SITE PERMIT

FOR CONSTRUCTION OF A

LARGE ELECTRIC POWER GENERATING PLANT

IN

BLUE EARTH COUNTY, MINNESOTA

ISSUED TO

MANKATO ENERGY CENTER, LLC

MEQB DOCKET NO. 04-76-PPS-CALPINE

In accordance with the requirements of Minnesota Statutes section 116C.57 and Minnesota Rules chapter 4400, this Site Permit is hereby issued to:

MANKATO ENERGY CENTER, LLC

Mankato Energy Center is authorized by this permit to construct a new 655 megawatt natural gas-fired large electric power generating plant and associated facilities on a site just north of the city limits of Mankato, Minnesota, identified in this Permit and in compliance with the conditions specified in this Permit.

STATE OF MINNESOTA
ENVIRONMENTAL QUALITY BOARD

Robert A. Schroeder
Chair

Issued: September 16, 2004

I. SITE PERMIT

The Minnesota Environmental Quality Board hereby issues this Site Permit to Mankato Energy Center, LLC (hereinafter known as the "Permittee") pursuant to Minnesota Statutes section 116C.57 and Minnesota Rules chapter 4400, to construct a 655 megawatt natural gas and fuel oil-fired power plant and associated facilities on a site in Blue Earth County, Minnesota, immediately north of the city limits of the City of Mankato, more specifically designated in this Permit.

II. PROJECT DESCRIPTION

The Mankato Energy Center Large Electric Power Generating Plant (hereinafter known as the "Facility") is a combined cycle plant that will use two 250 megawatt combustion turbine generators, two heat recovery steam generators, and associated equipment to produce electricity. The Facility, scheduled to be operational by mid-2006, will be capable of generating approximately 655 MW of electric power at summer ambient conditions. This generating capacity includes both baseload capacity (approximately 505 MW) and peaking capacity (approximately 150 MW) to be obtained from power augmentation equipment such as duct firing and steam injection.

Low sulfur distillate oil will be used as a back-up fuel to ensure uninterrupted operation of the Facility. The Facility will be designed to include two combustion turbine generators, two heat recovery steam generators equipped with natural gas-fired duct burners, one steam turbine generator with associated heat rejection system, and various appurtenant machinery and equipment required for a safe and efficient operating power plant.

III. DESIGNATED SITE

The approved site is located just north of the Mankato city limits in Lime Township in Blue Earth County, in the southwest ¼ of Section 31, Township 109N, Range 26W. The site is located within an area zoned for industrial use. It is situated on the southern portion of an old limestone quarry that has been mined to completion and currently serves as a demolition waste landfill and composting facility owned and operated by the Southern Minnesota Construction Company, Inc. ("SMC"). The site is approximately 25 acres in size. The site is located east of U.S. Highway 169, north of U.S. Highway 14, and west of County Road 5 (3rd Avenue). A set of railroad tracks no longer in use runs along the south side of the site.

The site is more specifically described in the permit application and in the Environmental Assessment, and is shown in the attached Site Location map.

IV. PERMIT CONDITIONS

The following conditions shall apply to the construction of the facility on the designated site.

A. Site Plan. At least ten days prior to commencing construction, the Permittee shall submit to the EQB a site plan showing the location and placement of the various structures to be constructed, including all electrical equipment, pollution control equipment, roads, and other associated facilities. The Permittee shall have the right to move or relocate any of these structures after construction commences, but the Permittee shall file an amended site plan with the EQB prior to implementation.

B. Construction Practices

1. **Application.** The Permittee shall follow those specific construction practices and material specifications described in the Application, unless this Permit establishes a different requirement in which case this Permit shall prevail.

2. **Field Representative.** At least ten days prior to commencing construction, the Permittee shall advise the EQB in writing of the person or persons designated to be the field representative for the Permittee with the responsibility to oversee compliance with the conditions of this Permit during construction. This person's address, phone number, and emergency phone number shall be provided to the EQB, who may make the information available to local residents and public officials and other interested persons. The Permittee may change its field representative at any time upon written notice to the EQB.

3. **Roads.** At least ten days prior to commencing construction, the Permittee shall advise the EQB and other appropriate governing bodies having jurisdiction over roads, of all state, county, and township roads that will be used during construction of the project. Where practical, existing roadways shall be used for all activities associated with construction of the facility. Where practical, all-weather roads shall be used to deliver heavy components to and from the site. The Permittee shall, prior to the use of such roads, make satisfactory arrangements with the appropriate state, county, and township governmental bodies having jurisdiction over the roads to be used for construction, for repair and maintenance of those roads that will be subject to extra wear and tear due to transportation of equipment and materials. The Permittee shall notify the EQB of such arrangements upon request of the EQB.

B. Completion of Construction.

1. **Plans and Specifications.** Within sixty days after completion of construction of the facility, the Permittee shall submit to the EQB the "as built" plans and specifications.

2. **GPS Data.** Within sixty days of completion of construction, the Permittee shall submit to the EQB, in the format requested by the EQB, geo-spatial information (GIS compatible maps, GPS coordinates, etc.) for the power plant and associated facilities.

C. Other Requirements. The Permittee shall comply with all applicable state rules and statutes. The Permittee shall obtain all required permits for the project and comply with the conditions of these permits. A list of the anticipated permits and associated environmental approvals required for the project are listed in Section 9.0 on pages 133 - 135 of the Environmental Assessment. A revised list of required permits is found in the July 22, 2004 Addendum provided by Wenck Associates, Inc.

D. Delay in Construction. If the Permittee has not commenced construction or improvement of the project within four years from the date of issuance of this Permit, the EQB shall consider suspension of the Permit in accordance with Minn. Rules part 4400.3750.

E. Special Conditions

1. The Permittee shall ensure that non-contact cooling water will be returned to the City of Mankato's wastewater treatment plant at a point downstream of the supply connection for discharge under the City's NPDES Permit. The non-contact cooling water shall be treated for removal of suspended solids and phosphorus prior to being discharged from the WWTP.

2. The Permittee shall install equipment that may include stack silencers, low-noise fans, and related equipment at the cooling tower, equipment enclosures and other noise generating facilities as necessary to mitigate noise emissions during normal operation. The Permittee shall ensure that noise impacts due to plant operation comply with applicable Minnesota noise standards.

3. The Permittee shall install driver/traffic warning lights along the roadways where fogging and icing might be expected to occur. The lights and signage, which would be activated during potential events (based on weather conditions), would alert drivers to low visibility conditions and possible slippery road conditions. The Permittee shall also notify local police to request assistance in alerting motorists of potential driving conditions near the Facility.

4. The Permittee shall ensure that potential dust resulting from construction activities and truck traffic would be controlled through standard construction practices, which may include watering of exposed surfaces, covering

disturbed areas, paving, reduced speed limits on the site or other such practices as needed. Following construction, the Permittee shall ensure that fugitive dust related to vehicular traffic at the Facility will be minimized through paving of the access road and parking areas.

5. The Permittee shall ensure that the Facility will maintain setback requirements from the drainage ditch running along the east side of the site that is classified as a tributary stream in the Blue Earth County Shore Land Ordinance.

V. PERMIT AMENDMENT.

This permit may be amended at any time by the Environmental Quality Board. Any person may request an amendment of this permit by submitting a request to the Chair in writing describing the amendment sought and the reasons for the amendment. The Chair will mail notice of receipt of the request to the Permittee. The EQB may amend the permit after affording the Permittee and interested persons such process as is required.

VI. TRANSFER OF PERMIT

The Permittee may request at any time that the Environmental Quality Board transfer this permit to another person or entity. The Permittee shall provide the name and description of the person or entity to whom the permit is requested to be transferred, the reasons for the transfer, a description of the facilities affected, and the proposed effective date of the transfer. The person to whom the permit is to be transferred shall provide the EQB with such information as the EQB shall require to determine whether the new permittee can comply with the conditions of the permit. The EQB may authorize transfer of the permit after affording the Permittee, the new permittee, and interested persons such process as is required.

VII. REVOCATION OR SUSPENSION OF THE PERMIT

The Environmental Quality Board may initiate action to revoke or suspend this permit at any time. The EQB shall act in accordance with the requirements of Minnesota Rules part 4400.3950 to revoke or suspend the permit.