

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

**Docket No. DE 24-107
Petition of New Hampshire Transmission, LLC
for Extension of Financing Authorization Period**

Technical Statement of Michael J. Cronin and Jay E. Dudley
Department of Energy, Division of Regulatory Support

November 8, 2024

A. Background and Summary

On October 16, 2024, New Hampshire Transmission, LLC (NHT or Company) filed a petition with the New Hampshire Public Utilities Commission (PUC or Commission) for authority to continue to finance improvements for its Transmission Substation in Seabrook, New Hampshire (the Project), utilizing available proceeds from a previously approved loan agreement with NextEra Energy Capital Holdings, Inc. (NextEra Capital), and to extend the term of its loan agreement for an additional year until December 31, 2025. As detailed below in this Technical Statement, the Department of Energy (DOE or Department) recommends that the petition be approved as submitted.

B. Description of Proposed Financing

NHT's previously approved extension in Docket DE 22-027 expired on January 1, 2024, and, in order to continue to finance needed improvements for 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.

The Commission's 2018 Order authorized NHT to enter into the Third Amended and Restated Loan Agreement (Loan Agreement) with NextEra Capital¹ 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).

The Commission issued a subsequent order in Docket DE 18-171, Order No. 26,432 dated December 17, 2020, in which it approved a two-year extension of the Authorization

¹ 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).

Period, 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. Also, in Docket DE 22-027, Order No. 26,672, dated August 22, 2022, the Commission approved a one-year extension to January 1, 2024, to accommodate a needed expansion of the Project. In the current proceeding, the Company's petition requests that the Authorization Period be extended for an additional one year, until December 31, 2025, to continue financing of capital improvements for the Project.

As of year-end 2023, NHT had issued approximately \$49.1 million in outstanding long-term debt under the Loan Agreement, leaving an available balance still to be issued of \$9.9 million. The Company proposes to draw down that remaining balance by year-end 2025 thus reaching the maximum credit limit of \$59 million. The additional interest expense incurred as a result of the draw down of \$9.9 million will be \$639,807 as provided in the company's pro-forma Statement of Income (Exhibit D).² NHT's current targeted capital structure of 60% equity and 40% debt will not be impacted by the additional debt drawn down and will remain intact as a result of infusions of equity from NextEra.³

NHT is not requesting new financing authority from the Commission beyond what is provided by the Loan Agreement but rather the authority to: (i) extend the Authorization Period under the existing Loan Agreement for an additional year to December 31, 2025, in a total amount not to exceed \$59 million under existing terms and conditions; and (ii) to fund approximately \$9.9 million of costs for improvements to the Project from the available remaining funds 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 one to thirty 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. Accordingly, NHT only has tariffed transmission rates, which come under the jurisdiction of the Federal Energy Regulatory Commission (FERC).

In response to a request from the Department, the Company provided its financial statements dated November 5, 2024, 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. 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

² Attachment MJC/JED-1, Exhibit D.

³ *Id.*, Exhibit C; Testimony of Evan Yaeger at Bates 32.

affiliated company, and the debt can be issued under the terms of the existing Loan Agreement previously approved by the Commission.⁴

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.⁵ 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 of 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 \$9.9 million combined with additional injections of equity from the parent company. Likewise, the effect of the increase in interest expense in the amount of \$639,807 has a negligible impact on NHT's current interest coverage ratio of 6.73:1 as compared with the pro formed coverage ratio of 5.70:1.⁶ 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.

C. 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. The Department concludes that, based on the current total of outstanding long-term debt reported by the Company of approximately \$49.1 million plus the proposed draw-down under the Loan Agreement of \$9.9 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 in the amount of \$9.9 million according to the terms outlined above and extend the term of the Loan Agreement to December 31, 2025, for the purposes of funding.

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.

⁴ Petition at Bates 5.

⁵ 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).

⁶ Attachment MJC/JED-1, Exhibit E.