



July 21, 2023

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

**Re: Fitchburg Gas and Electric Light Company d/b/a Unitil  
Response to Department Inquiry Regarding Everett Marine Terminal**

Chairman Van Nostrand,

Fitchburg Gas and Electric Light Company d/b/a Unitil (“Unitil” or the “Company”) has reviewed your letter of June 30, 2023 regarding the potential retirement of the Everett Marine Terminal and appreciates the opportunity to provide the Company’s input on this critical issue.

New England’s gas and power infrastructures are heavily reliant upon imported Liquefied Natural Gas (“LNG”) and cannot afford the retirement of the Everett facility or any facility that brings imported LNG into the region. Imported LNG serves as a critical source of gas supply to the region, supplementing domestic gas supplies during peak periods or when curtailments occur on the heavily constrained pipeline systems that deliver gas into New England. There is no new gas pipeline infrastructure being constructed in New England, yet demand growth persists. Additionally, Unitil and other New England LDCs must still plan for design winter conditions. The Everett Terminal supplies liquid to LDCs in the region, including Unitil, as well as vapor transported on the Tennessee and Algonquin pipeline systems. This supply provides critical pressure support for those pipelines, which benefits the entire region. The location of the Everett terminal, in the heart of the market area, allows incremental supply to access market areas that reside in the most constrained parts of the pipeline systems.

In addition to the Everett Marine Terminal, the region also relies heavily upon deliveries of supply that are sourced from the St. John LNG Terminal in New Brunswick. Both sources of imported LNG are critical to Unitil specifically and to New England’s energy infrastructure generally. Like Everett, St. John deliveries bypass pipeline the constraints that limit access to domestic supplies, and provides incremental supply directly into the market area. St. John supplies also bolster pipeline pressures. Both of these LNG importers provide unique services to the region and removing either or both facilities from the market would exacerbate an already critical scarcity of supply.

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Unitil offers the following responses to the questions set forth in your letter:

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: Unitil relies on the Everett Marine Terminal for LNG delivered as liquid via truck to supply its Westminster LNG plant. Critically, the Westminster LNG plant is relied upon to provide pressure support for the Gardner area when the end of line pressure drops to 55 pounds per square inch gauge, which is typically at a 40 effective degree-day. As such, Unitil relies on LNG from Everett much more often than on peak days. Unitil's dependence on the LNG from Everett is particularly high due to the Westminster plant's limited storage, which is 3,172 Dth. Unitil relies on the Westminster plant for 3,172 Dth on a design day, meaning the plant has only one day of storage and therefore requires steady replenishment if the plant is to remain available, which is essential given the pressure support requirement.

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: Unitil has regularly conducted competitive solicitations to better understand the availability, operational feasibility and price competitiveness of alternative sources of LNG supply. Everett has always been the preferred LNG source for Unitil because of its proximity to Westminster and its ability to quickly schedule deliveries. Everett is located approximately 50 miles from Westminster and deliveries are available upon 48 hours of notice with willingness to accommodate for shorter notice in certain circumstances. Reliable alternatives that have been identified are approximately 300 miles from Westminster and require 72 hours of notice to be given on business days only.

In order to reduce reliance on Everett, Unitil is exploring adding storage to the Westminster LNG plant and adding locations where compressed natural gas ("CNG") can be delivered. In terms of adding LNG storage, preliminary engineering is being undertaken to identify proposals on how the plant could be reconfigured to receive more over-the-road tankers. The Company also is reviewing regulatory requirements to be addressed in order to add modular storage. This effort is currently targeting a 2025 implementation, if determined to be feasible. In terms of CNG, Unitil has conducted initial work to identify potential locations in the Gardner area where it may be feasible to site, construct, and operate CNG interconnections.

Unitil supports the implementation of all cost-effective demand-side resources, but has not discussed expanded or targeted energy efficiency resources specifically to address dependence on the Everett Terminal.

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

Response: If Everett ceases operations next year, then Unitil will need to quickly implement alternatives such as those discussed in response to Question 2. At this point, the cost of such alternatives is unclear. LNG supply purchased from greater distances would likely be less expensive, but also would likely require a reduction in the amount of capacity the Company relies on from the Westminster LNG plant, unless adequate supplemental storage is added. Such a reduction would likely require that CNG supply be added to supplement the plant. In addition to the cost of supply, a degradation in reliability would increase the risk of outages, which can be very costly and impactful to human health and well-being.

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: Any new pipeline infrastructure into the region would be FERC-jurisdictional and likely would take many years to obtain all required regulatory and land use approvals and permits. It therefore would not be a viable substitute for the loss of Everett. The Company's assessment of its infrastructure requirements in the absence of the Everett LNG facility are premised on the underlying assumption that the loss of Everett LNG would not impact the reliability of Tennessee Gas Pipeline, from which the majority of the Company's design day, cold snap and winter supplies are sourced. The Company can only rely on assurances from Tennessee Gas Pipeline that loss of Everett LNG would not impact its ability to transport gas to the Company's system. However, it should be noted that the gas and power systems in New England are interconnected. To the extent that the New England power system currently relies on the availability of Everett LNG supplies to fuel natural gas generation during winter peaks, it would be imperative that the power market independently and intentionally address the loss of this supply, if Everett LNG were to cease operations. Failure of the power market to address the potential loss of Everett LNG supply could potentially impact the delivery volume and pressure to LDCs by the pipeline system.

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: Unitil is participating in negotiations with Constellation LNG regarding multi-year contracts that would keep the Everett Terminal operational during the term of the contracts. Given that any resulting contracts would be longer than one year, DPU approval will be required. The Mystic Station cost of service contract expires on May 31, 2024, beyond which we understand Constellation does not intend to operate the Terminal absent contracts that support the economic viability of the Terminal. Expedited

Department review and approval may be required if approved contracts are to be in place by June 1, 2024. The Company can provide updates on the status of negotiations on a monthly basis, or otherwise at the guidance of the Department.

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?

Response: Any contracts between an LDC and Constellation would not create costs or obligations for other entities such as electric generators, natural gas pipelines or electric utilities. However, the LDC contracts with Constellation could contain language that requires any new revenue stream received by Constellation from incremental customers of the Everett Terminal or from new market mechanisms, perhaps designed to promote regional reliability or to monetize services provided by the facility resulting in charges to those entities who benefit from such services, to be shared equitably with the contracting 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.

Response: The Company applauds the Department's suggestion that an analysis to quantify the services provided by the Everett Terminal and the extent to which entities on the gas and electric systems benefit from these services be conducted. The ISO New England study discussed during the June 20 FERC Gas Electric Forum in Portland, Maine<sup>1</sup> did not address the value of the Everett Terminal to the regional gas system, despite the reliance of substantial gas-powered generation on availability of supply from the gas system. In addition, the ISO-NE study simply assumed that Repsol's St. John LNG facility would be available despite repeated statements from Repsol that long term contracts are required for the facility to remain viable. Moreover, discussion at the Forum suggested that the States will ultimately decide the future of Everett and the same appears true for St. John LNG. The Company's position is that both the Everett Terminal and St. John LNG are necessary to balance the New England energy market, inclusive of both natural gas and power, and that any study undertaken should address the benefits provided by both facilities and the reliability risks of losing either or both facilities.

A very important takeaway from the Forum was the acknowledgement that it is necessary for regional planners to understand more about the gas systems in order to

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<sup>1</sup> <https://www.ferc.gov/media/iso-ne-epri-presentation>

make any definitive statement as to the need for Everett. The Department's suggested study could help to build understanding of natural gas infrastructure and logistics and better inform assumptions about what gas supply would be available to supplement the loss of supply sourced from Everett or St. John LNG in a subsequent regional power system reliability study.

As to timing, as explained in response to Question 5, there is limited time to negotiate contracts with Constellation and then file them with the Department for approval. As such, study results would not be available prior to contracts being executed, assuming the negotiations are successful. Whether study results would be available prior to a Department decision (and similar decisions from other state regulatory agencies) remains to be seen. Notwithstanding the timeframe for analysis, such study results would be very useful in defining the services provided by both the Everett Marine Terminal and St. John LNG to the region and the extent to which Constellation and Repsol are compensated for those services, which would ideally inform ISO-NE's approach regarding fuel security and, if supported by study results, lead to market design rules that incent contracting with both facilities.

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: As with the electric sector, any contracts between a Massachusetts LDC and Constellation will not create costs or obligations for LDCs from other states. That said, LDCs from other states are also negotiating with Constellation, including Unitil's affiliate Northern Utilities, Inc., which operates in Maine and New Hampshire.

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: If Everett continues in operation, Unitil would ideally place added LNG storage at the Westminster plant and have dedicated locations for supplemental pressure support from CNG. In terms of demand-side solutions, Unitil would explore targeted energy efficiency and promoting electrification, although Unitil is not the electric company for Gardner, Massachusetts, the area of Unitil's gas system that would be most affected by the loss of Everett.

Thank you for your assistance with this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'P. H. Taylor', with a long horizontal flourish extending to the right.

Patrick H. Taylor  
Attorney for Unitil

Enclosure

cc: Service List