DARREL L. PEEPLES
Attorney at Law

325 Washington St. N.E. #440
Olympia, WA 98501-
Phone (360) 943-9528
Fax (360) 943-1611

October 9, 2007

Allen Fiksdal
EFSEC Manager
Washington State Energy Site Evaluation Council
P.O. Box 43172
Olympia, WA 98504-3172

Re Potential Site Study Request for the Wallula Energy Resource Center Project in Walla Walla County, Washington

Dear Allen:

This is a request pursuant to WAC 463-22 for a potential site study regarding the Wallula Energy Resource Center project located in Walla Walla County. The Wallula Energy Resource Center Project (Project) is being jointly developed by Wallula Resource Recovery LLC (WRR) and Wallula Energy Resource Company LLC (WERC), a wholly owned subsidiary of Edison Mission Energy (EME), through a Joint Development Agreement. The Project will be owned by WERC, which is also referred to herein as the Applicant.

The members of WRR have a long history of development and doing business in the State of Washington. The members include: Robert Divers who is the CEO of United Power Company and has successfully permitted over 1500 MW of power plants in the Pacific Northwest; Tim Quigg who leads Quigg Energy LLC, one of five companies with combined revenues of $200 million annually and over 700 employees, and whose family has operated businesses in the Northwest for over 110 years; and Jon Harder who is the principal stakeholder and President of Sunwest Management, Inc., one of the largest seniors housing managers in the United States.

EME is an independent power producer engaged in the business of developing, acquiring, owning or leasing, operating and selling energy and capacity from independent power production facilities. EME also conducts hedging and trading activities in power markets open to competition. EME is an indirect wholly owned subsidiary of Edison Mission Group Inc., which is the holding company for the unregulated operations of Edison International. Edison International also owns Southern California Edison Company, one of the largest electric utilities in the United States.

EME was formed in 1986 with two domestic operating power plants. As of December 31, 2006, EME subsidiaries and affiliates owned or leased interests in 29 operating power plants with an aggregate net physical capacity of 10,473 MW of which EME's capacity pro rata share was 9,303 MW. At December 31, 2006, five projects totaling 342 MW of generating capacity were under construction.

The proposed Project is approximately a nominal 915 MW (gross) Integrated Gasification Combined Cycle (IGCC) electric generating facility to be constructed near Wallula, Washington. Net power output from the project is planned to be approximately 700 MW. The Applicant proposes to build the Project on a 759-acre site in the northeastern portion of Walla Walla County, Washington. The Project will purchase coal from the Powder River Basin as feedstock, pulverize and gasify it on site to create synthetic gas (syngas), and burn the syngas in combustion turbines in a combined-cycle power plant to generate electricity. The Project will sequester CO_2 in the process. Natural gas will be used as a back-up fuel.

The Port of Walla Walla owns the Project site, which is zoned for heavy industrial use on the portion of the site with the gasification and combined-cycle power plant. A portion of the site that is zoned light industrial will accommodate a rail access loop to both the Union Pacific and Burlington Northern main lines. The Applicant has signed a letter of intent for a real estate option on the project site with the Port of Walla Walla and intends to exercise that option contingent upon financing and obtaining the Site Certification Agreement and other approvals. The legal description is attached as Exhibit A. The Project site is near the site where EFSEC previously approved a Site Certification Agreement for the 1300 MW Wallula natural gas-fired combined-cycle power plant and has the much the same site characteristics. The Project is designed to provide low-carbon electric power to meet the growing needs of the Pacific Northwest and other interconnected electric transmission areas where electric energy is needed. Presently the Project has a generation interconnection request in review with the Bonneville Power Administration (BPA).

The Project will be located approximately 10 miles south of the city of Pasco, 2 miles north of the unincorporated community of Wallula, and 8 miles southeast of the unincorporated community of Burbank. The property is located within all of Section 2, Township 7 North, Range 31 East and a portion of Section 35, Township 8 North, Range 31 East. It is bordered on the west and south by acreages controlled by the Port of Walla Walla, the Worden Farm to the east and the J.R. Simplot Company feedlots to the north. Lake Wallula (the McNary Pool reach of the Columbia River) is located approximately 1.2 miles to the west. The project site is approximately 500 feet above mean sea level. A drawing of the "Site Location" is presented as Exhibit B.

The Applicant plans to use approximately 300 acres of the project site for IGCC plant structures and related facilities. The project site is a greenfield site (i.e. it is not currently in use) and is in an area zoned for heavy industrial use and designated as 'IH, Heavy Industrial' and IL Light Industrial in the existing land use plan for western Walla Walla County. In May 2000, Walla Walla County (2000) issued a draft Comprehensive Plan for the period 2000 to 2020, designating approximately 12 square-miles as the 'Attalia Industrial Urban Growth Area' with a proposed land-use designation for the site of 'AG-IH, Agriculture-Heavy Industrial and IL Agriculture-Light Industrial'. This plan was adopted in May 2001. On March 26, 2001, the Board of County Commissioners for Walla Walla County (2000) further amended the zoning ordinance to specifically permit the construction and operation of thermal power plants of 250,000 kilowatts or more in Heavy Industrial zones provided that the Applicant enters into agreements for prepayment of taxes to mitigate impacts and that the Applicant participates fully in the EFSEC siting process, including an EFSEC Potential Site Study process. The Applicant will comply with this ordinance and the Project will be consistent with all local land use plans and ordinances and expects to earn the full support of the County government of Walla Walla.

Surrounding land uses include the U.S. Highway 12 right-of-way; the Tyson Foods Beef Processors' slaughterhouse; J.R. Simplot Company feedlot adjacent to the slaughterhouse, the Railex, LLC fresh produce shippers, Worden Farms and the Boise Corporation Wallula Mill. The Project is subject to the existing development plan for Western Walla Walla County as adopted by the Walla Walla Regional Planning Commission and the Board of County Commissioners.

The Project, using IGCC technology, will consist of a wide array of facilities at the center of which are two synthetic gasification trains ("gasification") linked ("integrated") with a state of the art power island ("combined cycle"). Other facilities include: coal unloading, storage, conveying and crushing equipment, two synthetic gas cleanup trains with sulfur, mercury and CO_2 removal facilities, solid byproduct and sulfur storage and loading facilities, two synthetic/natural gas-fired combustion gas turbine-generators; two heat recovery steam generators; and one steam turbine-generator. Each synthetic/natural gas combustion gas turbine produces electric energy through direct combustion of synthetic or natural gas in the combustion turbine. In addition, each synthetic/natural gas combustion gas turbine discharges the hot exhaust gases to a heat recovery steam generator for the production of steam for secondary electric power production ("combined cycle") in a steam turbine-generator. The main cooling system will be a wet mechanical-draft cooling tower.

The Project will purchase water from a municipal water district to be created by the Port of Walla Walla for the Wallula Gap Business Park, which the Port is developing in the area. The Port of Walla Walla controls approximately 2,800 acres of land with perfected water resources which will be used for Port-sponsored development. The Port also currently controls existing water rights eligible for industrial use. The water line will be owned, designed, constructed to the plant site border and maintained by the Port of Walla Walla.

Powder River Basin coal will be transported to the project site by unit trains via either the Union Pacific Railroad or the Burlington Northern & Santa Fe Railway to the existing rail tracks owned by Union Pacific Railroad, Burlington Northern Santa Fe Railroad, the Port of Walla Walla and Simplot Cattle Company. A double loop will be provided at the project site to deliver and unload the coal and to load solid byproduct and elemental sulfur onto rail cars for sale and shipment to off-site third parties. Approximately 22,000 feet of new rail lines will be constructed.

Natural gas will be transported to the project site from the existing TransCanada interstate pipeline located south and east of the project site. The natural gas pipeline lateral will run from the gas metering house located at the project site to the existing TransCanada GTN natural gas pipeline, owned by Trans Canada, located east of the project site. The natural gas pipeline lateral will be 4.2 miles long and owned, engineered, designed, constructed and maintained by TransCanada GTN.

The Applicant has requested an electrical generation interconnection for the Project from BPA. BPA is conducting a series of studies to identify the specific transmission system upgrades necessary to serve the Project. BPA will design and construct the new transmission line from the Project to the planned Smith's Harbor substation which is approximately 2 miles from Project where it will tie into the Lower Monumental - McNary 500kV transmission line for integration into Bonneville's high voltage transmission grid. Although the exact locations of the upgrades are subject to further evaluation by BPA, the agency may require construction of approximately 29 miles of additional 500 kV transmission line (Wallula Transmission Project) in parallel with the existing Lower Monumental 500 kV line to the McNary Substation. The 500 kV transmission line from the high side of the IGCC plant disconnect switches, located in the switchyard at the IGCC plant, to the McNary substation, including the switchyard at the Lower Monumental to McNary 500 kV transmission line, will be owned, engineered, designed, constructed and maintained by BPA and as such is not subject to the EFSEC's jurisdiction.

The Project is being designed as a zero liquid discharge plant. Cooling tower blowdown will be directed to a brine concentrator (evaporator)/evaporation pond combination where all cooling tower blowdown water will be reclaimed or evaporated. No process wastewater is to be discharged off-site.

The Project is in the same area as the prior EFSEC permitted Wallula Power Project and raises no anomalous issues except for CO_2 sequestration, new clean air mercury regulations and impacts related to coal delivery and handling, which are not anticipated to adversely affect permitting of the present Project. A substantial portion of the work done for the Wallula Power Project (such as archeology, biology, socioeconomic, health and safety, emergency plans, construction management, land issues, and water issues) is directly applicable to this Project. The project site does not have any threatened and endangered species and ecologically sensitive habitats. There are no wetlands on or adjacent to the project site and project infrastructure laterals will not disturb existing wetlands. Most of the project site was or is presently irrigated farmland or an irrigated fiber farm that has disturbed the land over time and has not become a prime resource for endangered or ecological species and ecologically sensitive habitats. No aquatic areas are located on-site or threatened by activities on-site as the plant is being designed as a zero liquid discharge plant. All solid waste will be either sold to third parties or shipped to an approved third party disposal site. The Project will be designed to protect birds in the flyway by approved lighting arrangements.

The Project will have mercury emissions from two locations within the process. Coal is ground and dried prior to being introduced into the gasification system. During the drying process, a fraction of the mercury is volatilized and emitted to atmosphere (estimated at approximately 5 percent). The dried coal then enters the gasification process where the majority of the mercury (approximately 95 percent) is liberated during gasification into the syngas stream. The syngas stream is then passed through a carbon bed filter prior to being routed to the combustion turbines. The carbon bed filter extracts mercury from the syngas prior to combustion, thereby minimizing emissions to atmosphere. Based on analysis performed by the equipment manufacturer, anticipated mercury loading in the coal and the carbon filter provider's performance guarantees, mercury emissions are expected to average 0.0049 lb/GW-hr (annual average). This is 25 percent lower than the Department of Ecology's proposed mercury standard (proposed WAC 173-406-120).

The railroad traffic related to the Project is not anticipated to create significant issues. The Project is in the optimum area for rail traffic control due to the location of the joint usage of two railroads for selected rail lines and the location outside of the rail marshalling area within the City of Pasco. The additional rail traffic will not take up a material increment of the rail traffic into the Tri-Cities area. The City of Pasco has a train marshaling area (located approximately 12 miles northwest of the proposed project) where train traffic is controlled for deliveries to the Tri-Cities area. The development of the double track arrangement at the Project will allow normal non-coal rail traffic to proceed to Pasco without impact from the proposed plant's rail service configuration.

The Project is being designed for approximately 65 % carbon sequestration from initial operation. The Project has included sour shift conversion and Selexol™ acid gas removal systems in the plant design to remove sulfur and up to 65 % of the CO_2 from the synthetic gas resulting in net CO_2 emissions from the plant of approximately 600 lbs/MWhr gross (800 lbs/MWhr net). This will ensure compliance with the ESSB 6001 requirement to maintain CO_2 emissions below 1,100 lb/MWh. The sulfur will be converted into an elemental sulfur product in a sulfur recovery unit while the CO_2 will be compressed to approximately 2,200 psig pressure and then directed via a short pipeline to the 3,000 to 4,500 foot deep CO_2 injection wells where the CO_2 is to be injected into the Grand Ronde Basalt layer. The project site is under-laid with approximately 14,000 feet of basalt sequence layers. The Grande Ronde basalt layer is well below with the region where the existing water supply is not potable. In the Grande Ronde basalt, the CO_2 is expected to undergo a transition from calcite to ankerite ($Ca(Fe, Mg, Mn)(CO_3)2$) which is a solid and remains in this state.

The Project will be the first large IGCC project in the world to inject CO_2 into basalt formations. This is important in that:

- Basalt formations are globally distributed;
- Conversion costs are relatively low;
- The five largest basalt basins in the world could potentially sequester up to 10,000 years of the present world CO_2 emissions; and
- The basins are located in areas where a material portion of the world's growth in greenhouse gas emissions is taking place, such as India.

In March 2007, United Power Company, LLC, an affiliate of the Applicant's joint development partner WRR, joined Big Sky Carbon Sequestration Partnership (Big Sky), one of the seven regional Carbon Sequestration Partnerships funded by the U.S. Department of Energy. Big Sky is made up of research institutes, state and federal agencies, utilities, carbon trading companies, and international collaborators from Canada, China and Norway. Appendices 3-9, 3-10 and 3-11 include presentations made by Big Sky that outline the different methods of CO_2 sequestration Big Sky is investigating in the Pacific Northwest U.S. and its plans for providing the research. At the time that United Power joined, Big Sky, in partnership with the U.S. Department of Energy, intended to use the Hanford Site for the CO_2 sequestration field research. The Applicant, in cooperation with the Port of Walla Walla, recommended transferring the field testing program to the proposed Project site (approximately 30 miles away) where

the same layers of basalt as identified at the Hanford Site underlie the Wallula area. Big Sky has agreed to the transfer of the field testing which includes drilling several new deep wells to prove the feasibility of basalt sequestration. See Exhibit C for a general presentation of the proposed field test program at the Project site. The Project will assist in the deep well development and in obtaining project site services such as water, electricity and rail access. This basalt carbon sequestration technology has the potential of greatly reducing the amount of CO_2 emissions in the world.

In summary, the location of the project site offers a number of advantages for a large IGCC plant including the following:

- Adequate amount of land for the plant in an area that is zoned heavy industrial which allows for power plants in excess of 250 MW:
- A local transportation network that supports both construction and operation of the project;
- Land uses adjacent to the project site are complementary, i.e. heavy industrial or agricultural;
- Attainment zone for critical air pollutants (NOX, SO2, CO, ozone and PM10);
- Adequate water supply available for the IGCC plant's operation;
- Proximity to natural gas fuel via a large interstate natural gas pipeline that provides access to extensive natural gas supplies in Canada and the U.S. Rocky Mountain region;
- Proximity to a 500 kV transmission system that facilitates delivery of electric power to markets in the Pacific Northwest; and
- Proximity to two railroad lines (Burlington Northern & Santa Fe Railway and the Union Pacific Railroad) connected to the project site by industry owned rail some of which will be constructed by the Project allowing delivery of Powder River Basin coal to the project site.

To aid in the application process, Applicant requests a Potential Site Study for the Project, pursuant to WAC 463-22, to provide review and input from agency consultants, the Counsel for the Environment (CFE) and other appropriate persons and organizations to gain input for the preparation of a Site Certification Application.

The Applicant requests that the objectives of the potential site study be as follows:

1. Commence the contracting process to obtain an independent consultant and agency consultants to the extent deemed appropriate by the Council.

2. To provide review and input from agency consultants, the CFE and other appropriate persons and organizations to gain input for the preparation of a Site Certification Application

3. To review other matters that the Council and potential applicant deem essential for an adequate appraisal of the site.

Enclosed is a check for $50,000.00 pursuant to WAC 463-22-030. Applicant requests that you accept this submittal for a potential site study.

Regards,

Darrel L. Peeples
Attorney for: Wallula Resource Recovery LLC and Wallula Energy Resource Company LLC