

EXHIBIT NO. 1 2
7-1-08

Ignacio Pessoa/Alex
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Subject Proposed Mirant Agreement

Attached is the draft, finalized this afternoon, of the proposed agreement with Mirant. Attached also is a summary, explaining the key terms of the agreement.

The MCMG will consider the proposed agreement on Monday, June 30, at 7:30 PM. Council has scheduled a special meeting to consider this matter on Tuesday, July 1, at 6:30 PM, in both closed executive session and public session. Several members of the MCMG and public have asked me if they will be allowed to speak at the council meeting on July 1. This is not a public hearing item, so that will be up to the discretion of the council.

Virginia Air Pollution Control Board member Bruce Buckheit will be present at both meetings to discuss the agreement and Air Board permit process, and answer questions. In addition, Mirant company representatives will be present to answer any questions.

This information, and the full agenda and docket package for the MCMG meeting is being posted on the City's web page. Information will also be e-mailed to all persons who have requested to be on the MCMG and related mailing lists.

Please let me know if you have any questions at this time.

Ignacio



Summary of proposed Project Schedule and Agreement_6_30_08.pdf Final PRGS Draft Agreement.pdf

Summary of Project Schedule and Agreement with Mirant

1. Mirant will invest \$34 million for pollution control capital improvements at PRGS to achieve PM2.5 and PM10 emission reductions.
2. Mirant will be allowed to complete the stack merge and operate up to 5 boilers upon issuance of a 2-stack permit by the Air Board. Permit will contain interim PM2.5 and PM10 emission limits. The Permit will also contain other limits that are more stringent than the permit proposed by VDEQ in December 2007. Final PM2.5 limits will be based on the performance of the capital improvements.
3. Interim PM2.5 limits are expected to be in compliance with NAAQS starting in 2009 based on expected reduction in background concentrations and by allowing dispersion credits for stack merger. NAAQS compliance for final PM2.5 limits will be determined via a protocol approved by DEQ and EPA after capital improvements are installed.
4. The City will determine the scope of the "Project" and the manner in which the \$34 million is spent. This determination will be based on an engineering study to assess best feasible PM2.5 controls including baghouses and other state of the art controls on both fugitive and stack emissions. Up to \$2 million of the \$ 34 million will be used to improve controls on fugitive sources.
5. The City will have full involvement along with Mirant on the selection of the Engineer, the control technology to be installed, and the contractor that installs the controls. Mirant will provide access to the City to monitor implementation and testing of the controls.
6. The Engineer will identify the schedule for installation of pollution controls. Any delays caused by either Mirant or the City will require the respective party to bear the cost consequences of such delay or pay a penalty. Any disputes in this respect will be resolved via litigation or arbitration. Other disputes under this agreement will be resolved via mediation.
7. Mirant will establish a process to resolve community complaints with direct City involvement. Mirant will also install an additional PM2.5 monitor to the west or southwest of the plant. The monitor will be operated for two years after fugitive controls are installed.
8. If there are no challenges to the 2-stack permit, Mirant will dismiss its challenges to the Board's issuance of the June 1, 2007 SOP and Board's decision to require permit for stack merger. Mirant will also dismiss its appeal regarding its document requests submitted to the City.
9. Mirant will install CEMS to monitor CO and PM emissions within 12 months of permit issuance and provide data to the City for at least one year after the CEMS are certified.
10. Mirant will provide all 5-minute SO2 monitored data from ambient monitors to the City from April 2007 onwards.
11. The 2-stack Permit will contain the following limits.
 - a. PM2.5 (interim): 0.016 lb/MMBtu, 85 lb/hour, 207 tons/yr
 - b. PM2.5 (final): Based on final stack test, and DEQ's and EPA's NAAQS compliance
 - c. PM10: 0.03 lb/MMBtu, 325 tons/yr
 - d. SO2: 0.36 lb/MMBtu (3-hr), 0.30 lb/MMBtu (24-hr), 1,906 lb/hr, 3,813 tons/yr
 - e. CO & PM CEMS: Installed in 12 months, City to get data for at least one year after certification
 - f. Sulfur content: 0.9% by weight
 - g. Alternate sorbent: Only permitted with permit modification

PROJECT SCHEDULE AND AGREEMENT

This Project Schedule and Agreement (“Agreement”) is entered into between Mirant Potomac River, LLC (“Mirant”) and the City of Alexandria (the “City”), acting through its duly elected officials or designated employees, this ____ day of July, 2008, and establishes a process and mutual obligations that the parties agree to undertake with respect to Mirant’s Potomac River Generating Station (the “Facility”) and the implementation of emissions control and technology, particularly with respect to fine particulate matter emissions (“PM_{2.5}”) from the Facility’s stacks and fugitive particulates from the site.

WHEREAS, Mirant owns and operates the coal-burning Facility, which generates electrical power for the PJM grid system in the Mid-Atlantic region; and

WHEREAS, the Facility is adjacent to a residential neighborhood in the City; and

WHEREAS, Mirant desires to merge the Facility’s stacks and install and use appropriate pollution control technology; and

WHEREAS, the City is authorized pursuant to Section 2.05(f) of the Charter of the City (the “Charter”) to enter into cooperative agreements with any corporation to discharge any function or power vested by the Charter; and

WHEREAS, Section 2.01 of the Charter grants the City such other powers which in the opinion of the City Council of the City (the “Council”) promote the general welfare of the City and the health and safety of its inhabitants; and

WHEREAS, the City desires to protect the public health of its residents and visitors by improving ambient air quality through the reduction of emissions of harmful pollutants from the Facility; and

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WHEREAS, Mirant and the City desire a state operating permit, which comprehensively regulates the Facility's operations and pollutant emissions consistent with and fully protective of the National Ambient Air Quality Standards ("NAAQS"); and

WHEREAS, Mirant and the City desire to resolve conflicts between them regarding the Facility and its impacts on ambient air quality through this Agreement and the issuance by the Virginia State Air Pollution Control Board (the "Board") of a mutually acceptable, comprehensive state operating permit authorizing two stack operation (the "Permit"); and

WHEREAS, Mirant has agreed to deposit thirty-four million dollars (\$34,000,000.00) in an interest bearing escrow account ("Escrow Account") pursuant to the terms of an escrow agreement for the purpose of implementing air pollution control technology to reduce stack and fugitive particulate matter emissions from the Facility (the "Project"); and

WHEREAS, upon completion of the Project, the balance of the funds in the Escrow Account, if any, shall be used for additional air pollution controls at the Facility or air quality enhancement at other locations in the City ("Supplemental Project"); and

WHEREAS, the parties intend that the City shall instruct Mirant with respect to the expenditure of the funds in the Escrow Account and the selection of the pollution control technology to be installed at the Facility, consistent with the safety and structural integrity of the Facility and subject to the approval of the Board (or the Virginia Department of Environmental Quality ("DEQ") if it has been given such authority by the Board or the General Assembly); and

WHEREAS, on July 1, 2008, the Council has adopted a motion to enter into this Agreement, based on its opinion that the Agreement promotes the general welfare of the City and the health and safety of its inhabitants.

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NOW THEREFORE, the parties agree as follows:

1. The foregoing recitals are incorporated into and made a part of this Agreement as though they were fully set forth in this Section 1 and constitute the representations, findings and understandings of Mirant and the City.
2. The Project shall consist of capital improvements at the Facility intended to lessen the Facility's impact on ambient air quality consistent with and fully protective of the NAAQS by reducing:
 - (i) PM_{2.5} emissions from each of the five (5) units (C1, C2, C3, C4 and C5) at the Facility; and
 - (ii) fugitive particulate matter from the Facility site.
3. Neither the City nor Mirant shall have any obligation under this Agreement unless and until the Board issues (or directs DEQ to issue) a mutually acceptable Permit as described herein.
 - a. If the Permit or the stack merge and related dispersion credits is not appealed or challenged in litigation within thirty-five (35) days of the issuance of the Permit by the Board or DEQ, Mirant shall deposit thirty-four million dollars (\$34,000,000.00) into an interest-bearing Escrow Account. References to the \$34 million Escrow Account shall include accrued interest. Mirant will not spend more than Escrow Account to complete the Project, except as provided in Paragraphs 11 and 14.

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- b. If the Permit or the stack merge and related dispersion credits is appealed or challenged in litigation and Mirant proceeds with construction of the stack merge, Mirant shall deposit the \$34 million into the Escrow Account.
- c. Once the \$34 million Escrow Account has been established and an Engineer has been selected, the City agrees not to challenge the dispersion credits for the stack merge project, provided Mirant is in compliance with the terms of this Agreement and the provisions of the Permit.
- d. If the stack merge and/or related dispersion credits or the Permit are challenged, the accrued interest on the Escrow Account funds shall be paid to Mirant until the challenge is defeated. If the Permit appeal or other legal challenge is successful in precluding the application of emissions dispersion credits from the stack merge, Mirant may terminate the Project and the balance of the funds (including accrued interest) in the Escrow Account shall be returned to Mirant.
- e. If the Permit appeal or other legal challenge is not successful, Mirant shall return the interest from the date of deposit to the Escrow Account principal for use on the Project.
- f. Upon approval of this Agreement by the City Council, the City agrees to use good faith efforts to publicly support the Agreement and the Permit.

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4. Selection of the Engineer and City's Consultant.

- a. In consultation with Mirant, the City shall select an engineering firm (the "Engineer") from the list included as Attachment A (and other comparable firms that the parties may identify) to conduct a two-phase Engineering Study to evaluate:
 - (i) the feasibility and cost of fugitive dust controls for the Facility site ("Phase I") and
 - (ii)
 - (a) installing baghouse or other technologies in the current housings for the hot- and/or cold-side precipitators on units C1, C2, C3, C4 and C5, taking into account the cost of retrofitting such baghouses on these boilers and any impacts to the structural integrity of the boilers and the Facility;
 - (b) improving the performance and reliability of existing hot- and/or cold-side precipitators such as, but not limited to, supercharging, gas conditioning, or increased collection area and/or residence time; and
 - (c) other commercially available technologies identified by the Engineer that may be applied in any location of the Facility, including but not limited to hybrid PM_{2.5} control systems such as COHPAC™, Advanced Hybrid Filter™, Max 9 Electrostatic Fabric Filter™, or polishing baghouses serving combined stacks (collectively "Phase II")
- b. The Engineer shall be selected by September 30, 2008 at which time Mirant shall engage the Engineer. Mirant will ask the Engineer to complete Phase I of the Engineering Study by November 30, 2008 and submit the draft Phase II

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Engineering Study for review by April 15, 2009. The City and Mirant shall meet regularly with the Engineer during both phases of the Engineering Study. The Engineer shall determine the proposed schedule for completion of the Project. The cost of both Phase I and Phase II of the Engineering Study shall be applied against the Escrow Account.

- c. The City shall engage a third-party consultant (the "City Consultant") (who the City will cause to sign a confidentiality agreement that is mutually acceptable to all parties) to facilitate its review of the Engineering Study and the implementation of the Project the cost of which shall be applied against the Escrow Account. Provided it signs a confidentiality agreement that is mutually acceptable, this third-party consultant will be provided all information that the Engineer has obtained from Mirant.
- d. The City shall not select a Project that results in a net increase in emissions.

5. Implementation of Phase I of the Project shall be as follows:

- a. Based on the results of Phase I of the Engineering Study and the City's instructions, Mirant shall use the funds from the Escrow Account to improve the Facility to reduce fugitive dust emissions. As instructed by the City the improvements may include the following new or enhanced controls (collectively "Fugitive Dust Controls") to the extent that the work can be completed for no more than two million dollars (\$2,000,000.00) of the Escrow Account:
 - (i) a new fly ash loader for controlling fugitive dust;

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- (ii) a dust suppression system as identified in the Engineering Study at all fly ash silos, and may include full or partial enclosure of the ash loading area and/or a fogging system;
 - (iii) membrane material on the inactive portions of the coal pile;
 - (iv) replacement of the Facility perimeter fence along the entry road paralleling the railroad tracks fence with a 10-foot chain link fence with durable wind screening;
 - (v) a street sweeper with a vacuum, rather than using wet suppression;
- b. All costs for design, engineering, procurement, materials, shipping and delivery, site preparation, construction, fabrication, installation and initial testing (“Construction Costs”) for work under this Paragraph 5 shall be applied against the Escrow Account. Mirant will use commercially reasonable efforts to install these improvements within twelve months of completing Phase I of the Engineering Study. To the extent feasible, Mirant shall seek competitive bids for the Fugitive Dust Controls. These Construction Costs shall not exceed two million dollars (\$2,000,000.00); and
- c. To supplement its existing particulate matter monitoring program, Mirant shall install and operate an additional ambient PM2.5 monitor, either along the southwest or western side of the site or as otherwise agreed to by the City and Mirant, to provide additional data to the City and Mirant on the impact of the Fugitive Dust Controls. Mirant shall use commercially reasonable efforts to

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install the additional monitor by December 31, 2008. The operation of the monitor shall cease two (2) years after the completion of the Fugitive Dust Controls. The cost of procuring, installing and operating the monitor shall not be charged against the Escrow Account.

6. The Implementation of Phase II of the Project shall be as follows:

- a. The engineering agreement shall require the Engineer to submit a draft report to the City, Mirant and DEQ, all of which shall have forty-five (45) days to submit comments for consideration by the Engineer. At this time and throughout the Project, Mirant shall include in its comments any issues identified at that time related to safety or structural integrity. Mirant shall have a continuing obligation to identify and report to the Engineer and the City any safety or structural integrity issues as they become known. The engineering agreement shall further provide that the Engineer finalize Phase II of the Engineering Study sixty (60) days after the end of the forty-five (45) day comment period and that the Engineer address comments provided by the City, Mirant and DEQ. Subject to a confidentiality agreement between the parties and to facilitate the schedule, Mirant shall provide timely access, data, documentation, prior studies, and other materials, including materials relating to the stack merge, that the Engineer and the City's Consultant reasonably and appropriately requests to facilitate the performance of the work set out in the engineering agreement and to satisfy the obligations set out in this Agreement. Prior to completion of the stack merge, nothing herein shall grant to the Engineer or the City any rights with respect to

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altering the engineering, design or construction of the stack merge. After completion of the stack merge and to facilitate the implementation of the Project, the Engineer may recommend a reasonable modification of the stack merge provided that such modification does not adversely impact the safety or structural integrity of the Facility or the operation of the stack merge. Such modification shall be charged against the Escrow Account.

- b. Based on the Engineer's evaluation and cost estimates as provided in Phase II of the Engineering Study, the City will select its preferred proposed technology improvement to the PM_{2.5} controls for each of the five (5) generating units and the City and Mirant shall recommend to the Board and DEQ proposed technology improvements to the PM_{2.5} controls for each of the five (5) generating units. Such improvements shall not compromise the safety and structural integrity of the Facility. Once the Board or DEQ agrees to the recommended technology and issues any required permits or permit modifications, the Engineer shall prepare a Bid Package for such improvements and solicit firm bids from at least two nationally recognized engineering, procurement and construction contractors ("EPC Contractors"). The Bid Package will be used to solicit turn-key, fixed-price, firm bids with a guarantee of emission rate and all customary commercial guarantees of performance from the EPC Contractors for the materials and installation of the agreed upon improvements. Consistent with the provisions set out in this Agreement, the City, Mirant and the Engineer shall select the appropriate EPC Contractor for all work related to the selected PM_{2.5} control technology. If the EPC Contractors' bid exceeds the amount of the funds in the

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Escrow Account, the Engineer will develop a new Bid Package for the implementation of appropriate alternative control technologies.

7. Within thirty (30) days of the execution of this Agreement, Mirant shall ask DEQ to include the following limits and requirements in its Permit:

- a. After completion of the stack merge and until completion of the Project and development of a final PM_{2.5} emissions limit in accordance with Paragraph 9 of this Agreement, each stack shall meet a limit of 0.016 lbs. PM_{2.5}/MMBtu filterable and condensable. Conditional Test Method 40 shall be used to measure PM_{2.5} filterable and Test Method 202, or another equivalent EPA-promulgated method, shall be used to measure condensable PM_{2.5} emissions.
- b. Other emission limits shall include: (i) PM_{2.5}, filterable and condensable – 207 tons per year and 85 lbs. per hour total from all 5 units combined; PM₁₀ – 325 tons per year total from all 5 units combined; and PM₁₀ – 0.03 lbs. per MMBtu from each stack.
- c. During this interim period, the Facility shall be precluded from operating in a one (1) base unit scenario, unless: (1) the Facility experiences an emergency or forced outage situation that unavoidably results in the operation of only one (1) base unit; or (2) the Facility engages in a start up from a situation in which no units are operating. In such event, Mirant shall have up to twelve (12) hours either to shut down the single unit operation or bring a second base unit on line or duct exhaust from Units C1 or C2 to Merged Stack 4. Consistent with the provisions of the

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Permit, Mirant shall continuously operate and maintain in good working order each component of the Project as it is completed.

- d. Compliance testing for PM₁₀ shall be conducted in accordance with the Permit.
- e. The first stack test to demonstrate compliance with the PM_{2.5} limit for the interim period set out in this Paragraph 7 shall occur five (5) months after the stack merge is completed and shall follow the standard procedures established by the DEQ for stack tests. If a particular stack does not demonstrate compliance, Mirant shall conduct a root cause analysis, undertake remedial actions and retest such stack within three (3) months. If the retest again does not demonstrate compliance, Mirant shall have a third opportunity to demonstrate compliance within three (3) months. If the third test fails, it shall be considered a violation.

8. Mirant shall provide reasonable notice to the City of all stack tests and allow the City to observe such stack tests. Mirant shall also provide to the City the same reports and data concerning the stack tests that it provides to DEQ within one business day of the submission of such reports and data to DEQ. Mirant will also meet with the City to discuss preliminary and final conclusions regarding the root cause(s).

9. Stack Tests and Modeling

- a. Upon completion of the Project, the final PM_{2.5} emissions limits shall be based on demonstration of performance of equipment to control emissions based on the results of stack tests conducted pursuant to the standard procedures established by DEQ for such tests. Following a reasonable shakedown period recommended by

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the EPC Contractor, a total of nine (9) performance stack tests shall be conducted over a period of two months prior to Mirant taking possession of the Project from the EPC Contractor. The final $PM_{2.5}$ limits shall be set by DEQ and approved by the Board based on the performance stack test results. No later than 60 days after receipt of the last stack test report, Mirant shall apply for a modification of the Permit consistent with the results of stack testing. Mirant shall provide reasonable notice to the City of all stack tests and allow the City to observe such stack tests. Mirant also shall review the results of the stack tests with the City and provide the City the same reports and data concerning the stack tests that it provides to DEQ within one (1) business day of submission of such reports and data to DEQ. Compliance with the final $PM_{2.5}$ limits shall be determined based on stack tests conducted every six months for the first two years, and once every two years thereafter. Conditional Test Method 40 shall be used to measure $PM_{2.5}$ filterable and Test Method 202 or another equivalent EPA-promulgated method shall be used to measure condensible $PM_{2.5}$ emissions for the performance stack tests and the compliance stack tests. The cost of these stack tests shall not be applied against the Escrow Account.

- b. The final $PM_{2.5}$ emissions limits shall demonstrate compliance with the $PM_{2.5}$ NAAQS based on air quality dispersion modeling of $PM_{2.5}$ emissions from the Facility, including but not limited to filterable and condensible emissions, using the available model promulgated by the U.S. Environmental Protection Agency ("EPA"). The protocol for the modeling analysis shall be approved for this Facility by the Board or DEQ, as well as by EPA.

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10. Costs applied against the Escrow Account shall not include items that are not required for completion of the Project or the Fugitive Dust Controls described above. These are:

- a. Any upgrades, modifications, or improvements to the Facility that are currently required or planned for at the Facility and/or necessitated by the stack merge;
- b. Improvements to the ash handling equipment other than those described in this Agreement;
- c. Operation and maintenance, including spare parts that are not used in the Project or Fugitive Dust Controls;
- d. Production losses and/or start-up costs;
- e. Mirant employee labor;
- f. Revised emission monitoring, communication, security or lighting, unless integral to the Project;
- g. Installation of CO and PM CEMS;
- h. Additional warranties beyond those that are customary; and
- i. Costs identified by the Engineer as neither necessary nor appropriate for the Project.

11. Any increases in the cost of installing baghouses in the cold-side ESPs, hot-side ESPs or baghouses serving combined stacks that are due to Mirant's deviation from the current schedule

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or design of its stack merge project shall be excluded from the costs of the Project and shall not be applied against the Escrow Account, but shall be borne by Mirant. Upon execution of this Agreement, Mirant shall give the City's Consultant access to all drawings for the stack merge construction. The Engineer shall estimate such additional costs and provide this information to Mirant and the City. If the Engineer determines that the stack merge project requires or required infrastructure or building upgrades to satisfy the building integrity or applicable code requirements, the Engineer shall estimate such additional costs and provide this information to Mirant and the City. Mirant shall then be responsible for all costs related to such upgrades and such costs shall not be applied against the Escrow Account. Any dispute involving the Engineer's decisions under this Paragraph 11 shall be submitted to binding arbitration under the rules and procedures of the American Arbitration Association, with the non-prevailing party responsible for all arbitration fees.

12. Mirant and the City shall each designate a Project Liaison to handle all communications between the parties during the Project. At any time, either Liaison may convene a technical advisory committee comprised of two engineers from each party (the "Committee"). The Committee shall be chaired by the Engineer.

13. If Mirant and the City cannot reach agreement on any issue arising pursuant to this Agreement or the implementation of the Project, including issues related to a determination of impacts on safety, the parties shall engage in mediation. The parties shall select a mediator who has experience in large industrial construction projects. If the parties cannot agree on a mediator, the American Arbitration Association shall select such mediator. If the mediator determines that a party has acted unreasonably, the other party may seek guidance from the Board or its

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designee. Each party shall pay its own mediation costs, and the parties shall equally divide the costs of the mediator. The parties agree that in the course of mediation it may be necessary to disclose information or materials considered confidential to facilitate the mediation and eventual decision-making. In such case, the parties agree to be bound by the provisions of a confidentiality agreement with respect to any data or materials disclosed.

14. Deviations from the Engineer's Schedule.

- a. If the Project deviates from the Engineer's schedule because Mirant has unreasonably caused a delay as finally determined through litigation or by arbitration if the parties agree to arbitration, and the cost of construction increases as a result of such delay, Mirant shall be responsible for all such increased costs or pay into the Escrow Account \$7,500.00 per week of delay attributable to such delay caused by Mirant's conduct, whichever is greater.
- b. If the Project deviates from the Engineer's schedule because the City has unreasonably caused a delay as finally determined through litigation or by arbitration if the parties agree to arbitration, and the cost of construction increases as a result of such delay, the City shall be responsible for all such increased costs (which shall be paid from the Escrow Account provided there are sufficient funds remaining) or pay into the Escrow Account \$7,500.00 per week of delay attributable to such delay caused by the City's conduct, whichever is greater. If such payments due from the City are in excess of the Escrow Account and are not otherwise paid by the City, Mirant may elect to terminate the Project and this Agreement.

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- c. Force Majeure principles shall apply when determining the cause of a delay. For purposes of this Agreement, Force Majeure excuses delay caused by earthquake, flood, other acts of God, war, strike, material shortage, declaration of emergency by a government agency or other such circumstance beyond the control of the party asserting Force Majeure control. That party must show that such circumstances resulting in delay were beyond its control and not due to a lack of good faith or diligence on its part.

15. Mirant shall grant the City and the Engineer reasonable access to the Facility to monitor implementation of the Project.

16. Mirant will work with the City to establish a process and dedicate resources to resolve community complaints and inform the City about any operational issues related to the Project. Mirant will grant the City reasonable access to the Facility if such a complaint arises.

17. Mirant shall provide the City with access to all correspondence and communication between Mirant and the Engineer or the EPC Contractor and allow the City to participate in all meetings between Mirant and the Engineer or the EPC Contractor. Mirant shall take reasonable efforts to schedule all meetings in connection with the Project to take place in Alexandria.

18. During Project implementation, the Engineer shall be asked to provide monthly status reports to Mirant, the City, and DEQ, including work completed, expenses incurred, and activities planned for the following month. The Engineer shall review all disbursements to ensure that all costs are properly allocated consistent with this Agreement and the Project proposal.

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19. After completion of the Project and with the approval of the Board or DEQ, the City shall allocate any remaining portion of the Escrow Account funds to the Supplemental Project, *i.e.*, other particulate matter reduction or energy efficiency projects at the Facility or in other locations in Alexandria.

20. Mirant shall dismiss with prejudice (i) its pending Virginia Administrative Procedures Act appeal filed in the Richmond Circuit Court and presently before the Virginia Court of Appeals regarding the Board's or DEQ's decisions to issue the June 2007 operating permit; (ii) its pending Virginia Administrative Procedures Act appeal filed in the Richmond Circuit Court regarding the Board's decision to require a permit for the proposed stack merge; and (iii) the appeal filed in the Alexandria Circuit Court related to Mirant's document requests submitted to the City, forty (40) days after issuance of the Permit by the Board or DEQ, provided a Notice of Appeal is not filed by any person. If a Notice of Appeal is filed but legal action is not taken within the required time limit, then Mirant shall dismiss with prejudice the above suits seventy (70) days after issuance of the Permit.

21. Upon approval of this Agreement, the City shall issue any permits with reasonable conditions required for the stack merge for which a complete application has been submitted and such applications comply with the requirements of law. The City will take all reasonable measures to expeditiously grant Mirant any necessary permits (e.g., building permits, hauling permits) with reasonable conditions related to the work described in this Agreement (including work for electrical upgrades, installation of two transformers adjacent to the plant and an additional rail spur), the construction of the stack merge and the two-stack operating permit issued by the Board or DEQ. If the City unreasonably delays the issuance of any such permit, the obligation of

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Mirant with respect to the delayed permit will be tolled on a day-for-day basis for each day of delay.

22. The City recognizes that this Agreement and the implementation of the Project are intended to satisfy pending disputes regarding previous operations at, and emissions and impacts from, the Facility and that Mirant's adherence to this Agreement shall resolve these disputes. The City agrees to cooperate with the implementation of the stack merge, the Project and other improvements required by the Project and agrees not to take any action to hinder their completion. The City does not release or waive any claims relating to future compliance by Mirant or the Facility with federal, state or local laws, but agrees that the construction and completion of the projects referred to in this Agreement will not alter the Facility's non-complying use status. While reserving the right to monitor the Facility's operations and to enforce the terms of this Agreement, the City will not initiate any judicial, administrative or other actions against Mirant for its activities in furtherance of and compliance with this Agreement.

23. Mirant shall install CO and PM Continuous Emissions Monitors ("CEMS") on both merged stacks no later than twelve (12) months after issuance of the Permit. The Permit shall determine the timing for the calibration and certification of the CEMS. All CEMS reports and hourly data provided to DEQ shall be provided to the City within one business day of their submission to DEQ. For a period of one (1) year after the CEMS are certified, Mirant shall submit to the City the hourly data on a monthly basis in electronic format one month in arrears. Subsequent to this year period, upon reasonable request by the City, Mirant shall provide the City such hourly data in three (3) month increments. The costs associated with the CO and PM CEMS, including

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procuring, installing, certifying and operating costs, shall not be applied against the Escrow Account.

24. Upon execution of this Agreement, Mirant shall relay to the City existing records of 5-minute average sulfur dioxide ("SO₂") ambient data at each of Mirant's six (6) ambient SO₂ monitors from the initial monitoring data (collected starting April 2007) to the present, and continue to do so throughout the SO₂ ambient monitoring program.

25. The City and Mirant agree to a two-stack operating Permit for the Facility that incorporates the following:

- a. Interim particulate matter emissions limits and compliance procedures as established in Paragraph 7 of this Agreement;
- b. Final particulate matter emissions limits as established in Paragraph 9 of this Agreement;
- c. Beginning January 1, 2009, SO₂ emissions limited to .36 lbs/MMBtu for 3-hour and 0.30 lbs/MMBtu for 24-hour averages; Facility-wide SO₂ emissions limited to 1,906 lbs/hour and 3,813 tons/year;
- d. Mirant shall apply to DEQ for a Permit prior to the use by the Facility of any sorbent other than trona except for testing, Mirant will notify the City of such testing and allow the City to observe the testing;

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- e. Reasonable right of access to the Facility to allow the City to observe implementation of the Project and observe all stack tests referenced in this Agreement.
- f. Coal sulfur content shall be limited to 0.9% on a calendar quarter average basis by weight.

26. This Agreement shall terminate upon completion of the Project described herein except with respect to the reporting requirements set out in Paragraphs 23 and 24 of this Agreement. The City's and Mirant's obligation to cooperate with each other shall continue so long as Mirant continues to maintain and operate the equipment and controls required for the Project.

27. Notices. Any notice, request, demand, instruction or other document required or permitted by the provisions of this Agreement to be given or served hereunder or under any document or instrument executed pursuant hereto shall be in writing and (i) sent by first class mail, (ii) personally delivered, (iii) telecopied or (iv) sent by a recognized overnight courier service to the City and the Company, as applicable:

If to the City:

with a copy to:

If to the Company:

If to the Department:

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28. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute but one and the same instrument.

29. Governing Law. The parties hereto agree that this Agreement shall be governed by the laws of the Commonwealth of Virginia.

30. Successors and Assigns. This Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in one or more counterpart signature pages as of the date first above written.

CITY OF ALEXANDRIA, VIRGINIA

By: _____
Title: City Manager

MIRANT POTOMAC RIVER LLC

By: _____
Title: President

Project Schedule and Agreement

ATTACHMENT A

List of Engineers

1. Sargent and Lundy
2. Stone and Webster
3. Black and Veatch
4. Burns and Roe

2
7-1-08



Steve Mason/Alex
07/06/2008 05:19 PM

To alexvamayor@aol.com, andrea.blackford@alexandriava.gov,
Beth.Temple@alexandriava.gov, councilmangaines@aol.com,
Claudia.Waller@alexandriava.gov, delpepper@aol.com,

cc

bcc

Subject Fw: The City is Totally Out of Line

FYI - the following message was received in the transloading mailbox of the website.

Steve

Steven J. Mason, Sr.
Special Assistant to the City Manager
703.838.4300
703.838.3861

----- Forwarded by Steve Mason/Alex on 07/06/2008 05:18 PM -----



Ryan Nichols
<ryancnichols@gmail.com>
07/05/2008 06:50 PM

To transloading@alexandriava.gov

cc

Subject The City is Totally Out of Line

The mayor and city council are way out of line to recommend that Norfolk Southern cease its legally permitted and safe operation within Alexandria city limits.

The company has clearly taken steps to mitigate the danger posed by the facility, and the city does not have the authority to enforce what it desires.

As a citizen of the city I have a stake in this debate. Leave that private business alone. They have not harmed the community.

Ryan Nichols
(571) 970-3032
625 N. Van Dorn St.
Alexandria, VA 22304



Kevin Trainor
<ktrainor59@gmail.com>

07/09/2008 05:08 PM

Please respond to
Kevin Trainor
<ktrainor59@gmail.com>

To alexvamayor@aol.com, timothylovain@aol.com,
councilmangaines@aol.com, council@krupicka.com,
delpepper@aol.com, paulcsmedberg@aol.com,

cc

bcc

Subject COA Contact Us: NS Ethanol Transloading facility

2
7-1-08

Time: [Wed Jul 09, 2008 17:08:51] **IP Address:** [98.141.201.233]

Issue Type: Mayor, Vice Mayor, and Council Members

First Name: Kevin

Last Name: Trainor

Street Address: 4438 Taney Avenue #104

City: Alexandria

State: VA

Zip: 22304

Phone:

Email Address: ktrainor59@gmail.com

Subject: NS Ethanol Transloading facility

I am dumbfounded that the city is wasting money on this lawsuit. It is the worst sort of "feel good" government action: lacking in any constructive end while resorting to the most expensive of means. Are you and the Mayor aware that the neighborhood where the transloading facility is located also includes an asphalt company, a coal-burning power plant (with associated large outdoor piles of coal) and other industrial facilities? Why single out the NS ethanol facility for legal harassment? I seem to recall that NS has gone so far as to buy suitable firefighting equipment for the city in the unlikely circumstance of an accident; this does not sound like the act of an uncaring corporate citizen to me.

As

Comments: for the people complaining about this facility being in their neighborhood, I have no sympathy for them. If they were dumb enough to pay premium prices for their condos without checking out what else was in the neighborhood, tough. They remind me of people who buy inexpensive houses near airports

and then whine continually about the noise.

Finally, in the same

"newspaper" announcing the lawsuit, I was bemused to read that

Alexandria is taking steps to remodel itself as an "eco-city".

Strange that you should begin your efforts by trying to sue a facility for

handling renewable fuel out of business. On the other hand, given the

unrealistic expectations and loose grip on science that characterize the

environmental movement, maybe it's not so strange.