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***INDUSTRIAL REVENUE BONDS***

**AND**

***TAX LEASE PROGRAM***

***APPLICATION***

**for assistance through**

**the  
County of Chautauqua  
Industrial Development Agency**

**County of Chautauqua Industrial Development Agency  
200 Harrison Street  
Jamestown, New York 14701  
Phone: 716-664-3262      Fax: 716-664-4515**

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**Application for Financial Assistance  
through the  
County of Chautauqua  
Industrial Development Agency**

The information listed on this form is necessary to determine the eligibility of the project applicant. Please fill in all blanks, using "NONE" or "NOT APPLICABLE" where necessary. If an estimate is given, put "EST" after the figure. Attach additional sheets if necessary. All information completed with this form will be treated confidentially. This application is only for the purpose of determining whether the applicant is eligible for consideration by the Board of Directors of the County of Chautauqua Industrial Development Agency. Return eight (8) copies of this application to the County of Chautauqua Industrial Development Agency at the address listed on the cover of this document.

**PART 1**

**A. APPLICANT**

Federal ID # 41-1937466

Company Name: Dunkirk Power LLC (or its designated affiliate)

Office Address: 211 Carnegie Center  
Princeton, NJ 08540

Telephone: 609-524-4500

**Company officer completing this application:**

Name: John Ragan  
Title: President

**1. Number of locations of present business facilities:**

- a. County of Chautauqua: 1 Power Plant
- b. New York State: 1 Power Plants
- c. Outside New York State:

2. Business Organization (check appropriate categories):

Corporation  Partnership

Sole Proprietorship  Subchapter S

Other (Specify) Limited Liability Company

3. Is business publicly or privately held?  Public  Private

4. List principal stockholders and percentage of ownership if applicable:

<u>Name</u>	<u>Percentage</u>	<u>Home Address</u>
NRG Energy, Inc.	100%	211 Carnegie Center Princeton, NJ 08540

5. Is the business a subsidiary of, or affiliated directly or indirectly with any other organization?  Yes  No If "Yes" indicate relationship and name and address of the related organization(s) on a separate sheet.

6. Complete the following information:

<u>Officers</u>	<u>Name</u>	<u>Address</u>	<u>Social Security Number</u>	<u>Other Principal Business Affiliations</u>
President	John Ragan	211 Carnegie Center Princeton, NJ 08550		
Vice President	Andrew Murphy	211 Carnegie Center Princeton, NJ 08550		
Treasurer	Clint Freeland	211 Carnegie Center Princeton, NJ 08550		

**B. References (these will be contacted):**

1. Banking (List names of banks, account officers address and telephone number):  
Michael Whiting



**C. Business Description**

1. Describe type of business:  
Dunkirk Power is a power generating company
2. Describe the principal products and services:  
The company is primarily engaged in the ownership and operation of power generation facilities and the sale of energy, capacity and related products
3. Describe the market(s) served:  
The Company has a diverse portfolio of electric generation facilities in the United States and internationally.

**D. Present Location**

1. If you rent:
  - a. What is the present annual rent (state whether firm has a gross or net lease):  
n/a
  - b. When does the lease expire? n/a
2. If you own:
  - a. What is the current annual mortgage payment? n/a
  - b. When does the mortgage terminate? n/a
3. Describe present location (include square footage, number of buildings, number of floors, etc.)  
See attached document
4. List the current annual taxes by respective taxing jurisdictions:  
  
The most recent tax payments made for this facility were governed by a PILOT agreement. The most recent total PILOT payment was \$6,615,437, allocated as follows: \$2,501,251 to City of Dunkirk, \$3,149,345 to Dunkirk School District, and \$964,841 to Chautauqua County. The PILOT agreement does not stipulate a Land and Building allocation.
  - a. Building(s): Please see above
  - b. Land: Please see above

**E. Previous Financial Activities**

1. What were your company's estimated capital expenditures in Chautauqua County, New York, during the past three (3) years? (Specify by place, year and amount.)

2004 = \$13.1 Million, 2005 = \$14.3 Million, 2006 = \$6.5 Million

2. Has your company ever been a recipient of funds obtained through tax-exempt or taxable bonds?  Yes  No If "Yes" give details below:

3. Describe your company's effort to secure assistance or financing in the County of Chautauqua, or any other area, on a separate sheet.

Dunkirk Power entered into a PILOT agreement with the CCIDA in April-2001.

**F. Types of Financial Assistance Requested**  
(Cross out those which are not applicable.)

1. Industrial Development Revenue Bonds
  - A. Tax Exempt
  - B. Taxable (potentially)
2. Tax Lease (sales tax exemption, mortgage recording tax exemption, potential real property tax abatement)  
**See attached Exhibit A**
3. Other loan(s). Describe: N/A

## Part 2

### A. Describe the Project

(Include a general, functional description and prospective location.)

Dunkirk Power LLC operates a four-unit coal fired steam electric power plant at Dunkirk Units 1-4. The company plans to construct emission compliance systems to remove sulfur dioxide, mercury, and particulate matter from the flue gas.

For each of the units, the flue gas, after passing through an existing precipitator, will enter the new emission control system. The new emission control system will consist of equipment that will inject dry sorbents (alkali material and powdered activated carbon) into the flue gas to combine with the sulfur dioxide and mercury, producing solid waste.

Within the fabric filter (bag house) system, the resultant solid waste will be separated from the flue gas, and induced draft fans will discharge the cleaned flue gas to the stacks. The solid waste material will consist of the reaction products between the alkali material (e.g. Trona or hydrated lime) and the flue gas sulfur dioxide plus the solid waste created from the powdered activated carbon and the flue gas mercury. Within the fabric filter system, the solid waste will be separated from the flue gas by passing the flue gas through fabric bags, where the solid waste will be collected on the bags, periodically removed from the bags, and discharged into the fabric filter solid waste hoppers.

The solid waste will be collected in the fabric filter hoppers and handled by solid waste equipment, sent to a solid waste silo, conditioned within a solid waste mixer to minimize potential for dusting, and will be loaded into solid waste disposal trucks for transport offsite.

Throughout the process, the solid waste will be useless, unused, unwanted, and discarded material that will have no market or other value.

\*Note: The existing precipitators will be decommissioned once bag houses are installed.

## B. Reasons for Project

1. Briefly describe the reasons why this project is necessary and what effect it will have on your business:

The Dunkirk Plant is currently subject to the following orders regarding SO<sub>2</sub> and NO<sub>x</sub> emissions and opacity conditions associated with operation of the Plant:

- 1) Consent Decree dated January 11, 2005 by and among NRG (and related entities), the New York State Attorney General and the New York State Department of Environmental Conservation, approved by the United States District Court for the Western District of New York, Civil No. 02-CV-0024S, regarding SO<sub>2</sub> and NO<sub>x</sub> emissions (the "Consent Decree").
- 2) Order on Consent issued by the New York State Department of Environmental Conservation on March 31, 2004 (under case numbers CO-7-19990722-26 and CO-9-19990722-29) and consented to by NRG (and related entities), regarding opacity conditions (the "Order on Consent", and together with the Consent Decree, the "Environmental Orders").

The Environmental Orders require, among other things, that the Dunkirk Plant significantly decrease emissions of SO<sub>2</sub>, NO<sub>x</sub> and opacity, and permanently discontinue or reduce operation of certain generating units. The Environmental Orders reference installation of control technology, fuel switching, repowering, and/or reduced utilization of any units and potential retirement of units, or any combination thereof, as a means of achieving compliance with the Environmental Orders.

The various elements of the Project have been designed to bring the Dunkirk Plant into compliance with the Environmental Orders. The Environmental Orders have specific SO<sub>2</sub>, NO<sub>x</sub> and opacity emissions limitations and the Project (upon completion) will help the Dunkirk Plant meet or exceed those requirements. Accordingly, the various elements of the Project are required to comply with the Environmental Orders. Without the proposed project, the emissions level cannot be met without shutting down some, or all of the generating units at Dunkirk Station.

2. If your business is unable to arrange suitable financing for this project, what will be the impact on your company and the County of Chautauqua? Would your company proceed with the project without Agency assistance and / or financing? Describe in detail:

Without the proposed project, the emissions level cannot be met without shutting down some, or all of the generating units at Dunkirk Station.



**C. Type of Project**

1. Check category which best describes your project:

- |  |   |
|--|---|
| <input type="checkbox"/> Manufacturing       | <input type="checkbox"/> Warehousing                  |
| <input type="checkbox"/> Industrial Assembly | <input checked="" type="checkbox"/> Pollution Control |
| <input type="checkbox"/> Research            | <input type="checkbox"/> Other (Specify)              |

2. If pollution control, check appropriate items below:

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Air | <input type="checkbox"/> Noise                  |
| <input type="checkbox"/> Water          | <input checked="" type="checkbox"/> Solid Waste |
| <input type="checkbox"/> Air/Water      | <input type="checkbox"/> Other (Specify)        |

**D. Proposed Location**

1. Does the project consist of (check appropriate categories):

- |  |   |  |
|--|---|--|
| a. Construction of a new building                      | <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No |
| b. Renovations to an existing building                 | <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No |
| c. Construction of an addition to an existing building | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No            |
| d. Acquisition of an existing building                 | <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No |

If the Company is to acquire an existing plant, attach a photograph and indicate if it is in operation, about to be abandoned or abandoned. If in operation, describe present products.

N/A

List costs or orders made by Company for the project, at the date of this application, on a separate sheet.

We have placed several Purchase Orders in starting to implement the project, such as asbestos abatement and re-insulating ducts as well as for engineering services.

2. Describe the proposed location(s) of this project, including square footage, number of floors, address, etc. (If new construction is involved or expansion of existing plant, attach proposed floor plan):

Adjacent to the existing building and expansion of approximately 16,000 square feet.

3. List the present owner of the project site and the owner's name, address, and phone number. (If currently owned by the applicant, indicate date of purchase, reason for purchase and current use of the site):

Purchased in 1999 for the purpose of generating and selling electricity and related products. Continues to be used for same purposes.

4. Does the project site currently have existing occupant(s)?  
 Yes  No

If "Yes", list all lessees, the amount of space occupied by each, and the date of termination of such leases on a separate sheet.

5. Is there a relationship legally or by virtue of common control between the applicant or present owner?  
 Yes  No

If "Yes", provide details on a separate sheet.

Same entity

6. Does the Company have an option to purchase the project site or has a contract of sale been executed for such purchase? (If so, attach particulars.)  
 Yes  No

7. Has the Company placed any purchase orders or entered into any other agreements or contracts with respect to proposed project costs? (If so, attach particulars.)  
 Yes  No

We have placed Purchase Orders in starting to implement the project, such as asbestos abatement and re-insulating ducts as well as for engineering services

#### **E. Location Maintenance Costs**

1. What are the real estate taxes on the land and the building? (If current rate is not available, give assessed value for each and so state.)

The most recent tax payments made for this facility were governed by a PILOT agreement. The most recent total PILOT payment was \$6,615,437, allocated as follows: \$2,501,251 to City of Dunkirk, \$3,149,345 to Dunkirk School District, and \$964,841 to Chautauqua County. The PILOT agreement does not stipulate a Land and Building allocation.

Land \$

Building \$

2. What is the estimated useful life of the:
- a. Facility 20 Years
  - b. Equipment 20 Years

3. Is proposed Project site served by:

- a. Transportation     Rail     Truck     Air  
                                   Water
- b. Utilities             Sewer     Water     Gas  
                                   Electric Power

**F. Employment**

1. Employment at present time, if Company is now in existence within Chautauqua County, and an estimate of such employment at the proposed location at the end of one and two years:

	<u>Present</u>	<u>First Year</u>	<u>Second Year</u>
Full Time	Present Full Time: 160		
Part Time*	N/A		
Seasonal*	N/A		

\*Estimate percent that total part time or seasonal working time bears to total annual full working time N/A.

Total        N/A

2. Estimate the annual payroll:

At present    \$ 22.2 Million

In one year    \$ 22.9 Million

**G. Project Costs**

1. List the costs necessary for the construction, acquisition or renovation of the project. (The project costs should **not** include working capital needs or moving expenses.)

<u>Description</u>	<u>Amount</u>
Land	\$
Building(s)	\$
Renovation	\$
Machinery and Equipment (Do <b>not</b> include furniture costs)	\$ 90,000,000
Installation	\$

*(G. Continued)*

Fees (Do <b>not</b> include your own counsel fees)	\$
Architectural Fees/Engineering	\$ 10,000,000
Financial Charges (specify)	\$
Other (specify)	\$ 60,000,000
<b>Subtotal</b>	<b>\$ 160,000,000</b>
<b>Agency Administrative Fee</b>	<b>\$</b>
<b><u>Total Project Cost</u></b>	<b>\$ 160,000,000</b>

2. What is the amount of funds and term requested for financing through the County of Chautauqua Industrial Development Agency?

Up to \$70,000,000 for a maximum of 30 years

#### **H. Project Schedule**

1. Indicate the estimated days for:
  - a. Financing of the project 2008-2009
  - b. Commence of construction 1/2008
  - c. Completion of construction 12/2009
  
2. List the date(s) and in what amount(s) the estimated funds will be required:
 

Unknown at this point

**I. Other Agency Involvement**

1. Have you contacted any other governmental agency in reference to this project?  
 Yes  No

If "Yes", please indicate the agency and the nature of the inquiry below:

2. Have you contacted any financing institutions or other industrial development agencies in New York State, or elsewhere, for financial assistance in reference to this project or one of a similar nature?  
 Yes  No

If "Yes", please indicate below the institution and / or agency and the present status of the inquiry:

**J. Financial Information (attach the following)**

1. Certified financial statements for the last three (3) fiscal years. Hard copies of our financial statements are available upon request, or can be found at <http://www.sec.gov/edgar/searchedgar/webusers.htm>

**For Industrial Development Bonds (IDB) complete Questions 2, 3 & 4.**

2. Pro forma sheet as at start of operations at project site.  
N/A
3. Project profit and loss statements for first two (2) years of operation at projected site.  
N/A
4. Projected "cash flow" statement, by quarters, for first year of operation at project site.  
N/A

Not available for Environmental Capital Expenditure project

**Certification**

John Ragan

deposed and says that he/she is the President  
(Title)

of Dunkirk Power LLC , the corporation named in attached application;  
(Company name)

that he has read the foregoing application and attachments and knows the contents thereof; that the same is true to his knowledge, contains no information or data that is false or incorrect and is truly descriptive of the project which is intended as security for the requested financing.

Deponent further says the reason for this verification is made by the deponent and not by Dunkirk Power LLC  
(Company name)

is because the said company is a corporation. The grounds of deponent's belief relative to all matters in the said application which are not stated upon his own personal knowledge, are investigations which deponent has caused to be made concerning the subject matter of this application as well as information required by deponent in the course of his duties as an officer of and from the books and papers of said corporation.

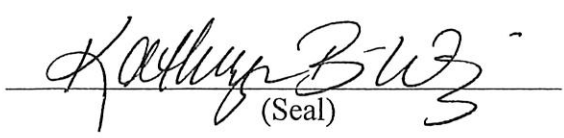
As an officer of said corporation (hereinafter referred to as the "applicant") deponent acknowledges and agrees that applicant shall be and is responsible for all costs incurred by the non-profit County of Chautauqua Industrial Development Agency (hereinafter referred to as the "Agency") acting in connection with the attendant negotiations and ultimately the closing of the project and (or) financing. If, for any reason whatsoever, the applicant fails to conclude or consummate necessary negotiations or fails to act within a reasonable or specified period of time to take reasonable, proper, or requested action or withdraws, abandons, cancels, or neglects the application, then upon presentation of invoice, applicant shall pay to the Agency, its agents or assigns all actual costs involved in conduct of the application and the drafting of documents up to that date and time, including fees of counsel for the Agency.

The costs incurred by the Agency and paid by the applicant, including the Agency's counsel's fees and the administrative fee (to be determined), may be considered as a cost of the project and included as part of any resultant bond issue, subject to the limitations imposed by law.

  
\_\_\_\_\_  
(President of Dunkirk Power LLC)

**Notary**

Sworn to before me this  
14<sup>th</sup> day of November, 2007

  
\_\_\_\_\_  
(Seal)

KATHRYN B. WIG  
NOTARY PUBLIC  
STATE OF NEW JERSEY  
MY COMMISSION EXPIRES MAY 17, 2009

## INFORMATION NEEDED FOR COST BENEFIT ANALYSIS

### Employment Impact

Please limit your answers in a – k to the project site:

- a. What is your estimated current yearly payroll? \$ 22.2 Million
- b. What do you presently estimate paying to New York State in payroll taxes yearly before this project is undertaken? \$ 1,000,000
- c. What is your estimated yearly payroll one year after completion of your project?  
\$ 24.9 Million
- d. What do you estimate paying to New York State in payroll taxes one year after the completion of your project? \$ 1,100,000
- e. What is the present estimated average wage/salary plus fringe benefit total for each full-time equivalent? \$ 138,750
- f. What is the estimated average wage/salary plus fringe benefits total for each full-time equivalent one year after project completion? \$ 155,625
- g. If applicable, what are the estimated yearly aggregate average wage/salary plus fringe benefits to be lost as a result of this project? \$ none
- h. Estimated number of construction jobs to be created. 70
- i. Estimated average wage for each construction job is \$ 25 per hour.
- j. What are the total estimated construction wages for this project? \$ 9,200,000
- k. What are the estimated New York State Income Taxes to be paid on these construction wages?  
\$ 780,000

Note: All job openings are required to be on file with the New York state Department of Labor and the Chautauqua County Job Training Partnership Act Program.

### Project Benefit

- A. Please attach the most recent tax bill(s) for each parcel of property that is part of this application. If you have not attached those bill(s), please explain why: \_\_\_\_\_

The most recent tax payments made for this facility were governed by a PILOT agreement. There were no tax bills associated with these PILOT agreement payments.



NOTE: The CCIDA's policy is not to abate real property taxes already paid on the proposed project site. Any request to abate any and/or all existing real property taxes is a deviation of the CCIDA policy.

B. Are you proposing to abate the existing real property taxes?  Yes  No  Maybe  
If yes, explain: See attached Exhibit A

C. Are you requesting a real property tax abatement on these improvements included in this application?  
 Yes  No  
If yes, is that abatement consistent with the CCIDA's uniform Payment in Lieu of Real Property Tax schedule?  Yes  No

D. What are the estimated *real property improvements* as a result of this project? \$108,000,000

Material cost of Baghouses and SNCR is approximately \$108 mm (\$72mm of which is erection cost) all of which is eligible for exemption from real property taxation.

E. What are your estimated yearly purchase of goods and services relating to this project (excluding employee wages)? \$ 27.9 Million

F. At the completion of this project, what do you estimate your yearly purchase of goods and services to be relating to this project (excluding employee wages)? \$ 22.4 Million

G. Approximately how much sales tax do you now pay yearly to New York State? \$ 32,000

H. As a result of this project, how much sales tax do you expect to pay yearly to New York State?  
\$ 32,000

I. Approximately what one time sales tax exemptions do you anticipate receiving as a result of this project? \$ \_\_\_\_\_ (Please note manufacturing equipment used in the production of a product is generally exempt from sales tax.)

Any Real Property Improvement is taxable at the Dunkirk Local level. Amount taxable is still under review.

J. As a result of this project will there be any other public benefit to New York State, Chautauqua County and/or local government?  Yes  No  
If yes, please explain:

Controls will provide the following reductions from current levels:

Up to 33% reduction in NOx  
Up to 50% reduction in SO2  
90% plus reduction in Hg.  
The bag house will capture 99.9% of the particulates

K. If the answer to question J is yes, what is the estimated monetary benefit for New York State, Chautauqua County and/or local governments? \$ \_\_\_\_\_

How does this benefit local government?

The project is necessary to comply with obligations under Consent Orders issued by New York State to reduce emissions from Dunkirk Station. Without the proposed project, the emissions level cannot be met without shutting down some, or all of the generating units at Dunkirk Station.

**CCIDA Cost/Benefit Analysis for \_\_\_\_\_ Project**

Cost

Benefits

PROJECT SALES TAX IMPACT

Additional Purchases (1 <sup>st</sup> year following project completion)		
Additional Sales Tax Paid on Additional Purchases		
Estimated Additional Sales (1 <sup>st</sup> full year following project completion)	<b>To be Determined</b>	
Estimated Additional Sales Tax to be collected on additional sales (1 <sup>st</sup> full year following project completion)		

PROJECT PAYROLL IMPACT

Additional Payroll (1 <sup>st</sup> full year following project completion)		
Additional Project income for project construction workers		
Additional Income Tax to NYS on construction workers project income		
Additional Income Tax to NYS (1 <sup>st</sup> full year following project completion)		
Reduction in estimated Income Tax to NYS		
Additional Payroll (2 <sup>nd</sup> full year following project completion)		
Additional estimated Income Tax to NYS (2 <sup>nd</sup> full year following project completion)		
Reduction in estimated Income Tax to NYS		

REAL PROPERTY TAX IMPACT

PILOT Payments (1 <sup>st</sup> full year following project completion)		
Average yearly PILOT payment (over 10-year period following project completion)		

MISCELLANEOUS TAX IMPACT

Mortgage Recording Tax impact		
Agency Fees		
Estimated value of other Economic Benefits		

Completed by \_\_\_\_\_

Title \_\_\_\_\_

\_\_\_\_\_

Date

County of Chautauqua  
Industrial Development Agency

FINANCIAL FEE STRUCTURE

REVOLVING LOAN FUNDS  
1% of total loan

CIVIC FACILITIES BONDS  
1% of total IDA project cost

INDUSTRIAL REVENUE BONDS  
1% of total IDA project cost

TAX LEASES  
1% of total IDA project cost

AN APPLICATION FEE OF \$250 IS DUE UPON SUBMISSION OF ALL LOAN APPLICATIONS  
AN APPLICATION FEE OF \$1,000 IS DUE UPON SUBMISSION OF ALL BOND AND TAX LEASE  
APPLICATIONS

\* Administrative fee to be determined.

## EXHIBIT A

### **Company intent regarding Payment in Lieu of Taxes:**

Due to the Environmental Consent Orders, the Company is faced with the prospect of making pollution control improvements necessary to comply with those Orders or shutting down some or all of the plant's generating units. In order to attract the significant investment necessary to construct the pollution control improvements, the Company must create a stable, predictable, and cost-competitive environment relative to the plant's economics. Property taxes have been and continue to be one of the largest operating costs of the plant. Accordingly, the Company is requesting assistance from the Agency in the form of a payment in-lieu of tax (PILOT) agreement with respect to the entire plant.

It is anticipated that a specific proposal with respect to the term and amount of PILOT payments will be the subject of future discussions with the Agency, taking into consideration the input of affected tax jurisdictions. The Company believes that as the County's most significant taxpayer, it is in the interest of all the stakeholders that a solution which supports continued long term operation of the plant, preservation of jobs, and budgeting certainty for all be reached.