

March 14, 2008

Via Electronic Delivery
Wendy.jacobs@po.state.ct.us

Ms. Wendy Jacobs
Connecticut Department of Environmental Protection
79 Elm Street
Hartford, CT 06106

RE: Input on High Electric Demand Day (HEDD) Regulation Strategy

Dear Ms. Jacobs,

FirstLight Power Resources, Inc. (FirstLight) owns, manages and operates a number of power generation facilities in Connecticut, Massachusetts and New York. Specific to Connecticut, FirstLight owns and operates 10 hydroelectric facilities totaling 128 MWs, a 20 MW peaking combustion turbine in Preston (our Tunnel facility) and is constructing a 96 MW state-of-the-art peaking combustion turbine in Waterbury.

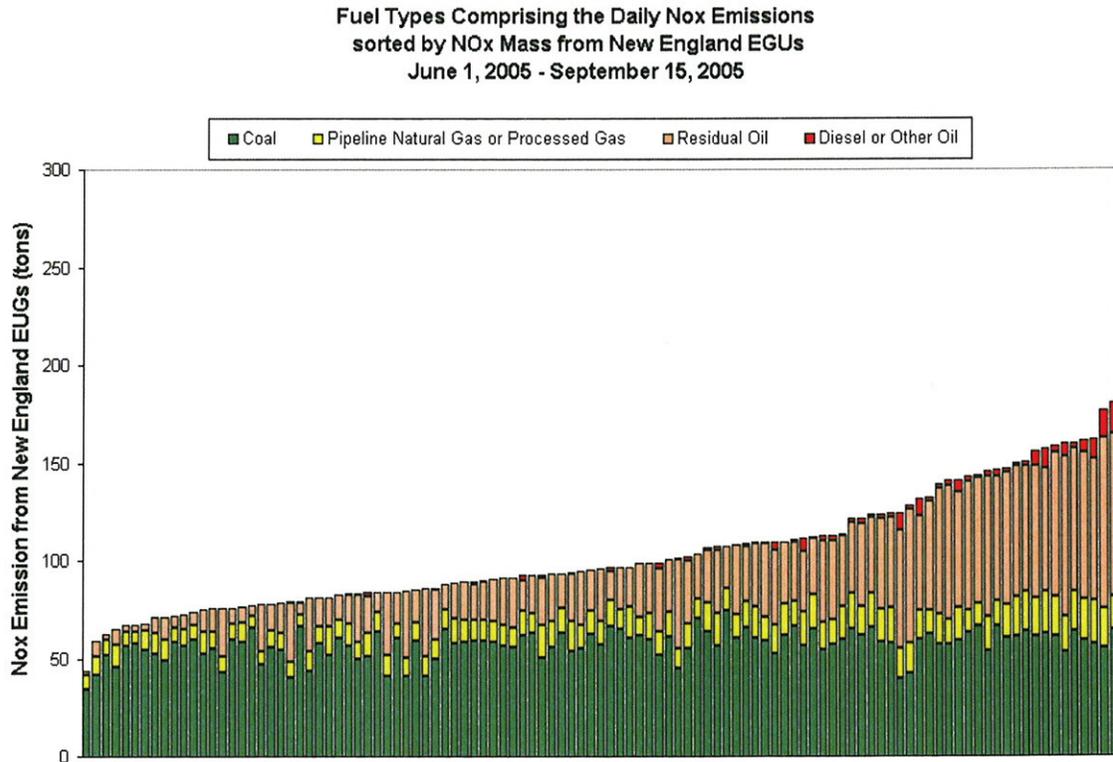
FirstLight thanks DEP for having stakeholder meetings to discuss the issues surrounding High Electric Demand Day (HEDD) regulation. Pursuant to DEP's request at the February 27, 2008 stakeholder meeting for input regarding regulation of emissions from Electric Generating Units (EGUs) during HEDDs, FirstLight offers the following comments on a regulatory strategy for addressing emissions.

Emission Profiles

FirstLight understands DEP's goals to reduce NO_x emissions on HEDDs that are also high ozone days in the State. Before emission reduction targets can be set, we ask that DEP establish the baseline emissions from which they want to make reductions. Based upon the presentations given by DEP, it is FirstLight's understanding that DEP wishes to require the installation of NO_x control devices on all Load Following Boilers (LFBs) and the replacement of older combustion turbines (CTs), however, this may not be the best strategy to ensure that energy demands continue to be met in the state.

According to the information delivered during the HEDD Stakeholder meeting presentation and the *High Electric Demand Day and Air Quality in the Northeast* white paper from the Northeast States for Coordinated Air Use Management (NESCAUM), dated June 5, 2006, the majority of NO_x emissions from peaking units in Connecticut and New England are primarily from LFBs which are depicted throughout the report and in the accompanying figure below as emissions from residual oil. As noted during the February 27, 2008 Stakeholder Meeting, NO_x emissions from LFBs comprised between 43% and 72% of all NO_x emissions that occurred on

the 7 dates in 2007 on which there were 8 hour ozone exceedances. Temperatures on each of those days exceeded 90 degrees Fahrenheit and those days were among the top ten demand days in the 2007 ozone season. For these same 7 dates, NO_x emissions from diesel fired CTs in New England comprised between 0% (on three of the 7 days) and 24% of total NO_x emissions.



(figure from NESCAUM White Paper on High Electric Demand Day and Air Quality in the Northeast, June 5, 2006)

Because the majority of NO_x emissions are from coal base load power plants followed by LFBs that run primarily on residual oils in Connecticut, FirstLight believes that any HEDD regulation proposed should focus on reducing emissions from the base load and LFB units first, and then consider emissions from other smaller units such as the CTs in the state. FirstLight believes a tiered regulatory approach as noted below would be the most beneficial and most economical solution. FirstLight does not believe that including all EGUs under one regulation, regardless of size or generation run-time is an effective means of controlling emissions because the economic models used for base load, LFBs and CTs are very different and would not result in consistent reductions for the investments.

Recommendation #1: Multi-Pollutant Regulation for Base load Plants

Several other states (MA, DE and NH) in the region have promulgated multi-pollutant regulations for selected power plants with emissions that reach certain thresholds. These multi-pollutant regulations are targeted to a specific number of base load facilities, including our Mt. Tom coal plant in Massachusetts, and subject these units to emission limitations through site-

specific emission control plans and permits. FirstLight believes that regulating the base load units under a separate regulation is an effective way to obtain permanent decreases in emissions at all times. These base load units should be required to meet set emission goals which can be achieved using Best Available Control Technology (BACT) or other compliance methods.

Recommendation #2: BACT for Load Following Boilers (LFBs)

FirstLight recommends that DEP next regulate the LFBs, since the data presented indicates that the majority of the incremental NO_x emissions that occur on high ozone days that are HEDDs are from these LFB units. On a financial basis, the LFBs would have a greater chance of showing that installing NO_x emission control devices is economical because they run much more often than do the peaking CTs that average far less than 10% of the year. Other compliance mechanisms such as setting a daily NO_x emissions cap as described below should also be allowed for these units if adding controls is not economical.

Recommendation #3: Cost Effective Compliance Approaches for CTs

As shown in the chart above, the diesel-fired CTs are small contributors to the ozone problem since they run infrequently. In addition, their contribution is likely to be further reduced due to the pending installation of new, low emitting sources in the state. As a result of the Energy Independence Act enacted in 2005, more than 700 MWs of new natural gas-fired generation will be coming into service by 2010. Additionally, the DPUC is currently reviewing proposals to build as much as 500 MWs of additional peaking generation as a result of the 2007 energy legislation. Much of this new generation will dispatch before the older, higher emitting peaking units, causing these older, higher emitting sources to run less, which would help advance the DEP's goal of reducing NO_x emissions.

To control NO_x emissions from these older CTs, FirstLight recommends that DEP set a daily cap on the amount of NO_x that these units can emit, and maintain a NO_x emission rate limit. The daily cap would reduce the total NO_x emitted on HEDDs from the units for which it may be uneconomic to add expensive backend control devices. The NO_x emission limit should continue to be achievable through the use of state or federal NO_x credits. However, instead of retiring credits on a 7:1 basis on high ozone days, DEP could increase this ratio to 10:1. This increase would raise the dispatch price of the higher emitting units on the high ozone days and would decrease the likelihood that the ISO-NE would call upon these units for operation on these days. This approach would help reduce NO_x emissions on high ozone days without forcing owners to install expensive backend controls on units that rarely operate.

Regardless of the mechanism chosen by DEP to regulate NO_x emissions on HEDDs, it is imperative that DEP work together with the Department of Public Utility Control (DPUC) and the ISO-NE to ensure that regulatory strategies align the need for reliable and adequate electricity at the lowest reasonable cost to consumers with the need to protect the environment.

FirstLight wants to thank DEP for providing us with the opportunity to participate in the stakeholder process on this important issue. If you have any questions on these comments, please feel free to contact me at (860) 895-6918 or Cynthia Vodopivec at (860) 895-6961.

Sincerely,


James A. Ginnetti
Vice President, External Affairs

cc: C. Vodopivec