STATE OF CONNECTICUT
DEPARTMENT OF ENVIRONMENTAL PROTECTION

STATE OF CONNECTICUT

AND

CITY OF NORWICH
DEPARTMENT OF PUBLIC UTILITIES

TRADING AGREEMENT AND
ORDER NO. 8119A
MODIFICATION NO. 2

TRADING AGREEMENT AND ORDER MODIFICATION

In the matter of a Trading Agreement and Order between the Commissioner of Environmental Protection ("Commissioner") and City of Norwich Department of Public Utilities ("Norwich").

WHEREAS, the Commissioner and Norwich, having agreed to the terms and conditions set forth in Trading Agreement and Order No. 8119A signed by the Commissioner on April 29, 2003, and a modification thereto issued on March 21, 2005, do now, by mutual agreement, modify Trading Agreement and Order No. 8119A as follows:

1. Delete paragraph A.4. in its entirety and substitute the following therefor:

   Emission testing performed on the dates indicated in Table 1, resulted in NOx emission rates as follows:

Table 1

Emission Unit	Fuel	Heat Input MMBtu/hr	FLER Lbs/MMBtu	Allowable Rate Lbs/MMBtu	Date of Stack Test	Next Emission Test Due
Rolls Royce	#2 oil	249	.620	0.29	10/19/04	10/19/09

2. Delete paragraph A.6. and substitute the following therefor:

   Reserved.

3. Delete the date May 1, 2005, and substitute therefor May 1, 2009, in paragraphs A.7., A.9., C.1., and C.2.a.

4. Delete paragraph A.10. in its entirety.

5. Delete paragraph C.2.d. and substitute the following therefor:

   During the non-ozone season: Until May 1, 2009, from October 1 through April 30, inclusive, each year, the peaking unit shall, in addition to meeting the 24-hour emission limit in Table 22-1 of Section 22a-174-22 of the Regulations, meet a non-ozone season emission limit of 0.15 lb/MMBtu. Prior to October 1, 2006, October 1, 2007 and October 1, 2008, Norwich shall estimate and acquire the amount of DERCs or allowances required for such non-ozone season needed to comply with Section 22a-174-22(e)(3) of the Regulations as follows:

   Estimated DERCs (tons) use = [Estimated fuel use in MMBtu from October 1 through April 30 x (allowable emission rate in lbs/MMBtu – (0.95 x 0.15 lb/MMBtu))] ÷ 2000 lbs/ton

6. Delete paragraph C.2.e. and substitute the following therefor:

   No later than May 31 of 2007, 2008 and 2009, in addition to the DERCs retired pursuant to paragraph C.2.b. of this Trading Agreement and Order, Norwich shall calculate and permanently retire DERCs used in the preceding non-ozone season as follows:

   Actual DERCs (tons) used = [Actual fuel use in MMBtu from October 1 through April 30 x (allowable emission rate in lbs/MMBtu – (0.95 x 0.15 lb/MMBtu))] ÷ 2000 lbs/ton

7. Delete paragraph C.6. and substitute the following therefor:

   Annual Emission Statement and Non-Ozone Season Emission Statement. No later than March 1 for the previous calendar year and July 30 (for the October through April time period only starting in 2003) of every year after issuance of this Trading Agreement and Order, Norwich shall provide to the Commissioner, a record of each sale or other transfer, and use of any and all of the DERCs approved within and subsequent to issuance of this Trading Agreement and Order until all such DERCs have been used or are no longer in Norwich's possession. Norwich shall also include actual NOx emissions from the peaking unit and the amount of all DERCs used (including serial numbers (if assigned) and approved DERCs generated and/or purchased from other facilities), generated and/or approved for the previous calendar year and October through April time period. These reports shall be on a form prescribed by the Commissioner and shall be in monthly increments, and by ozone and non-ozone seasons.

In addition, Norwich shall provide to the Commissioner an annual report documenting the progress and results of the environmentally beneficial program referenced in paragraph A.8 of this Trading Agreement and Order, as approved in Trading Agreement and Order 8119.

8. Delete paragraph C.7. and substitute the following therefor:

Allowance Use. Pursuant to Section 22a-174-22(d)(3) of the Regulations, Norwich may use NOx allowances, until May 1, 2009, for the peaking unit pursuant to Section 22a-174-22(j) of the Regulations to achieve all or a portion of the reductions required by Section 22a-174-22 of the Regulations. Any allowance used for compliance with Section 22a-174-22(e) of the Regulations shall be subject to all restrictions and/or requirements applicable to DERCs contained in this Trading Agreement and Order;

a. In order for Norwich to use NOx allowances, Norwich shall create a general account or use an existing compliance account or overdraft account in EPA's NOx Allowance Tracking System ("NATS"); and

b. Each allowance used for compliance with Section 22a-174-22 of the Regulations shall be equivalent to one discrete emission reduction credit. Allowances shall be considered used for compliance with Section 22a-174-22 of the Regulations when they are transferred from the facility's NOx general account in the NATS or the facility's NOx compliance account in the NATS to the CT State NOx Retirement Account (Account ID CT0000000300 in the NATS).

9. Delete paragraph C.8. and substitute the following therefor:

DERC Shortfall. At a minimum, DERCs required shall be adjusted upwards by 100% if DERCs are not in Norwich's possession for use prior to the first day of each month or applicable season. However, nothing in this Trading Agreement and Order shall affect the Commissioner's authority to institute any proceeding or take any other action to require additional upward adjustment, based on the gravity of any alleged noncompliance or violation of law. Norwich shall permanently retire the quantity of DERCs equivalent to the excess emissions plus a 100% premium within sixty (60) days of Norwich's discovery of the DERC shortfall. Norwich shall certify and report any such DERC retirement to the Commissioner in accordance with paragraph C.30. of this Trading Agreement and Order.

10. Delete paragraph C.10. and substitute the following therefor:

FLER Exceedance. Noncompliance with an established FLER shall

subject Norwich to make restitution by matching the quantity of emissions ("true up") caused by the exceedance plus a 100% premium. The true up in tons of DERCs shall be equal to the FLER exceedance in lbs/MMBtu, multiplied by the total heat input during the period of noncompliance divided by 2000 lbs/ton. If the period of noncompliance is not known, the time period from the completion of the last/previous Commissioner witnessed emission test through the date the FLER compliance is achieved as approved by the Commissioner shall be used. However, nothing in this Trading Agreement and Order shall affect the Commissioner's authority to institute any proceeding or take any other action to require additional upward adjustment, based on the gravity of any alleged noncompliance or violation of law. Norwich shall permanently retire DERCs calculated in accordance with the above plus a 100% premium within sixty (60) days of Norwich's discovery of the FLER exceedance. Norwich shall report any FLER exceedance to the Commissioner in accordance with paragraph C.30. of this Trading Agreement and Order.

11. Delete paragraph C.13. and substitute the following therefor:

Extension. No later than May 1, 2009, with respect to the peaking unit, Norwich shall comply with the requirements of Sections 22a-174-22(d)(1) and 22a-174-22(d)(2)(A) of the Regulations and amendments thereto. There is no assurance that the Commissioner will grant a written extension of this Trading Agreement and Order.

12. Delete paragraph C.14. and substitute the following therefor:

Future Compliance Report. On or before September 1, 2008, Norwich shall submit a report in writing to the Commissioner, as directed in paragraph C.31. of this Trading Agreement and Order, indicating how the facility shall comply with Section 22a-174-22 of the Regulations with respect to the peaking unit on and after May 1, 2009.

13. Delete paragraph C.17. and substitute the following therefor:

Definitions. As used in this Trading Agreement and Order, "Approved DERCs" are those for which the Commissioner has provided written authorization for use in compliance with Section 22a-174-22 of the Regulations; "Commissioner" means the Commissioner or a representative of the Commissioner; "Non-ozone season" means the period from October

City of Norwich
Department of Public Utilities

Trading Agreement and Order
No. 8119A Modification No.2

Norwich hereby consents to the entry of this modification to the Trading Agreement and Order without further notice.

City of Norwich Department of Public Utilities

Signature: _____

Type Name: JOHN BILDA

Type Title: GENERAL MANAGER

Date: 8/11/06

Issued as a modification of an Order of the Commissioner of Environmental Protection.

Gina McCarthy
Commissioner

8/22/06
Date

MAILED CERTIFIED MAIL,
RETURN RECEIPT REQUESTED

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