

**STATE OF NEW HAMPSHIRE
BEFORE THE NEW
HAMPSHIRE PUBLIC UTILITIES COMMISSION**

Docket No. DE 22-027

**Petition of New Hampshire Transmission, LLC
for Authority to Construct, Own, Operate, and Finance Additional Transmission
Equipment at Seabrook, New Hampshire**

Technical Statement of Jay E. Dudley and Mark P. Toscano
Department of Energy, Division of Regulatory Support

August 12, 2022

A. Background and Summary

On April 11, 2022, New Hampshire Transmission, LLC (“NHT or Company”) filed a petition with the New Hampshire Public Utilities Commission (“PUC or “Commission”) for authority to construct, own, and operate additional transmission equipment, including capacitor banks, breakers, switches, buss work, aboveground electric lines, control house, protection, control, communication, and other appurtenant infrastructure adjacent to the Transmission Substation in Seabrook, New Hampshire (the “Project”), and to finance this Project out of proceeds from a previously approved loan agreement with NextEra Capital Holdings, Inc., and to extend the term of its loan agreement for an additional year until January 1, 2024. As detailed below in this Technical Statement, the Department of Energy (“DOE” or “Department”) recommends that the petition be approved as submitted.

B. Project Description & Analysis

NHT asserts that approval of the Project by the PUC is required under RSA 374:22 and RSA 374:26, and also by the Settlement Agreement and the Commission’s Order in Docket DE 03-186 involving NHT’s predecessor Florida Power & Light.¹ Given that the Company’s authority is limited to ownership and operation of the Seabrook Transmission Substation under both the Settlement Agreement and the Commission’s Order in Docket DE 03-186, and does not allow for the expansion of NHT’s operations outside of the substation, the Department agrees that the Company needs the PUC’s approval to construct, own, and operate the new transmission facilities. The Department also agrees that this request triggers the statutory requirements under RSA 374:22 and RSA 374:26 which requires the PUC to make a public good finding in NHT’s favor in order to grant NHT authority to operate the new facilities as a public utility in New Hampshire and to begin construction of the Project.

¹ Petition at Bates 1-3.

NHT's proposal involves the installation of two 50 MVAR (volt-amps-reactive) 345 kV capacitors on the existing 363 transmission line adjacent to the Seabrook Nuclear Generating Station. This reliability upgrade is one of the preferred solutions from the ISO-NE New Hampshire 2029 Solutions Study, dated May 2021, to address the reliability needs that were identified in the ISO-NE New Hampshire 2029 Needs Assessment, dated May 2021.²

The purpose of the Project is to improve the operating efficiency of the New England electric power grid and help with transmission voltage stability during disturbances and high load conditions. The ISO-NE 2029 Solutions Study identified future peak load voltage violations (low voltage) in the Seabrook area under a N-1-1 scenario, which would involve one major facility/system element out-of-service, and a worst-case first contingency (another system element out).

The ISO-NE 2029 Solutions Study evaluated three (3) alternatives to resolve the Seabrook 345 kV low voltage issue:³

[BEGIN CONFIDENTIAL]

[REDACTED]

- [REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED]

[REDACTED]

[REDACTED]

² The ISO-NE New Hampshire 2029 Solutions Study, dated May 2021 – Final. The report can be found at the ISO-NE website at <https://www.isone.com/system-planning/key-study-areas/vt-nh/>. Note: the report contains Critical Energy Infrastructure Information (CEII) and security clearance will be required to view the report.

³ For the Amherst location a STATCOM, a Synchronous Condenser (SC), and a Static VAR Compensator (SVC) were studied to determine the acceptable size for each technology. The SVC alternative was taken out of consideration due to the need for a much larger footprint, and substantially reduced MVAR output at less than unity voltage. An alternative for a +300/-150 MVAR SC at Amherst was also declined due to substantially higher cost estimates.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

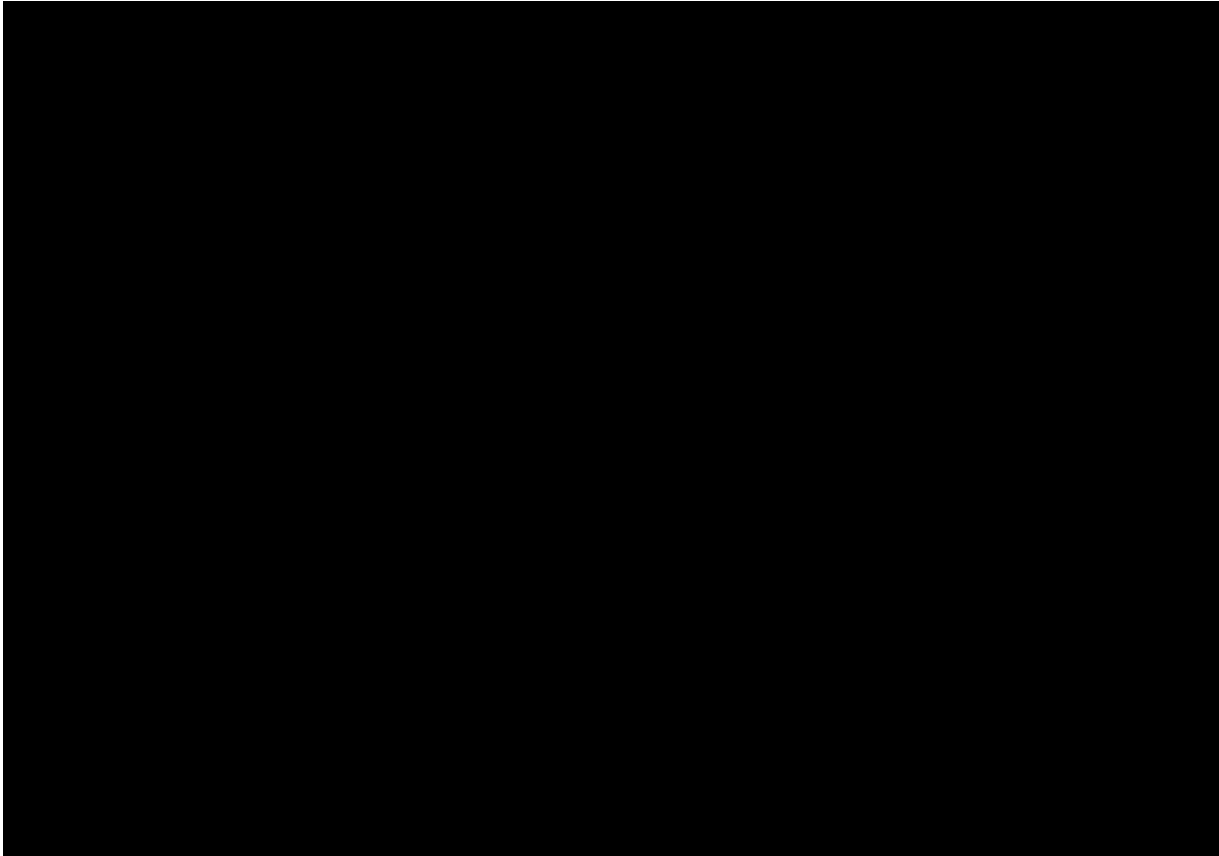
[END CONFIDENTIAL]



Figure 1: Current Configuration of Area at Seabrook⁴

⁴ Google Earth.

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DOE reviewed several documents regarding NHT's proposed Seabrook 345 kV capacitor project. The documents include:

- Docket No. DE 22-027 – Petition of New Hampshire Transmission, LLC for Authority to Construct, Own, Operate and Finance Additional Transmission Equipment in Seabrook, New Hampshire. Docket Attachments/Appendices:
 - Appendix 1: Docket No. DE 03-186 – Florida Power and Light Company, Settlement Agreement.
 - Appendix 2: May 27, 2021 Letter from ISO-NE regarding Notification of New Hampshire 2029 Preferred Solution.
 - Appendix 3: Testimony of Richard Allen on Behalf of New Hampshire Transmission, LLC.

⁵ See New Hampshire Site Evaluation Committee, Seabrook Capacitor Banks Project, Confidential Application for Certificate of Site and Facility, Docket No. 2021-05, Prepared by TRC, Inc., at 385.

- New Hampshire (NH) 2029 Solutions Study – Final, by ISO-NE, dated May 2021.
- Seabrook 345 kV Capacitors – Confidential Proposed Plan Application Study by RLC Engineering, Report Revision 3, dated 01/06/2022.
- New Hampshire Site Evaluation Committee - Seabrook Capacitor Banks Project, Confidential Application for a Certificate of Site and Facility, Docket no. 2021-05, dated April 1, 2022.⁶

The documents listed above provide comprehensive, detailed analyses and information regarding all aspects of the proposed NHT 345 kV Capacitor project at Seabrook. The need for this proposed project is clear, supported by the documentation and is consistent with the public interest of New Hampshire ratepayers.⁷

The Department’s technical review concludes this is a typical transmission system enhancement project relying on conventional systems, components, and design. It will be located on an existing developed site (currently a parking lot) at the Seabrook Generating facility. It will have virtually no environmental impact and will not adversely affect the community and local aesthetics. The Town of Seabrook concurs with this assessment.⁸

C. Authority to Operate as a Public Utility Under RSA 374:22 & 374:26

As NHT references in its petition, in Docket No. DSF 82-30, Re International Generation and Transmission Company, Inc., Order No. 15,755, the Commission established that the granting of public utility status “must be based upon a finding that the applicant is fit and able to carry out the function which it proposes.” Pursuant to making such a finding, the Commission set the following criteria to determine the fitness of the applicant in fulfilling the public interest: “(1) financial backing; (2) management and administrative expertise; (3) technical resources; and the general fitness of the applicant.”⁹

⁶ Near the time of NHT’s filing of its petition in this docket, the Company also filed a petition with the SEC on April 1, 2022, seeking an exemption from obtaining a certificate of site and facility from the SEC since NHT did not believe that the proposed Project qualified as a “sizable addition” to an existing facility. Petition at Bates 4. During a technical session with NHT on August 3, 2022, the Department was informed by the Company that at a public hearing held on July 25, 2022, the SEC voted to approve the Company’s request and determined that the Project was not a “sizable addition” to the transmission system.

⁷ Most of the engineering detail for the Project reviewed by the Department was contained in NHT’s application with the SEC. Because of the confidential nature and copious amount of data contained in the Company’s application, that documentation was not attached to this Technical Statement but redacted public copies can be found on the SEC’s website at https://www.nhsec.nh.gov/projects/2021-05/documents/2021-05_2022-04-01_nhtransmission_application.pdf.

⁸ See Letter of support from the Town of Seabrook at the SEC’s website:

https://www.nhsec.nh.gov/projects/2021-05/documents/2021-05_2022-05-05_seabrook_support-ltr.pdf

⁹ See Re International Generation and Transmission Company, Inc., 67 NH PUC 478, 482, 484 (1982).

Based upon the Department’s review, the Department concludes that the Company has demonstrated compliance with these criteria as follows:¹⁰

- **Financial Backing:** NHT’s ultimate parent, NextEra Energy, Inc., is a Fortune 200 company with a market capitalization of \$168 billion as of April 1, 2022. NextEra Energy has long-term credit issuer ratings of A- from Standard & Poor’s, Baa1 from Fitch Ratings, and A- from Moody’s Investors Service. Between 2014 and 2022, NextEra Energy and its subsidiaries have successfully raised approximately \$199 billion in debt and equity capital for continued investment in transmission infrastructure.
- **Management and Administrative Expertise:** NHT is an indirect, wholly owned subsidiary of NextEra Energy Transmission, LLC (“NEET”). As such, the Company is part of a large network of other NEET subsidiaries that own and operate substantial transmission infrastructure throughout the United States and in Canada. NEET affiliates own and operate approximately 86,765 circuit miles of high voltage transmission lines and 989 substations. In addition, NHT has an experienced operations and management team and is supported by an extensive group of other operations professionals within NextEra’s family of companies.
- **Technical Resources:** Based on the depth of experience and expertise available throughout the NextEra organization, and NHT’s successful long-term operation of the Seabrook Transmission Substation, the Company has demonstrated that it is technically qualified to construct, own, and operate the proposed Project.

D. Description of Proposed Financing

In order to finance the Project, NHT is requesting authority to extend for one year the financing authorization period under an existing loan agreement previously approved by the Commission in Docket DE 18-171 on December 21, 2018, in Order No. 26,204. Under the Commission’s 2018 Order, NHT was authorized to enter into the “Third Amended and Restated Loan Agreement” (“Loan Agreement”) with NextEra Energy Capital Holdings, Inc. (“Next Era Capital”)¹¹ to issue long term debt and secured debt securities not to exceed an aggregate principal amount of \$59 million over a two-year period beginning January 1, 2019 (“Authorization Period”). In a subsequent order in Docket DE 18-171, Order No. 26,432, dated December 17, 2020, the Commission approved an extension of the Authorization Period for an additional two years to January 1, 2023, to allow time for further issuances of long-term debt under the terms of the Loan Agreement up to the maximum amount of \$59 million. In the current proceeding, the

¹⁰ Appendix 3, Testimony of Richard Allen at Bates 22 – 26.

¹¹ As explained in the November 5, 2020 *Petition for Extension of Financing Related to Seabrook Substation*, NHT is a wholly-owned subsidiary of NextEra Energy Transmission, LLC, which is a wholly-owned subsidiary of NextEra Energy Infrastructure, LLC, itself a wholly-owned subsidiary of NextEra Energy Capital Holdings, Inc., which is a wholly-owned subsidiary of NextEra Energy, Inc. In May 2010, the shareholders of FPL Group Capital voted to change the name of the company to NextEra Energy, Inc. See Order 25,955 (October 21, 2016).

Company's petition requests that the Authorization Period be extended for an additional year until January 1, 2024, to accommodate financing of the Project during the proposed construction period.

As of year-end 2021, NHT has issued approximately \$42 million in outstanding long term debt under the Loan Agreement, and forecasts that amount to increase to \$46 million by year-end 2022, leaving an available balance still to be issued of \$13 million. Given the total Project cost of \$8.9 million, the Company intends to issue up to \$3.6 million in long term debt out of the \$13 million available with the remaining \$5.3 million to be funded from equity provided by NextEra. This mixture of debt and equity financing is intended by NHT to match its current targeted capital structure of 60% equity and 40% debt.¹²

NHT is not requesting new financing authority from the Commission beyond what is provided by the Loan Agreement but rather authority to: (i) extend the Authorization Period under the existing Loan Agreement for an additional year until January 1, 2024, in a total amount not to exceed \$59 million under existing terms and conditions, and (ii) to fund, in part, approximately \$3.6 million of the costs for the Project out of the existing availability of \$13 million under the previously approved Loan Agreement. As such, the Department finds that the terms of the existing financing remain unchanged from the time of the Commission's last order in Docket DE 18-171, i.e. the maturity of the debt issuances will range from 1 to 30 years and the Company will seek to price the issuances at fixed rates based on the comparable maturities and rates of U.S. Treasury bonds plus a target credit spread not to exceed two hundred and thirty-two basis points (2.32 percent). Under the terms of the Loan Agreement, the debt will continue to be secured by a pledge of NHT's revenues and all of its assets. Because the debt constitutes an inter-company transaction, the financing does not involve public issuance or private placement; therefore, any issuances are not subject to federal laws and there are no loan documents or issuance documents available for review except for the Loan Agreement. NHT has no retail customers and no retail rates in New Hampshire. As a result, NHT only has tariffed transmission rates which come under the jurisdiction of the Federal Energy Regulatory Commission (FERC). Concurrent with the previous filing with the PUC in Docket No. DE 18-171, NHT filed a near identical petition for financing with FERC, and FERC approved the Company's request on December 16, 2020.¹³

On request, the Company provided its financial statements dated December 31, 2021, showing the impact, on a pro forma basis, of the proposed financing on NHT's balance sheet, income statement, and cash flow/debt service coverage.¹⁴ However, as noted above, NHT did not provide copies of promissory notes or other associated loan documents since the Company represents that such documentation is inapplicable given that the proposed financing transaction constitutes a loan from an affiliated company and

¹² Attachment JED/MPT-1, DOE TS 1.0.

¹³ Attachment JED/MPT – 2, DOE 1-01e.

¹⁴ Attachment JED/MPT – 3, DOE 1-01c.

the debt can be issued under the terms of existing Loan Agreement previously approved by the Commission.¹⁵

Upon review, DOE concludes that the filing represents a routine financing request. However, it is important to note that as discussed in the Department's (then PUC Staff) previous recommendations involving NHT's prior financing requests, the Department views NHT's financing differently than it does a "typical" petition from a fully regulated electric utility.¹⁶ Fully regulated utility financings have implications to the utility's capital structure, cost of capital, and revenue requirements that directly impact ratepayers. In this case, even though the financing still affects the Company's financial condition, because NHT is a transmission utility, the resulting revenue requirements and customer rates fall under the purview of the FERC and not under that of the Commission. Nevertheless, based on DOE's review and calculations involving the pro-forma financial statements provided, it is apparent that the Company's proposed draw-down under the Loan Agreement will not have a significant impact on NHT's current capital structure of 40% debt and 60% equity after factoring in the debt issuance amount of \$3.6 million combined with additional injections of equity from the parent company in the amount of \$5.3 million. Likewise, the effect of the increase in interest expense in the amount of \$177,529 has a negligible impact on NHT's current interest coverage ratio of 5.59:1 as compared with the pro formed coverage ratio of 5.11:1. In addition, given that the financing represents inter-company debt, there are no bond issuance fees or ratings fees associated with the debt. As a result, DOE agrees with NHT that certain Form F-4 documentation required under Puc 308:12 are inapplicable for the reasons stated by the Company.

E. Department Recommendation

The Department has reviewed the Company's petition and supporting documents and believes that NHT's filing is complete and meets all applicable regulatory and statutory requirements in the following areas:

- Construction of the Proposed Project: The Department concludes that the need for the proposed Project is supported by the documentation provided by NHT and is consistent with the public interest of New Hampshire ratepayers.
- Authority to Operate Under RSA 374:22 and 374:26: The Department concludes that the Company has sufficiently demonstrated that its authority to operate in New Hampshire should be modified to include the construction, ownership, and operation of the Project; that NHT is "fit and able to carry out the function which it proposes" and possesses the necessary financial backing, management expertise, and technical capacity to operate as a public utility in New Hampshire

¹⁵ See Petition at Bates 8.

¹⁶ See Docket No. DE 13-138, *New Hampshire Transmission, LLC Petition for Approval of Financing*, Staff Recommendation filed July 22, 2013 at 3 and Order No 25, 556 (July 30, 2013) at 4 and Docket No. DE 16-813, *New Hampshire Transmission LLC, Petition for Approval of Financing*, Staff Recommendation filed October 12, 2016 at 3 and see Order No. 25,955 (October 21, 2016).

- under the criteria established by the Commission in Docket No. DSF 82-30, Order No. 15,755; and that such a business operation would be in the public good.
- Project Funding and Term Extension: The Department concludes that, based on the current total of outstanding long term debt reported by the Company of approximately \$42 million, plus the proposed draw-down under the Loan Agreement of \$3.6 million, the requested financing will not have a significant impact on NHT's cost of debt or overall financial condition. Therefore, the Department recommends that the Commission authorize NHT to draw down from available funds under the approved Loan Agreement the amount of \$3.6 million according to the terms outlined above and extend the term of the Loan Agreement by one year to January 1, 2024, for the purposes of funding the proposed Project.

In its petition, NHT requested approval from the Commission through issuance of an *Order Nisi*. Based on the Department's review of the record in this proceeding, the Department would support that request.