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September 7, 2007

By E-Mail

David Paylor
Director, Virginia Department of Environmental Quality
629 East Main Street
Richmond, VA 23219

Re: Commencement of Construction of Mirant Stack Merger Project

Dear Director Paylor:

Thank you for your letter of August 29, 2007 responding to the City of Alexandria's objections to Mirant's construction of its stack merger project at the Potomac River Generating Station ("PRGS"). We appreciate the Department of Environmental Quality's ("DEQ") efforts to closely monitor this situation and agree that there should be no construction pending a determination by the State Air Pollution Control Board ("SAPCB") as to the applicability of new source review permit requirements to this project. In its August 23, 2007 letter, the City identified Mirant's ongoing activities that constitute the "commencement of actual construction" of the project and, thus, violate the Clean Air Act and the Commonwealth of Virginia's permitting regulations.

In the agency's April 29th response, DEQ characterized Mirant's current activities at the plant as acceptable, pre-construction "staging" of equipment and materials. Suffice it to say, based on the arguments submitted in its August 23rd letter, the City disagrees with that characterization. Without acceding to the DEQ's position, however, the City submits that Mirant has now gone beyond even the agency's unjustifiably broad interpretation of what constitutes the staging of equipment and materials in anticipation of construction.

As you know, on August 31, 2007, DEQ's Air Compliance Inspector visited the PRGS and inspected the areas where equipment and materials for the stack merger project are located. Based on the Inspector's report and accompanying pictures, it is evident that Mirant has commenced construction of a permanent nature aimed at modifying the plant's stacks. The Inspector's report confirms that the earlier statement that "DEQ has observed no activities that indicate Mirant has begun actual construction of the project" is no longer valid. As the City set

out in its August 23rd letter, long-standing U.S. Environmental Protection Agency (“EPA”) policy prohibits Mirant’s current construction activities prior to the determination of permit eligibility.

Even assuming the validity of the agency’s prior interpretation, DEQ obviously needs to act now. Mirant’s activities violate the law, flout DEQ’s authority and make a mockery of the Board’s jurisdiction and public process in this matter. Mirant’s action warrants DEQ’s immediate intervention to preclude any further construction that is in violation of law and will prejudice the upcoming special meeting of the Board. We are available to discuss this matter further.

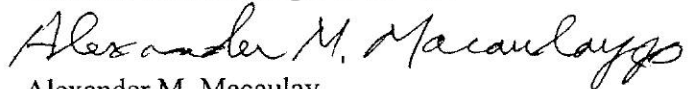
Sincerely,



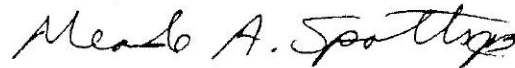
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cc: The Honorable James P. Moran
The Honorable Tim Kaine
The Honorable L. Preston Bryant, Jr.
The Honorable Richard L. Saslaw, Senate of Virginia
The Honorable Patricia S. Ticer, Senate of Virginia
The Honorable Mary Margaret Whipple, Senate of Virginia
The Honorable Bob Brink, Virginia House of Delegates
The Honorable Adam P. Ebbin, Virginia House of Delegates
The Honorable David L. Englin, Virginia House of Delegates
The Honorable Al Eisenberg, Virginia House of Delegates
The Honorable Brian J. Moran, Virginia House of Delegates
The Honorable Mayor and Members of City Council
Mark E. Rubin, Office of the Governor
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