BERKSHIRE
GAS

Jay Fletcher
Manager – Energy Services

July 21, 2023

James M. Van Nostrand, Chair
Department of Public Utilities
One South Station, 5th Floor
Boston, MA 02110

Re: Responses to DPU Questions Regarding the Everett Marine Terminal

Dear Chair Van Nostrand:

Pursuant to your letter issued on June 30, 2023 ("Letter"), enclosed on behalf of The Berkshire Gas Company ("Berkshire" or the "Company") are the Company's responses to the seven questions posed in the Letter.

Thank you for your attention to this matter. If you have any questions with respect to the responses provided, please reach out to me via email at jfletcher@ctgcorp.com or via phone at (860) 966-7306.

Sincerely,

Jay Fletcher
Manager – Energy Services

Enclosures

cc: Jonathan Goldberg, Esq., General Counsel
Elizabeth Cellucci, Acting Chief of Staff

Department of Public Utilities

THE BERKSHIRE GAS COMPANY
Everett Marine Terminal

Witness: **Jay V. Fletcher**
Date: **July 21, 2023**

Question
DPU-1-1 **Indicate whether the LDC relies on the Everett LNG facility for gas supply for its customers, including whether the LDC may rely on the Everett LNG facility on a design day.**

Response: The Berkshire Gas Company ("Berkshire" or the "Company") currently relies on the Everett LNG facility to provide a maximum daily quantity (MDQ) city gate delivered service contract of 5,400 MMBtu/day to meet design day and winter period demand (45-day service). This contract has been in service since 2018, and represents nine percent of planning load design day. This contract is set to terminate on March 31, 2028.

Regarding grandfathered firm customer demand on Berkshire's system, the Company understands that Everett has significantly helped support the New England secondary market (basis market and Gas daily market) during cold winter periods and that the source of supply for grandfathered firm customers is such secondary market. Such grandfather customers do not have dual fuel and have firm service needs and would be directly affected by the closure of Everett.

Berkshire's sophisticated and historically accurate demand forecasts calculated in accordance with DPU directives show continued need for equivalent MDQ (or higher) gas capacity/ supply after March 31, 2028, and the potential alternative sources are extremely limited. The potential of the Everett LNG terminal being removed as an alternative is highly concerning to Berkshire.

The following facts apply regarding potential alternative sources:

1) There are no interstate pipeline expansion projects foreseeable that would provide the equivalent capacity/supply as Everett and even if one was to develop it would face a long lead team and cancellation, delay and other risks.

2) Perhaps the only viable and reliable supply alternative is Repsol, the LNG importer at St. John, New Brunswick. Repsol currently provides Berkshire

Department of Public Utilities

THE BERKSHIRE GAS COMPANY
Everett Marine Terminal

with LNG supply equivalent to eleven percent of its design day planning load and has provided excellent and reliable service.

3) The secondary market where energy traders may offer physical delivered supply at city gate basis market prices (or Gas Daily values) would not meet the reliability criteria used by Berkshire unless such capacity has corresponding firm primary point service on Tennessee Gas Pipeline of which few, if any, such contracts exist and none presently existing to Berkshire's city gates.

4) While the Company is very proud of its energy efficiency activities and looks forward to continuing to expand its offerings to help the Commonwealth meet its net zero goals demand side management measures have been and continue to be aggressively implemented, are at a mature stage and are already reflected in the demand forecasts that show net gas growth. Additional measures such as targeted electrification, geothermal and other potential alternatives have been developing at a relatively slow pace and have corresponding issues as described in the Future of Gas docket consultant studies.

Berkshire prefers a wider range of alternatives than indicated above.

Given these facts, Berkshire presently needs, and expects to continue to need supply from the Everett terminal for customer reliability needs for the foreseeable forecast horizon.

Department of Public Utilities

THE BERKSHIRE GAS COMPANY
Everett Marine Terminal

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Question
DPU-1-2 **Describe in detail your LDC's plans to replace the gas supply currently sourced from Everett, if any, if Everett ceases operations next year. Please include a discussion of whether expanded demand-side resources will be explored.**

Response: Berkshire fully expects that Everett will fulfill its existing contract with Berkshire. Should the Everett facility cease to operate in the future, Berkshire would be supply-deficient on a design day. The Company has already embarked on a plan to seek out a possible replacement from the highly limited alternatives to Everett. Please refer to the Company's response to DPU-1-1, above for additional information.

Department of Public Utilities

THE BERKSHIRE GAS COMPANY
Everett Marine Terminal

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Question
DPU-1-3. **What are the cost implications for LDC consumers if Everett ceases operations next year?**

Response: Everett performs an essential role in New England from reliability and cost perspectives. Under a hypothesis that Everett ceases operations, Berkshire concludes that costs would increase but more importantly reliability risk would increase dramatically.

About cost implications - as described in the Company's response to DPU 1-1, the removal of one of essentially two present alternatives would be unfavorable to customer cost because both alternatives are unregulated providers selling at market prices. Basic supply/demand economics and market concentration studies would reach that conclusion from any perspective. It is impossible to calculate precisely what the impact could be, but indications are it would be severe. There are illustrations of this from the February 3, 2023 daily prices where secondary market prices increased to over $100/MMBtu on pipelines serving New England.

As to its own system, Berkshire reiterates it fully expects that Everett will fulfill its existing contract with Berkshire reducing the impact to its customers temporarily.

Department of Public Utilities

THE BERKSHIRE GAS COMPANY
Everett Marine Terminal

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Question
DPU-1-4. **What, if any, new DPU-jurisdictional distribution infrastructure would be required to maintain gas system reliability if Everett ceases operations? What, if any, new FERC-jurisdictional pipeline infrastructure would be required to maintain gas system reliability if Everett ceases operations?**

Response: The Company does not believe that there are viable or reasonably foreseeable distribution solutions that could provide a replacement supply should the Everett LNG facility cease to operate taking into the fact that pipe solutions require corresponding reliable supply.

Because the nearest supply source is in Pennsylvania, and no interstate pipeline capacity projects are on the foreseeable horizon (and any such interstate project would face a long lead team and cancellation, delay and other risks and require lateral expansion as well), supply alternatives are limited to new LNG local peaking or a new LNG import terminal[1] both of which would require long lead time and high hurdle siting. issues. There have been no such new LNG facilities built in the region for many years despite several attempts. Any such new facility would naturally cost multiples that of the Everett rate base indicated at $109 MM per public information in the FERC ER18 docket.

[1] Although a potential supply alternative, trucked in compressed natural gas from Pennsylvania would have to travel hundreds of miles real time just in time under all weather conditions when needed to provide supply into the distribution system. Because each truck only holds about 400 MMbtu it would take 1125 trucks a day to replace the output of Everett. Therefore when viewed realistically it is not a reliable and viable option to Everett.

Department of Public Utilities

THE BERKSHIRE GAS COMPANY
Everett Marine Terminal

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Question
DPU-1-5. **What is the current status of negotiations, if any, between the LDCs and Constellation regarding continued operation of Everett? Please provide a proposed schedule for providing the Department with regular updates on the status of any negotiations with Constellation.**

Response: The Company has had numerous discussions with Constellation regarding the continued operation of the Everett facility. The Company has also participated in the FERC-sponsored discussions with Constellation, which are aimed at ensuring the continued operation of the facility.

To date, some progress has been made towards providing the Company and other LDCs with firm proposals designed to allow the Everett LNG facility to continue operating. Should the Company reach agreement with Constellation on a renewal of the Contract, or for the approval of a new contract, Berkshire will file such contract(s) with the Department for their approval. The Company will request expedited approval of such contract(s) to ensure that the Everett facility continue operations beyond May 2024.

The Company proposes to provide the Department with monthly updates regarding the status of any negotiations with Constellation.

Department of Public Utilities

THE BERKSHIRE GAS COMPANY
Everett Marine Terminal

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Question
DPU-1-6 **How would any contractual agreement with Constellation supporting Everett's continued operation ensure that the costs are shared fairly and equitably among gas and electric entities across New England that benefit from Everett's continued operation including, without limitation, wholesale pipeline operators, natural gas fired generation facilities, and LDCs?**

a. To inform such cost sharing arrangements, please indicate whether there is interest in undertaking, with the Department's participation and oversight, an expedited analysis quantifying the services provided by the Everett facility and the extent to which entities on the gas and electric systems receive these benefits. If this expedited analysis is of interest, please include a proposed scope of work and timeline for draft and final results.

b. If and to the extent LDCs outside of Massachusetts benefit from retaining Everett, how are costs proposed to be allocated between the respective jurisdictions? What is the basis for such inter-jurisdictional cost allocation?

Response: The current FERC-sponsored negotiation sessions are designed to provide Constellation an opportunity to present supply pricing to the New England LDCs, to ensure the continued operation of the Everett LNG facility. The Company believes that the region in general benefits from Everett's operation, as the loss of such supply would have detrimental effects throughout the Northeast. To date, it appears that gas fired electric generation facilities have expressed little to no interest in long-term contracting with Constellation, presumably for the same reasons they have not done so historically and instead depended upon just in time supplies.

a. The Company is unsure of what value such study would have and doubts it could be done on a timely basis. Any such study would also depend upon assumptions in a dynamic environment. We know the Everett facility supports LDC needs and also helps support the secondary gas market used to serve energy traders, power generators and grandfathered firm customers of Massachusetts LDCs. We know the Everett facility has historically and presently provides safe, reliable supply throughout the Northeast. We know

Department of Public Utilities

THE BERKSHIRE GAS COMPANY
Everett Marine Terminal

the energy industry is going through dynamic changes including continued LDC customer demand growth with few alternatives, the power industry is experiencing adaptation to additional clean energy resources and reliability issues. Berkshire does not oppose such a study, but our focus remains on providing a reliable supply of natural gas to our customers, and the Everett facility is an existing resource that provides such a supply.

b. Berkshire's primary focus is ensuring a reliable supply to its customers. As noted above, Everett is an existing facility that provides reliable supply where it is needed most – at the back end of the interstate pipeline system. The facility has provided region-wide benefits for decades, and the Company is hopeful that will continue. It is Berkshire's understanding that the discussions with Everett encompass regional LDCs not just those located in MA.

Department of Public Utilities

THE BERKSHIRE GAS COMPANY
Everett Marine Terminal

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Question DPU-1-7. **If Everett continued operating, what measures would your LDC take to systematically transition away from reliance on Everett during any retention period? Please discuss plans for securing demand-side solutions to reduce your LDC's dependence on Everett instead of supply-side resources.**

Response: Please refer to the Company's responses to Information Requests DPU-1-1 and DPU-1-2 for a discussion regarding alternatives and plans for securing solutions.

In regards to demand-side management, the Company is very proud of its energy efficiency activities and looks forward to continuing to expand its offerings to help the Commonwealth meet its net zero goals. However, at least in the short term, the Company is still experiencing small net demand growth. The Company will continue to look for ways to expand its energy efficiency and demand side management programs, and will report these through its energy efficiency filings and through continued participation in D.P.U. 20-80.