



STATE OF DELAWARE
DEPARTMENT OF NATURAL RESOURCES
& ENVIRONMENTAL CONTROL
DIVISION OF AIR & WASTE MANAGEMENT
156 S. STATE STREET
DOVER, DELAWARE 19901

AIR QUALITY MANAGEMENT
SECTION

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August 9, 2007

William M. Bumpers, Esquire
Baker Botts, LLP
The Warner
1299 Pennsylvania Ave., NW
Washington, D.C. 20004-2400

Dear Mr. Bumpers:

Your client, NRG Energy Inc., has filed an appeal to the Environmental Appeals Board and a complaint in the Delaware Superior Court concerning Regulation No. 1146, Electric Generating Unit Multi-Pollutant Regulation. DNREC believes that it and NRG are in agreement on the terms of an enforcement agreement relative to non-compliance with Phase I NO_x and SO₂ provisions of Regulation No. 1146 at NRG's electric generating facility in Millsboro. The agreement would resolve the appealed issues. The intent of the parties is to file a consent decree in Delaware's Superior Court to effectuate the terms of the agreement. DNREC's understanding of such terms is summarized as follows:

- Upon signing the consent decree, NRG will dismiss its Environmental Appeals Board appeal of Regulation No. 1146.
- Within 60 days of signing of the consent decree in Superior Court, NRG will submit whatever paperwork is necessary to PJM and other pertinent entities to allow the moth-balling of Unit 1 and Unit 2 as indicated below.
- Upon signing the consent decree, NRG will optimize and begin year-round operation of SNCR on Units 3 and 4.
- By no later than May 1, 2008, NRG will install and operate skid-mounted SNCR on Units 1 and 2 and maintain each unit's NO_x emissions below 0.30 lb/mmBtu after installation.
- After May 1, 2008, NRG will only fire coal with a sulfur content of 1.2% or less in Units 1, 2, and 3.
- By no later than December 1, 2008, NRG will install and operate sorbent injection systems and attain full compliance with the Phase I Mercury limits of Regulation 1146 on all 4 units.

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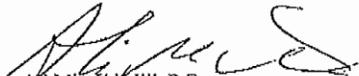
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- For the 2009 through 2011 ozone seasons (i.e., May 1 through September 30), NRG will comply with a cap of 1,700 tons facility-wide ozone season NO_x limit. NRG agrees to pay stipulated penalties for exceedances of the cap as follows:
 1. \$750 per ton from 1,701 to 1,799 tons;
 2. \$1,100 per ton from 1,800 to 1,999 tons;
 3. \$2,000 per ton from 2,000 to 2,199 tons; and
 4. \$2,500 per ton from 2,200 tons and more.
- By no later than May 1, 2010, NRG will discontinue operation of and moth-ball Unit 2.
- By no later than May 1, 2011, NRG will discontinue operation of and moth-ball Unit 1.
- NRG agrees to a target date of May 1, 2011, for achieving emission rate limits of 0.10 lb/mmBtu for NO_x, 0.2 lb/mmBtu of SO₂ and for achieving compliance with Phase II Mercury limits of Regulation 1146.
- By no later than December 31, 2011, NRG will achieve NO_x emission rates of no greater than 0.10 lbs/mmBtu on a 24-hour basis and SO₂ emission rates of no greater than 0.20 lbs/mmBtu and attain full compliance with Phase II Mercury limits of Regulation 1146 on Unit 3 and Unit 4.
- NRG will not operate Unit 3 or Unit 4 beyond January 1, 2012, except in full compliance with the emission rate limitations required by the consent decree, Regulation No. 1146 and any other applicable federal or state requirements.

If there are any terms of our understanding that you feel are not clear or believe do not accurately reflect our agreement, please let me know in writing at your earliest convenience. Otherwise, please confirm in writing at your earliest convenience that you agree with the above summary. Should you have questions please contact me at (302) 739-9402.

Sincerely,


Ali Mirzakhali, P.E.
Administrator

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August 10, 2007

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Dear Ali:

I am in receipt of your letter of August 9, 2007. Your letter accurately summarizes the essential terms of an agreement in principle between the Delaware Department of Natural Resources & Environmental Control ("DNREC") and NRG Energy Inc. to resolve NRG's appeal to the Environmental Appeals Board and complaint in the Delaware Superior Court challenging Regulation 1146, Electric Generating Unit Multi-Pollutant Regulation. We will begin working with DNREC immediately to convert this agreement in principle into a consent agreement.

Thank you for your leadership in this important matter.

Sincerely,



William M. Bumpers

cc: Michael Bramnick, Esq.
Valerie Csizmadia, Esq.

