STATE OF CONNECTICUT DEPARTMENT OF ENVIRONMENTAL PROTECTION



| IN THE MATTER OF |) | TRADING AGREEMENT |
|--------------------------------|---|--------------------|
| |) | AND ORDER NO. 8119 |
| STATE OF CONNECTICUT |) | |
| AND |) | |
| CITY OF NORWICH |) | |
| DEPARTMENT OF PUBLIC UTILITIES |) | |

Whereas, the Commissioner of Environmental Protection ("Commissioner") and the City of Norwich Department of Public Utilities ("Norwich") agree that it is in the public interest that they work cooperatively to improve the air quality within the State of Connecticut, and that the use of emission reduction trading and the advancement and implementation of a regional, environmentally-beneficial technological program will achieve this result in a timely and cost-effective manner; and

Whereas, Norwich, as a municipal utility has unique capabilities to further the advancement of low emission technology and innovative program advancement as both a consumer and a provider; and

Whereas, Norwich, as a member of the Clean Cities Program, a U. S. Department of Energy initiative with a proven commitment to locally-sponsored pollution abatement, has agreed to implement an environmentally-beneficial, alternative low emissions vehicle program in southeastern Connecticut; and

Whereas, this environmentally-beneficial low emissions vehicle program, which entails the conversion of City of Norwich vehicles to natural gas along with the corresponding infrastructure improvements necessary to allow for the installation and operation of the first regional public fast-fill natural gas fueling station, will help to improve air quality for all of the citizens of the state;

- A. Therefore, at the request and with the agreement of Norwich, the Commissioner finds the following:
 - Norwich is a municipal corporation which includes an electric generation and distribution utility plant ("facility") that serves an approximate 29-square mile area in New London County, Connecticut.
 - 2. Within the facility, Norwich operates one combustion-turbine-powered electric generator ("turbine") which is projected to emit a maximum 7.5 tons per year of

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nitrogen oxides ("NOx"). This projection is calculated on a mass basis and is expected to be repeated annually between June 1, 1995 and April 30, 1999. Pursuant to Section 22a-174-22, Regulations of Connecticut State Agencies ("Regulations"), the allowable limit of NOx emissions for this turbine is 75 parts per million on a dry basis ("ppmvd") or approximately 3.6 tons per year.

- 3. Pursuant to Section 22a-174-22(j) of the Regulations, Norwich has acquired approximately 6 tons of approved emission reduction credits ("ERCs") for expected use by May 1996 to meet a portion of the emission limitations as calculated on a mass basis. As provided for in this Trading Agreement and Order, the mass basis formula is defined in the State of Connecticut Department of Environmental Protection's Policy Statement, *Credit Trading For Sources With Irregular Nox Emissions*, Section1 (a), incorporated into this Trading Agreement and Order as Exhibit 1. Approved ERCs are defined for purposes of this order as those for which the Commissioner has provided written authorization for use in compliance with Section 22a-174-22 of the Regulations
- 4. The turbine is used for utility peaking generation, providing support to the electrical grid during periods of generation or transmission deficiency. It operates infrequently, and its peak emissions on ozone exceedance days are predicted to exceed its mean ozone-season emissions by more than a factor of three. Therefore, Norwich is required to follow the peak basis formula prescribed in the aforementioned *Credit Trading Policy Statement*, Section 1 (b). It is projected that 110 tons of ERCs are required for the period ending April 30, 1999, calculated as follows:

The turbine's estimated annual usage of ERCs is 20 tons on a peak rate basis and 5 tons on a mass basis. Norwich shall purchase 50 peak tons in 1995 (the estimated maximum potential requirement at .0378 excess emissions in tons/hour X 24 hours X 2,000 pounds \div 3 \div 13) and will use 20 tons. 30 tons will remain and will be carried over into 1996, requiring the purchase of an additional 20 tons for 1996 (in order to maintain an ozone season starting balance of 50 peak tons). 20 tons shall be purchased in 1997, and 20 tons shall be purchased in

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1998. Total purchases through April, 1999 shall be 110 tons.

On a mass rate basis, 20 tons are expected to be used (based on 5 mass tons per year for four years). 90 tons are required to meet the difference between the mass and peak rate basis.

As an alternative to purchasing 90 tons at the peak rate, Norwich shall implement an environmentally beneficial project to reduce the emissions of NOx and other ozone precursors from mobile sources in the state. In addition, Norwich has agreed to certain operating restrictions designed to minimize NOx emissions during days when the ozone concentration in ambient air is classified by the Commissioner as "moderate to unhealthful", "unhealthful", or "very unhealthful".

B. The Commissioner, in accordance with the provisions of this Trading Agreement and Order, and pursuant to Sections 22a-174-22 (d) (4) and 22a-174-22 (j) of the Regulations, hereby allows Norwich to use the ERCs referenced in Sections A (3) and (4) herein, to achieve a portion of the nitrogen oxide emission reductions required by Section 22a-174-22 (d) (2) of the Regulations. Additionally, the Commissioner hereby allows Norwich to make a monetary investment of not less than \$90,000 in the environmentally-beneficial project referenced in Section A (4) herein and incorporated by reference into this Trading Agreement and Order by Exhibit 2, *Norwich Proposal to the State of Connecticut*, to achieve a portion of the nitrogen oxide emission reductions required by Section 22a-174-22 (d) (2) of the Regulations.

In recognition that the trading provisions of these Regulations have not yet been approved by the Environmental Protection Agency and provided that all conditions of this trading order have been, and continue to be, met, an extension of one year, until May 31, 1996, is allowed by the Commissioner pursuant to the Regulations, Section 22a-174-22 (d) (3).

C. With the agreement of Norwich, the Commissioner, acting under Sections 22a-6, 22a-171, 22a-174, 22a-176, and 22a-177 of the Connecticut General Statutes, orders Norwich as follows:

| 1. | After | r May 31, 1995, Norwich shall acquire approved ERCs suf- | ficien | t to achieve |
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| | the 1 | NOx reduction required and document and record the amount | | |
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ERCs used by the turbine each month, and shall maintain and provide such records in accordance with Section 22a-174-4 of the Regulations, until May 1, 1999 and shall:

a. Before the first day of each month, calculate projected ERCs required for the next calendar month as follows:

ERCs (tons) = (Estimated Fuel Use in MMBtu X (Full Load Emissions Rate in $lb/MMBtu - [.95 \times .28 \ lb/MMBtu])) / 2000 pounds$

where Full Load Emissions Rate is .62 lb/MMBtu and the Reasonably Available Control Technology (RACT) limit is .28 lb/MMBtu.

- Acquire sufficient approved ERCs no later than the first of each calendar month to assure compliance for, at a minimum, that calendar month;
- c. No later than the tenth day of each month, calculate ERCs used in the preceding calendar month;
- Document and record daily fuel use, excess NOx emissions and, during the ozone season, the daily ozone classification as determined by the Commissioner;
- e. No later than March 1, 1996, 1997, 1998, and 1999 include with its annual emissions report to the Commissioner, the fuel consumed and mass tons of ERCs used for the previous twelve months;
- f. Retain records and supporting documentation as described in this section for a minimum of five (5) years, commencing on the date such records were created;
- g. Maintain documentation to attest to the fact that ERCs used during the ozone season (May 1 to September 30 in any calendar year) were generated during the ozone season. Generator certification of this fact shall be sufficient; and

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- h. Provide the records specified above to the Commissioner within thirty (30) days of receipt of a written request from the Commissioner.
- 2. Prior to May 1, 1999, provided that all of the conditions of the Trading Agreement and Order have been met, Norwich shall comply during operation of the turbine with a full load emission rate limitation of 0.62 pounds/MMBTU heat input, averaged on a 24-hour basis.
- 3. In addition to acquiring and using ERCs as required in Section C.1 of this Trading Agreement and Order, Norwich shall implement, in accordance with a Schedule approved by the Commissioner, the environmentally-beneficial program incorporated by reference into this Trading Agreement and Order by Exhibit 2. That program shall be designed not only to allow conversion of the City of Norwich's vehicles to natural gas, but shall also provide the necessary infrastructure to help encourage other vehicle owners in the Southeastern Connecticut region to convert their vehicles to natural gas.

Should the environmentally-beneficial program not be completed by May 1, 1997, Norwich shall immediately thereafter purchase 90 tons of approved ERCs for use as required by Section 22a-174-22 (d)(2) of the Regulations.

Commencing ninety (90) days after issuance of this Trading Agreement and Order, Norwich shall provide to the Commissioner semi-annual reports documenting the progress and results of the environmentally-beneficial program as well as expenditures to date. See Exhibit 2, page 4.

4. Norwich shall not conduct routine testing of the turbine during days when ambient ozone is classified by the Commissioner as "moderate to unhealthful", "unhealthful", or "very unhealthful".

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- 5. As used in this Trading Order, "Commissioner" means the Commissioner of Environmental Protection or an agent of the Commissioner.
- 6. Notification of Noncompliance. In the event that Norwich becomes aware that it did not or may not comply, or did not or may not comply on time, with any requirement of this Trading Order or of any document required hereunder, Norwich shall immediately notify the Commissioner and shall take all reasonable steps to ensure that any noncompliance or delay is avoided, or, if unavoidable, is minimized to the greatest extent possible. In so notifying the Commissioner, Norwich shall state in writing the reasons for noncompliance or delay, and propose, for the review and written approval of the Commissioner, dates by which compliance will be achieved, and Norwich shall comply with any dates which may be approved in writing by the Commissioner. Notification by Norwich shall not excuse noncompliance or delay, and the Commissioner's approval of any compliance dates proposed shall not excuse noncompliance or delay unless specifically so stated by the Commissioner in writing.
- 7. Certification of Documents. Any document, including but not limited to any notice, which is required to be submitted to the Commissioner under this Trading Agreement and Order shall be signed by the chief executive officer of Norwich or a duly authorized representative of such officer, as those terms are defined in Section 22a-430-3 (b) (2) of the Regulations, and by the individual or individuals responsible for actually preparing such document, each of whom shall certify in writing as follows:

"I have personally examined and am familiar with the information submitted in this document and all attachments thereto, and I certify that based on reasonable investigation, including my inquiry of those individuals responsible for obtaining the information, the submitted information is true, accurate, and complete to the best of my knowledge and belief. I understand that any false statement made in the submitted information may be punishable as a criminal offense, in accordance with section 22a-6 of the Connecticut General Statutes, pursuant to Section

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53a-157 of the Connecticut General Statutes, and in accordance with any other applicable statute."

- 8. <u>Final Agreement and Order</u>. This Trading Agreement and Order is the final agreement and order by and between the Commissioner and Norwich with respect to the matters addressed herein, and shall not be modified without the written agreement of both parties.
- 9. <u>False Statements</u>. Any false statement in any information submitted pursuant to this Trading Agreement and Order may be punishable as a criminal offense under Section 22a-175 of the Connecticut General Statutes or, in accordance with Section 22a-6, under Section 53a-157 of the Connecticut General Statutes.
- 10. Notice of Transfer; liability of Norwich and others. Until May 31, 1999, Norwich shall notify the Commissioner in writing no later than fifteen (15) days after transferring all or any portion of the operations, the facility or the business which are the subject of this Trading Agreement and Order, or obtaining a new mailing or location address. Norwich's obligations under this Trading Agreement and Order shall not be affected by the passage of title to any property to any other person or municipality. Any future owner of the facility may be subject to the issuance of an order from the Commissioner. In accordance with PA 95-218, Norwich shall notify the Commissioner 30 days prior to transferring any license (including any permit) held by Norwich to any other party.
- 11. Commissioner's Powers. Nothing in this Trading Agreement and Order shall affect the Commissioner's authority to institute any proceeding or take any other action to prevent or abate violations of law, prevent or abate pollution, recover costs and natural resource damages, and impose penalties for violations of law which are willful or criminally negligent or for which penalties have not been specifically provided for in this Trading Order, including, but not limited to, violations of any permit issued by the Commissioner. If at any time the Commissioner determines that the actions taken by Norwich pursuant to this Trading Order have not fully achieved compliance with Section 22a-174-22 (j) of the Regulations, the Commissioner may institute any independent proceeding to

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require Norwich to undertake further investigation or further action.

- 12. <u>Norwich's obligations under law</u>. Nothing in this Trading Order shall relieve Norwich of other obligations under applicable federal, state and local law.
- 13. Access to records and facility. Any representative of the Department of Environmental Protection may enter the facility and inspect and copy records within normal business hours without prior notice for the purposes of monitoring and enforcing the actions required or allowed by this Trading Order.
- 14. No effect on rights of other persons. This Trading Order shall neither create nor affect any rights of persons who or municipalities which are not parties to this Trading Order.
- 15. Notice to Commissioner of changes. Within fifteen (15) days of the date on which Norwich becomes aware of a change in any information submitted to the Commissioner under this Trading Order, or that any such information was inaccurate or misleading or that any relevant information was omitted, Norwich shall submit the correct or omitted information to the Commissioner.
- 16. <u>Submission of documents</u>. Any document required to be submitted to the Commissioner under this Trading Order shall, unless otherwise specified in writing by the Commissioner, be directed to:

Ms. Wendy Jacobs
Department of Environmental Protection
Bureau of Air Management
79 Elm Street
Hartford, Connecticut 06106

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Norwich consents to the issuance of this Trading Agreement and Order without further notice. The undersigned certifies that he/she is fully authorized to enter into this Trading Agreement and Order and to legally bind Norwich to the terms and conditions of the Trading Agreement and Order.

| Signature: | Mahanf Dubil | |
|-------------|----------------------|--|
| Type Name: | Richard E. DesRoches | |
| Type Title: | General Manager | |
| Date: | February 28, 1996 | |

Issued as a final consent order of the Commissioner of Environmental Protection on

Sidney J. Holbrook

Commissioner

CITY OF Norwich

LAND RECORDS

MAILED CERTIFIED MAIL,

RETURN RECEIPT REQUESTED

Certified Document No. 240 431 635