

MEMORANDUM OF UNDERSTANDING
ON
NO_x AND SO₂ EMISSIONS REDUCTIONS REFLECTIVE OF
BEST AVAILABLE RETROFIT TECHNOLOGY FOR
CITY WATER, LIGHT & POWER
DALLMAN UNITS 31 AND 32
AND THE SHUTDOWN OF LAKESIDE UNIT 8
BETWEEN THE
ILLINOIS ENVIRONMENTAL PROTECTION AGENCY
AND
CITY OF SPRINGFIELD, OFFICE OF PUBLIC UTILITIES

The Memorandum of Understanding (MOU) is entered into by and between the City of Springfield, Office of Public Utilities d/b/a City Water, Light & Power (CWLP), Springfield, Illinois, and the Illinois Environmental Protection Agency (IEPA), and is dated and effective as of the last date of signature in the signature block.

CWLP and IEPA have reached an Agreement that will achieve significant reductions in emissions of sulfur dioxide (SO₂) and nitrogen oxide (NO_x) from CWLP's Dallman Units 31 and 32 and Lakeside Unit 8. The intent of this MOU is to set forth the terms of the Agreement for the Emissions Reductions reached between CWLP and IEPA and to set forth the intended regulatory uses for those Emissions Reductions.

1. NO_x Emissions Reduction Requirements.

a. Commencing on January 1, 2010, and until December 31, 2014, CWLP shall achieve an annual average emissions rate for NO_x of 0.14 lbs/mmBTU for Dallman Units 31 and 32. The annual average emissions rate for NO_x shall be met on an annual calendar year basis (e.g., for the period January 1, 2010 through December 31, 2010).

b. Commencing on January 1, 2015, and until December 31, 2016, CWLP shall achieve an annual average emissions rate for NO_x of 0.12 lbs/mmBTU for Dallman Units 31 and 32. The annual average emissions rate for NO_x shall be met on an annual calendar year basis.

c. Commencing on January 1, 2017, and thereafter, CWLP shall achieve an annual average emissions rate for NO_x of 0.11 lbs/mmBTU for Dallman Units 31 and 32. The annual average emissions rate for NO_x shall be met on an annual calendar year basis.

2. SO₂ Emissions Reduction Requirements.

a. Commencing on January 1, 2012, and until December 31, 2014, CWLP shall achieve an annual average emissions rate for SO₂ of 0.29 lbs/mmBTU for Dallman Units 31 and 32. The annual average emissions rate for SO₂ shall be met on an annual calendar year basis (e.g., for the period January 1, 2012 through December 31, 2012).

b. Commencing on January 1, 2015, and until December 31, 2016, CWLP shall achieve an annual average emissions rate for SO₂ of 0.25 lbs/mmBTU for Dallman Units 31 and 32. The annual average emissions rate for SO₂ shall be met on an annual calendar year basis.

c. Commencing on January 1, 2017, and thereafter, CWLP shall achieve an annual average emissions rate for SO₂ of 0.23 lbs/mmBTU for Dallman Units 31 and 32. The annual average emissions rate for SO₂ shall be met on an annual calendar year basis.

3. Shutdown of Lakeside Unit 8.

As a condition precedent to the NO_x and SO₂ Emissions Reduction Requirements set forth in this MOU, CWLP shall permanently shut down Lakeside Unit 8 on the effective date of this MOU.

4. Regulatory Uses of Emissions Rates.

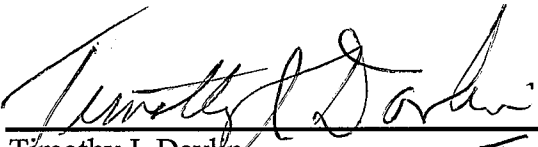
a. For Dallman Units 31 and 32, the NO_x and SO₂ emissions rate requirements, and the shutdown of Lakeside Unit 8, set forth in the MOU have been determined by IEPA to satisfy the Best Available Retrofit Technology (BART) requirements under the Visibility Protection provisions of the Clean Air Act, 42 U.S.C. § 7491, 40 CFR 51.308(e) and 40 CFR Part 51, Appendix Y.

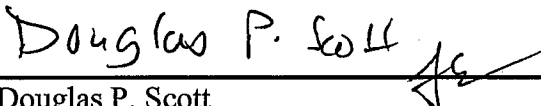
b. IEPA shall include the NO_x and SO₂ emissions rate requirements set forth in the MOU as the BART requirements for Dallman Units 31 and 32, in conjunction with the permanent shut down of Lakeside Unit 8, in its Regional Haze State Implementation Plan (SIP) submission to the United States Environmental 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, CWLP shall apply for, and IEPA shall support as BART, the inclusion of the NO_x and SO₂ emissions rate requirements and the shutdown set forth in this MOU into a federally enforceable permit. CWLP shall make application for such permit within sixty (60) days of the effective date of this MOU. The permit shall provide that the NO_x and SO₂ emissions rates requirements set forth in this MOU be met, in conjunction with the shutdown of Lakeside Unit 8.

d. Nothing in this MOU, or any resulting permit, rule, regulation or adjusted standard shall be interpreted to prohibit or restrict the ability of CWLP to sell, trade or transfer SO₂ or NO_x emissions allowances of any vintage owned, allocated to or earned by Dallman Units 31 and 32. For the SO₂ and NO_x emission standards set forth in this MOU, CWLP shall demonstrate achievement with the emission rate requirements through actual annual emission data as set forth above and as to be incorporated in a federally enforceable permit, and therefore is prohibited from claiming compliance with the emission rate requirements through any trading or offset program that may otherwise be applicable to Dallman Units 31 and 32.

e. Except for CWLP's agreement to permanently shut down Lakeside Unit 8 on the effective date of this MOU, CWLP's commitments and obligations under this MOU are subject to and conditioned upon: (1) the issuance and sustained validity of a federally enforceable permit containing the NO_x and SO₂ emissions rate requirements set forth in the MOU; (2) IEPA's approval of the NO_x and SO₂ emissions rate reductions as BART. CWLP and IEPA shall mutually support and use best efforts to obtain the appropriate permit and BART approvals based upon this agreement.

For City of Springfield,
 Timothy J. Davlin Mayor, City of Springfield
Date: <u>8</u> / <u>11</u> / <u>09</u>

For Illinois EPA
 Douglas P. Scott Director, Illinois EPA
Date: <u>8</u> / <u>5</u> / <u>09</u>