

# KEEGAN WERLIN LLP

ATTORNEYS AT LAW

99 HIGH STREET, Suite 2900

BOSTON, MASSACHUSETTS 02110

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(617) 951-1400

TELECOPIER:

(617) 951-1354

July 21, 2023

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

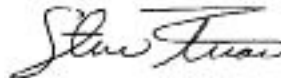
Re: Impact of Everett Marine Terminal

Dear Chair Van Nostrand:

On behalf of Eversource Gas Company of Massachusetts and NSTAR Gas Company, each d/b/a Eversource Energy (the “Companies”), enclosed are the Companies responses to the questions issued by the Department of Public Utilities on June 30, 2023 regarding the potential closure of the Everett Marine Terminal.

Thank you for your attention to this matter.

Sincerely,



Steven Frias, Esq.

cc: Jonathan Goldberg, Esq., General Counsel  
Elizabeth Cellucci, Acting Chief of Staff  
Staci Rubin, Esq., Department of Public Utilities  
Lynn Gardiner, Department of Public Utilities  
Cecile Fraser, Department of Public Utilities  
George Yiankos, Department of Public Utilities  
Andrea Keefe, Esq., National Grid  
John K. Habib, Esq., Keegan Werlin LLP  
Ashley Marton, Esq., Keegan Werlin LLP  
Kevin Penders, Esq. – Keegan Werlin LLP  
Brendan Vaughan, Esq. – Keegan Werlin LLP  
Patrick Taylor, Esq., Unutil  
R.J. Ritchie, Esq., Liberty

Information Request 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:

Both Eversource Gas Company of Massachusetts (“EGMA”) and NSTAR Gas Company (“NSTAR Gas”) (together the “Eversource Companies”) rely heavily on the Everett Marine Terminal (“EMT”) facility to provide reliable gas supply for their gas customers, particularly in the peak winter season.

For the past several years, both EGMA and NSTAR Gas have entered into supply arrangements with EMT. These arrangements are a fundamental component of the Eversource Companies’ fuel-supply resource plans and are vital to meet customer demand on winter-peak and design days. For example, in the Forecast and Supply Plan pending before the Department in D.P.U. 22-86, NSTAR Gas explained the important role that EMT plays in its resource portfolio and discussed the fact that NSTAR Gas relies on EMT to purchase supplemental winter supplies (D.P.U. 22-86, Initial Filing, at 85, 89).

In addition, EMT has served as a critical “reserve” gas resource to the region for decades and is uniquely positioned from a geographic perspective to provide seasonal peaking supply to the Eversource Companies for several reasons:

- EMT’s location on the extreme east end of the pipeline network provides a supply source downstream of pipeline constraints on the coldest days of the year and serves as a critical backup in the event of a force majeure on one of the pipelines serving Massachusetts.
- EMT’s 3.4 Bcf storage capacity near the largest load center of Massachusetts, including the NSTAR Gas Cambridge service territory, has resulted in it being the largest natural gas storage asset in New England, which is a region without any underground storage fields.
- EMT’s ability to make non-ratable hourly deliveries of large volumes of gas directly

into the interstate pipeline network allows EMT to provide vital pressure support at the end of the system when needed, and its ability to shape deliveries to align with demand requirements of natural gas customers and interstate pipelines serving the Massachusetts, which have become increasingly stressed in the last several years.

- EMT's ability to contract for firm deliveries to meters on the highly constrained AGT G-Lateral via EMT's firm pipeline contracts with primary receipt at Everett provides the Eversource Companies with a critical supply source to manage G-Lateral hourly flow limitations and to enhance reliability and avoid pipeline penalties.

In addition to seasonal peaking supplies, the Eversource Companies have the ability to buy incremental gas from EMT on a spot basis. During extreme situations (e.g. Winter Storm Elliot December 2022, February 2023 cold snap, January 15th 2022 Algonquin Force Majeure), one of the first calls that the Eversource Gas Supply Team make is to EMT to determine if incremental supplies are available in the event that the supplies are needed.

EMT also provides critical support for NSTAR's Cambridge distribution system during Algonquin Gas Transmission's ("AGT") summer maintenance. As part of AGT's comprehensive integrity assessment of its pipeline system, AGT conducts summer maintenance, which can result in the isolation of sections of its pipeline. When isolations occur downstream of AGT's interconnect with Tennessee Gas Pipeline, in Lincoln Massachusetts, EMT is the only location from which NSTAR Gas can source gas. During the past five summers there have been a total of 40 days when NSTAR Gas relied on EMT to supply its Cambridge distribution system.

This last point is a critical point. The Cambridge distribution system serves some of the most vital educational, research and scientific institutions in the Northeast U.S. These institutions include Harvard University, MIT, Tufts University, Biogen, Novartis, Pfizer, Shire Pharmaceuticals, Broad Institute, Whitehead Institute, Draper Labs, Mass General Brigham Healthcare System, US DOT Volpe Center, and others. Without a reliable source of gas supply, these operations are jeopardized.

Information Request 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:

The Eversource Companies are currently pursuing contracts with the owner of the Everett Marine Terminal LNG facility ("EMT") because this resource is the most efficient and accessible option to ensure reliable supply for its customers, particularly for the winter peak and design days. In the event that EMT ceases operations next year, both EGMA and NSTAR Gas will have extremely limited options in the near term to replace the supply resources and services provided by EMT. The New England region is severely constrained from a gas supply perspective and the market is not operating to ensure that there are viable alternatives to EMT.

In 2007 the Company reviewed portable LNG as a potential alternative for supplying Cambridge during AGT required inspection (as discussed in response to DPU 1-1) of the J-2 pipeline section that is the sole supply feed serving Cambridge. During the negotiations with AGT there was not sufficient footprint for one site much less two that would be required to have sufficient redundancy for the company to serve Cambridge in the event that a shutdown was required as a result of the inspection. As a result of the lack of alternatives, the Company filed with the Department a two-mile loop that AGT could use to serve Cambridge while AGT inspected the original line. The Department approved the filing. DPU-07-87.

For the Eversource Companies, emergency measures could include temporary compressed natural gas or temporary LNG trucking solutions. EGMA and NSTAR Gas have avoided these alternatives in the past due to the relatively large scale of the gas-supply requirements to be fulfilled; the relatively lower level of reliability of these solutions as compared to "pipeline" options; and the problems with timing and availability of locations and resources needed to provide the volumes required by the LDCs.

With respect to demand-side management strategies, both EGMA and NSTAR Gas factor the impact of demand-side management ("DSM") opportunities into their forecast and supply plans as an offset to demand requirements, meaning that the demand forecast is lower than it otherwise would be because it is accounting for the impact of demand-side management.

NSTAR Gas Company and  
Eversource Gas Company of Massachusetts,  
d/b/a Eversource Energy  
Department of Public Utilities  
Everett Marine Terminal  
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Person Responsible: Eric Soderman  
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Consequently, there are no demand-side resources currently available to the Eversource Companies to alleviate supply constraints in the event of the termination of this important resource. EGMA and NSTAR Gas consistently explore the availability of additional demand-side resources, but these types of resources are longer-term solutions that are not within the control of the Eversource Companies and are ultimately dictated by the willingness of customers to enter into, and comply with, enabling agreements. If the Everett facility closes next year, demand-side management is not a viable replacement option for the EMT.

Information Request DPU 1-3:

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

Response:

In the event that the Everett Marine Terminal (“EMT”) were to cease operations next year, the cost implications are unknown but anticipated to be significant.

Even with the EMT in operation, New England is an extraordinarily gas-constrained region. There are limited alternatives to the flexibility, volume and reliability that the Everett facility provides from a gas resource perspective. The EMT is uniquely positioned at the end of the pipeline and provides the region’s “reserve margin.” Simply stated, the Everett LNG facility is irreplaceable today in terms of meeting gas supply needs for EGMA and NSTAR Gas.

What is clear is that, should the Everett facility cease operations next year, New England would lose its largest storage resource and a critical, irreplaceable source of peaking supply, which would significantly impact the regional supply demand balance on the coldest days of the year. Fuel alternatives would be reduced, further limiting the number of suppliers. Given the limited number of suppliers, EGMA and NSTAR Gas will have to contemplate longer term alternatives to meet each LDCs discrete load requirements. Given the lack of viable alternatives, EGMA and NSTAR Gas view the Everett facility is a critical, important and cost-effective resource for the LDCs.

Information Request 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:

In the event that the Everett Marine Terminal (“EMT”) were to cease operations, EGMA and NSTAR Gas would need to contemplate the potential of on-system solutions, including distribution system improvement projects, portable LNG/CNG facilities, and the expansion of Eversource’s existing LNG facilities. Some of these projects could be sited in highly congested areas, but this could complicate siting approval and create a highly challenging situation. EGMA and NSTAR Gas have previously contemplated participation in interstate pipeline projects to enhance the deliverability and reliability for its distribution territories, but those projects were terminated for a variety of reasons.

Although EGMA and NSTAR Gas will continue to explore additional regional supply opportunities, it is necessary to better understand how any alternative to the EMT addresses issues associated with demand balances, upstream pipeline constraints, a lack of available alternatives in the marketplace, or additional reliability concerns. One project that might need to be explored if the EMT ceases operation would be the development of a new interconnection under the harbor to the AGT’s Hubline to connect the AGT J-system to east end flowing supplies. However, this type of project and other similar projects to bring new gas resources online would face significant permitting and/or siting challenges to reach constructability.

Information Request 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:

EGMA and NSTAR Gas have been actively negotiating with Constellation for the past several months relative to the viability of contracts to allow for the continued operation of the Everett LNG facility ("EMT"). EGMA and NSTAR Gas understand that Constellation is currently in the process of developing individual transaction confirmations for each LDC based their respective unique gas supply needs and requirements. EGMA and NSTAR Gas continue to engage in ways to secure contractual arrangements consistent with Department precedent and procedures. To the extent that contractual arrangements are developed, it is the intention of EGMA and NSTAR Gas to file those executed contracts with the Department for review and approval as soon as practicable, should these negotiations result in successful contract terms. Due to the looming deadline of a potential EMT retirement in June 2024, EGMA and NSTAR Gas anticipate needing Department review on an expedited basis.

In terms of providing the Department regular updates on the status of negotiations with Constellation, EGMA and NSTAR Gas recommend such updates be provided once per month (e.g., around the 20<sup>th</sup>) until the negotiations conclude.



Information Request 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:

Almost all natural gas infrastructure in New England is financially supported by customers of the local natural gas distribution companies because the infrastructure is critically needed to meet customer requirements in winter peak and design day conditions to ensure that sufficient gas-supply resources are available under all operating conditions. Some of the costs to support the New England natural gas infrastructure are shared when the LDC customers are not utilizing portions of this infrastructure. and when the resources can, instead, be used by other market participants, namely gas-fired generators through direct sales, but also through capacity release, asset management agreements or secondary pipeline services.

EGMA, NSTAR Gas and the other LDCs are focused on securing necessary resources from the Everett LNG Facility ("EMT"), correlating to the needs that each system actually has in relation to the company's respective customers. Any ancillary benefits to the region, including to the New England electrical system would typically be allocated through the normal course of business.

At the June 20, 2023 FERC New England Gas-Electric Forum, ISO-NE provided an early release of the EPRI study through the year 2027, purportedly showing that the EMT facility was not needed for electric reliability. However, ISO-NE CEO Gordon van Welie still deemed it prudent to retain the resource. Moreover, NERC CEO Jim Robb stated that “[t]he natural gas system up here is absolutely critical and it needs to be reinforced and it need to be integrated into the electric sector that is a huge gap in the energy policy of that region.” These statements acknowledge the underlying fact that EMT serves as a critical reserve unit in the context of a wholesale generation market that is still reliant on natural gas for almost half of the generation supply.

The LDCs cannot solve the region’s supply issues. Instead, the LDCs have an obligation to their customers to maintain the reliability of natural gas distribution and supply service and the LDCs will take all necessary steps within their control to assure that their customers have heat on cold winter days. Sharing of costs to preserve capabilities of the EMT LNG facilities is not within the purview of the LDCs to control outside of optimization arrangements that allow other market participants to use LDC resources when the LDCs do not need them to serve firm customers.

Eversource and another electric distribution company previously attempted to secure regional natural gas infrastructure dedicated to New England’s power generation units that, by ISO-NE market rules, do not have sufficient incentives to secure those resources ahead of time. Those efforts, driven primarily through the proposed Access Northeast project, were unsuccessful and the project was ultimately terminated as a result of a lawsuit jointly brought by ENGIE (former owners of the EMT facility), and the Conservation Law Foundation. In that docket, the Attorney General and other parties contested the need for additional pipeline infrastructure, resting on the theory that greater utilization of existing LNG infrastructure, including the Everett LNG facility, would adequately meet the region’s needs for gas supply in the wholesale generation market. Unless or until there is recognition by market participants other than the LDCs that the Everett LNG facilities are a critical linchpin to the region’s fuel stability, the LDCs can only remain focused on meeting their obligations to reliably serve their natural gas customers, which the LDCs will do.

The Massachusetts LDCs are ready and willing to participate in any study the Department deems necessary or useful. However, given the ongoing and time-sensitive negotiations between the LDCs and Constellation, any cost-sharing analysis would likely not be impactful to these negotiations nor would result in a meaningful change to EMT contractual arrangements based on the fundamental needs of the LDC systems.

Information Request 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:

Eversource is fully committed fulfilling its role in assisting the Commonwealth in meeting its climate goals and embraces the changes that will need to occur. Customer choice, adaption and technological innovation will be key to achieving those goals and work remains to be done on these aspects of the vision. Critical factors, such as the costs of decarbonized solutions and the development and emergence of new technological alternatives, will determine how quickly customers voluntarily adopt various options to achieve emission reductions.

The importance of the Eversource LNG facilities to the Company's gas-resource portfolio and the reliability of gas service to Eversource customers, particularly on the coldest days of the year, cannot be understated. At present, the order of magnitude of need for this facility is several dimensions larger than any single alternative or initiative that may be productive in diminishing the need for peaking resources. As a result, it will take a portfolio of alternatives and initiatives to lessen reliance on the Everett LNG facility, at least until there is more clarity and/or consensus around New England's path forward on fuel security for the electric generation market.

With respect to demand-side management programs, Eversource offers a range of options to customers to help them reduce their gas usage. In addition, Eversource is actively engaged in a drive to develop options for networked-geothermal and alternative fuel use. EGMA and NSTAR Gas have undertaken significant research relative to decarbonization and the ability to embrace decarbonization initiatives over time, as detailed in D.P.U 20-80, which is further excerpted below.

From the MA D.P.U. 20-80 Eversource Plan Filing (3-18-22):

Eversource's Operating Plan and related decarbonization plans define a pathway to meet the Commonwealth's 2050 goals. Eversource's pathway is informed by the Consultants' Report while also considering characteristics of its service territory and criteria critical to its business, customers, and the community. This pathway is further based on the following:

- Energy efficiency – reducing the energy demand to the extent possible

- Hybrid and strategic electrification – testing and converting as much as is possible to provide service safely, reliably and cost-effectively to customers
- Biogas - a strategic component of the Commonwealth’s future with decarbonized gas contributing to the 2050 goal while meeting customer needs not reliably or cost effectively served by electrification
- Customer first—focus on affordability and adoption

Eversource can undertake many of the initiatives defined in the Operating Plan without any regulatory reforms, although regulatory support and flexibility are essential. For example:

- Networked Geothermal—additional pilots to permit the market and customers to realize the value of this technology option
- Hybrid Electrification—transparency in computing the business case and quantification of benefit value streams.
- Decarbonized Gas—customer contracts with gas premium

To be successful going forward, implementation of regulatory support mechanisms will be necessary to unlock the potential initiatives, markets, technologies and customer choice-driven decarbonization investments that will contribute to lessening reliance on the Everett LNG facilities. As part of this regulatory reform process the role of funding, cost alignment and allocation, and cost sharing will be key issues and considerations. Utility costs need to be recovered in a way that is fair to customers (across all segments, including electric and gas), aligned to cost recovery principles of utility rate making, and reflective of the needs of low income and other disadvantaged communities.

At the same time, it remains essential to maintain, if not enhance, safety and reliability as part of system decarbonization. Over the next three years, Eversource expects that the state policymakers, LDCs and other stakeholders will address these foundational system needs and explore how activities to decarbonize the gas system—and expand the electricity system—will likely: (1) impact gas and electricity system reliability and resiliency; and (2) place additional cost burden on customers. Safety and reliability are bedrock principles of utility cost-of-service regulation, and as such these principles lead to numerous direct utility operating standards and requirements. The nature and capacity of both systems must be considered, in a prudent and reasonable manner, as decarbonization measures change how these two systems are utilized.