

Pamela F. Faggert
Vice President and Chief Environmental Officer

Dominion Resources Services, Inc.
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February 3, 2009

Mr. James R. Ross
Manager, Division of Air Pollution Control
Bureau of Air
Illinois Environmental Protection Agency
1021 North Grand Avenue East
PO Box 19276
Springfield, Illinois 62794-9276

Dear Mr. Ross:

Please find attached a copy of the Memorandum of Understanding on NO_x and SO₂ Emission Reductions Reflective of Best Available Retrofit Technology for Kincaid Units 1 and 2 between the Illinois Environmental Protection Agency and Dominion.

If you have any questions about this document, please contact Lisa Moerner at (804) 273-2998.

Sincerely,

Pamela F. Faggert

Attachments

cc: Diane Leopold
C.J. Saladino
Robert Varley
Lisa Moerner

MEMORANDUM OF UNDERSTANDING
ON
NO_x AND SO₂ EMISSION REDUCTIONS REFLECTIVE OF BEST AVAILABLE
RETROFIT TECHNOLOGY FOR KINCAID UNITS 1 AND 2
BETWEEN THE
ILLINOIS ENVIRONMENTAL PROTECTION AGENCY
AND
DOMINION

The Memorandum of Understanding (MOU) is entered into by and between Dominion Energy Services, as operator, and Kincaid Generation, LLC, as owner, of the Kincaid Generating Station (collectively "Dominion") and the Illinois Environmental Protection Agency (IEPA), and is dated and effective as of the last date of signature in the signature block.

Dominion and IEPA have reached an Agreement that will achieve significant reductions in emissions of sulfur dioxide (SO₂) and nitrogen oxide (NO_x) from Dominion's Kincaid Generating Station, Units 1 and 2 (Kincaid Units 1 and 2). The intent of this MOU is to set forth the terms of the Agreement for the emission reductions reached between Dominion and IEPA and to set forth the intended regulatory uses for those emission reductions.

1. NO_x Emission Reduction Requirements.

Commencing on March 1, 2013, and thereafter, Dominion shall achieve an annual average plant-wide emissions rate for NO_x of 0.07 lbs/mmBTU for Kincaid Units 1 and 2. The annual average emissions rate for NO_x shall be met on an annual calendar year basis (e.g., for the period January 1, 2014 through December 31, 2014), except that in the year 2013, the emissions rate for NO_x shall be met for the period March 1 through December 31, 2013.

2. SO₂ Emission Reduction Requirements.

a. Commencing on January 1, 2014, and ending December 31, 2016, Dominion shall achieve an annual average plant-wide emissions rate for SO₂ of 0.2 lbs/mmBTU for Kincaid Units 1 and 2. This annual average emissions rate for SO₂ shall be met on an annual calendar year basis (e.g., for the period January 1, 2014 through December 31, 2014).

b. Commencing on January 1, 2017, and thereafter, Dominion shall achieve an annual average plant-wide emissions rate for SO₂ of 0.18 lbs/mmBTU for Kincaid Units 1 and 2. This annual average emissions rate for SO₂ shall be met on an annual calendar year basis (e.g., for the period January 1, 2017 through December 31, 2017).

3. Regulatory Uses of Emissions Rates.

a. For Kincaid Units 1 and 2, the NO_x and SO₂ emissions rate requirements set forth in the MOU have been determined by IEPA to satisfy the Best Available

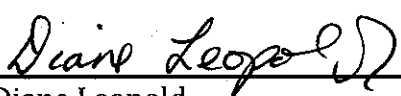
Retrofit Technology (BART) requirements under the Visibility Protection provisions of the Clean Air Act, 42 U.S.C. § 7491, 40 CFR 51.308(e) and 40 CFR Part 51, Appendix Y.


b. IEPA shall include the NOx and SO2 emissions rate requirements set forth in the MOU as the BART requirements for Kincaid Units 1 and 2 in its Regional Haze State Implementation Plan (SIP) submission to the United States Environmental Protection Agency (USEPA) pursuant to 40 CFR §§ 51.308(a), (b) and (e). IEPA shall use its best effort to support and represent the requirements of this MOU as BART.

c. To meet the federal enforceability requirements for BART, Dominion shall apply for, and IEPA shall propose and support as BART, the inclusion of the NOx and SO2 emissions rate requirements set forth in this MOU into an IEPA Federally Enforceable State Operating Permit (FESOP). Dominion shall make application for such FESOP within ninety (90) days of the effective date of this MOU. The FESOP shall provide that the NOx and SO2 emissions rates requirements set forth in this MOU be met and be included in the FESOP.

d. Nothing in this MOU, or any resulting permit, rule, regulation or adjusted standard shall be interpreted to prohibit or restrict the ability of Dominion to sell, trade or transfer SO2 or NOx emissions allowances of any vintage owned, allocated to or earned by Kincaid Units 1 and 2. Dominion shall be prohibited from purchasing or using SO2 or NOx allowances for the purpose of meeting the SO2 and NOx emissions standards set forth in this MOU.

e. Dominion's commitments and obligations under this MOU are subject to and conditioned upon: (1) the adoption and sustained validity of a FESOP containing the NOx and SO2 emissions rate requirements set forth in the MOU; and (2) IEPA's approval as BART for Kincaid Units 1 and 2 of the NOx and SO2 emissions rate requirements set forth in this MOU. Dominion and IEPA shall mutually support and use best efforts to obtain the appropriate permit and BART approvals based upon this Agreement.

For Dominion

Diane Leopold VP Fossil and Hydro Operations
Date: <u>2 / 3 / 09</u>

For Illinois EPA

Douglas P. Scott Director, Illinois EPA
Date: <u>1 / 28 / 09</u>