

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
ENERGY FACILITY SITING BOARD

In Re: MANCHESTER STREET STATION

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Docket No. SB-89-1

ORDER

On December 15, 1990, the Energy Facility Siting Board (“EFSB” or “Board”) granted a license to The Narragansett Electric Company and the New England Power Company (jointly the “Companies”)¹ for the construction and operation of the repowered Manchester Street Station (“Manchester Street Station”).²

The repowered Manchester Street Station was designed with dual fuel capability so that it could use either natural gas or low sulfur No. 2 distillate oil. However, during the licensing proceedings in Docket SB-89-1, the Companies committed to using natural gas as the primary fuel.

In the Final Report and Order, the Board imposed the following condition:

Natural gas shall be the primary fuel of the Station, and no other fuel shall be utilized at the Station, except that if natural gas is unavailable, as defined in this Order, the Applicants may utilize low (0.3%) sulfur No. 2 distillate fuel oil as a replacement fuel at the Station for not more than thirty (30) consecutive days, but not more than sixty (60) days over the course of a calendar year; provided, however, that such durational limits may be extended by the Board on a case-by-case basis upon written request and demonstration to the Board’s satisfaction of the continued unavailability of natural gas. Final Report and Order at 105.

¹ In 1998 the Companies sold Manchester Street Station to USGen New England, Inc. In January, 2005, Manchester Street Station was sold to Dominion Energy Manchester Street, Inc. (“Dominion.”)

² In re: The Narragansett Electric Company and the New England Power Company (Manchester Street Station Repowering Project), Docket SB-89-1, Final Report and Order 105 (Order No. 12, December 15, 1990) [“Final Report and Order.”]

As part of the licensing of the repowering project, the Companies were required to apply for and obtain a Prevention of Significant Deterioration (“PSD”) permit from the Rhode Island Department of Environmental Management (“DEM”). The PSD permit which is issued by DEM under delegation from the Environmental Protection Agency is one of a few permits that is outside of the EFSB process under §42-98-7(a)(3) of the Energy Facility Siting Act.

The PSD permit which was issued on April 13, 1992 contained a restriction on the use of fuel similar to that contained in the Final Report and Order, including the definition of unavailability of natural gas as meaning “interruption in supply or transportation resulting from equipment failure, regulatory actions or interruption of supply outside the control of [the Companies.]” See Final Report and Order, at 92.

Since the issuance of the Final Report and Order in 1990, the electric industry in Rhode Island and New England generally has undergone a substantial transformation with the enactment of the Utility Restructuring Act of 1996 (“URA”) by the Rhode Island General Assembly and the subsequent sale by the regulated public utilities of their generating assets. At the same time, ISO New England, Inc. (“ISO-NE”) has been created and now controls the dispatch of generating assets in New England.

In January 2004, New England experienced extremely cold weather conditions and very high demand for electricity. Because of constraints on the natural gas supply, the electric generating reserve margin dropped below that necessary to ensure reliable operation of the electric supply system.³ Following the completion of the report by ISO-NE’s Task Force which studied the cold snap, ISO-NE explored with DEM options to deal with the need to maintain the

³ Final Report on Electricity Supply Conditions in New England during the January 14-16, 2004 ‘Cold Snap’, ISO New England, Inc., October 12, 2004, p. 2.

availability of electric generating capacity during extreme cold weather in New England. In January, 2005, DEM changed the definition of unavailability of fuel to accommodate events under NEPOOL Operating Procedure No. 20 (OP-20 — Cold Weather Event Operations, now Market Rule 1-Appendix H) and NEPOOL Operating Procedure No. 4 (OP-4 — Action During Capacity Deficiency).

In December, 2004, in order to enable it to burn No. 2 distillate oil under the conditions described above, Manchester Street Station requested that the Board revise condition 9 of the Final Report and Order. By order dated January 27, 2005, the Board revised Condition 9 to read as follows:

Natural gas shall be the primary fuel of the Station, and no other fuel shall be utilized at the Station, except that if natural gas is unavailable, as defined by the Rhode Island Department of Environmental Management, Office of Air Resources, low (0.3%) sulfur No. 2 distillate fuel oil may be utilized as a replacement fuel at the Station for such time and under such conditions as DEM may allow.

In the Spring of 2005, Dominion began discussing the possibility of limited discretionary use of fuel oil at Manchester Street Station with DEM. Subsequently, Dominion applied to DEM for modification of the air permit to allow this.

Dominion's proposal for additional fuel oil use flexibility has been given a heightened sense of urgency as a result of the damage to the Gulf Coast oil and gas production facilities by Hurricanes Katrina and Rita, which has jeopardized the natural gas supply to the entire New England region. Granting Dominion the right to use fuel oil as proposed will increase the fuel diversity of the power supply in New England, a position that has been supported by ISO-NE, given its concerns with natural gas supply for the winter of 2005-2006.

As a means of mitigating the environmental impact, Dominion has proposed to use 0.05% sulphur No. 2 distillate fuel oil during discretionary oil firing of one or two units and

0.035% sulphur No. 2 distillate fuel oil when all three units are operating simultaneously. The current sulfur limit is 0.3%.

On December 14, 2005 the Board considered this matter at open meeting. After discussion and consideration of the request of Dominion, the Board finds that fuel diversity is important to the region and that Dominion has proposed appropriate mitigation measures. Therefore, the Board unanimously voted to approve the request of Manchester Street Station.

Accordingly, it is hereby

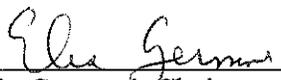
(No.56) ORDERED

Condition 9 of the Final Report and Order is hereby further revised to read as follows:

Natural gas shall be the primary fuel of the Station. If natural gas is unavailable, as defined by the Rhode Island Department of Environmental Management, Office of Air Resources, low (0.3%) sulfur No. 2 distillate fuel oil may be utilized as a replacement fuel at the Station for such time and under such conditions as DEM may allow. No. 2 distillate fuel oil may also be used at the station at such other times and under such conditions as DEM may allow.

DATED AND EFFECTIVE AT WARWICK, RHODE ISLAND THIS 14th DAY OF DECEMBER 2005 PURSUANT TO AN OPEN MEETING DECISION. WRITTEN ORDER ISSUED DECEMBER 14th 2005.

ENERGY FACILITY SITING BOARD


Elia Germani, Chairman


W. Michael Sullivan


Kevin M. Flynn

