

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF PUBLIC UTILITIES**

Petition of Boston Gas Company d/b/a National)
Grid for Approval of a Gas Supply Agreement)
with Constellation LNG, LLC, pursuant to G.L. c.)
164, §94A.)

D.P.U. 24-25

INITIAL BRIEF OF BOSTON GAS COMPANY

d/b/a

NATIONAL GRID

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I. INTRODUCTION

Boston Gas Company d/b/a National Grid (“National Grid” or “Boston Gas” or the “Company”) submits this Initial Brief to the Department of Public Utilities (the “Department”) in support of the Company’s petition for approval of a six-year agreement (“Proposed Agreement”) with Constellation LNG, LLC (“Constellation”) for the option to purchase gas supplies up to 27,000 Dth per day with a seasonal quantity of 500,000 Dth from Constellation’s liquified natural gas (“LNG”) terminal, the Everett Marine Terminal (“Everett” or “EMT”) in the Proposed Agreement’s first year. As described more fully below, the evidentiary record demonstrates that without the Proposed Agreement, the Company and its customers risk exposure to inadequate and unreliable supply during peak days for customers. If there are inadequate and unreliable gas supplies to serve customers during a design winter, the financial and safety costs associated with a gas outage would far outweigh the costs of the Proposed Agreement. Therefore, the Proposed Agreement is consistent with the portfolio objectives established in the Company’s most recently approved Forecast and Supply Plan. Boston Gas Company d/b/a National Grid, D.P.U. 22-149. Furthermore, there are no viable alternatives to the Proposed Agreement. Lastly, the Proposed Agreement is consistent with the Global Warnings Solutions Act (“GWSA”). Accordingly, the Company respectfully requests that the Department approve the Proposed Agreement.

II. PROCEDURAL HISTORY

On February 9, 2024, the Company petitioned the Department, pursuant to G.L. c. 164, § 94A, to approve the Proposed Agreement with Constellation and filed the joint direct testimony of Elizabeth D. Arangio, Faye Brown, Samara A. Jaffe, Michael J. Pini, and Deborah M. Whitney. In the joint testimony, the Company witnesses provided an overview of the prevailing conditions in the New England gas market, the Company’s existing gas supply resource portfolio, the

Proposed Agreement, and the need for the Proposed Agreement. The joint testimony also explained that the Proposed Agreement represents the only viable alternative to meeting the Company's needs and reviewed various price and non-price factors. Lastly, the joint testimony explained that the Proposed Agreement is consistent with the GWSA. The Company also filed joint direct testimony of Dr. Shira Horowitz and Theodore Poe, Jr. which provides an analysis of the Company's resource requirements which indicates a need for the Proposed Agreement. The Department docketed this matter as D.P.U. 24-25.

The Office of Attorney General of the Commonwealth of Massachusetts (the "Attorney General") and the Department of Energy Resources ("DOER") filed petitions to intervene in the proceeding on February 12, 2024 and February 14, 2024, respectively. In accordance with published notice, the Department held public hearings on March 12, 2024 and March 15, 2024. On March 11, 2024, the Conservation Law Foundation ("CLF") filed a petition to intervene. On March 12, 2024, the Company objected to CLF's intervention. The Department granted CLF limited intervenor status. Interlocutory Order, D.P.U. 24-25/26/2728 (March 15, 2024).

On March 19, 2024, the Company and other gas distribution companies filed a Joint Motion for Clarification in this docket and in the other dockets in which the Department is currently reviewing an agreement between a gas distribution company and Constellation. On April 1, 2024, the Department rescinded its grant of limited intervenor status for CLF and instead granted CLF status as a limited participant. Interlocutory Order, D.P.U. 24-25-A/D.P.U. 24-26-A/D.P.U. 24-27-A/D.P.U. 24-28-A (April 1, 2024).

No evidentiary hearings were requested by the parties or conducted by the Department. The evidentiary record includes the testimony and supporting exhibits submitted on behalf of the Company. The evidentiary record also includes the joint testimony and supporting exhibits of Dr.

Dean Murphy, Mr. Steven Levine, Mr. Anul Thapa, and Mr. John Figueroa on behalf of the Attorney General. The Company responded to four sets of information requests from the Attorney General, two sets of information requests from the DOER, four sets of information requests from the Department, and one set of information requests from CLF.

In total, the Company responded to one hundred and seven information requests. The evidentiary record also includes Constellation's responses to one set of information requests from the Attorney General and one set of information requests from the Department. In total, Constellation responded to six information requests. The Department also took administrative notice of the Comments filed by Constellation Energy Generation, LLC in Federal Energy Regulatory Commission docket number AD22-9-000. In accordance with the procedural schedule established by the Hearing Officer, the Company offers this Initial Brief in support of its request for approval of the Proposed Agreement by May 1, 2024.

III. STANDARD OF REVIEW

In evaluating a gas utility's options for the acquisition of commodity resources as well as for the acquisition of capacity, pursuant to G.L. c. 164, § 94A, the Department examines whether the acquisition of the resource is consistent with the public interest. Commonwealth Gas Company, D.P.U 94-174-A, at 27 (1996). To determine whether the proposed acquisition of a resource is consistent with the public interest, the Department evaluates whether, at the time of the acquisition or contract renegotiation, the transaction: (1) is consistent with the company's portfolio objectives; and (2) compares favorably to the range of alternatives reasonably available to the company and its customers, including releasing capacity to customers migrating to transportation. Id. To establish that the resource acquisition is consistent with portfolio objectives, the local distribution company ("LDC") may refer to portfolio objectives established in a recently approved

resource plan, or, in the absence of a recently approved supply plan, may describe its objectives in the filing that accompanies the proposed acquisition. Id. at 27-28.

To determine whether a proposed resource compares favorably to the range of alternatives reasonably available to the company, the Department will evaluate both price and non-price factors. D.P.U 94-174-A, at 27. For price, the Department considers whether the pricing terms are competitive with those for the range of capacity, storage and commodity options that were available to the company at the time of the acquisition, as well as with those opportunities that were available to other local distribution companies in the region. Id. at 28. With respect to non-price factors, the Department will determine whether the acquisition satisfies the LDC's non-price objectives, including, but not limited to, flexibility of nominations and reliability and diversity of supplies. Id. at 29. Lastly, the Department considers whether the acquisition of a resource is consistent with the GWSA and any applicable greenhouse gas emissions ("GHG") limit or sublimit set by the Secretary of Energy and Environmental Affairs. G.L. c. 25, § 1A. Liberty Utilities (New England Natural Gas Company) Corp., D.P.U. 22-32-C at 36 (2022).

IV. BACKGROUND

A. Current Conditions in the New England Natural Gas Market

Although production of natural gas from shale in the Marcellus and Utica basins has continued to grow in recent years, incremental supplies cannot reach the New England market because of pipeline capacity constraints (Exh. NG-Agreement-1, at 21). As a result, local distribution companies, such as National Grid, remain reliant upon LNG imports to meet a portion of peak day and peak season demand. With a limited number of parties able to import LNG into the Boston region, and only the Everett Marine Terminal able to vaporize directly into Boston

Gas's distribution system, the potential closure of the EMT threatens Boston Gas's ability to reliably serve its existing firm gas customers on high demand days (id.).

Constellation owns EMT and the adjacent 1,413-megawatt Mystic natural gas-fired power plant whose only source of gas is EMT (Exh. NG-Agreement-1, at 20-21). The Mystic generation facility has supported the operations of and served as the anchor tenant for the import terminal at Everett since the early 2000s (id.). The Mystic power facility is scheduled to retire after May 2024 and Constellation has indicated it requires long term agreements to maintain the operations of EMT after the retirement of the Mystic power generating facility (id.).

The EMT is located at a strategic delivery site for the Company (Exh. NG-Agreement-1, at 20). EMT can provide critical hydraulic balancing, inject directly into the Company's distribution system and the constrained areas of Algonquin and Tennessee systems, and can mitigate and prevent disruptions due to upstream pipeline maintenance, failures, or shutdowns (id.; Exh. DPU-NG-1-16). Moreover, from this location, the Company can distribute this gas into the Boston Gas network spanning from Everett, south to Milton, west to Wellesley, and north on the distribution feeder system to supply many communities spanning from Arlington in the west to Lynn in the east (id.).¹ Transportation contracts with delivery points on other parts of the Company's system would not provide these important benefits (id.). In addition to EMT's location within the Company's area of need, 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

¹ The cities/municipalities of the Company's distribution system that are served by EMT are: Arlington, Belmont, Boston, Brighton, Brookline, Charlestown, Chelsea, East Boston, Everett, Jamaica Plain, Lexington, Lynn, Malden, Medford, Melrose, Newton, Revere, Roxbury, Saugus, Somerville, Stoneham, South Boston, Wakefield, Watertown Winchester, and Winthrop (Exh. DOER 2-1).

Massachusetts (id.). As noted by the Attorney General’s witnesses, EMT “frequently delivers substantial quantities of natural gas on cold winter days” (Exh. AG-MLTF-1, at 9).

B. Description of the Proposed Agreement

During the first year of service, the Proposed Agreement provides for up to 27,000 Dth per day, the Maximum Daily Quantity (“MDQ”), with a Maximum Seasonal Quantity (“MSQ”) of 500,000 Dth each winter delivery season (November through March), with increasing quantities over the contract term commensurate with the Company’s imported LNG needs (Exh. NG-Agreement-1, at 9, 22-23). The term of the Proposed Agreement is June 1, 2024 through May 31, 2030 for a total of six contract years with six winter delivery seasons (id. at 22; Exh. AG 1-5). The price terms for the Proposed Agreement have the following fixed components: Non-Commodity Demand Charge and Commodity Demand Charge (id. at 23-24; Exh. AG 1-3). The Non-Commodity Demand Charge was proposed by Constellation early in negotiations with the Company to ensure that EMT will cover its non-commodity costs related to operation and maintenance of the terminal (Exh. DPU-NG-1-10). The Non-Commodity Demand Charge was designed to recover their fixed costs of operating EMT (Exhs. DPU-NG-1-11; AG 1-3). The Commodity Demand Charge represents a reservation charge for the LNG commodity (Exhs. AG 1-3; AG-MLTF-1, at 18). In addition to the Non-Commodity Demand Charge and the Commodity Demand Charge, the Company would pay a Commodity Rate for the LNG volumes actually delivered (Exhs. NG-Agreement-2 (CONFIDENTIAL) at 4; AG-MLTF-1, at 18).

V. THE PROPOSED AGREEMENT IS CONSISTENT WITH THE COMPANY’S FORECAST AND SUPPLY PLAN OBJECTIVES.

A. Overview of the Company’s Supply Portfolio

The Company’s core obligation is to provide safe, reliable and least-cost gas service to all customers within its service territory (Exh. NG-Forecast-1, at 4). To meet this obligation, the

Company employs a multi-disciplined planning process that is designed to quantify existing and future load requirements and to ensure that sufficient gas supply and gas distribution resources are available to serve that load on a safe and reliable basis (id.). Thus, the principal areas of focus in determining “system need” for incremental gas supply and capacity resources are the evaluation of: (1) whether there is sufficient gas supply available to the Company to serve customer demand; and (2) whether there is sufficient transportation and storage capacity available to deliver that gas to customers on the peak hour, peak day, and over the peak season (id.).

The Company provides retail natural gas distribution service to over 950,000 residential and commercial customers in 144 cities and towns (Exh. NG-Agreement-1, at 14). To meet design-day and design-year sendout requirements, the National Grid resource portfolio is composed of the following categories of available resources: (1) transportation contracts; (2) underground storage contracts; (3) peaking resources; and (4) gas commodity contracts (id.). Where the Company’s existing resource portfolio is insufficient to meet the Company’s forecasted design-year sendout requirements for a given forecast period, the Company must consider incremental resources over and above the available assets in the Company’s portfolio (Exh. NG-Agreement-1, at 16). Historically, the Company has been able to satisfy this deficit via citygate delivered supplies, but opportunities to do so are currently limited by a number of factors, including but not limited to: existing market conditions, capacity availability, primary point deliverability, and supply availability (id.). Limitations of market conditions, availability, and deliverability are reflective of the lack of infrastructure available in the region able to satisfy the demand for natural gas by both local distribution companies and power generation. Today, New England market area supplies able to satisfy the Company’s incremental need are primarily limited to imported LNG that can either be (i) vaporized directly into the Company’s distribution system by a third party or

(ii) delivered via additional transportation capacity contracts on Tennessee, Algonquin, and Maritimes & Northeast Pipeline, LLC (“Maritimes”). Absent any further gas infrastructure expansions or upgrades, reliance on this additional pipeline capacity is limited in availability as natural gas pipelines are at full capacity for west to east flows into the region during peak periods (id.). Thus, available capacity on pipelines able to serve the Company is limited to capacity that can only be used to transport supplies from east end LNG receipt terminals. Lastly, absent any further on-system gas infrastructure expansions or upgrades, reliance on this additional pipeline capacity is also limited in that the gas must be able to be delivered to the LDC system at a point where it is needed (id.).

B. Need for the Proposed Agreement

The need for the Proposed Agreement is driven by two factors: (1) a deficit in the Company’s available peak day and peak season assets as compared to forecasted customer requirements; and (2) gas system reliability (Exh. NG-Agreement-1, at 26). The need for the Agreement is founded on the Company’s 2023 annual demand forecast which was prepared using the methodologies approved in its then most-recent biannual Long-Range Forecast and Supply Plan (“F&SP”), D.P.U. 20-132 (id.; Exh. DPU-NG 1-4).² In the Company’s D.P.U. 22-149 F&SP, the Company identified a net need as forecasted customer requirements exceeded resources available in the Company’s supply portfolio (Exh. NG-Agreement-1, at 30). The Company’s 2023 forecast of customer requirements has decreased compared to those included in D.P.U. 22-149 F&SP (id.). This decrease in customer requirements has reduced the total net need for incremental resources, more specifically imported LNG (Exh. NG-Agreement-1, at 30). However, although

² The forecast methodology used is consistent with the forecasts presented in D.P.U. 22-149 (Exh. DPU-NG-1-4).

the customer requirements have decreased, a deficit in the Company's available peak day and peak season resources remains and thus the Proposed Agreement is still needed.

Since the suspension of Northeast Energy Direct ("NED") pipeline project, the Company has successfully met a portion of its forecasted need by acquiring small amounts of capacity on each of Tennessee, Algonquin, and Maritimes; however, as the Company discusses in the instant filing, availability of capacity on these interstate pipelines is limited and exposes the Company further to requiring imported LNG (id. at 27). Since the suspension of the NED project, the Company has also seen an increase in its forecasted requirements on both the peak day and peak season.

In addition to the Company's daily and seasonal deficit, the Company also experiences a peak hour deficit behind several of its take stations (id. at 28). Historically, the Company has had operational flexibility across its take stations on Algonquin and Tennessee, within the limits of its total contracted capacity on each pipeline. In recent years, as pipelines serving the Northeast become more heavily utilized by both local distribution companies and power generators, the Company has experienced restrictions on this flexibility and in some cases warnings by the pipeline(s) that it may issue operational flow orders under its tariff for customers to limit their hourly takes to calculated hourly flow limits at each take station (id.). The Company has therefore begun to make certain planning decisions to prepare for the potential interruption of operational flexibility at an hourly level (i.e., deployment of portable LNG operations on Cape Cod).

The Company ran the SENDOUT® model using the customer requirements forecast with updated pricing, trends and anticipated changes to the portfolio (id. at 28). The Company then analyzed the forecasted design-season and design-day requirements served by domestically sourced pipeline transportation (including upstream LNG delivered via pipeline transportation),

underground storage, and on-system LNG available to the Company (id.). Based on this analysis, the Company identified: (1) the total design day need for imported LNG of 41 MDth in 2024/25, growing to 145 MDth in 2029/30; and (2) the total design season need for imported LNG of 684 MDth in 2024/25, growing to 3,869 MDth in 2029/30 (id.; Exh. NG-Agreement-5, at 1).

The volumes in the Proposed Agreement include half of the design day and design season imported LNG needs and the small volume of winter liquid needed to backfill the Company's LNG facilities during the winter season and supply portable LNG operations (id. at 29). The Proposed Agreement is needed to help to meet the Company's design season and design day requirements. In addition, the Proposed Agreement decreases current peak hour deficits at certain of the Company's take stations which feed the system also served by EMT (id.).

VI. THE PROPOSED AGREEMENT COMPARES FAVORABLY TO ALTERNATIVES REASONABLY AVAILABLE TO THE COMPANY.

The record in this proceeding demonstrates that the Proposed Agreement is the only viable alternative that meets the Company's ability to serve customers both reliably, flexibly and at least cost. There are no viable alternatives currently available in the marketplace that offer the services that could be provided to the Company by the EMT during the term of the Proposed Agreement (Exh. NG-Agreement-1, at 39). The Company would need a combination of on-system and upstream projects to replace the services provided by Everett (id.). These projects would vary in scope, size, and cost. Further, the scalability of such alternatives would be a challenge, as would the constructability and permitting of such projects (id.).

On October 15, 2021, the Company issued a request for proposals ("RFP") to gas marketers, producers, portable project operators and pipeline developers, to solicit proposals so that it may continue to safely and reliably meet a portion of its peak day requirements beginning with the winter of 2024/25 (Exhs. NG-Agreement-1, at 32; AG 1-13). As part of the RFP, the

Company advised the market that it was familiar with supply resources that may be available to meet forecasted peak day requirements including (i) biomethane facilities that can interconnect directly to the Company's distribution system; (ii) distributed natural gas storage and vaporization, including compressed natural gas ("CNG") and LNG; and (iii) interstate pipeline transportation (Exh. NG-Agreement-1, at 32-33).

While proposals for service were requested to be available to commence as early as winter 2024/25, the Company considered the pursuit of multiple proposals that could be phased in over several heating seasons (Exhs. NG-Agreement-1, at 32; AG 1-13). The Company did not expect that a single proposal may be able to satisfy the gas supply requirements identified. In response to the RFP, the Company received several proposals, including an offer from Constellation (id.). Since the issuance of the RFP, the Company has invested significant time and efforts into evaluation of potential solutions to continue to meet its obligations and during that time has seen a shift in the global LNG market.

The Company evaluated various supply-side solutions that could meet the near-term deficit in the portfolio (id. at 33-34). Supply-side and on-system solutions include a combination of: (1) existing pipeline capacity originating from LNG import terminals; (2) incremental pipeline capacity from an upstream pipeline expansion project; (3) increased vaporization at existing LNG facilities; (4) portable LNG; and (5) major on-system pipeline system projects to transport volumes from where they are available to where they are needed. A number of these projects are currently included in the Company's 10-year capital investment plan and others are under further consideration and/or extend beyond the 10-year planning timeframe (id. at 34). Additionally, the Company has contracted for capacity originating from LNG import terminals which can be used to meet a portion of its volumetric deficit, but cannot provide the same locational benefits as EMT

(id.). Although the Company continues to evaluate the role incremental LNG vaporization or expansion of its portable footprint may hold in meeting supply requirements, these are small discreet projects that even in aggregate could not meet the Company's forecasted deficit (id.). A larger-scale expansion, even if successfully permitted and constructed, could not be available in the timeline required by the Company to meet firm forecasted requirements served by the Proposed Agreement (id.).³

Many of the supply-side projects, even in aggregate, if implemented, could not meet the needs served by the Proposed Agreement in the required timeline. The Company considered additional existing interstate pipeline capacity. However, to leverage any additional existing interstate pipeline capacity as a substitute for EMT, the Company would require major new on-system infrastructure to increase system utilization into this same area of Boston (id. at 34; Exh. AG 2-8). In evaluating this possibility, the Company must consider the maximum allowable operating pressure of the area being served by the facilities, and the length of pipeline and constructability to move gas supply into where it is needed on the distribution system (id.).

Second, the Company continues to evaluate permanently increasing LNG vaporization capacity at several of its existing LNG facilities and implementing portable injection sites (id. at 35; Exh. AG 2-8). However, although incremental LNG plant volumes supplement the overall supply portfolio and address peak hour imbalances, they generally do not benefit or support the imbalance which exists in areas fed or supplied from Everett (id.). Finally, increased vaporization at existing facilities without an expansion of storage will not address any seasonal shortfall in the

³ Additionally, D.P.U. 20-80-B provides a new "lens" for investment in gas infrastructure and discourages investment in further expansion of the natural gas distribution system (Exh. NG-Agreement-1, at 39-40 citing D.P.U. 20-80-B at 14-15).

portfolio and will increase the Company's reliance on transportation of LNG via trucks into the Company's facilities throughout the winter months (Exh. NG-Agreement-1, at 35).

Third, the Company evaluated expanding the portable footprint and concluded four additional portable LNG injection sites would be added to the investment plan (Exh. AG 2-8). The site development and portable LNG equipment for these four sites are currently in the Company's 10-year capital investment plan (id.). However, these are small discrete projects that even in aggregate could not meet the Company's forecasted deficit, but are included in the 10-year capital investment plan because the projects provide operational reliability (id.).

Finally, a pipeline expansion could obviate the need for the Proposed Agreement; however, such a project could not be constructed absent receipt of any required local, state, and federal permits (Exh. NG-Agreement-1, at 35). However, even if such a project were to be permitted, it is unlikely that the construction could be completed by December 1, 2024 when the Company could begin taking delivery of supply from Constellation (id.).

In addition to the supply-side resources evaluation explained above, the Company has and continues to explore incremental demand-side resources, including targeted outreach efforts and localized enhanced incentives for gas energy efficiency and gas to electric conversions of customer space and water heating loads, and the launch of gas demand response programs (Exh. NG-Agreement-1, at 35-36). The Company's customers served by EMT is approximately ten percent of the total customers served (Exh. DOER 2-5). The Company would need to increase the levels of annual demand reduction ten times to serve the service territory wide equally. The Company does not believe an increase of this magnitude can be reliably or cost-efficiently scaled to obviate the need for the Proposed Agreement during the term of the agreement (id.). Further, in light of the demand side contributions already being made through the Company's existing, approved

energy efficiency and electrification programs, the potential impact of these incremental demand-side resources is likely to be small as compared to the scale of the need that would be created should Everett cease operations (or the opportunities afforded by the supply-side strategies identified above) (Exhs. NG-Agreement-1, at 35-36; DOER-2-5).

After assessing the alternatives discussed above, the Company concluded there are no viable alternatives currently available in the marketplace that offer the services that could be provided to the Company by the EMT during the term of the Proposed Agreement (Exh. NG-Agreement-1, at 39). As noted above, the Company would need a combination of on-system and upstream projects to replace the services provided by EMT and the scalability of such alternatives would be a challenge, as would the constructability and permitting of such projects (id.). Further, as acknowledged by the Attorney General's witnesses, "the alternatives to the Agreements are currently insufficient to fully replace supplies from EMT and the reliability benefits provided by the facility" (Exh. AG-MLTF-1, at 52).

A. The Proposed Agreement Compares Favorably to Alternative Resources Based on Price Factors.

In 2007, Constellation filed an application under Section 3 and Section 7 of the Natural Gas Act to obtain authorization to abandon services pursuant to its tariff and to cancel its tariff (Exhs. NG-Agreement-1, at 41; AG 2-10). FERC approved this request in July 2008 and, as a result, the facility was no longer subject to regulation of rates, rate caps for service offerings, and abandonment protection (Exh. NG-Agreement-1, at 41). The Company recognizes that the price charged under the Agreement is a market-based rate for the services and supply being offered (id. at 42).

As explained above, the price terms for the Proposed Agreement have the following components: Non-Commodity Demand Charge; Commodity Demand Charge; and Commodity

Rate (id. at 23-24; Exhs. NG-Agreement-2 (CONFIDENTIAL) at 4; AG 1-3). The Non-Commodity Demand Charge was proposed by Constellation early in negotiations with the Company to ensure that EMT will cover its non-commodity costs related to operation and maintenance of the terminal (Exh. DPU-NG-1-10). The Non-Commodity Demand Charge was designed to recover their fixed costs of operating EMT (Exh. DPU-NG-1-11). The Commodity Demand Charge represents a reservation charge for the LNG commodity (Exh. AG-MLTF-1, at 18). The Commodity Rate is a variable cost for the LNG volumes actually delivered (id.). As noted by the Attorney General, the total cost under the agreements reached by the gas distribution companies with Constellation is roughly \$55/MMBtu (Exh. AG-MLTF-1, at 35).

The Attorney General's witnesses indicated that the demand charges (the sum of the Non-Commodity Demand Charge and the Commodity Demand Charge) "are within the range of the demand charges observed in other recent peaking contracts in prior winters" but in the higher end of the range (id. at 41-42). Moreover, as noted repeatedly in the Company's exhibits, if the Company does not receive approval of the Proposed Agreement, the EMT facility will likely close (id. at 42). There are no viable alternatives in the marketplace that offer the services provided by EMT to the Company. If EMT were to close, it would significantly and adversely impact the Company's ability to reliably serve its customers over the next several winters (id.).

With few suppliers able to import LNG into New England and a lack of new gas pipeline infrastructure into New England limiting access to low-cost domestic supplies, continued reliance on the delivery of imported LNG supplies to satisfy existing and forecasted requirements exposes customers to price volatility and supply reliability risk (id.). Should Constellation cease operation of the Everett LNG facility, the region will be solely reliant on the willingness of other LNG importers to New England to supply LNG into the region (id.). Even if other LNG suppliers will

sell such supplies to the Company, incremental pipeline transportation capacity on Algonquin, Tennessee, and Maritimes will be necessary to deliver such supplies to LDC consumers and could not meet the same locational needs as EMT does today in the Company's portfolio absent incremental infrastructure (id. at 42-43). Given the density of the areas served by EMT, the impact of this type of situation from a risk and cost perspective is expected to be significant and will be difficult to quantify (id. at 43).⁴

Accordingly, the Company has demonstrated that the Proposed Agreement compares favorably to alternatives based on price factors, particularly given the unknown costs of scarce and less reliable alternatives in the market.

B. The Proposed Agreement Compares Favorably to Alternative Resources Based on Non-Price Factors.

With respect to non-price factors, the Company evaluated the reliability, flexibility, and diversity that a new resource would add to the overall resource portfolio (Exh. NG-Agreement-1, at 43). As indicated by these factors, the Company's examination of non-price factors does not focus exclusively on the characteristics of the specific resource option under consideration by the Company (id. at 43-44). Instead, this analysis also focuses on the benefits that a particular option presents in the context of the Company's existing portfolio. For example, although a given resource may possess flexible attributes (for example, affording deliverability to either Tennessee or Algonquin), the resource may be duplicative of other resources in the portfolio that offer the same flexibility, and therefore, the resource provides no greater level of flexibility to the overall management of the portfolio (id. at 44). Conversely, a resource that possesses no inherent

⁴ See footnote 1 for a list of towns served by EMT.

flexibility (e.g., alternative delivery points) may provide the overall portfolio a level of flexibility when it is used in combination with other resources in the portfolio (id.).

As part of the Proposed Agreement, the Company maintains the right to dispatch supplies purchased on a non-ratable basis, meaning it can utilize the flexibility of the terminal to manage fluctuating temperatures across holidays and weekends (id., at 44; see Section 1(B)-(D) and Special Provision B of Exh. NG-Agreement-2 (CONFIDENTIAL)).

Additionally, the Proposed Agreement offers the opportunity for the Company to purchase a portion of its volume in liquid form (Exh. NG-Agreement-1, at 44). Historically, the Company has purchased approximately 300,000 Dths of LNG during the winter months to replenish boil off in its existing storage facilities and support operations at its portable sites (id.). As previously explained, while liquefaction is now available to the Company during the refill season, liquefaction is not available to the Company on a firm basis during the winter months (id.).

The most significant benefit that the Proposed Agreement will provide is reliability. The Everett Marine Terminal is in a unique position to support gas system reliability due to both its location and significant sendout capability (Exhs. NG-Agreement-1, at 30; AG 2-10). The EMT is located at a strategic delivery site for both National Grid and other customers (e.g., other local distribution companies, power plants, industrial customers) of the Algonquin and Tennessee pipelines in areas north and west of Boston. Constellation can provide critical hydraulic balancing on the Algonquin, Tennessee, and National Grid systems in eastern Massachusetts through direct connection to each of the respective facilities (Exh. NG-Agreement-1, at 30). Everett is a hub with significant pipeline infrastructure that allows for injections of gas supply directly into National Grid's feeder systems, and constrained areas on the Algonquin and Tennessee systems. Gas supplies at Everett can mitigate and prevent disruptions on the Company's distribution system that

may otherwise be experienced resulting from upstream pipeline maintenance, compressor failures, or on-system LNG plant shut-downs, or on-system feeder or distribution piping isolations/shutdowns at any time of year (id.).⁵

National Grid can accept gas supply from Constellation in Everett and distribute this gas into the Boston gas network spanning from Everett, south to Milton, west to Wellesley, and north on the distribution feeder system to supply many communities spanning from Arlington in the west to Lynn in the east (id. at 31). Further, Constellation has the capability to inject into the end of the Algonquin and Tennessee systems in Everett and bolster pressures on these constrained portions of the pipelines systems that in turn supply approximately half of the Company's take stations in Massachusetts (id.). These injections are critical to ensure adequate pressures are maintained to these National Grid take stations and to provide for uninterrupted deliveries to the Company's customers. The Company's contractual pipeline deliveries alone may not be adequate to maintain system pressures to these stations (id.). As the upstream pipelines serving the Company's distribution system continue to become more constrained, the operational flexibilities which they have historically provided will continue to diminish (id.).

Further, deliveries out of EMT enable the Company to vaporize this gas supply directly into its distribution system, avoiding the need to transport supplies on pipeline capacity (Exh. NG-Agreement-1, at 45). 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 (id.).

⁵ If Algonquin issued an order requiring local distribution companies, including the Company, to limit hourly takes to calculated hourly flow limits at each take station, the hourly supply/demand imbalance without the Agreement is predicted to result in a risk of disruption of service to approximately 68,000 residential customers (1 dth/hr is equivalent to 20 residential customers) on a design day peak hour in the communities of Belmont, Boston, including the neighborhoods of Charlestown, East Boston, Jamaica Plain, Roxbury and South Boston, Brookline, Chelsea, Everett, Newton, Somerville, Watertown, and Winthrop (Exh. AG 4-2).

The Proposed Agreement will assist the Company in filling a portion of this need, in the near term, to ensure reliable service for its customers by providing incremental deliveries to the Company's distribution system (id.).

The Proposed Agreement provides incremental flexibility to the overall portfolio (id. At 45). The Proposed Agreement delivers incremental supply into the Company's distribution system on a primary firm priority, with the flexibility to dispatch these supplies on a non-ratable basis across holidays and weekends (id.). Further, the Company has the ability to take a portion of the total volume each season as vapor or liquid (id.).

Additionally, the Proposed Agreement provides diversity to the overall portfolio by ensuring that the Company's customers have access to natural gas supplies not only via pipeline transportation, but also directly out of EMT (id. At 45).

C. The Proposed Agreement is Necessary Even with Energy Efficiency Initiatives.

The Company has energy efficiency built into its customer demand estimate. Energy efficiency is embedded into the Company's demand forecast as per the Company's approved F&SP methodology (Exh. NG-Agreement-1, at 38). The Company's current Three-Year Energy Efficiency plan includes an average of approximately 16 million therms of annual savings per year (id.). These robust offerings are delivered in a cost-effective manner and are expected to achieve all available cost-effective energy efficiency as mandated by the Green Communities Act (id.). While some degree of incremental energy savings could be theoretically achievable through energy efficiency, the scale of the aggregate achievable opportunity is insufficient to obviate the need for requested supply investments and could not be done cost effectively (id.; Exh. DOER 2-5).

As noted by the Department, “the transition toward the Commonwealth’s net zero targets will be one that is driven by the willingness and ability of residential, commercial, and industrial customers to support the Commonwealth’s environmental goals and climate targets through investments in their homes, businesses, and transportation infrastructure.” Investigation into the Role of Gas Local Distribution Companies, D.P.U. 20-80-B, at 35-36 (2023). In the meantime, Company “has a continuing obligation to provide safe, reliable, and cost-effective service even during the next several years while the Commonwealth transitions to net-zero GHG emissions.” Boston Gas Company, d/b/a National Grid, D.P.U. 22-149, at 48 (2023). Therefore, energy efficiency and electrification are not viable alternatives.

VII. THE PROPOSED AGREEMENT IS CONSISTENT WITH THE GWSA.

The Company’s Proposed Agreement is consistent with the GWSA. The Department considers whether a company has provided adequate evidence of whether acquisition of a resource is consistent with the GWSA as a factor in its public interest review under Section 94A. D.P.U. 22-32-C at 36; Bay State Gas Company, D.P.U. 17-172, at 55 (2018); Boston Gas Company, D.P.U. 15-34, at 41 (2015); Boston Gas Company and Colonial Gas Company, D.P.U. 13-157, at 24 (2014). The Department has ruled that replacement capacity does not lead to increases in greenhouse gas emissions. See e.g. Boston Gas Company, D.P.U. 17-174, at 42-43 (2018); D.P.U. 15-34, at 41-42; Bay State Gas Company, D.P.U. 13-158, at 21-22 (2014). Further, the Department has approved agreements under Section 94A because the additional capacity will be used to serve new customers converting from oil heating to natural gas and therefore reduce greenhouse gas emissions. Id.

As the Company does not currently have any imported LNG supply contracts in place for the 2024/25 winter season and beyond, the Proposed Agreement is not replacing any supply

contracts from the Company's current portfolio (Exh. AG 3-5). However, the Proposed Agreement will be called upon not only to meet customer requirements on a design day, but on any day when operational conditions exist such that deliveries from the Everett terminal into the Company's distribution system are needed to support the distribution system (id.). There are many circumstances, other than design weather conditions that may necessitate deliveries from Constellation; such as upstream pipeline interruptions, lower than normal pressures from upstream pipelines, or on-system LNG issues. In these instances, volumes from Constellation would replace volume from other sources; Algonquin, Tennessee and/or on-system LNG; the circumstances are unknown at this time, so the exact listing of assets that would be displaced in the particular instance are not known (id.).

In addition to the distribution system needs described above, the Proposed Agreement is also necessary to satisfy a portion of the Company's forecasted peak day and peak season deficit in the near term which can only be realistically served via imported LNG (Exh. AG 1-7). A portion of the Company's forecasted peak day and peak season deficit in the near term reflects load of capacity exempt customers that have elected to return to Default Service (id.). In this case, LNG supply from Constellation will replace those resources previously provided by third-party marketers serving capacity exempt customers that have elected to return to Default Service provided by the Company (id.).

As noted by the Attorney General's witnesses, the Proposed Agreement is essentially an options contract that will be exercised only if the Company needs the supplies, and therefore the Proposed Agreement does "not guarantee that gas consumption will increase" (Exh. AG-MLTF-1, at 63). Furthermore, the Proposed Agreement will not have any negative impact on the Commonwealth's ability to achieve its target of net-zero greenhouse gas emissions by 2050 (Exh.

DPU-NG 1-17). The Proposed Agreement will not trigger any additional demand for gas. Any changes in demand in the Commonwealth are independent of this Proposed Agreement and customers will have the same demand for energy regardless of whether this Proposed Agreement is completed (id.).

Lastly, approximately 35 to 55 percent of EMT's LNG displaces fuel oil used in electric power generation (Constellation Energy Generation, LLC's Comments filed in Federal Regulatory Commission docket number AD22-9-000, Attachment 1: Joint Affidavit of Aaron T. Patterson and Michael M. Schnitzer, at 28). Therefore, if EMT were to cease operation, GHG emissions would increase (id. at 28, 30). Accordingly, the Proposed Agreement is consistent with the GWSA and is in the public interest.

VIII. CONCLUSION

As discussed above, the record in this proceeding shows that the Proposed Agreement is consistent with the Company's established portfolio objectives, which indicate a need for the gas supplies provided by the Proposed Agreement. The record also shows that the Proposed Agreement is the only viable alternative for the Company. The Proposed Agreement is also consistent with the GWSA. Therefore, the Proposed Agreement is in the public interest and should be approved by the Department.

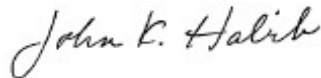
Respectfully submitted,

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