

**New Hampshire Department of Environmental Services (DES)
Response to Public Service Company of New Hampshire (PSNH)
Regarding Request for Bonus Nitrogen Oxides (NOx) Allowances**

This response to PSNH's Request for Bonus Early NOx Allowances dated April 16, 2007 documents DES's determination regarding the amount of banked NOx Discrete Emissions Reductions (DERs) under regulation Env-A 3100 that will be converted to allowances for future compliance with statute RSA 125-O, the Multiple Pollutant Reduction Program also known as the Clean Power Act, and regulation Env-A 2900, the Multiple Pollutant Annual Budget Trading and Banking Program. This response also documents DES's determination regarding allocations of NOx allowances to individual units and recordation of those allocations in the NH Clean Power Act Allowance Tracking System.

Conversion of DERs to Bonus NOx Allowances

PSNH requested that DES allocate 8,653 Bonus NOx Allowances for conversion of 8,653 NOx DERs created and banked in accordance with the provisions of Env-A 3100. The conversion of DERs to Bonus NOx Allowances constitutes use of the DERs. Therefore, 865 DERs (10% of the requested total 8,653 DERs) are being retired for environmental benefit, and the remaining 7,788 DERs (90% of the requested total 8,653 DERs) will be used to create 7,788 Bonus NOx Allowances.

In accordance with the provisions of Env-A 3104.06:

Env-A 3104.06 Environmental Contribution. At the time of use, DER users shall permanently retire ten percent of all DERs dedicated to that particular use, such that the amount of DERs required to demonstrate compliance shall equal the source's calculated need divided by 0.9.

The DER registry and the NH Clean Power Act Allowance Tracking System will be updated accordingly. The 7,788 Bonus NOx Allowances were deposited into a general account, as requested, in the NH Clean Power Act Allowance Tracking System, and PSNH must transfer these allowances into a compliance account at a later date prior to applying the allowances for their compliance obligation.

Retiring 10% of the requested total DERs for environmental benefit is consistent with the precedent set by DES as it now requires Newington Energy and Granite Ridge Energy to retire 10% of the DERs that they obtain from PSNH in exchange for allowances when they use DERs as New Source Review offsets.