

THE COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF PUBLIC UTILITIES

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June 30, 2023

VIA ELECTRONIC MAIL

All Investor-Owned Gas Distribution
Companies Regulated by the
Department of Public Utilities (Attachment A)

RE: Impact of Everett Marine Terminal

Dear All:

As you know, the Everett Marine Terminal ("Everett") currently sells liquefied natural gas ("LNG") and revaporized LNG to support New England's gas and electric systems. As you also know, Everett's owner, Constellation Energy Corporation ("Constellation"), has stated that it may cease operating Everett in 2024 given revenue uncertainty following the expiration of the Mystic Cost of Service Agreement filed by ISO New England ("ISO-NE") and approved by the Federal Energy Regulatory Commission ("FERC") effective June 1, 2022. The Mystic Cost of Service Agreement provides supplemental capacity payments to Mystic gas-fired generation facilities to fund the continued operation of the generation and LNG facilities. The Mystic Cost of Service Agreement is charged to all suppliers within ISO-NE region through May 2024.

The Department has been actively monitoring Everett's potential retirement and its implications for gas and electric system reliability, any identified need to build new gas infrastructure, and affordability for customers. As part of our monitoring, we have noted the following:

- In National Grid's initial filing regarding its Forecast & Supply Plan in D.P.U. 22-149, the Company noted the challenges associated with the possible closure of

Everett, and indicated its intention to “continue to pursue available resources and incremental opportunities in order to meet customer requirements as needed.”¹

- A “Draft Problem Statement and Call to Action on LNG and Energy Adequacy” submitted last year to FERC by ISO– NE and electric and gas utilities serving New England indicated that Everett is needed for both gas and electric system reliability.² In particular, the Massachusetts local distribution companies (“LDCs”) claimed that LNG injections on the eastern part of the New England gas system, *i.e.*, from Everett, are critical to the LDCs’ ability to reliably serve customers during extended cold snaps.
- At FERC’s New England Winter Gas-Electric Forum in Portland, ME on June 20, 2023, ISO-NE indicated in its Opening Presentation that it “does not have the expertise to address the impacts of Everett’s retirement and the operational capability of the regional natural gas pipeline system” and instead “is relying on the gas pipeline operators and LDCs to identify any gas system operational concerns.”³
- At the June 20, 2023 FERC Forum in Portland, ME, the witness from Constellation, Carrie Allen, expressed the need for prompt action to secure the contractual arrangements and necessary regulatory approvals that would enable Everett to continue operating. Another witness made reference to negotiations that were underway involving Constellation and those LDCs that would benefit from continued operating of Everett.

There are many considerations in evaluating a continuing need for Everett. Those considerations extend beyond reliability and include implications for consumer costs, whether new gas infrastructure and LNG supply would be required as an alternative to Everett (and whether such infrastructure and supply would be located in environmental justice communities), and environmental consequences arising from any increased oil and coal burn without Everett in operation. Ultimately, any retention of Everett must align with

¹ Boston Gas Company d/b/a National Grid, D.P.U. 22-149, Initial Filing at 100.

² See ISO/EDC/LDC Problem Statement at 1–2, available at <https://isonewswire.com/wp-content/uploads/2022/08/DraftFERCTechConferenceEverettandEnergyAdequacyProblemStatement-8.29-final.pdf> (Sept. 8, 2022) (“These injections from [Constellation] help maintain pipeline pressures on high demand gas days.”)

³ Docket No. AD22-9-000, New England Winter Gas-Electric Forum, Portland, ME, June 20, 2023.

our state's clean energy and decarbonization requirements and the Commonwealth's commitment to transition our power sector away from fossil fuels.

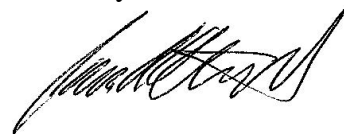
In order assist the Department in determining whether any action is required to ensure the continued safe and reliable service to natural gas customers, the Department requests that each jurisdictional LDC provide responses to the following questions by close of business on Monday, July 17, 2023:

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

We look forward to your prompt response and to continuing to work together to advance the Commonwealth's fundamental transformation of our energy system to one that is cleaner, equitable, affordable, and reliable.

Sincerely,

A handwritten signature in black ink, appearing to read "James M. Van Nostrand", written in a cursive style.

James M. Van Nostrand
Chair

Attachment A

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