

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into by and between Seminole Electric Cooperative, Inc. ("Seminole") and the Sierra Club ("Sierra Club"). Seminole and Sierra Club shall be referred to herein collectively as the "Parties" for the purposes of this Agreement.

RECITALS

- A. Seminole operates two existing electrical generating units at the Seminole Generating Station site ("Site") in unincorporated Putnam County, Florida. Those existing Units 1 and 2 have been in operation since 1984.
- B. On March 9, 2006, Seminole filed its site certification application ("SCA") under the Florida Electrical Power Plant Siting Act ("PPSA"), Chapter 403, Part II, Florida Statutes, with the Florida Department of Environmental Protection ("FDEP"). The SCA seeks approval for the construction and operation of the proposed Unit 3 Project, a nominal 750 megawatt ("MW") electrical generating unit. The new proposed Unit 3 will be located adjacent to the existing two units and will utilize some of the existing facilities and infrastructure at the Site. The SCA has been assigned FDEP number PA78-10A2; FDEP OC/C Case No. 06-0780 and Florida Division of Administrative Hearings Case No. 06-0929EPP.
- C. The two existing units were previously certified under the PPSA.
- D. The Sierra Club was a party to the original site certification proceeding for the existing two units at the Site. The Sierra Club is a party to the current site certification proceeding for the proposed Unit 3 Project.
- E. On March 9, 2006, Seminole also filed with FDEP a separate application for a prevention of significant deterioration ("PSD") permit to authorize construction of Unit 3. The PSD permit is being processed by FDEP pursuant to its authority to issue such federally-required PSD permits in Florida. A draft PSD permit was issued by FDEP on August 24, 2006; the FDEP PSD permit number is PSD-FL-375.
- F. On October 9, 2006, the Sierra Club submitted written comments to the FDEP Bureau of Air Regulation concerning FDEP's proposed PSD permit for the Unit 3 Project. Sierra Club wishes to reserve all rights it has to continue to assert claims regarding the proposed PSD permit for the Unit 3 Project.
- G. The final certification hearing is scheduled to be held beginning January 9, 2007 in Palatka, Florida. That hearing is to address the matters set forth in Section 403.502, Florida Statutes, of the PPSA.
- H. The Parties to this Agreement desire to resolve all issues raised or which could be raised concerning Seminole's Unit 3 Project in the PPSA proceeding, while excluding the separate PSD permit proceeding, and also to set the framework for continued settlement negotiations concerning the PSD permit proceeding.

I The Parties agree that this Agreement consists of full and fair consideration for the release of certain claims of the Sierra Club scheduled for trial before the Florida Division of Administrative Hearings on January 9, 2007. The Parties further agree that they contemplate the negotiation of a second settlement agreement, to resolve claims concerning the PSD permit proceeding.

TERMS AND CONDITIONS – The PPSA Proceeding

1. Seminole agrees to purchase and distribute \$200,000 worth of compact fluorescent light bulbs to its member cooperatives for distribution to end users. Seminole agrees to work with the Sierra Club on the procurement and distribution of the compact fluorescent light bulbs, as well as the launching and public announcement of the compact fluorescent light bulb program. Such purchase shall take place within 180 days after the issuance of all approvals necessary to construct Unit 3 and the distribution of the light bulbs will take promptly thereafter.
2. Seminole commits to use best efforts for investigating additional renewable energy opportunities and incentives which can be implemented by Seminole or by its member electrical cooperatives that will further the use of renewable energy in Florida and reduce the reliance on fossil fuels for the production of electricity in the State. Seminole agrees to help fund and assign a project manager to a series of workshops and meetings with renewable energy experts and the public in Florida to investigate options and to analyze the economic and technical feasibility of renewable energy projects that Seminole can implement in the future. This commitment includes but is not limited to solar, wind, biomass co-firing at its power plants, and methane capture at the Putnam County Central Landfill. Seminole also commits to continue to develop and implement additional programs that will result in offsets of emissions of greenhouse gases.
3. Sierra Club agrees not to challenge, appeal, or initiate or assist in any challenge or appeal by others in an administrative or judicial proceeding, or in any other way impede or interfere either with the issuance of a final order granting site certification under the PPSA so long as such final order contains conditions that are consistent with or more restrictive than the Conditions of Certification proposed by FDEP in the Staff Agency Report dated November 9, 2006, provided, however, that Sierra Club retains all rights, and does not waive any rights, to challenge any final PSD permit under state or federal law.
4. Sierra Club agrees that it will not contest any issues or present any evidence or testimony in the final site certification hearing nor submit any post-hearing filings in the pending PPSA proceeding concerning the Unit 3 Project. Sierra Club also agrees that pursuant to this Settlement it will stipulate to any motion filed by Seminole under procedures to cancel the certification hearing in accordance with Section 403.508(6), Florida Statutes, as long as the content of such motion is consistent with this agreement.
5. Sierra Club also agrees not to seek judicial review of the final Land Use Order of the Siting Board, filed December 14, 2006, addressing land use and zoning issues for the Unit 3 Project under the PPSA.

PRELIMINARY TERMS AND CONDITIONS – The PSD Proceeding

6. Seminole offers the following as a settlement proposal to resolve issues related to the PSD permit:

Following the commencement of full-time commercial operation of Unit 3, that Seminole will be subject to the following system-wide emission rates for Units 1, 2, and 3, combined:

Sulfur Dioxide (SO ₂)	95 percent control efficiency across the scrubber based on 30-day rolling average and no more than 17,900 tons per year based on a 12-month rolling average
Nitrogen Oxides (NO _x)	0.07 lb/MMBtu based on 30-day rolling average and no more than 5,950 tons per year based on a 12-month rolling average
Sulfuric Acid Mist (H ₂ SO ₄)	1,750 Tons Per Year
Mercury (Hg)	(118 lb/yr)
PM	1,470 Tons Per Year
VOC	259 Tons Per Year
CO	17,493 Tons Per Year

Seminole agrees to ask FDEP to include these limits in the final PSD permit for Seminole Unit 3 and agrees to be bound to these emissions limitations, subject to any additional reductions, negotiated in the second phase of negotiations described below.

7. Seminole and the Sierra Club concur that they will continue to negotiate in good faith to resolve and settle any issues relating to the PSD proceeding that were raised in Sierra Club's comments on the draft permit, including but not limited to emissions limits for SO₂, NO_x, H₂SO₄, Hg, PM, VOC and CO.

GENERAL PROVISIONS

8. This Settlement Agreement represents a complete settlement of Unit 3 PPSA issues, and a mutual commitment to ongoing good faith negotiations of Unit 3 PSD permit issues.

9. Each of the signatories hereto warrants and represents that he or she is competent and authorized to enter into this Agreement on behalf of the party for whom he or she purports to sign.

10. This Agreement shall never at any time or for any purpose be considered an admission of liability or responsibility on the part of any party herein released.

11. This Agreement is the product of negotiation and preparation by and among each party hereto and his or her respective attorneys. Accordingly, all Parties hereto acknowledge and agree that the Agreement shall not be deemed prepared or drafted by one party or another, or the attorneys for one party or another, and the Agreement shall be construed accordingly.

12. This Agreement shall be interpreted in accordance with and governed in all respects by the laws of the State of Florida. Exclusive jurisdiction and venue for any litigation brought in relation to this Agreement shall be in the Circuit Court for Putnam County, Florida, and the Parties do hereby specifically waive any other jurisdiction and venue.

13. If any provision or any part of any provision of this Agreement is for any reason held by a court of competent jurisdiction to be invalid, unenforceable or contrary to public policy or any law, then the remainder of this Agreement shall not be affected thereby and shall remain in full force and effect.

14. No amendments or modifications of this Settlement Agreement shall be valid unless set forth in writing and signed by the duly authorized representatives of each Party.

15. This Agreement shall be deemed to be effective immediately upon its full execution by all Parties.

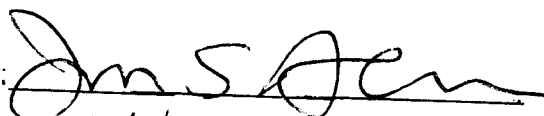
16. This Agreement contains the entire understanding among the Parties with regard to the matters herein set forth, and is intended to be and is a final integration thereof. There are no representations, warranties, agreements, arrangements, undertakings, oral or written, between or among the Parties hereto relating to this Agreement which are not fully expressed herein.

SEMINOLE ELECTRIC COOPERATIVE, INC.

Date:

1/7/07

By:



Its:

Attorney

SIERRA CLUB

Date:

1/7/07

By:



Its:

Legal Director