

Sunrise River Energy, LLC

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Via U.S. and Electronic Mail

June 30, 2010

Ms. Janet Reiter, County Attorney
Mr. John Moosey, County Administrator
Chisago County
313 North Main Street
Center City, Minnesota 55012-9663

Subject: Sunrise River Energy Station
Response to County Environmental Services/Zoning Comments

Dear Ms. Reiter and Mr. Moosey:

Sunrise River Energy, LLC ("SRE") appreciates the opportunity to respond to various points raised in the Chisago County's Environmental Services Director's memo of June 19. Below are our responses to each of the items identified in the memo.

Wetlands

SRE acknowledges that the County and the Environmental Services/Zoning Department has primary regulatory authority for the Wetland Conservation Act. SRE will coordinate directly with the County and update our presentation materials. A wetlands delineation of the project site has already been performed with letters of concurrence provided by the Corps of engineers on December 8, 2008 and by the Department of Environmental Services for Chisago County on February 9, 2009.

Provisions dropped from final PPT Exemption Bill

SRE has reviewed the nine comments raised by the County as the legislation was being developed, some of which may have been considered for inclusion in the bill but otherwise dropped from the final version. We do not believe that any changes need to be made to the development agreement to address these points. A discussion of each of the items is provided below.

- *At least 50% of the facility's peak daily water use will be supplied through reuse and recycling.*

The use of existing storage at the Chisago Lakes Joint Sewage Treatment Plant (CLJSTP) and projected increases in CLJSTP flows will allow such a standard to be achieved on most days; however there may be days (e.g., after several weeks of excessively hot weather) where this cannot be satisfied. Such a provision in the development agreement would be a red flag to potential lenders and adversely impact

our ability to get project financing. The Water Appropriation Permit that we hope to receive from the MN Department of Natural Resources ("DNR") should be the standard for well water usage at the proposed facility.

- *Any harm to an aquifer or surface water as a result of construction or operation and maintenance of the facility will be mitigated.*

Section 2.5 of the development agreement already requires compliance with laws, rules and regulations. There is no need to include such a provision in our development agreement, because it is covered by Minnesota Law, at Minn. Stat. §§103G.271-.293 (DNR regulation of water appropriation through water appropriation permits) and Minn. R. 6115.0600-.0810 (rules for same).

- *Construction or operation and maintenance of the facility will not add to the impairment of any Federal Clean Water Act section 303d listed lake, river or stream segment and operation will be fully consistent with the recommendations of a Total Maximum Daily Load study.*

Section 2.5 of the development agreement already requires compliance with laws, rules and regulations. Further, such a provision would be redundant to the review of the Minnesota Pollution Control Agency of SRE's anticipated application for National Pollutant Discharge Elimination System Permits covering Process Wastewater and both Construction and Industrial Stormwater. As part of the permitting process, multiple agencies and the public will have the opportunity to review and comment on the proposed permits and limits incorporated therein. As such,, it would be inappropriate for SRE to commit to complying with a TMDL study without concurrence from the State agencies that such a study will provide meaningful information and is necessary as part of the NPDES permitting process..

- *Construction or operation and maintenance of the facility will not withdraw any water from the Mount Simon Hinckley aquifer which is inconsistent with the recommendations of the county geologic and hydrogeologic atlas.*

We would expect the Minnesota DNR to review any such recommendations in consideration of the groundwater appropriations request that we will make subsequent to performing the required pump testing and data collection.

- *Construction or operation and maintenance of the facility will be consistent with the Minnesota Endangered Species Act and will not result in an unauthorized taking of any state or federally listed endangered species.*

Section 2.5 of the development agreement already requires compliance with laws, rules and regulations. This provision would be redundant and unnecessary. Further, all Public Utility Commission environmental reviews evaluated by SRE have addressed threatened and endangered species and we fully anticipate that the environmental review for the Sunrise River Energy Station will include such a review.

- *Construction or operation and maintenance of the facility will be consistent with the provisions of the 1989 Minnesota Groundwater Protection Act and the intent of M.S. 103G.271.*

Section 2.5 of the development agreement already requires compliance with laws, rules and regulations. There is no need to include such a provision in our development agreement, because it is covered by Minnesota Law. The Minnesota Groundwater Protection Act is found in Minn. Stat. chapter 103I.

- *Construction or operation and maintenance of the facility will be consistent with the recommendations of any state or federally funded watershed study.*

We would expect the Minnesota DNR to review any such recommendations in consideration of the groundwater appropriations request that we will make subsequent to performing the required pump testing and data collection.

- *Construction or operation and maintenance of the facility will have in place a Wellhead Protection Plan approved by the Commissioner of the Minnesota Department of Health.*

Section 2.5 of the draft development agreement already requires compliance with laws, rules and regulations and there is no need to include this provision in our development agreement. The wellhead protection rules are at Minn. R. 4720.5100-.5590, but this program is for public water supply wells.

- *Construction or operation and maintenance of the facility will be consistent with the water quality goals of the receiving waters, especially those designated as wild and scenic under the federal Wild and Scenic Rivers Act of 1968.*

Section 2.5 of the draft development agreement already requires compliance with laws, rules and regulations. Further, such a provision would be redundant to the review of the Minnesota Pollution Control Agency of SRE's anticipated application for National Pollutant Discharge Elimination System Permit.

Reimbursement for County Staff Time

As we discussed on June 24, this is acceptable to SRE, subject to agreement on appropriate language addressing the categories of reimbursable items and overall limits. We also need to ensure that SRE is not asked to reimburse the County for staff time while also paying fees intended for the same purpose. We only seek to be treated consistently with other development projects in the County.

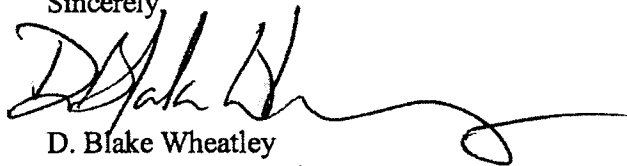
Other Questions

- Use of wastewater effluent at other power projects – A few examples where wastewater is used as the source of effluent in the United States are identified below:

- Mankato Power Plant – 280 MW intermediate load facility uses effluent produced by the Mankato, Minnesota municipal wastewater treatment facility.
- Palo Verde Nuclear Generating Facility – 4000 MW facility located approximately 55 miles west of Phoenix, AZ.
- Sandy Creek Generating Facility under construction in Waco, Texas (developed by LS Power).
- West Deptford Energy Station – 1200 MW generating facility in West Deptford, NJ (LS Power project in late stage development).
- Long Leaf Energy Station – 1200 MW generating facility in Early County, Georgia will use treated effluent from a nearby paper mill (LS Power project in late stage development).
- CLJSTP outfall location – This location provides the opportunity to avoid the construction of a new outfall in the Sunrise River which had the potential to disturb protected mussel beds. The treatment of process effluent would be performed to meet the applicable standards at both locations.
- CLJSTP treatment of power project effluent – Effluent from the power project would be directed to the CLJSTP outfall or one adjacent thereto, but power project effluent would not be treated by the wastewater treatment plant. The SRES design will include treatment to achieve effluent standards included in SRE's NPDES permit to be issued by the MN PCA. The CLJSTC and SRE would both maintain NPDES permits regulating each facility's discharge as separate sources.
- Environmental Services/Zoning department in a liaison role for the project – SRE has no objections to the department taking on such a role.

If there are any questions, please do not hesitate to contact me at (636) 532-2200.

Sincerely,



D. Blake Wheatley
Assistant Vice President