

1 **STATE OF NEW HAMPSHIRE**
2 **PUBLIC UTILITIES COMMISSION**

3
4 **DE 18-171**

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6 **NEW HAMPSHIRE TRANSMISSION, LLC**

7
8 **Petition for Approval of Financing Related to Seabrook Substation**

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

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

17
18 **November 5, 2020**

19
20 **Background and Qualifications**

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

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

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

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

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.

13 Purpose of Testimony

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

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

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Docket No. DE 18-171

1 **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

Docket No. DE 18-171

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.

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

20 **The Current Financing**

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

Docket No. DE 18-171

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.

Docket No. DE 18-171

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.

Docket No. DE 18-171

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

Docket No. DE 18-171

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.

Docket No. DE 18-171

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

3 **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.

6 **Conclusion**

7 **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

Docket No. DE 18-171

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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