as in the original petition and testimony filed in  
3 this docket.

4           **Q.       Does this conclude your testimony?**

5           A.       Yes.

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