STATE OF CONNECTICUT
DEPARTMENT OF ENVIRONMENTAL PROTECTION

STATE OF CONNECTICUT

AND

ALGONQUIN POWER
WINDSOR LOCKS LLC

TRADING AGREEMENT AND
ORDER NO. 8261
MODIFICATION NO. 1

TRADING AGREEMENT AND ORDER MODIFICATION

In the matter of a Trading Agreement and Order between the Commissioner of Environmental Protection ("Commissioner") and Algonquin Power Windsor Locks LLC ("Algonquin").

WHEREAS, the Commissioner and Algonquin, having agreed to the terms and conditions set forth in Trading Agreement and Order No. 8261 issued on April 25, 2005, do now, by mutual agreement, modify Trading Agreement and Order No. 8261 as follows:

1. Delete the date May 1, 2007, and substitute therefor May 1, 2009, in paragraphs A.4. and C.1.

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

   DERC use. Starting on October 1, 2004, and until May 1, 2009, before the first day of each non-ozone season, Algonquin shall have in its possession sufficient approved DERCs for the turbines based on the following:

   a. During the non-ozone season:
      Algonquin shall meet a non-ozone seasonal average emission limit of 0.15 lbs/MMBtu. Prior to October 1, 2006, October 1, 2007, and October 1, 2008, Algonquin 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) = [Estimated fuel use in MMBtu from October 1 through April 30 x (estimated seasonal average NOx emission rate in lbs/MMBtu during October 1 through April 30 - (0.95 x 0.15 lbs/MMBtu))] ÷ 2000 pounds/ton.

No later than May 31 of 2007, 2008, and 2009, when the turbines have a non-ozone seasonal average actual NOx emission rate exceeding 0.15 lbs/MMBtu, Algonquin shall calculate and permanently retire the amount of DERCs used in the preceding non-ozone season as follows:

Actual DERCs (tons) = [Actual fuel use in MMBtu from October 1 through April 30 x (actual seasonal average NOx emission rate in lbs/MMBtu during October 1 through April 30 – (0.95 x 0.15 lbs/MMBtu))] ÷ 2000 pounds/ton.

b. When the non-ozone season CEM-recorded NOx emission rate is used to calculate DERCs used by the turbines, Algonquin shall include missing data calculated in accordance with missing data substitution procedures under 40 CFR Part 75.

c. Algonquin shall not exceed any NOx permit limitations for the turbines.

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

Allowance Use. Pursuant to Section 22a-174-22(d)(3) of the Regulations, Algonquin 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 Algonquin to use NOx allowances, Algonquin 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).

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

DERC Shortfall. At a minimum, DERCs required shall be adjusted upwards by

100% if DERCs are not in Algonquin's possession for use prior to the first day of each non-ozone 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. Algonquin shall permanently retire the quantity of DERCs equivalent to the excess emissions plus a 100% premium within (60) days of Algonquin's discovery of the DERC shortfall. Algonquin shall certify and report any such DERC retirement to the Commissioner in accordance with paragraph C.26. of the Trading Agreement and Order.

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

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

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

Future Compliance Report. On or before September 1, 2008, Algonquin shall submit a report in writing to the Commissioner, as directed in paragraph C.27. of this Trading Agreement and Order, indicating how the facility shall comply with Section 22a-174-22 of the Regulations with respect to the turbines on and after May 1, 2009.

7. Delete paragraph C.14. 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 1 through April 30 in any given calendar year.

8. Delete paragraph C.15. and substitute the following therefor:

Dates. The date of "issuance" of this Trading Agreement and Order is the date the Trading Agreement and Order is deposited in the U.S. mail or personally delivered, whichever is earlier. The date of submission to the Commissioner of any document required by this Trading Agreement and Order shall be the date such document is received by the Commissioner. The date of any notice by the Commissioner under this Trading Agreement and Order, including but not limited

to notice of approval or disapproval of any document or other action, shall be the date such notice is deposited in the U.S. mail or is personally delivered, whichever is earlier. Except as otherwise specified in this Trading Agreement and Order, the word "day" as used in this Trading Agreement and Order means calendar day. Any document or action which is required by this Trading Agreement and Order to be submitted or performed by a date which falls on a Saturday, Sunday or a Connecticut or federal holiday shall be submitted or performed by the next day which is not a Saturday, Sunday, or Connecticut or federal holiday.

All other terms and conditions of Trading Agreement and Order no. 8261 issued by the Commissioner acting under Chapter 446c, Sections 22a-6, 22a-171, 22a-174, 22a-176, and 22a-177 of the Connecticut General Statutes shall remain in effect.

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

Algonquin Power Windsor Locks LLC

Signature: _____

Type Name: James A. White

Type Title: Plant Manager

Date: 9/28/2006

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

_____ 10/11/06

Gina McCarthy
Commissioner

Date

TOWN OF WINDSOR LOCKS

MAILED CERTIFIED MAIL,
RETURN RECEIPT REQUESTED

Certified Document No. 7004 1160 0002 2804 0546