STATE OF CONNECTICUT
DEPARTMENT OF ENVIRONMENTAL PROTECTION

STATE OF CONNECTICUT

AND

PSEG POWER CONNECTICUT LLC

TRADING AGREEMENT AND
ORDER NO. 8241
MODIFICATION NO. 2

TRADING AGREEMENT AND ORDER MODIFICATION

Whereas, the Commissioner of Environmental Protection ("Commissioner") and PSEG Power Connecticut LLC (PSEG) having agreed to the terms and conditions set forth in Trading Agreement and Order 8241 issued on February 13, 2003 and Trading Agreement and Order 8241 Modification 1 issued September 16, 2004, do now, by mutual agreement, modify said Trading Agreement and Order No. 8241 as follows:

1. Delete the date May 1, 2005 and substitute therefore the date May 1, 2009 in paragraphs A.5., A.7., A.8., C1., C.1.b., C.2., C.6 footnote 3., and C.7..

2. Delete paragraph C.7.a. and substitute the following therefore:

   At all times:
   Before the first day of each month, PSEG calculate projected worst case DERCs required for that calendar month as follows:

   Estimated DERCs (tons) = {[estimated worst case NOx emission rate in lbs/MMBtu - ((0.95) x (NOx allowable emission limit or proportioned emission rate calculated pursuant to Section 22a-174-22(f)(2)(A) of the Regulations in lbs/MMBtu))] x (Estimated fuel use in MMBtu)} ÷ 2000 pounds/tons.

   No later than the twentieth day of each month, PSEG shall calculate and permanently retire DERCs used in the preceding calendar month, as follows:

   (i) For the boiler on each day, determine whether the 24-hour average NOx emission rate* is less than the baseline emission rate or greater than the NOx allowable emission limit.

   (ii) When the boiler has a daily NOx emission rate (24-hour average) exceeding the NOx allowable emission limit, calculate the amount of DERCs used, as follows:

Actual DERCs (tons) = {[(CEM-recorded NOx daily average emission rate in lbs/MMBtu*) - ((0.95) x (NOx allowable emission limit or proportioned emission rate calculated pursuant to Section 22a-174-22(f)(2)(A) of the Regulations in lbs/MMBtu))] x (actual fuel use in MMBtu)} ÷ 2000 pounds/tons.

*This rate shall be calculated pursuant to the methodology described in 40 CFR Part 75.

During the non-ozone season:
During the period from October 1 through April 30, inclusive, each year until May 1, 2009, the boiler 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 lbs/MMBtu. Prior to October 1, 2006, 2007, and 2008, PSEG 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 (lower of the estimated seasonal average NOx emission rate or the proportioned 24-hour allowable emission limit in lbs/MMBtu during October 1 through April 30) – (0.95 x 0.15 lbs/MMBtu)] ÷ 2000 pounds/ton.

No later than May 31, 2007, 2008 and 2009, in addition to the DERCs retired in paragraph C.7.a., calculate and permanently retire 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 (lower of the actual seasonal average NOx emission rate or the proportioned 24-hour allowable emission limit in lbs/MMBtu during October 1 through April 30) – (0.95 x 0.15 lbs/MMBtu)] ÷ 2000 pounds/ton.

3. Delete paragraph C.8. and substitute the following therefore:

DERC Shortfall. At a minimum, DERCs required shall be adjusted upwards by 100% if DERCs are not in PSEG'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. PSEG shall permanently retire the quantity of DERCs equivalent to the excess emissions plus a 100% premium within sixty (60) days of PSEG's discovery of the DERC shortfall. PSEG shall certify and report any such DERC retirement to the Commissioner in accordance with paragraph C.28. of this Trading Agreement and Order.

4. Delete paragraph C.12 and substitute the following therfor:

   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, PSEG 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 PSEG's possession. PSEG shall also include actual NOx emissions from the boiler 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.

5. Delete the word "individual" and substitute therefore the word "section" in paragraph C.28..

6. Delete the name "Wendy Jacobs" in paragraph C.29..

7. Include a new paragraph C.30. as follows:

   Extension. No later than May 1, 2009, with respect to the boiler, PSEG 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.

8. Include a new paragraph C.31. as follows:

Future Compliance Report. On or before September 1, 2008, PSEG shall submit a report in writing to the Commissioner, as directed in paragraph C.29. of this Trading Agreement and Order, indicating how the facility shall comply with section 22a-174-22 of the Regulations with respect to the boiler on and after May 1, 2009.

All other terms and conditions of Trading Agreement and Order No. 8241 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.

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

PSEG POWER CONNECTICUT LLC

Signature: _____

Name: Robert T. Parnell

Title: Director of Asset Operations

Date: August 2, 2006

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

_____ 9/7/06

for Gina McCarthy Date
Commissioner

CITY OF NEW HAVEN LAND RECORDS
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