

UNITED STATES OF AMERICA
BEFORE THE ENVIRONMENTAL PROTECTION AGENCY

In the matter of:	EPA Case No.
Northeast Utilities Service Company	99-0120-00
Northeast Nuclear Energy Company	99-0120-01
Respondents	

COMPLIANCE AGREEMENT

I. PREAMBLE

WHEREAS, NORTHEAST UTILITIES SERVICE COMPANY ("NUSCO") and NORTHEAST NUCLEAR ENERGY COMPANY ("NNECO") (both collectively referred to herein as "the NORTHEAST SUBSIDIARIES") are subsidiaries of Northeast Utilities. Both companies are Connecticut corporations that provide services to affiliated electric utilities which, in turn, provide electricity in the northeastern United States. The address for both companies is 107 Selden Street, Berlin, Connecticut 06106;

WHEREAS, on November 5, 1998, a stipulated judgement was entered against the NORTHEAST SUBSIDIARIES in the State of Connecticut, Superior Court, Judicial District for Hartford/New Britain for unauthorized discharge of pollutants into the waters of the State of Connecticut; See Attachments A and B.

WHEREAS, the NORTHEAST SUBSIDIARIES were required to pay a civil penalty of \$700,000 and required to contribute \$500,000 to certain specified Supplemental Environmental Projects in the State of Connecticut;

WHEREAS, the State of Connecticut judgement required the NORTHEAST SUBSIDIARIES to continue and maintain operational changes at the Millstone Station facility designed to improve environmental compliance at the Millstone facility. The facility consists of three separate units (1, 2 and 3). Specifically, Northeast Utilities had created a new Environmental Services Department (ESD) to assist each Millstone unit with environmental compliance and to provide a formal structure for identifying and responding to environmental

concerns. ESD is headed by a full time environmental manager and each Millstone unit now has a full time on-site environmental coordinator. Additionally, Millstone Station now has an environmental scientist to handle air quality matters and an environmental technician to handle monthly Discharge Monitoring Reports. Finally, environmental oversight was given executive attention at the NORTHEAST SUBSIDIARIES. The ESD manager reports directly to the NORTHEAST SUBSIDIARIES Corporate Director of Environmental Services, who in turn reports to the Vice-President for Environmental, Safety and Ethics, in addition to reporting to Millstone's Vice-President for Nuclear Work Services. Under the terms of this Agreement, any potentially significant changes to these initiatives requires notification to DEP; See Attachment B, Exhibit 1, pp. 1-2.

WHEREAS, to help meet the obligations of the State of Connecticut judgement, NORTHEAST SUBSIDIARIES hired outside consultants to assist it with current and ongoing compliance with the terms of Millstone Station's NPDES permit and applicable state laws and regulations. NORTHEAST SUBSIDIARIES also hired PricewaterhouseCoopers LLP to, among other things, assist with implementation of an Environmental Management System;

WHEREAS, on July 23, 1999, NUSCO signed an agreement with the U.S. Department of Justice (DOJ) to plead guilty to six counts of violating the conditions and limitations of its National Pollution Discharge Elimination System (NPDES) Permits; See Attachment C.

WHEREAS, the specifics of NUSCO's illegal conduct are as follows:

In September 1994, the NORTHEAST SUBSIDIARIES knowingly moved the chlorine sampling point for Millstone discharge number 006-1 to a location that was tidally influenced by sea water. As a result, unrepresentative samples were taken;

During 1996, the NORTHEAST SUBSIDIARIES knowingly discharged hydrazine from Millstone discharge number 006-1 without permit authorization; and

In May and August 1995, unrepresentative toxicity samples were taken at the Devon facility and knowingly furnished to the Connecticut Department of Environmental Protection.

Under the plea agreement, NUSCO agreed to donate \$1,000,000 to the State of Connecticut for the acquisition of property for public benefit under the Open Space & Watershed Land Acquisition Grant Program and \$650,000 to the University of Connecticut to provide environmental educational opportunities for urban youth and small businesses. Furthermore, NUSCO agreed not to take a Federal or state tax deduction for either of these contributions. See Attachment C.

WHEREAS, the charges in the DOJ-NUSCO plea agreement regarding the Millstone facility have been also addressed in the State of Connecticut judgement;

WHEREAS, on August 3, 1999, NNECO signed an agreement with DOJ to plead guilty to willfully providing inaccurate or incomplete information (false certificates of training) to the Nuclear Regulatory Commission. Under the plea agreement NNECO agreed to donate \$650,000 to Riverfront Recapture, Inc. to fund efforts focused on developing inner-city youth leadership skills and \$1 million to endow a Business Ethics Chair at the University of Connecticut. Furthermore, NNECO agreed not to take a Federal or state tax deduction for either of these contributions; See Attachment D.

WHEREAS, NUSCO's plea agreement with DOJ required NUSCO to create a company-wide environmental compliance program;

WHEREAS, Northeast Utilities has implemented the Business Ethics/BEACON program in, among other places, all fossil-hydro, nuclear and transmission and distribution operations;

WHEREAS, Northeast Utilities has developed a compliance focused environmental management system (EMS) which applies to, among other places, all fossil-hydro, nuclear and transmission and distribution operations;

WHEREAS, the EMS incorporates key elements of leading national and international EMS standards and includes the following elements:

A new environmental policy; environmental awareness and competency training; enhanced environmental auditing and corrective action procedures; the appointment of an outside environmental advisor; the creation of an internal environmental commitment tracking system; the creation of an internal environmental intra-net; a corporate-wide EMS Steering Committee; regular meetings of employees with environmental responsibilities; the creation of an environmental responsibility organization chart; the development of incentives and disciplinary procedures for environmental performance (or lack thereof); an annual environmental goal setting process; the linking of incentive compensation at all levels of the company to environmental performance; the publication of an annual environmental, safety and ethics performance report; the addition of environmental professionals; the incorporation and the endorsement of the Coalition For Environmentally Responsible Economics ("CERES") environmental principles.

WHEREAS, NUSCO's plea agreement with DOJ required NUSCO to:

Develop environmental compliance manuals for its Devon and Millstone facilities, covering "general areas of environmental regulations, including spills, releases of pollutants into the environment, discharges into sewer systems, dealings with regulatory inspectors and personnel, and the importance of accuracy, timeliness, and honesty in reporting to regulatory agencies all information required to determine compliance with applicable environmental statutes and regulations;"

Hire an independent outside consultant to perform annual environmental audits of its Millstone and Devon Station facilities; and

Identify a fully trained and qualified environmental liaison for the Millstone and Devon Station facilities. See Attachment C, pp. 3 - 4.

NOW THEREFORE, the NORTHEAST SUBSIDIARIES and the EPA, in order to ensure the integrity of Federal procurement and nonprocurement programs, in reliance upon the representations contained in Sections I and IV of this Compliance Agreement (hereinafter referred to as "this Agreement"), and in consideration of the mutual promises, covenants, and obligations contained in this Agreement, hereby agree to the provisions set out in sections II and III below.

II. SPECIFIC PROVISIONS

- S1. **Corporate-wide EMS.** Northeast Utilities will in good faith work to implement its EMS at all of its existing operational facilities.
- S2. **Hotline.** The Northeast Utilities will continue its toll-free hotline (called BEACON), whereby any of its employees can anonymously report violations of environmental, health or safety laws or regulations, the NORTHEAST SUBSIDIARIES' environmental compliance manual or other health, safety or compliance manuals or policies, or express concerns about the ethics of the NORTHEAST SUBSIDIARIES' business practices. The NORTHEAST SUBSIDIARIES will maintain a log of every report received over the hotline and a summary of the NORTHEAST SUBSIDIARIES' investigation of and response to each report.

- S3. **Compliance with Connecticut Agreement.** The NORTHEAST SUBSIDIARIES will comply with the terms of the November 5, 1998 State of Connecticut stipulated judgement. The State of Connecticut stipulated judgement, including the terms set out in the Motion for Stipulated Judgement are attached hereto and incorporated by reference. See Attachments A and B.
- S4. **Compliance with DOJ Agreement.** The NORTHEAST SUBSIDIARIES will comply with the terms of the plea agreements among NUSCO, NNECO and DOJ, and any additional terms of probation that may be imposed by the court in this matter. These plea agreements are attached hereto and incorporated by reference. See Attachments C and D.
- S5. **Training.** The NORTHEAST SUBSIDIARIES will ensure that all operational employees at Devon and Millstone facilities receive training in the requirements of the applicable environmental compliance manual and receive general ethics training on an annual basis. The first training shall occur within 120 days of the endorsement of this Agreement by the Debarring Official. New employees will be trained within 90 days of being hired.
- S6. **Successors and Sale of Assets.** The terms, conditions and obligations of this Agreement shall survive reorganization of the NORTHEAST SUBSIDIARIES' corporate structure and shall be fully binding with regard to the NORTHEAST SUBSIDIARIES' assets upon any organization which is a successor in interest to substantially all of the assets or shares of the NORTHEAST SUBSIDIARIES or which is associated or affiliated with the NORTHEAST SUBSIDIARIES; provided, however, that this Agreement is not intended to restrict the lawful and legitimate sale of assets to a bona fide purchaser and would not bind such an asset purchaser. It is understood that the NORTHEAST SUBSIDIARIES anticipate selling the Devon Station and one or more of the three power units at the Millstone Station facility during the period of this agreement. If the facilities are sold to an entity in which the NORTHEAST SUBSIDIARIES or any affiliates and/or subsidiaries do not have a majority ownership interest, do not otherwise operate or maintain the facilities, and the NORTHEAST SUBSIDIARIES has otherwise complied with this Agreement, the terms of this agreement shall no longer apply to the sold facilities as of the date of the closing.
- S7. **Restructuring or Acquisition of New Businesses.** The NORTHEAST SUBSIDIARIES shall not, through a change of name, business reorganization, sale or purchase of assets, or similar action, seek to avoid the obligations and conditions set forth in this Agreement.

III. GENERAL PROVISIONS

- G1. **Limitation on Settlement.** This Agreement relates solely to suspension and/or debarment issues in conjunction with the circumstances recited herein and in no way waives any criminal, civil, contractual, or administrative remedy or right which the Government may have for the circumstances so described nor does this Agreement restrict the authority, responsibility or legal duty of EPA to consider and institute suspension and/or debarment proceedings against the NORTHEAST SUBSIDIARIES, if information is received which provides a cause for suspension and/or debarment independent of the circumstances recited or referenced herein.
- G2. **Debarment Resolution.** In consideration of the NORTHEAST SUBSIDIARIES' entry into and compliance with all of the terms of this Agreement, EPA agrees that it will not suspend or debar the NORTHEAST SUBSIDIARIES or any of its facilities based on the NORTHEAST SUBSIDIARIES' pleas and ultimate convictions for the violations described above, provided that the NORTHEAST SUBSIDIARIES comply with the terms of this Agreement. Furthermore, endorsement of this Agreement by EPA's Debarring Official is a finding by the Agency that the NORTHEAST SUBSIDIARIES have corrected the conditions which led to the violations at NORTHEAST's Millstone and Devon Station facilities. Therefore, upon endorsement of this agreement by EPA's Debarring Official, the NORTHEAST SUBSIDIARIES' Millstone and Devon Station facilities will not be placed on the *List of Parties Excluded from Federal Procurement and Nonprocurement Programs* maintained by the General Services Administration.
- G3. **Finality of Agreement.** The NORTHEAST SUBSIDIARIES hereby waive all further notice and opportunity for hearings to which they may otherwise be entitled and consent to proceed according to the terms of this Agreement.
- G4. **Breach of Agreement/Survival of Cause for Debarment.** The Parties agree that the causes for debarment survive the execution of this Agreement and EPA may initiate additional suspension and/or debarment proceedings against the NORTHEAST SUBSIDIARIES on these grounds if there is a material breach of this Agreement. Any material breach of this Agreement may also be regarded as an independent cause for suspension or debarment; the Parties agree that chronic violations of non-material provisions of this Agreement may cumulatively become a material breach of this Agreement. EPA may, upon evidence that the NORTHEAST SUBSIDIARIES have committed a material breach of the Agreement, suspend or propose the NORTHEAST SUBSIDIARIES for debarment. EPA will promptly notify the NORTHEAST SUBSIDIARIES in writing of the suspension or proposed debarment. The NORTHEAST SUBSIDIARIES will have the right to contest the suspension or proposed debarment according to the procedures set forth in 40 C.F.R. Part 32.

- G5. Release of Liability.** By execution of this Agreement, the NORTHEAST SUBSIDIARIES release and shall hold harmless the United States, its instrumentalities, agents, and employees, in their official and personal capacities, of any and all liability or claims arising out of or otherwise related to the Notice of Suspension and the negotiations leading to this Agreement and all matters contained herein.
- G6. Freedom of Information Act.** The NORTHEAST SUBSIDIARIES acknowledge that this Agreement and the Attachments hereto are subject to release by EPA in accordance with the provisions of the Freedom of Information Act, 5 U.S.C. §§ 552 et seq.
- G7. Obey All Laws.** The NORTHEAST SUBSIDIARIES will obey all applicable environmental and health/safety laws and regulations of the United States, and the relevant state and local jurisdiction. Nothing in this Agreement shall be deemed to limit the NORTHEAST SUBSIDIARIES' obligations under any Federal law or regulation nor does this Agreement limit in any manner the right of the EPA to apply to the NORTHEAST SUBSIDIARIES any provision of any regulation lawfully promulgated by EPA or the right of EPA to modify or amend or add to such regulations from time to time.
- G8. Reporting Requirement.** In the event that during the term of this Agreement, either of the NORTHEAST SUBSIDIARIES is indicted, convicted or otherwise formally charged in a judicial proceeding by a government agency with fraudulent activity or any environmental violation, either civilly or criminally, the NORTHEAST SUBSIDIARIES agree to notify EPA, at the address specified herein, within ten (10) calendar days; the NORTHEAST SUBSIDIARIES will likewise notify EPA upon the indictment of, or the entering of a guilty plea or a plea of nolo contendere by any director, officer, employee, or consultant of the NORTHEAST SUBSIDIARIES for violation of any criminal statute where the violation occurred in connection with the individual's performance of duties for, or on behalf of, the NORTHEAST SUBSIDIARIES.
- G9. Audits.** During the period of this Agreement, the EPA may audit the NORTHEAST SUBSIDIARIES' compliance with the terms of this Agreement. Such audit may include the examination of relevant business records and reports, visits by a member or members of SDD to the NORTHEAST SUBSIDIARIES' facilities, and interviews with employees. In the event that EPA determines that an audit of this Agreement is necessary, the NORTHEAST SUBSIDIARIES agree to bear the reasonable cost of the audit not to exceed a total cost of \$5,000, per audit. Furthermore, costs shall be limited to travel, lodging, meals and expenses and shall not exceed the per diem rate applicable to government travel at the time of the audit.

- G10. Audits Not Conducted On-Site.** As an alternative to an on-site audit of the **NORTHEAST SUBSIDIARIES'** compliance with the terms of this Agreement, EPA may, at its sole election, conduct an audit by mail in which instance the **NORTHEAST SUBSIDIARIES** shall provide documentation of their compliance with this Agreement including but not limited to copies of documentation maintained as required in this Agreement and such additional documentation and/or certifications as may be requested by EPA.
- G11. Documentation.** The **NORTHEAST SUBSIDIARIES** shall maintain documentation sufficient to demonstrate their compliance with the requirements of this Agreement.
- G12. Notification Addresses.** All notifications or submissions from the **NORTHEAST SUBSIDIARIES** required under this Agreement will be mailed to the following address:
- Stefan Silzer, Debarment Counsel
U.S. Environmental Protection Agency
Suspension and Debarment Division (3902-R)
401 M Street, SW
Washington, DC 20460
- G13. Term of the Agreement.** This Agreement shall remain in force until September 27, 2002.
- G14. Endorsement by the Debarring Official.** This Agreement shall become effective only upon its acceptance by the Debarring Official, pursuant to 40 C.F.R. Part 32, as evidenced by his dated endorsement affixed hereto.
- G15. Certification as to Recited Facts.** By signature hereto, the individuals executing this Agreement on behalf of the **NORTHEAST SUBSIDIARIES** certify, personally and on behalf of the corporations, subject to the criminal penalties of 18 U.S.C. § 1001, that the facts recited herein and in the submission to the Suspension and Debarment Division are complete and accurate.

IV. REGIONAL RECOMMENDATION AND CAUSE GIVING RISE TO THE VIOLATION

On September 20, 1999, EPA Region 1 notified the Suspension and Debarment Division that the NORTHEAST SUBSIDIARIES had taken the following corrective actions. The NORTHEAST SUBSIDIARIES had moved the sample point to a satisfactory location that is not influenced by sea water. Furthermore, the NORTHEAST SUBSIDIARIES had obtained an emergency permit which allowed them to continue to discharge hydrazine from Millstone station. Finally, with regard to Devon Station, in 1997 the facility was prohibited from adding service water to the facility without prior authorization from the NU Legal Department and Corporate Environmental Services Department. The NORTHEAST SUBSIDIARIES have therefore corrected the technical conditions which led to the violations.

The conditions which led to the violations by the NORTHEAST SUBSIDIARIES were the result of: (1) corporate organizational problems, including inadequate allocation of resources to environmental matters and ill-defined organizational structure and accountability; (ii) insufficient environmental training; and (iii) inadequate environmental management systems. Measures taken by the NORTHEAST SUBSIDIARIES since the violations, together with the conditions the NORTHEAST SUBSIDIARIES have agreed to abide by under this Agreement, have corrected the conditions which led to the violations.

V. ENDORSEMENTS

By signatures hereto, the representatives of NORTHEAST certify, personally and on behalf of the corporations, subject to the criminal penalties of 18 U.S.C. § 1001, that the facts recited herein are complete and accurate.

NORTHEAST UTILITIES SERVICE COMPANY

By Michael G. Morris Date 9.27.99
Michael G. Morris
Chairman, President and Chief Executive Officer

NORTHEAST NUCLEAR ENERGY COMPANY

By Bruce D. Kenyon Date 9/27/99
Bruce D. Kenyon
President and Chief Executive Officer


NORTHEAST UTILITIES

By Michael G. Morris Date 9.27.99
Michael G. Morris
Chairman, President and Chief Executive Officer

DAY, BERRY & HOWARD LLP


By Stanley A. Twardy, Jr. Date 9/27/99
Stanley A. Twardy, Jr.
Counsel to Defendants

UNITED STATES OF AMERICA
 ENVIRONMENTAL PROTECTION AGENCY

By  Date 9/23/99
 Stefan Silzer
 Debarment Counsel
 Suspension & Debarment Division

Having reviewed the terms of the above Settlement Agreement between the U.S. Environmental Protection Agency and NORTHEAST UTILITIES SERVICE COMPANY, and NORTHEAST NUCLEAR ENERGY COMPANY including the Preamble, assessment of the cause giving rise to the violation and Conditions, I hereby find that the cause giving rise to NORTHEAST UTILITIES SERVICE COMPANY's and NORTHEAST NUCLEAR ENERGY COMPANY's violation of the Clean Water Act has been corrected. Therefore, I approve the terms of said agreement as the appropriate disposition of this matter.

UNITED STATES OF AMERICA
 ENVIRONMENTAL PROTECTION AGENCY

By  Date 9/23/99
 Robert F. Meunier
 Debarment Official
 Office of Grants & Debarment

List of Attachments

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- A. **November 10, 1997, Complaint, State of Connecticut v. Northeast Utilities Service Company and Northeast Nuclear Energy Company.**
- B. **November 5, 1998, Motion for Stipulated Judgement, State of Connecticut v. Northeast Utilities Service Company and Northeast Nuclear Energy Company.**
- C. **July 23, 1999, Plea Agreement, United States v. Northeast Utilities Service Company.**
- D. **August 3, 1999, Plea Agreement, United States v. Northeast Nuclear Energy Company.**