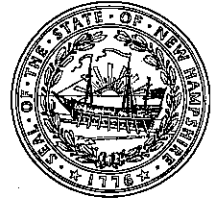




The State of New Hampshire
DEPARTMENT OF ENVIRONMENTAL SERVICES



Thomas S. Burack, Commissioner

November 18, 2010

Public Service Company of New Hampshire
c/o Robert A. Bersak, Esq.
PO Box 330
Manchester, NH 03105

Re: Docket No. AF 10-057 - Administrative Fine by Consent Agreement

Dear Atty. Bersak:

Enclosed for your records is a copy of the fully executed and accepted Administrative Fine by Consent Agreement in the above-captioned matter.

Your client's payment of \$53,000 is due by December 9, 2010, pursuant to Section V, paragraphs 1 and 2 of the above mentioned agreement. All payments shall be made payable to "Treasurer, State of New Hampshire" with the docket number clearly marked and mailed to:

DES Legal Unit
Attn: Compliance Attorney
PO Box 95
Concord, NH 03302-0095

On behalf of the Department of Environmental Services, thank you for your cooperation in this matter. This letter does not provide relief against any existing or future violations.

Sincerely,

COPY
Jane Murray

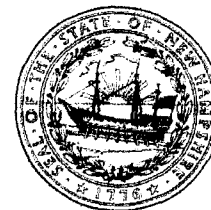
Jane Murray
Executive Secretary
DES Legal Unit

cc: K. Allen Brooks, Chief, AGO-Environmental Protection Bureau
DES Public Information Officer
E. Kudarauskas, EPA Region 1
J. Bohenko, Portsmouth City Manager

cc: DES Legal Unit



The State of New Hampshire
DEPARTMENT OF ENVIRONMENTAL SERVICES



Thomas S. Burack, Commissioner

Public Service Company of New Hampshire
c/o Robert A. Bersak, Esq.
P.O. Box 330
780 North Commercial Street
Manchester, NH 03105

**ADMINISTRATIVE FINE
BY CONSENT**

No. AF 10-057

Re: PSNH Schiller Station, Portsmouth, NH

I. INTRODUCTION

This Administrative Fine by Consent is entered into by and between the Department of Environmental Services, Air Resources Division, and Public Service Company of New Hampshire, pursuant to RSA 125-C:15. This Administrative Fine by Consent is effective upon signature by all parties.

II. PARTIES

1. The Department of Environmental Services, Air Resources Division ("DES") is a duly-constituted administrative agency of the State of New Hampshire, having its main office at 29 Hazen Drive in Concord, New Hampshire.
2. Public Service Company of New Hampshire ("PSNH") is a New Hampshire corporation having a mailing address of PSNH, c/o Robert A. Bersak, Esq., P.O. Box 330, 780 North Commercial Street, Manchester, NH 03105.

III. BACKGROUND

1. RSA 125-C authorizes DES to regulate sources of air pollution in New Hampshire. RSA 125-C:4 authorizes the Commissioner of DES to adopt rules relative to the prevention, control, abatement, and limitation of air pollution in New Hampshire. Pursuant to this authority, the Commissioner has adopted NH CODE ADMIN. RULES Env-A 100 *et seq.*
2. RSA 125-C:15, I-b(b) authorizes the Commissioner of DES to impose administrative fines up to \$2,000 per offense for violations of RSA 125-C and rules promulgated pursuant thereto.
3. RSA 125-C:6 and RSA 125-C:11, I, authorize DES to establish and operate a statewide system under which permits shall be required for the construction, installation, operation or material modification of air pollution devices and sources. Pursuant to this authority, the Commissioner of DES has adopted NH CODE ADMIN. RULES Env-A 600.

4. PSNH, a wholly-owned subsidiary of Northeast Utilities Services Company, a Massachusetts business trust, is an electric utility company that operates several generating stations, including one in Portsmouth, New Hampshire.
5. PSNH operates Schiller Station, a 153 MW fossil fuel-fired electric generating facility located in Portsmouth, New Hampshire. Schiller Station has three utility boilers (Units #4, #5 and #6), one combustion turbine operating as a load shaving unit, an emergency generator, a primary coal crusher and various insignificant or exempt activities.
6. In 2006, PSNH replaced/repowered the existing Unit #5, a 50 MW coal-fired boiler at Schiller Station with a new 50 MW wood-fired fluidized bed boiler. The primary fuel for the replaced/repowered Unit #5 is whole tree wood chips. Unit #5 is also able, and permitted, to burn coal.
7. Unit #5 was replaced/repowered pursuant to Temporary/Prevention of Significant Deterioration Permit No. TP-B-0501 (the "PSD Permit") which DES issued to PSNH on October 25, 2004 and reissued on March 7, 2006.
8. On March 9, 2007, DES issued Title V Operating Permit No. TV-OP-053 (the "TV Permit") to PSNH.
9. The PSD Permit contains emission limits for various air pollutants, including total suspended particulate matter ("PM") and particulate matter less than 10 microns in diameter ("PM10"). In particular, Condition VIII.A., Table 5, Item 15c., of the PSD Permit limits PM and PM10 emissions to 7.2 pounds per hour ("lb/hr").
10. The PSD Permit requires PSNH to perform compliance testing for the emissions from Unit #5 on a periodic basis. Condition VIII.C., Table 7, Item 59 of the PSD Permit requires PSNH to conduct annual compliance testing for PM and PM10 emissions.
11. On September 11, 2008, PSNH's contractor, Eastmount Environmental Services, conducted the required stack test for PM and PM10 from Unit #5 as required by Condition VIII.C., Table 7, Item 59 of the PSD Permit.
12. From October 17, 2008 through October 27, 2008, PSNH shut down Unit #5 as part of an annual planned maintenance outage, which included an inspection, conducted in accordance with industry practice, of the 2,880 fabric filter bags in the baghouse.
13. During the planned maintenance outage, PSNH discovered that of the 2,880 fabric filter bags in the baghouse, 48 were found to be worn and were replaced.
14. On November 10, 2008, DES received a cover letter and an emissions test report presenting the results of the September 11, 2008 testing. The results showed that, at the time of the September 11, 2008 stack test, Unit #5 emitted PM and PM10 at a rate of 9.9 lb/hr, 37.5% in excess of the 7.2 lb/hr limit.

15. On November 10, 2008, DES also received a permit deviation reporting form from PSNH as required pursuant to Env-A 900.
16. On November 12, 2008, DES and PSNH personnel met at the DES offices to discuss the emissions test report and the information contained in the permit deviation report.
17. On November 14, 2008, Eastmount repeated the stack test for PM and PM10 emissions from Unit #5 at Schiller Station. The 3-run average was 0.4 lb/hr, well below the 7.2 lb/hr limit.
18. On January 15, 2009, DES received the emissions test report for the second compliance test that was conducted on November 14, 2008. DES determined that the results in the test report were technically accurate and demonstrated compliance with the 7.2 lb/hr limit for particulate matter set forth in Condition VIII.A., Table 5, Item 15c., of the PSD Permit.
19. On January 27, 2009, DES received from PSNH via e-mail a written summary of the information that was discussed at the November 12, 2008 meeting.
20. On February 9, 2009, DES sent PSNH a letter stating that the results in the test report received on November 10, 2008, for the compliance emission testing that was conducted on September 11, 2008, were technically accurate; that the results showed that PSNH exceeded the 7.2 lb/hr limit for particulate matter set forth in Condition VIII.A., Table 5, Item 15c., of the PSD Permit; and that the matter was being considered for enforcement action.

IV. ALLEGATIONS

PSNH violated Condition VIII.A., Table 5, Item 15c., of the PSD Permit by exceeding the 7.2 lb/hr emission limit for PM and PM10 from September 11, 2008 until November 14, 2008.

V. ADMINISTRATIVE FINES, PAYMENT, WAIVER OF HEARING

1. DES has determined the 64 days of violation of Condition VIII.A., Table 5, Item 15 of the PSD Permit to be moderate deviations from the requirements with a minor potential for harm. RSA 125-C:15, I-b(b) specifies a fine range of \$601 to \$1,250 for each violation. Because PSNH shut down Unit #5 for a planned maintenance outage from October 17, 2008 to October 27, 2008, DES proposes a fine of \$1,000 per day for 53 of the 64 days of violation for a total fine of \$53,000.
2. PSNH agrees to pay a fine in the amount of \$53,000 to DES within 30 days of execution of this Administrative Fine by Consent by an authorized representative of PSNH. Payment shall be paid by certified check made payable to "Treasurer, State of New Hampshire" and shall be delivered by hand or first class mail to:

DES Legal Unit
Attn: Legal Assistant
P.O. Box 95
Concord, NH 03302-0095

3. If any payment is made by check or money order that is returned due to insufficient funds, pursuant to NH RSA 6:11-a, DES may charge a fee in the amount of 5% of the face amount of the check or \$25.00, whichever is greater, plus all protest and bank fees, in addition to the amount of the check, to cover the costs of collection.

4. The parties have entered into this agreement to avoid the time and cost of litigation. By executing this Administrative Fine by Consent, PSNH waives its right to a hearing on or any appeal of the administrative fines identified in this Administrative Fine by Consent, and agrees that this Administrative Fine by Consent may be entered into and enforced by a court of competent jurisdiction. Other than this enforcement action or any action that may be necessary to enforce this Administrative Fine by Consent, DES shall pursue no further administrative action against PSNH relative to the allegations contained herein. In any proceeding to enforce this Administrative Fine by Consent, PSNH agrees not to challenge the validity of any provision of this Administrative Fine by Consent.

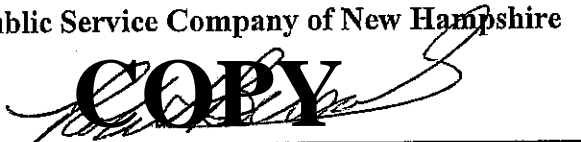
5. This Administrative Fine by Consent shall not constitute, be construed as, or operate as: (i) an admission or evidence of liability by PSNH under Federal, State, common or local law; (ii) an admission of fact by PSNH or evidence of such or an admission of any violation of any law, rule, regulation, policy or regulatory interpretation; or (iii) a waiver of any defense PSNH might raise in any third party proceeding.

6. The effective date of this Administrative Fine by Consent will be the date on which it is signed by an authorized representative of PSNH, the Director of the Air Resources Division, and the Commissioner of DES.

7. No failure by DES to enforce any provision of this Administrative Fine by Consent after any breach or default will be deemed as a waiver of its rights with regard to that breach or default, nor will such failures be construed as a waiver of the right to enforce each and all provisions of this agreement on any further breach or default.

WHEREFORE, the parties voluntarily accept the terms of this Agreement.

Public Service Company of New Hampshire

 **COPY**

By: Robert A. Bersak
Assistant Secretary and Assistant General Counsel
Public Service Company of New Hampshire
Duly Authorized

11-09-2010
Date

Department of Environmental Services

COPY

Robert R. Scott, Director
Air Resources Division

16 NOV 2010
Date

COPY

Thomas S. Burack, Commissioner

11/16/2010
Date

cc: DES Legal Unit

ec: Public Information Officer, DES PIP Office
K. Allen Brooks, Chief, AGO-Environmental Protection Bureau
E. Kudarauskas, EPA Region I
J. Bohenko, Portsmouth City Manager