



Public Service
of New Hampshire

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The Northeast Utilities System

October 3, 2006

By Facsimile and Overnight Mail

Mr. David M. Webster, Chief
Office of Ecosystem Protection
United States Environmental Protection Agency
New England Region
Industrial Permits Branch
One Congress Street, Suite 1100, Mail Code CIP
Boston, MA 02114-2023

**Re: Public Service Company of New Hampshire
Merrimack Station
National Pollutant Discharge Elimination System Permit No. NH0001465**

Dear Mr. Webster:

Public Service Company of New Hampshire ("PSNH") looks forward to the opportunity to meet with the United States Environmental Protection Agency ("EPA") on October 5, 2006 to discuss the draft National Pollutant Discharge Elimination System permit (the "Permit") for PSNH's Merrimack Station (the "Station") in Bow, New Hampshire.

At that time, we will present to EPA the results of the thermal impacts study (the "Analysis") that our professional consultant, Normandeau Associates, Inc. ("Normandeau"), is completing in support of PSNH's pending request for renewal of the Station's existing Clean Water Act §316(a) variance. As you may recall, EPA requested this information at our previous meeting. Because the Analysis contains new information that directly bears on the thermal limits to be contained in the Station's Permit, and, therefore, that EPA must consider in the draft Permit, we expect this discussion will be very useful in outlining the Analysis's significant conclusions. In particular, the Analysis responds directly to EPA's concerns relating to anadromous species in the Merrimack River, and thus is a critical part of the administrative record for any draft permit that EPA ultimately issues for the Station.

Also, as you are aware, PSNH is currently undertaking significant data collection and analysis in order to be able to submit its Comprehensive Demonstration Study ("CDS") for the Station under EPA's Phase II §316(b) regulations. The deadline for the CDS submission, January 7, 2008, is fast approaching. PSNH believes that there are significant benefits to EPA's

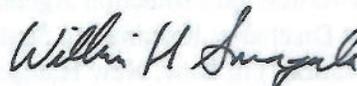
consolidating its review of all of the technical information that PSNH plans to submit with respect to both §316(a) and §316(b), and issuing a permit that thoroughly integrates the various considerations under both parts of §316, to the extent §316(b) considerations belong within a NPDES permit. Thus PSNH respectfully requests that EPA defer issuance of the draft permit until all the technical information has been submitted in a timely manner and appropriately reviewed. Since EPA policy and precedent dictate that the application of Sections 316(a) and 316(b) should be coordinated to the extent possible in order to achieve the most rational end product, PSNH anticipates that this precedent and policy will guide the Merrimack permit process as well; if not, PSNH would appreciate the opportunity to discuss this further.

We note that EPA has asked PSNH to propose its "preliminary compliance alternative selection," to indicate which of the Rule's compliance alternatives it plans to implement at the Station, by October 7, 2006. PSNH plans to make this submission in a timely fashion, but wants to inform EPA now that it expects to submit a site-specific "best technology available" determination for the Station in accordance with 40 C.F.R. §125.94(a)(5)(ii). In addition, PSNH has received EPA's September 18, 2006 correspondence requesting submission of a revised Proposal for Information Collection ("PIC"), and we also expect to submit this document by October 7, 2006.

Finally, this correspondence respectfully reserves PSNH's rights to challenge any aspect of the Permit that EPA ultimately issues for Merrimack Station, including any determinations EPA makes with respect to the PIC or CDS submitted by the Station. Nothing herein is intended to, or should be in any way construed, as waiving PSNH's rights with respect to any pending considerations.

If you have any questions prior to the October 5, 2006 meeting, please contact Allan Palmer of my staff at (603)634-2439.

Very truly yours,



William H. Smagula, P.E.
Director-PSNH Generation

cc: Linda T. Landis, Esq., PSNH
Elise N. Zoli, Esq., Goodwin-Procter