



Exhibit 1

Department of Energy
Washington, DC 20585

April 11, 2008

The Honorable Nick Lampson
Chairman
Subcommittee on Energy and Environment
Committee on Science and Technology
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Transmitted herewith is the Department's initial production of documents in response to the Subcommittee's April 2, 2008 letter to the Secretary requesting material relating to FutureGen that were prepared for the Secretary or involved the Secretary's review or participation. Many of the documents being provided to the Subcommittee today contain information that is protected by the attorney-client privilege or other legal privileges and the Department respectfully requests that the Subcommittee consult the Department before releasing or disclosing any of the documents being provided to the Subcommittee today, or the information contained therein.

We have not produced a number of responsive documents that, while associated with some Secretarial involvement, also implicate executive branch prerogatives. We are willing to work with the Subcommittee in an effort to accommodate the Subcommittee's legislative needs in a manner that respects the interests of both the executive and legislative branches.

The Department is continuing to collect and review documents that may be responsive to your request and will produce any additional responsive document to the Subcommittee as promptly as possible.

If you have any questions, please contact me or Ms. Lisa Epifani, Assistant Secretary for Congressional and Intergovernmental Affairs, at (202) 586-5450.

Sincerely,

Eric J. Fygi
Deputy General Counsel

Enclosures

cc: The Honorable Bob Inglis
Ranking Member
Subcommittee on Energy and Environment



U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON SCIENCE AND TECHNOLOGY

SUITE 2320 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6301
(202) 225-6375
TTY: (202) 226-4410
<http://science.house.gov>

April 2, 2008

The Honorable Samuel W. Bodman
Secretary of Energy
U.S. Department of Energy
Washington, DC 20585

Dear Secretary Bodman:

The Subcommittee is interested in learning how the Department came to so abruptly change direction on how to proceed with the FutureGen project. In fact, it looks as if the project has been fundamentally abandoned in favor of a new, unauthorized approach for which no money has been appropriated.

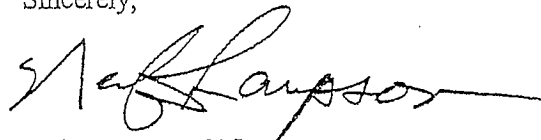
The program was announced as a major initiative of the Administration and your Department has supported the program for the past five years. As recently as November 30, 2007, you assured interested parties that the Department was moving forward expeditiously with this project and on track to make a final decision about the site for the facility by the end of the year. So it was with some confusion that we learned at the end of January of your decision to terminate the Department's participation in this project.

Because of the Committee's jurisdiction over all non-military research and development and our specific concerns about the implications of the decision to abandon the FutureGen program on the achievement of our goal to develop and deploy carbon capture and sequestration technologies, we desire to review this decision.

Under the authority assigned the Committee in House Rules X and XI, I ask that you produce to the Subcommittee complete records (see attachment) of all materials relating to FutureGen that were prepared for you or involved your review or participation. These include e-mails, briefing memoranda, decision memoranda, notes for letters, phone calls or other communications of whatever form, draft correspondence, final correspondence, and all other materials, of whatever description, relating to FutureGen and involving your office from November 1, 2007 until the present.

Please provide these materials no later than COB on Friday, April 11, 2008. You may contact Dr. Jean Fruci (202-225-6375), staff director, Subcommittee on Energy and Environment, or Dr. Dan Pearson (202-225-6375), Committee staff, to arrange for the delivery of these materials or if you have any questions. Please provide two copies of these materials (one for the Majority and one for the Minority). The materials for the Majority should be delivered to Rayburn 2319. The materials for the Minority should be delivered to Ford 394.

Sincerely,



NICK LAMPSON
Chairman
Subcommittee on Energy and Environment

Attachment



MEETING MEMORANDUM

To: Secretary Bodman

From: Lisa Epifani, Assistant Secretary

Office: Office of Congressional and Intergovernmental Affairs

Direct Number: (202) 586- [REDACTED] **Home Number:** [REDACTED]

Cell Number: [REDACTED]

Meeting: Sen. Richard Durbin (D-IL)

Location: Secretary's Office (phone call)

Meeting Date: December 13, 2007 **Time:** 8:45 am-9:00 am

Requested by:
Senator Durbin

Outside Attendees:
None

Background:

On December 11, the Office of Congressional & Intergovernmental Affairs contacted members of the Illinois and Texas Congressional delegations, as well as interested Committee staff, to notify them that DOE had sent a letter to the FutureGen Alliance regarding the Record of Decision ("ROD") for the FutureGen project and the Alliance's plans for a site selection announcement. The ROD will identify the site or sites that DOE finds acceptable from a NEPA standpoint. After ROD issuance, the Alliance may select the host-site.

Under applicable regulations, the earliest possible date that DOE could approve the ROD would be December 17, the same date that the Alliance has planned its site selection announcement. DOE will not be prepared to release the ROD on that date, and the Alliance cannot make a site selection prior to release of the ROD. Please see attached copies of the Alliance letter to Under Secretary Albright dated December 6, and DOE's December 11 response.

Senator Durbin's staff asked whether the delay in issuing the ROD would be a matter of "days, weeks, or months?" We indicated that the Department is continuing to work on the ROD but that we cannot commit to a certain date when the ROD will be released.

Senator Durbin is likely to ask you about the timing of release of the ROD. He will also ask you whether or not DOE still intends to proceed with the FutureGen project. Please see the attached December 9 news article in which Senator Durbin warned his Illinois constituents that FutureGen may be scrapped due to the cost escalation.

Is there a statutory deadline setting when DOE must issue the ROD?

The ROD may not be release prior to December 17. There is no statutory or regulatory deadline that requires the ROD to be released by a certain date.

Who are the Members of the FutureGen Alliance?

American Electric Power Service Corporation, Anglo American Services (UK) Limited, BHP Billiton Energy Coal, Inc., China Huaneng Group, CONSOL Energy Inc., E.ON U.S. LLC, Foundation Coal Corporation, PPL Energy Services Group, LLC, Peabody Energy Corporation, Rio Tinto Energy America Services, Southern Company Services, Inc., Xstrata Coal Pty Limited, and Luminant.

What are the past and current cost projections for the FutureGen project?

DOE's original internal project cost estimate was \$950 million priced in 2004 constant dollars. The current total cost estimate, derived from Alliance conceptual design work during Budget Period 0, is \$1,757,232,310 in as-spent dollars with the DOE cost share of \$1,300,352,230 and the Alliance share of \$456,880,000. An updated project cost-estimate is required at the end of the current Budget Period 1.

Why have costs increased?

Escalation in critical areas has far exceeded those originally predicted by DOE and Industry indices in 2004. These include:

- Increased detailed design cost
- Increased labor cost
- Increased raw materials cost (e.g., steel, copper, etc.), and
- Increased costs of fabrication and construction.

How much money has DOE invested in the project to date?

DOE has obligated \$39,109,230 and has spent approximately \$13 million.

How much money has the Alliance invested in the project to date?

The Alliance has committed to \$13,741,080 and has spent approximately \$5 million.

What activities has DOE commenced or completed on FutureGen?

- The Alliance completed a conceptual design and cost estimate for the Project during Budget Period 0. The Alliance is currently working on the preliminary engineering design, equipment specification and procurements, and host-site selection activities. Site specific activities will occur after issuance of DOE's NEPA ROD.
- DOE's Environmental Impact Statement is complete and published. The ROD is under internal review. Site selection cannot occur until after the ROD is issued.
- DOE has negotiated and awarded a full scope cooperative agreement that is divided into 6 phases (called budget periods). See table below. DOE has the right to discontinue the project at the completion of each budget period. Currently, the project is in the middle of Budget Period 1.

<u>Budget Period No.</u>	<u>Budget Period Dates</u>	<u>Government Share (74%)</u>	<u>Recipient Share (26%)</u>	<u>Total</u>
BP-0	12/02/05 – 01/31/07	\$ 7,602,770	\$ 2,671,243	\$ 10,274,013
BP-1	02/01/07 – 06/15/08	\$ 31,506,460	\$ 11,069,837	\$ 42,576,297
BP-2	06/16/08 – 03/31/09	\$ 74,898,000	\$ 26,315,000	\$ 101,213,000*
BP-3	04/01/09 – 11/30/12	\$ 895,999,000	\$ 314,810,000	\$ 1,210,809,000*
BP-4	12/01/12 – 11/30/15	\$ 273,816,000	\$ 96,206,000	\$ 370,022,000*
BP-5	12/01/15 – 11/30/17	\$ 16,530,000	\$ 5,808,000	\$ 22,338,000*
TEPC		\$1,300,352,230	\$ 456,880,080	\$ 1,757,232,310

DOE Staff Attending: Epifani

Open to Press: [] Yes [X] No

SENATOR RICHARD J. DURBIN (D-IL)
Telephone Number: (202) 224-2152
Room Number: 309 Hart



Senate: since 1997
Next Election: 2008
Born: November 21, 1944 in East
St. Louis, Illinois
Home: Springfield
Education: Georgetown University,
B.S.F.S. 1966 (international
affairs and economics), J.D. 1969
Profession: Attorney
Religion: Roman Catholic
Family: Wife, Loretta Schaefer
Durbin; three children

COMMITTEES: (110th Congress)

Committee on Appropriations
Subcommittees: Agriculture, Rural
Development, Food and Drug
Administration, and Related Agencies;
Defense; Financial Services and
General Government (Chairman);
Labor, Health and Human Services,
Education, and Related Agencies;
Legislative Branch; State, Foreign
Operations and Related Programs;
Transportation, Housing and Urban
Development, and Related Agencies
Committee on the Judiciary
Subcommittees: The Constitution, Civil
Rights and Property Rights; Crime and
Drugs; Human Rights and the Law
(Chairman); Immigration, Border
Security and Citizenship; Terrorism,
Technology and Homeland Security
Committee on Rules and Administration

POLITICAL HIGHLIGHTS

Democratic nominee for Illinois Senate, 1976; Democratic nominee for Lieutenant Governor, 1978; U.S. House, 1983-1997.

DOE FACILITIES IN SENATOR DURBIN'S STATE

- ◆ The **Chicago Operations Office** is responsible for providing business, technical, and administrative support to the Office of Science complex and other Department of Energy offices. The FY 2007 budget is \$629.1 million. The **Argonne Site Office** manages the Department of Energy's management and operating contract for the Argonne National Laboratory (ANL) and provides oversight of ANL's operational and management performance. The FY 2007 budget is nearly \$6.2 million.
- ◆ The **Argonne National Laboratory**, chartered in 1946 as the nation's first national laboratory, is operated by the University of Chicago for the U.S. Department of Energy's Office of Science. Argonne is managed and operated at various levels by a number of key groups, including a Board of Governors and the Argonne Directorate. The laboratory conducts applied research and engineering development in nuclear fission and other energy technologies, and it performs scientific research in basic physical and life sciences. The FY 2007 budget for the Argonne National Laboratory is \$387.7 million.
- ◆ The **Fermi Site Office** manages the Department of Energy's prime contract with Universities Research Association, Inc., for the management and operation of the **Fermi National Accelerator Laboratory** (FNAL) in Batavia, Illinois. The laboratory conducts research in high energy physics to study the basic structure of matter. The FY 2007 budget for the site office and laboratory is \$2.3 million and nearly \$323.9 million respectively.

In April 1994, the Collider Detector at FNAL presented the first direct experimental evidence for the top quark, a subatomic particle that is the last undiscovered quark of the six predicted by current scientific theory.

- ◆ The **New Brunswick Laboratory** (Argonne) serves as a technical extension of the Office of Safeguards and Security in the areas of nuclear material control and accountability, maintaining a laboratory for measurements and standards. The FY 2007 budget is nearly \$8.5 million.
- ◆ Environmental Management Facilities and Sites
 - Fermi National Accelerator Laboratory** (Batavia)
 - Argonne National Laboratory** (Lemont)
- ◆ Legacy Management Facilities and Sites
 - Granite City Steel Site** (Granite City)
 - Madison Site** (Madison)
 - Site A/Plot M Decommissioned Reactor** (Willow Springs)
- ◆ The Department of Energy estimates it will spend nearly \$893.8 million in Illinois in FY 2007; including nearly \$694.7 million for science and \$74.5 million for energy supply and conservation.

Revised 4/3/08

Date posted online: Sunday, December 09, 2007

Durbin: Watch FutureGen costs

Senator likens it to Super Collider, scrapped due to ballooning budget

BY MIKE RIOPELL
Lee News Service

SPRINGFIELD | As two Illinois towns count the days to see if the federal government will build an experimental power plant there, federal officials are expressing concern that the FutureGen project's price tag could jeopardize the project's future.

The proposed plant would be funded through a combination of tax dollars and energy company money at an estimated cost of nearly \$1.8 billion.

Tuscola and Mattoon in east central Illinois are finalists to host FutureGen along with two towns in Texas. It would use coal to create electricity, but then send pollutants underground.

But U.S. Sen. Dick Durbin, an Illinois Democrat and second-ranking member of the Senate, said watching the project's cost will be key.

He said this week that he didn't want to see FutureGen go the way of the proposed Superconducting Super Collider. The massive federal project was planned in the late 1980s and slated to be built in Texas.

The particle accelerator was billed as a key scientific project. Construction began, but under a ballooning budget, Congress cancelled the project in 1993.

"I don't want that to happen again," Durbin said.

FutureGen's price tag is now slated at \$1.8 billion -- or roughly twice what it was when first announced. A FutureGen spokesman said \$300 million of that should come back from selling the electricity the project creates.

Durbin said that in going forward with the project, it'll be important not to overburden federal taxpayers.

A group of private companies known as the FutureGen Alliance will pay for a significant portion of the project.

"The extent of their participation will really decide if this project is economically feasible," Durbin said.

Another company, Luminant, joined the group this week, perhaps further dividing the expense among them.

Energy company officials have said they're motivated to see FutureGen through. Its proposed technology has been billed as a potential boon to the coal industry, which has suffered in recent years under more strict environmental standards for power plants.

So a plant that could burn coal and create almost no pollution could seem ideal.

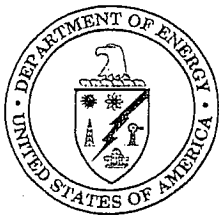
U.S. Rep. John Shimkus, R-Collinsville, said that if FutureGen is eventually slated for Illinois, the congressional delegation will have to fight hard for money every year to keep it going.

He said it's difficult to predict how easy that will be, because new members of Congress and a different president might not be as attached to the project as current officials. FutureGen was originally an initiative of President Bush.

"Every Congress is a new, living, breathing thing," Shimkus said.

"We still have challenges," he added.

-- Mike Riopell can be reached at mike.riopell@lee.net or (217) 789-0865.



United States Department of Energy
Washington, D.C. 20585

Exhibit 26

draft

MEETING MEMORANDUM

To: Secretary Bodman

From: Lisa Epifani, Assistant Secretary

Office: Office of Congressional and Intergovernmental Affairs

Direct Number: (202) 586- [REDACTED] **Home Number:** [REDACTED]

Cell Number: [REDACTED]

Meeting: Sen. Richard Durbin (D-IL)

Location: Secretary's Office (phone call)

Meeting Date: December 12, 2007 **Time:** TBD

Requested by:
Senator Durbin

Outside Attendees:
None

Background:

On December 11, the Office of Congressional & Intergovernmental Affairs contacted members of the Illinois and Texas Congressional delegations, as well as interested Committee staff, to notify them that DOE had sent a letter to the FutureGen Alliance regarding the Record of Decision ("ROD") for the FutureGen project and the Alliance's plans for a site selection announcement. The ROD is a key component in the Alliance's site selection and the Alliance cannot move forward without the ROD release.

Under applicable regulations, the earliest possible date that DOE could approve the ROD would be December 18, the same date that the Alliance has planned its site selection announcement; DOE will not be prepared to release the ROD on that date. Please see attached copies of the Alliance letter to Under Secretary Albright dated December 6, and DOE's December 11 response.

Senator Durbin's staff asked whether the delay in issuing the ROD would be a matter of "days, weeks, or months?" We indicated that the Department is continuing to work on the ROD but that we cannot commit to a certain date when the ROD will be released.

Senator Durbin is likely to ask you about the timing of release of the ROD. He will also ask you whether or not DOE still intends to proceed with the FutureGen project. Please see the

attached December 9 news article in which Senator Durbin warned his Illinois constituents that FutureGen may be scrapped due to the cost escalation.

Following is additional information on Futuregen for your reference:

Is there a statutory deadline setting when DOE must issue the ROD?

There is no statutory deadline on the ROD, per NETL lawyers and GC NEPA office.

Who are the Members of the FutureGen Alliance?

American Electric Power Service Corporation, Anglo American Services (UK) Limited, BHP Billiton Energy Coal, Inc., China Huaneng Group, CONSOL Energy Inc., E.ON U.S. LLC, ~~Energy~~ Foundation Coal Corporation, PPE Energy Services Group, LLC, Peabody Energy Corporation, Rio Tinto Energy America Services, Southern Company Services, Inc., Xstrata Coal Pty Limited, and Lumiant.

What are the past and current cost projections for the FutureGen project?

- Initial Total Project Cost Estimate: \$950 Million in Constant 2004 Dollars (74% Government/24% Industry Cost Share)
- Total estimated cost of the project now \$1.7 billion through 2016, offset by about \$300 million in anticipated power revenue.
- The DOE portion of the net total project cost is expected to be slightly over \$1 billion and the Alliance share is expected to be just under \$400 million under the current agreement.

Why have costs increased?

- 38 percent rise in utility plant materials in recent years and;
- Increases in the range of 25 percent for common building materials, construction, and labor in the regional locales of candidate sites; and
- Utility plant materials such as steam pipe and steel distribution pipe have risen 66 percent and 119 percent respectively.

How much money has DOE invested in the project to date?

- \$9,037,436 DOE Share through June 2007

How much money has the Alliance invested in the project to date?

- \$3,175,315 Alliance Share through June 2007

What activities has DOE commenced or completed on FutureGen?

The FutureGen Project is comprised of six budget periods with continuation into each subsequent budget period contingent upon the approval of a continuation application. The first budget period (Budget Period 0) was completed under a Limited Scope Cooperative Agreement that provided an opportunity to examine the feasibility of the project. The current Budget Period 1 of the Full Scope Cooperative Agreement will cover the remainder of the National Environmental Policy Act (NEPA) process, site selection, detailed characterization of the selected site, and preliminary design work.

If more than one site is approved by DOE in the ROD, the host site would be selected by the Alliance. After the host site is selected, the Alliance would conduct additional site characterization studies, prepare a site-specific design, and obtain relevant environmental, utility, and operational permits for the project.

DOE Staff Attending: Epifani

Open to Press: Yes No

**Talking Points for
Secretary call to Chairman Dorgan re FutureGen Hearing**

- I understand you are interested in holding a FutureGen hearing in which I would serve as a witness.
- I am certainly willing to make myself available to the Committee to talk about this issue, but do want to express some concerns I have about a FutureGen hearing and set appropriate expectations.
- As you are aware, we restructured the program for two reasons: the cost growth in the project; and the changing market needs since the program was originally designed. Nothing new will be brought forth on that decision.
- We issued a Request for Information on the new program in January. Comments were due March 3rd and there was quite a bit of positive response from industry (approximately 48 comment letters were submitted).
- The DOE program staff are busy reviewing these expressions of interest and determining the next steps.
- I am concerned that if a Congressional hearing is held now, it will only focus on the old program just at the time when industry and some in Congress are starting to look seriously at our new approach which we believe can accelerate carbon capture & storage for a more controlled cost.
- I think DOE will be in a better position by May to provide more refined and more useful information to the Committee about our draft solicitation and plans for next steps.
- I know your staff has been very cooperative in working with my staff. An April 23rd date was proposed and I appreciate that, but I think that we could have a much more interesting and valuable hearing if it was timed closer to when DOE

was releasing a Draft Solicitation on the restructured FutureGen. As I said, I expect that to be in May.

Internal Question re Reprogramming

Although there is no statutory requirement we do a reprogramming, Eric Fygi has indicated that a reprogramming request is likely necessary based on precedent and Committee guidelines. If, however, the Committees were amenable to something other than a reprogramming request, we might be able to complete the restructuring through a notification letter. So far, it is not clear what the Committees want. If DOE were to seek a reprogramming, we would expect the Illinois delegation to urge to Approps Members to oppose the request.

CI thoughts for consideration

Chairman Dorgan will likely allow Senator Durbin to speak on a separate panel at the hearing.

Chairman Dorgan does not seem to be holding this hearing at anyone's request; he made a snap decision (his staff were surprised) and announcement that he wanted S-1 for a FutureGen hearing soon.

Chairman Dorgan's reaction to this call is unpredictable. While he may want to be accommodating, Approps mark up efforts take place in May and he will want to have this hearing done.

Chairman Dorgan may also point out that he has refrained (unlike the House Approps) from asking you to testify before his Committee.

If DOE wants to include a NETL expert on the panel with the Secretary, CI is confident that Chairman Dorgan would accept that.



United States Department of Energy
Washington, D.C. 20585

Exhibit 4
FINAL

MEETING MEMORANDUM

To: Secretary Bodman

From: Lisa Epifani, Assistant Secretary

Office: Office of Congressional and Intergovernmental Affairs

Direct Number: (202) 586- [REDACTED] **Home Number:** [REDACTED]

Cell Number: [REDACTED] *Bement*

Meeting: Representative Tim Johnson (R-IL)

Location: Secretary's office (phone call)

Meeting Date: November 2, 2007 **Time:** 4:00 PM – 4:30 PM

Requested by:

Representative Johnson

TJ:

Fl: [REDACTED] - kept week to publish / ROD

Outside Attendees:

None

(2) Sequestration Partnerships

Background:

referred to OMB.
Representative Johnson has requested to speak with you regarding FutureGen. Both of the potential Illinois sites are located in his district, in Tuscola and Mattoon. He is likely to ask you if DOE and the FutureGen Alliance remain on track to select a site in the near future.

You may wish to have a similar conversation with Representative Johnson as you had with Senator Durbin last Friday. Below are some talking points for your use:

- I am extremely concerned about the cost escalation of this project, which has gone from roughly \$900 million to \$1.8 billion and we haven't even broken ground yet.
- DOE is paying 74% of the cost right now, and the Alliance is only paying 26%. This arrangement is no longer sustainable given the recent escalation in project costs.
- We want the Alliance to pick up a greater share of the cost over-runs.
- Under Secretary Bud Albright is leading our negotiations.

- Any assistance you can provide in informing the Alliance that DOE is extremely serious about altering the cost-share would be much appreciated.

The FutureGen Alliance is holding a Board meeting November 1 and 2 to discuss these and other issues. We will provide you an update on any developments prior to your call with Representative Johnson.

Attached for your reference is a copy of the October 25 letter to you from the FutureGen Alliance.

DOE Staff Attending: Lisa Epifani or Eric Nicoll

Open to Press: Yes No

REPRESENTATIVE TIMOTHY V. JOHNSON (R IL-15)

Telephone Number: (202) 225-2371

Room Number: 1207 Longworth



House: since 2001
Born: July 23, 1946 in Champaign, Illinois
Home: Urbana
Education: U.S. Military Academy,
attended 1964; University of Illinois,
B.A. 1969, J.D. 1972
Profession: Lawyer; realtor
Religion: Assemblies of God
Family: Divorced; nine children

COMMITTEES: (110th Congress)

Committee on Agriculture

Subcommittees: General Farm

Commodities and Risk Management

Committee on Transportation and
Infrastructure

Subcommittees: Highways and Transit;

Railroads, Pipelines and Hazardous

Materials

POLITICAL HIGHLIGHTS

Urbana City Council, 1971-1975; Illinois House, 1977-2000.

DOE FACILITIES IN REPRESENTATIVE JOHNSON'S DISTRICT

- ◆ There are no DOE facilities in Representative Johnson's Congressional District.
- ◆ The Department of Energy estimates it will spend nearly \$893.8 million in Illinois in FY 2007; including nearly \$694.7 million for science and \$74.5 million for energy supply and conservation.

Revised 11/1/07

FutureGen Congressional Call Script
12.17.07

- We are calling you today to make you aware of some challenges and potential opportunities related to the FutureGen project.
- As you know, DOE is committed to ensuring that coal, which is and will remain critical in our energy mix, can be used in the cleanest manner.
- The FutureGen program was designed pursue a near zero emission coal-fired power plant.
- The original concept envisioned a 275 MW plant that would serve as a laboratory for the development and demonstration of carbon capture and storage ("CCS") technology.
- The current FutureGen structure is financially unsustainable. DOE has tried to restructure the project to ensure a more equitable allocation of the projects costs.
 - Specifically, DOE asked the Alliance, as manager of this FutureGen project, to signal its commitment to the project by sharing equally the responsibility for cost overruns beyond the current estimated project cost of \$1.76 billion.
 - Under DOE's proposal, DOE would bear \$1.3 billion of the first \$1.76 billion in cost, and fifty percent of cost increases above that; the Alliance members would pay \$0.457 billion of the first \$1.76 billion cost, and fifty percent of amounts above that.
 - The Alliance rejected the offer. Instead, they unilaterally announced that they would make a site selection announcement despite DOE's request that they not do so.
- The market has indicated that it is willing to pursue integrated gasification combined cycle (IGCC), but one of the barriers to that pursuit has been the need to prove that CCS works.
- Therefore, DOE has decided it is necessary to revise the original FutureGen concept and pursue an approach that will accelerate commercial scale application of CCS technology.
- DOE intends focus FutureGen in a way that will allow competitive solicitation to support the application of CCS at multiple IGCC plants.
- The Department believes that refocusing FutureGen on integrating IGCC and CCS technology at a commercial scale will mitigate some of the regulatory uncertainty that has recently befallen the power industry (*as evidenced by the numerous IGCC cancellations in states like Arkansas, Washington, and Florida*).
- Additionally, by focusing on integrating CCS, we can better limit the government's financial risk by offering a finite sum to be competitively bid on by private industry potentially for multiple projects.
- Again, I want to repeat that the goals of the FutureGen program remain the same – achieving a cleaner use of coal.
- We work with you and your staff, as well as industry, to make sure that the FutureGen approach DOE would like to pursue provides a faster path to commercial reality and could lead to more carbon being sequestered in a more cost effective manner.

Obama

12/17/07

4:30 PM

Member/Senator Calls by Secretary Bodman, Deputy Secretary Sell and Under Secretary Albright

<u>Member</u>	<u>Number</u>	<u>Caller</u>	<u>Staffer</u> <u>CI to call</u>
Senator Richard Durbin	202-224-██████	Bodman	Pat Souders 202-224-██████ ✓
Senator Byron Dorgan	202-224-██████	Clay	Franz Wuerfmannsdobler 202-224-██████
Senator Jeff Bingaman	202-224-██████	Clay	Bob Simon 202-224-██████ ✓ Staff
Senator Pete Domenici	202-224-██████	Clay	Frank Macchiarola 202-224-██████
Governor Rick Perry	512-463-██████	Clay	Donna Nelson 512-463-██████
Senator John Cornyn	202-224-██████	Bud	Spencer Chambers Beth Jafari ✓ Staff
Senator Kay Bailey Hutchison	202-224-██████	Bud	Jamie Moore 202-224-██████
Congressman Roy Blunt	202-225-██████	Bud	Mike Ference 202-226-██████ ✓ Member
Congressman Joe Barton	202-225-██████	Bud	David McCarthy 202-225-██████ ✓ Member
④ Congressman Pete Visclosky	202-225-██████	Bud	Terry Tyborowski 202-225-██████ ✓ Staff
⑤ Congressman David Hobson	202-225-██████	Bud	Kevin Cook VM 202-225-██████
① Congressman John Shimkus	202-225-██████	Bud	Ryan Tracy 202-225-██████
② Congressman Tim Johnson	202-225-██████	Bud	Bobby Frederick 202-225-██████ ✓ STAFF
③ Congressman Jerry Costello	202-225-██████	Bud	David Gillies 202-225-██████
Congressman Michael Conaway	202-225-██████	Bud	Scott Graves 202-225-██████ ✓ Member
Congressman Rick Boucher	202-225-██████	Bud	Laura Vaught VM 202-225-██████

7 pm
~~7 pm~~
 7 pm
 7 pm
 Staff

④
 ⑤
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Governor Rod Blagojevich	312-814-██████	Bud	Steve Frenkel 312-814-██████
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5:00 PM

Tier 2 - Key Congressional Staff calls by DOE CI staff.

<u>Staffer</u>	<u>Number</u>	<u>Caller</u>	<u>NOTES</u>
<u>Senate Energy and Natural Resources</u>			
Allyson Anderson (Maj)	202-224-██████		
Mike Carr (Maj)	202-224-██████		
Colin Hayes (Min)	202-224-██████		
<u>Staffer</u>	<u>Number</u>	<u>Caller</u>	<u>NOTES</u>
<u>Congressman Ralph Hall</u>			
Elizabeth Stack	202-226-██████		
<u>Congressman Nick Lampson</u>			
Bobby Zafarina	202-225-██████		
<u>Congressman Bob Inglis</u>			
Garth VanMeter	202-226-██████		
<u>Congressman Bart Gordon</u>			
Christopher King	202-225-██████		
<u>House Energy and Commerce</u>			
Sue Sheridan (Maj)	202-225-██████		
<u>Senate Energy and Water Development Appropriations</u>			
Doug Clapp (Maj)	202-224-██████		
Scott O'Malia (Min)	202-224-██████		
<u>House Energy and Water Development Appropriations</u>			
Dixon Butler (Maj)	202-225-██████		
Scott Burinson (Maj)	202-225-██████		
<u>Senate Leadership</u>			
Chris Miller (Reid)	202-224-██████		
Jessica Leonard (Durbin)	202-224-██████		
Libby Jarvis (McConnell)	202-224-██████		
Jack Norris (Lott)	202-224-██████		

<u>House Leadership</u>			
Amy Fuerstenau (Pelosi)	202-225-██████		
Mary Frances Repko (Hoyer)	202-225-██████		
Jay Cranford (Boehner)	202-225-██████		

Schwartz, Doug

From: Epifani, Lisa
Sent: Tuesday, January 29, 2008 8:10 AM
To: Ingols, Adam; Getto, Ben; Kupfer, Jeffrey; Nicoll, Eric; Shiller, Scott; Barnett, Megan; Ruggiero, Julie; Beck, Andrew; Slutz, James; Schwartz, Doug; Egger, Mary; Sell, Clay
Cc: Stwarka, Michael
Subject: FG Rollout Materials and TPs and SC materials

Attachments: Rollout TPs Jan 29 v7.doc; 1.29.08 Rollout Plan.doc; CEO CALL SCRIPT 1.29.08.doc; Durbin TPs for S1.doc 1.28.08.doc; SC 08 Omnibus Impacts.pdf; 0608 Scientific Employment.xls

FutureGen Materials

1. TPs for S-1
2. Rollout Plan - logistics
3. CEO Script - supplied by Adam



Rollout TPs Jan 29 v7.doc (38 ...



1.29.08 Rollout Plan.doc (274 ...



CEO CALL SCRIPT 1.29.08.doc (3...

SCIENCE Materials



Durbin TPs for S1.doc 1.28.08....



SC 08 Omnibus Impacts.pdf (76 ...



0608 Scientific Employment.xls...

Lisa E. Epifani
 Assistant Secretary
 Congressional and Intergovernmental Affairs
 United States Department of Energy
 Tel: 202.586.5450
 Fax: 202.586.4891
 lisa.epifani@hq.doe.gov

FutureGen Talking Points

- It is unfortunate that the FutureGen Alliance has put all of us in this situation. Given cost escalations and continued efforts to negotiate, we explicitly asked the Alliance **NOT** to move forward with their site selection announcement.
- We have been in negotiations with the Alliance for more than six months, and they have failed to agree to our proposed terms and failed to provide any other acceptable solutions.
- I do not want this project to become another Superconducting Super Collider, in which the Government invested large sums of money, and then later canceled the project.
- **We will not be issuing the Record of Decision (ROD) on the existing FutureGen project.**
- On Wednesday, DOE will announce our intention to restructure FutureGen in a way that increases and accelerates the commercial viability of the clean coal technologies of Integrated Gasification Combined Cycle and Carbon Capture and Storage (IGCC-CCS).
- The restructured approach proposes multiple commercial-scale demonstration clean coal power plants of at least 300 Megawatt (MW) all of which will capture and safely sequester at least an estimated one million metric tons each of CO₂ annually. The Department proposes to fund the CCS portion of those plants.
- This restructured FutureGen approach is based on a few key factors:
 - 1) Need to demonstrate commercial viability of CCS at scale as soon as possible.
 - 2) Need to control costs.
 - 3) Need to respond to regulatory uncertainty and political obstacles preventing new coal plants from being built.
- This restructured approach will capitalize on private sector innovation and marketplace pressures to control costs, expedite construction, successfully demonstrate, and spur greater use of commercial scale IGCC with CCS technology.
- Along with the announcement, DOE will issue a Request for Information (RFI) and soon plans to issue a competitive solicitation to fund multiple, commercial-scale demonstrations that would utilize carbon capture and storage (CCS) technology integrated with market-ready IGCC coal power plants.
- **We are hopeful that the industry participants will consider the Mattoon site to have advantages in this new program, due to the fact that a great deal of environmental work has already been done there.**
- The Administration remains strongly committed to coal, and we will be releasing this week a preview of the FY 2009 budget request that will show a major increase in funding for our coal programs. Any perceived loss of the R&D aspect of the original FutureGen construct will be made up for by a significant increase in our targeted clean coal R&D budget for FY09.

DOE staff strongly recommends we move on the announcement Wednesday. Press coverage of DOE's plan will start as soon as this meeting ends. If, however, the Illinois Members strongly press for a delay in the announcement for political reasons (e.g., to prepare their constituents – not more time to deal with the Alliance), the following talking point is suggested:

- We are willing to delay an announcement until later this week given these difficult political considerations, but we cannot delay beyond this week. The newly restructured program will be reflected in the FY 2009 budget that will be released on Monday.

FutureGen Rollout

Tuesday 1/29

10:30am

Bodman Meeting w/ IL Delegation

Senator Richard Durbin	202-224-████	Bodman	Pat Souders 202-224-████
Congressman John Shimkus	202-225-████	Albright	Ryan Tracy 202-225-████
Congressman Tim Johnson	202-225-████	Albright	Bobby Frederick 202-225-████
Congressman Jerry Costello	202-225-████	Albright	David Gillies 202-225-████

10:30am call Obama's energy staffer

After IL Meeting [11:30am] –Bodman calls IL Governor

Governor Rod Blagojevich	312-814-████	Bodman	Steve Frenkel 312-814-████
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After IL Meeting [11:30am] – Lisa will call Doug/DOE scheduler to decide on CEO calls

<u>Company</u>	<u>DOE POC</u>	<u>Number</u>
AEP Mike Morris	Bodman	
Southern David Ratcliffe	Bodman	
Peabody Greg Boyce	Albright	
FutureGen Alliance Paul Thompson	Albright	
FutureGen Alliance Mike Mudd	Slutz	
Angelo American Cynthia Carrol	Slutz	
BHP Billiton Charles Goodyear	Slutz	
China Huaneng Group Li Xiaopeng	Slutz	

CONSOL J. Brett Harvey	Slutz	
E.On Victor Staffieri	Slutz	
Foundation Coal James Robert	Slutz	
PPL James Miller	Slutz	
Rio Tinto Preston Chiaro	Slutz	
Xstrata Michael Davis	Slutz	
Luminant	Slutz	

After IL Meeting [11:30am]

Member/Senator Calls by Secretary Bodman, Deputy Secretary Sell and Under Secretary Albright to alert Members of the announcement

FUTURE GEN MEMBER AND SENATOR CALLS			
<u>Member</u>	<u>Number</u>	<u>Caller</u>	<u>Staffer</u> CI staff to call staffer
Senator Byron Dorgan	202-224-████	Sell	Franz Wuerfmannsdobler 202-224-████
Senator Jeff Bingaman	202-224-████	Bodman	Bob Simon 202-224-████
Senator Pete Domenici	202-224-████	Sell	Frank Macchiarola 202-224-████
Congressman Joe Barton	202-225-████	Albright	David McCarthy 202-225-████
Congressman Pete Visclosky	202-225-████	Albright	Terry Tyborowski 202-225-████
Congressman David Hobson	202-225-████	Albright	Kevin Cook 202-225-████
Congressman Roy Blunt	202-225-████	Bodman	Mike Ference 202-226-████
Congressman Rick Boucher	202-225-████	Albright	Laura Vaught 202-225-████

Wednesday 1.30

Announce Coal Budget and FutureGen restructure

9:30AM - Email Alliance Company Members and stakeholders invitation for to
12:30 Meeting with Bud

10:00AM PA to issue Media Advisory

10:30AM - Embargoed Press Release and materials sent to Tier 1 and Tier 2

11:00AM - Press Release issued

11:00AM -CI emails to Tier 3

11:00AM - Letter faxed to the Alliance and International Partners
and Jim Slutz to email International Partners

11:00AM - Request for Information (RFI) issued and posted on the FE/FutureGen
website

11:30AM - Press call or conference

12:30- DOE meeting with Alliance Members and stakeholders

Tier 1 -Key Congressional Staff and most engaged IL delegation (contacted 1.29).

Tier 2 -Tier 1 Staff + additional Key Congressional Staff and IL and TX Delegation

Tier 3 -Members who have expressed interest in FG and additional Congressional Staff

Post 01.30.08

Individual briefings scheduled upon request

FutureGen Talking Points

- I'm calling to inform you of two decisions being made by the Department of Energy.
- As you know, Departmental officials have been engaged with FutureGen Alliance representatives for several months now in an attempt to restructure our current agreement to address the Department's serious concerns over the substantial escalation of projected costs.
- The Alliance has refused to agree to our proposed terms and failed to provide any other acceptable solutions.
- As such, I want to inform you that we will not issue the Record of Decision (ROD) on the existing FutureGen project which would have allowed the Alliance to proceed with site-specific expenditures.
- Additionally, tomorrow we will announce our intention to restructure the FutureGen project.
- The restructured approach proposes multiple commercial-scale demonstration clean coal power plants of at least 300 Megawatt (MW) all of which will capture and safely sequester at least an estimated one million metric tons each of CO₂ annually. The Department proposes to fund the CCS portion of those plants.
- This restructured FutureGen approach is based on a few key factors:
 - 1) We believe it is of paramount importance to demonstrate the commercial viability of carbon capture and sequestration technology (at scale) in as quickly a timeframe as possible.
 - 2) We believe that the current government share of the FutureGen cost estimate (appx. \$1.3 billion) is better spent on a directed and more focused effort to demonstrate CCS on the commercial grid, rather than trying to satisfy all constituencies by combining incongruous facets in a single facility.
 - 3) Given the recent regulatory challenges facing the industry (i.e. IGCC cancellations in FL, WA, and elsewhere), we deemed it imperative to identify a way to address the regulatory uncertainty and political obstacles preventing new coal plants from being built.
- This restructured approach will capitalize on private sector innovation and marketplace pressures to control costs, expedite construction, successfully demonstrate, and spur greater use of commercial scale IGCC with CCS technology.
- The announcement will be formalized via tomorrow's release of a Request for Information (RFI). After we assess the industry's reaction and calculation to the feasibility and potential costs of the new project, we will issue a competitive solicitation to fund multiple, commercial-scale demonstrations.
- This is only part of the Administration's strong commitment to coal. Tomorrow we will also release a preview of the FY 2009 budget request that will show a major increase in funding for our coal programs.
- Any perceived loss of the R&D aspect of the original FutureGen construct will be made up for by a significant increase in our targeted clean coal R&D budget for FY09.
- I recognize that this change in direction for FutureGen is not what we anticipated happening when we all signed-up to the agreement four years ago. But I am confident that we share the same ultimate goal – utilizing our nation's most abundant natural resource in a cost-effective,

environmentally sensitive, and politically feasible manner...and I believe we accomplish that with our new approach.

- I hope you will participate in the RFI and I look forward to continuing to work with you on this and other important energy issues.

FutureGen Talking Points

- It is unfortunate that the FutureGen Alliance has put all of us in this situation. Given cost escalations and continued efforts to negotiate, we explicitly asked the Alliance **NOT** to move forward with their site selection announcement.
- We have been in negotiations with the Alliance for more than six months, and they have failed to agree to our proposed terms and failed to provide any other viable solutions.
- I do not want this project to become another Superconducting Super Collider, in which the Government invested large sums of money, and then later canceled the project.
- We will not be issuing the Record of Decision (ROD) on the existing FutureGen project.
- On Wednesday, DOE will announce our intention to restructure FutureGen in a way that accelerates the commercial use of near-zero emissions clean coal technologies.
- FutureGen's restructured approach proposes multiple 300-600 Megawatt (MW) commercial-scale demonstration clean coal power plants that will operate as demonstration facilities – as opposed to a single, 275 MW R&D facility - each producing electricity and capturing and safely sequestering at least an estimated one million metric tons each of CO₂ annually.
- This restructured approach increases the use of clean coal technologies to produce baseload electricity and will help spur greater commercial use of cutting-edge IGCC-CCS technology.
- The restructured approach is also consistent with recommendations in the recent Massachusetts Institute of Technology study, "The Future of Coal," which indicated that "the main purpose of the [FutureGen] project should demonstrate commercial viability of coal-based power generation with CCS."
- Along with the announcement, DOE will issue a Request for Industry (RFI) Information and soon plans to issue a competitive solicitation to fund multiple, commercial-scale demonstrations that would utilize carbon capture and sequestration (CCS) technology integrated with market-ready Integrated Gasification Combined Cycle (IGCC) coal power plants.
- We are hopeful that the Mattoon site will have some advantages in this new program due to the fact that a great deal of environmental work has already been done.
- The Administration remains strongly committed to coal, and we will be releasing this week a preview of the FY 2009 budget request that will show a major increase in funding for our coal programs.

DOE staff strongly recommends we move on the announcement Wednesday. Press coverage of DOE's plan will start as soon as this meeting ends. If, however, the Illinois Members strongly press for a delay in the announcement for political reasons (e.g., to prepare their constituents – not more time to deal with the Alliance), the following talking point is suggested:

- I would be willing to delay the announcement, if I truly thought that a different outcome could be reached. We have tried to work with the Alliance for months without adequate progress. The newly restructured program will be reflected in the FY 2009 budget that will be released on Monday so we can only delay until later this week.

Exhibit 7

Nicoll, Eric

From: Nicoll, Eric
Sent: Thursday, January 03, 2008 11:26 AM
To: Nicoll, Eric; Slutz, James; Roy, Charles; Schofield, Emily; Schwartz, Doug; Davis, Michael J; Barnett, Megan
Cc: Tuttle, Robert; Shiller, Scott
Subject: RE: F-Gen QA's

looping in Robert...

From: Nicoll, Eric
Sent: Thursday, January 03, 2008 11:25 AM
To: Slutz, James; Roy, Charles; Schofield, Emily; Schwartz, Doug; Davis, Michael J; Barnett, Megan
Subject: F-Gen QA's

Folks, I asked Robert to help FE with writing the FutureGen QA's. Obviously it is an evolving issue but we can create some Answers that are reflective of the Secretary's thinking on this and give a high-level response to where we are taking the program, and fill in the "plan B" parts when we get closer to the hearings. The good thing is that S1 knows a lot about the issue so he doesn't need extensive Background!

Eric

FUTUREGEN COST IMPACTS

QUESTION:

What impact will the cost escalation of FutureGen have on other coal projects?

Funding Summary
(Dollars in Thousands)

Program/Activity	FY 2007 Operating Plan	FY 2008 Request	FY 2008 Enacted Appropriation	FY 2009 Request
FutureGen	\$52,504	\$108,000	\$74,317	\$156,000

ANSWER:

The FutureGen remains a high priority in the Coal Program. To date, the cost increases experienced in the FutureGen project between 2004 and 2007 have not had any impacts on other coal projects. However, as a result of these cost increases, I have directed the Department to develop a new strategy with the overall aim of advancing the goals and objectives of FutureGen through a new approach that limits the Government's financial exposure and leverages its investment across a wider range of Integrated Gasification Combined Cycle (IGCC) projects.

BACKGROUND:

- FutureGen is a Presidential initiative to design, build and operate first-of-a-kind near-zero atmospheric emission coal plants.
- A cooperative agreement to initiate FutureGen was signed by DOE in early December 2005 with the FutureGen Industrial Alliance Inc., a group of coal mining and coal-based utility companies. Cost shares are 74%/ 26% (DOE/Alliance).
- Members of the FutureGen Industrial Alliance include: American Electric Power, Southern Company, Consol Energy, Inc., Rio Tinto Energy America, Peabody Energy, BHP Billiton, Foundation Coal Corp., the China Huaneng Group, Anglo LLC, PPL Corp., E.ON U.S., Luminant and Xstrata.
- The cost increases experienced in the FutureGen project between 2004 and 2007 have been consistent with the increases seen in the construction industry. Several notable construction indices, used to estimate present and future costs, have gone up disproportionately with the trends in previous years. Therefore, despite the fact that there have been no changes in FutureGen's project scope, there have been substantial increases in the cost of the project.
- As a result of these cost increases, the Department is developing a new strategy with the overall aim of advancing the goals and objectives of FutureGen through a new approach

that limits the Government's financial exposure for additional cost increases, and leverages its investment across a wider range of Integrated Gasification Combined Cycle (IGCC) projects.

FUTUREGEN – MIT STUDY ON THE FUTURE OF COAL

QUESTION:

The Massachusetts Institute of Technology's (MIT's) Future of Coal report is critical of DOE's characterization of FutureGen as largely a research project and suggests this ambiguity about research versus demonstration could lead to differing goals among consortium participants. What has DOE done to address this concern?

Funding Summary
(Dollars in Thousands)

Program/Activity	FY 2007 Operating Plan	FY 2008 Request	FY 2008 Enacted Appropriation	FY 2009 Request
FutureGen	\$52,504	\$108,000	\$74,317	\$156,000

ANSWER:

The FutureGen goal is clearly stated: to prove the technical feasibility and economic viability of near-zero emission coal based power and hydrogen production, including carbon capture and storage. Recently, DOE has undertaken a new approach to FutureGen with the objective of funding a series of carbon capture and storage (CCS) demonstrations linked to existing commercial operations of integrated gasification combined cycle (IGCC). This new approach will accelerate the deployment of IGCC commercial power plants with CCS to meet a changing electricity market and address a growing near-term interest in the promulgation of carbon dioxide (CO₂) regulations in several states (e.g., Florida, Kansas and California are requiring CCS or the flexibility to add CCS).

Due to the risks inherent in a new concept such as CCS, industry is not likely to take on this research challenge on its own. Therefore, it is appropriate for the Government to assist industry and provide the appropriate cost-shared investment commensurate with the carbon capture and storage system as well as the risks associated with the various research and demonstration elements which will appear in FutureGen plants. Given current funding levels, DOE considers its Clean Coal program, encompassing FutureGen, carbon sequestration program, and other supporting R&D, to be structured to maximize progress towards enabling the continued use of coal to meet growing world energy demand in a carbon-constrained world.

BACKGROUND:

- The MIT report examines the role of coal as an energy source in a carbon constrained world, stating that carbon emissions must be constrained to mitigate global warming. The report advocates a strategy and the measures needed to assure the availability of demonstrated technologies to facilitate achievement of carbon reduction goals.

- The MIT report is based on several premises: that global warming is real; governments should and will take action to mitigate CO₂; and coal will continue to play an indispensable role in meeting global energy supply. It also projects that coal use will increase because it is both affordable and abundant.
- The FutureGen program will establish the technical and economic feasibility of producing electricity and hydrogen from coal while capturing and sequestering the carbon dioxide generated in the process. FutureGen plants will be innovative “showcases” of the successful operation of IGCC plants with CCS technology. The aim of this program is to eliminate environmental concerns associated with coal utilization and drive down the cost of CCS.

FUTUREGEN—ILLINOIS SITE
Secretary's Question from Fossil Energy page 41

QUESTION:

What is reaction to this?

ANSWER:

The Illinois delegation including Governor Rod Blagojevich, Sen. Dick Durbin, and Reps. Shimkus, Costello, and Tim Johnson, continue to press the message that Illinois is the perfect site for the facility and call on the Department to work with the FutureGen Alliance to resolve differences over the means to address the increased estimated costs for the project. Governor Blagojevich has reportedly asked other coal-producing states to oppose changes to the FutureGen power plant, and has apparently written to to the governors of Indiana, Kentucky, Michigan, Ohio, Pennsylvania, Wisconsin, West Virginia and Wyoming seeking their support in stopping Federal alterations to the project.

DOE announced the release of the \$66.7 million for the Midwest Consortium on the date that the FutureGen Alliance announced the Mattoon site. While the Illinois Delegation appreciated our efforts, it did not reduce their strong opposition to any change to the FutureGen project.

FUTUREGEN—ILLINOIS SITE

QUESTION:

A site has already been chosen in Mattoon, Illinois. Isn't it too late to start trying to change the project now?

ANSWER:

The Department asked the FutureGen Alliance not to move forward with a site selection announcement last December, both orally and in writing. The timetable in the cooperative agreement with the Alliance provided for the issuance of the Department's Record of Decision under the National Environmental Policy Act (NEPA) before the announcement of site selection. The Department has not issued the ROD, and has no immediate plans to do so at this time. Without the ROD, the Alliance is not permitted to expend funds for site specific activities. Thus the Alliance is responsible for negatively affecting the project and creating expectations in the State of Illinois. It is unfortunate that the Alliance proceeded with this announcement despite the Department's repeated urgings not to do so, and while DOE was in discussions with the Alliance about restructuring the FutureGen project and financial arrangement.

Regardless, Illinois will continue to play a leading role in the development of clean coal technologies. While the projects that we will fund through the revised FutureGen program will undergo a competitive process, it is entirely possible that the work already done in Illinois (e.g., geological and environmental studies, and passage by the State of liability legislation) may work to the advantage of Illinois in this competition.

As you know, in December 2007, the Department awarded \$66.7 million to the Midwest Geological Sequestration Consortium, which is led by the Illinois State Geological Survey. This Partnership will conduct large volume tests in the Illinois Basin to demonstrate the ability of a geologic formation to safely, permanently, and economically store more than one million tons of carbon dioxide.

Illinois will continue to lead the way in developing the technologies for reducing carbon emissions, and we appreciate the support of the Illinois Congressional delegation in these efforts.

BACKGROUND:

- The Midwest Partnership will demonstrate CO₂ storage in the Mount Simon Sandstone Formation, a prolific geologic formation throughout Illinois, Kentucky, Indiana, and portions of Ohio. This formation offers great potential to store more than 100 years of carbon dioxide emissions from major point sources in the region. The partnership will inject one million tons of CO₂ into one of the thickest portions of the Mount Simon Formation to test how the heterogeneity of the formation can increase the effectiveness of storage and to demonstrate that the massive seals can contain the CO₂ for millennia. The

results of this project will provide the foundation for the future development of CO2 capture and storage opportunities in the region.

- Researchers and industry partners will characterize the injection sites and complete modeling, monitoring, and infrastructure assessments needed before CO2 can be injected. MGSC plans to drill a CO2 injection well and then inject about 1,000 tons per day of carbon dioxide into the Mt. Simon sandstone, which is approximately 5,500 feet below the surface. The project will inject CO2 for three years before closing the injection site and monitoring and modeling the injected carbon dioxide to determine the effectiveness of the storage reservoir.

FUTUREGEN – NEW APPROACH

QUESTION:

I know that you have been working to make changes to the FutureGen project. Can you please tell me why, and where you are going with FutureGen?

Funding Summary
(Dollars in Thousands)

Program/Activity	FY 2007 Operating Plan	FY 2008 Request	FY 2008 Enacted Appropriation	FY 2009 Request
FutureGen	\$52,504	\$108,000	\$74,317	\$156,000

ANSWER:

The Department remains committed to the original goals of FutureGen. However, due to projected rising construction costs of FutureGen as currently structured, changes in the electricity market, and a growing near-term interest in the promulgation of carbon dioxide (CO₂) regulations, e.g. several states such as Florida, Kansas, and California are requiring carbon capture and storage (CCS) or the flexibility to add CCS, it is necessary to adopt a new strategic approach. This new approach emphasizes early commercial experience with near-zero emission coal plants (Integrated Gasification Combined Cycle Technology (IGCC) with CCS) through a series of demonstrations linked to the commercial operations of IGCC. This newly structured FutureGen would place a reasonable limit on the DOE's cost exposure against potential cost-growth of FutureGen.

Under this new FutureGen approach, DOE proposes to accelerate the deployment of IGCC commercial power plants equipped with CCS technology. While there are remaining concerns about capital cost for IGCC without CCS, the remaining risks are at a level that the industry commonly accepts in making investment decisions on such projects. The major barrier to commercial scale deployment of near-zero emissions coal-fueled power production, which is also the thrust of this new approach, is the need for further development of CCS technology.

BACKGROUND:

- Concerns over past and future cost increases led DOE and the FutureGen Alliance into discussions on ways to limit the possibility of significant cost growth in the project. The Alliance is a group of leading international energy companies that have partnered with DOE on the FutureGen project. Despite several months of discussions, DOE and the FutureGen Alliance could not agree on terms to address these cost concerns. Last fall, we asked the Alliance to agree to a 50-50 cost-share for costs exceeding \$1.8 billion, but the Alliance rejected the offer. As a result, the Secretary directed the Department to develop a new strategy with the overall aim of advancing the goals and objectives of FutureGen through a new approach that limits the Government's financial exposure, and

leverages its investment across a wider range of Integrated Gasification Combined Cycle (IGCC) projects.

- The FutureGen project was established with a 76% Government and 24% industry cost share agreement. The estimated cost of the project virtually doubled from the 2004 estimate of \$950 million to a current estimate of \$1.8 billion. Given future uncertainties, the cost of FutureGen could have gone even higher. Therefore, it is in the public interest to take steps to limit the Government's financial exposure.
- The global heavy construction industry has seen significant growth in the cost of projects because of global demand for plant materials, construction, and labor. Some common utility plant materials such as steam pipe and steel distribution pipe have risen 66 percent and 119 percent respectively since project inception.
- DOE's original internal project cost estimate was \$950 million priced in 2004 constant dollars. The current total cost estimate, derived from Alliance conceptual design work during the first Budget Period (BP 0), is \$1,757,232,310 in as-spent dollars with the DOE cost share of \$1,300,352,230 and the Alliance share of \$456,880,000.
- DOE has obligated \$39,109,230 and has spent approximately \$13 million. The Alliance has committed to \$13,741,080 and has spent approximately \$5 million.
- The Alliance completed a conceptual design and cost estimate for the Project during Budget Period Zero. The Alliance is currently working on the preliminary engineering design, equipment specification, and procurements. Further site specific activities would occur after issuance of DOE's NEPA Record of Decision (ROD).
- DOE's Environmental Impact Statement for the originally planned FutureGen project has been finalized and published. The Record of Decision (ROD) is still under internal review. Site selection cannot occur until after the ROD is issued. There is no statutory or regulatory deadline that requires the ROD to be released by a certain date.
- DOE has negotiated and awarded a full scope cooperative agreement that is divided into 6 phases (called budget periods). DOE has the right to discontinue the project at the completion of each budget period. Currently, the project is in the middle of Budget Period 1.
- The greatest portion of the cost increases occurred after the 2004 FutureGen Program Plan was submitted to Congress. Accounting for escalation and considering that there has been little change in the project's scope, the current estimate is consistent with other cost escalations in the heavy construction industry, including power plants.

FUTUREGEN—ILLINOIS SITE

QUESTION:

A site has already been chosen in Mattoon, Illinois. Isn't it too late to start trying to change the project now?

ANSWER:

The Department asked the FutureGen Alliance not to move forward with a site selection announcement last December, both orally and in writing. The timetable in the cooperative agreement with the Alliance provided for the issuance of the Department's Record of Decision under the National Environmental Policy Act (NEPA) before the announcement of site selection. The Department has not issued the ROD, and has no immediate plans to do so at this time. Without the ROD, the Alliance is not permitted to expend funds for site specific activities. Thus the Alliance is responsible for negatively affecting the project and creating expectations in the State of Illinois. It is unfortunate that the Alliance proceeded with this announcement despite the Department's repeated urgings not to do so, and while DOE was in discussions with the Alliance about restructuring the FutureGen project and financial arrangement.

Regardless, Illinois will continue to play a leading role in the development of clean coal technologies. While the projects that we will fund through the revised FutureGen program will undergo a competitive process, it is entirely possible that the work already done in Illinois (e.g., geological and environmental studies, and passage by the State of liability legislation) may work to the advantage of Illinois in this competition.

As you know, in December 2007, the Department awarded \$66.7 million to the Midwest Geological Sequestration Consortium, which is led by the Illinois State Geological Survey. This Partnership will conduct large volume tests in the Illinois Basin to demonstrate the ability of a geologic formation to safely, permanently, and economically store more than one million tons of carbon dioxide.

Illinois will continue to lead the way in developing the technologies for reducing carbon emissions, and we appreciate the support of the Illinois Congressional delegation in these efforts.

BACKGROUND:

- The Midwest Partnership will demonstrate CO₂ storage in the Mount Simon Sandstone Formation, a prolific geologic formation throughout Illinois, Kentucky, Indiana, and portions of Ohio. This formation offers great potential to store more than 100 years of carbon dioxide emissions from major point sources in the region. The partnership will inject one million tons of CO₂ into one of the thickest portions of the Mount Simon Formation to test how the heterogeneity of the formation can increase the effectiveness of storage and to demonstrate that the massive seals can contain the CO₂ for millennia. The

results of this project will provide the foundation for the future development of CO2 capture and storage opportunities in the region.

- Researchers and industry partners will characterize the injection sites and complete modeling, monitoring, and infrastructure assessments needed before CO2 can be injected. MGSC plans to drill a CO2 injection well and then inject about 1,000 tons per day of carbon dioxide into the Mt. Simon sandstone, which is approximately 5,500 feet below the surface. The project will inject CO2 for three years before closing the injection site and monitoring and modeling the injected carbon dioxide to determine the effectiveness of the storage reservoir.

Exhibit 8



FutureGen Industrial Alliance, Inc
 1001 Pennsylvania Ave NW
 6th floor
 Washington DC 20004
www.FutureGenAlliance.org

Michael J. Buzicki
 Chief Executive Officer
 614-716-1555

The Honorable Samuel W. Bodman
 Secretary of Energy
 1000 Independence Avenue, S.W.
 Washington, DC 20585

October 25, 2007

RE: FutureGen Initiative

Dear Mr. Secretary:

At the August 2007 meeting of the Board of Directors of the FutureGen Industrial Alliance ("Alliance") your staff communicated a confirmation that the Department of Energy ("DOE") continues to view the FutureGen initiative as a premier project that is critical to addressing the global objectives of energy security, stable economies and climate change. Moreover, it was communicated that you recognize the project is managed by the Alliance effectively, that the Alliance has been responsive to the DOE, and that cost increases are due to escalation, not scope growth. This confirmation was extremely important to the Alliance Board as our Board continues to believe that extraordinary technical progress, and an unprecedented level of global governmental and private sector participation, have positioned the FutureGen project as the world's premier near-zero emission integrated power plant and carbon sequestration project.

Since we last reported progress to the Administration in our June 2007 letter to the President, the global importance of this effort has been highlighted by the Australian government's announcement that it will join DOE in co-funding the project. Australia joins China, India, Japan, and South Korea who also have expressed an interest in co-funding the initiative on the government side. In addition, energy companies in the U.S., Europe, and Asia have expressed a desire to join the initiative on the private sector side. Participation by these new energy companies will position the Alliance to reach its targeted private sector membership of 15 global concerns. The global attraction to FutureGen is its bold vision, its uniqueness, and equally important, its aggressive schedule. None of this would be possible, except through the public-private partnership first conceived by the Administration, and formed and operated by the Alliance with the full support of the U. S. Government.

The project scope is aligned with the scope that was first submitted in a report to Congress in 2004. The FutureGen plant is being designed to incorporate component technologies developed through DOE's R&D program, and to provide a platform to test future technologies as part of an overall DOE long-term plan to address energy security and climate change. Such a commercial-scale, fully integrated power plant with coal gasification, a hydrogen turbine, targeted 90% CO₂ capture, real-time CO₂ sequestration, and post-injection monitoring does not exist anywhere in the world. Building FutureGen is a major step in proving that fossil fuels can be used with near-zero emissions and gaining technology acceptance from regulators, academia, the public, the financial and insurance industries, and other stakeholders.

The FutureGen Industrial Alliance Member Companies
 American Electric Power Service Corporation · Anglo American Services (UK) Limited · BHP Billiton Energy Coal, Inc.
 China Huaneng Group · CONSOL Energy, Inc · E.ON U.S. LLC · Foundation Coal Corporation
 Peabody Energy Corporation · PPL Energy Services Group, LLC · Rio Tinto Energy America Services
 Southern Company Services, Inc. · Xstrata Coal Pty Limited

Secretary Bodman
October 25, 2007
Page 2

The Alliance remains excited and expects to help DOE meet its commitment to Congress to commence construction in 2009 and be operational before the end of 2012. Avoidance of delays is also critical to control costs which are continuing to escalate for global energy infrastructure projects. The next key step to this effort is the issuance of a record of decision (ROD) to complete the environmental impact statement (EIS) process. This critical milestone - the ROD - enables selection of the final site, and then final engineering, cost estimates, equipment ordering and other steps which spring from that site selection. Public meetings on the EIS were exceptionally positive and the environmental community remains very supportive of this Administration initiative. The expected dates for issuance of the ROD have been moved by DOE from July 2007, to the end of October 2007, and then to the end of November 2007. Despite these delays, the Alliance members have made adjustments and the project schedule can still be met if the ROD is issued before mid-December.

At your request, in recent weeks we have met with your staff to discuss proposed changes to the current Cooperative Agreement which will shift additional risk to the Alliance. Although this request at this time by DOE was not contemplated when the current Cooperative Agreement was signed earlier this year, that dialogue has been productive and I believe we have made suggestions to address all your concerns as explained by your staff. We await your response so we can address these changes with our full Board at its meeting on November 1 and 2.

As the Alliance noted in its update letter to the President in June 2007, with the full support of the Administration, the Alliance expects FutureGen will remain one of the world's most visible advanced energy and climate change mitigation projects as the United States demonstrates its leadership in developing a technology-based solution to reducing CO₂ emissions. We look forward to the issuance of the ROD and your response to our suggestions concerning the proposed changes to the Cooperative Agreement so that we can help the Administration achieve its objectives.

Sincerely,



Michael J. Mudd
Chief Executive Officer
FutureGen Alliance

cc: ✓ The Honorable Clay Sell, Deputy Secretary of Energy
The Honorable C.H. "Bud" Albright, Jr., Under Secretary of Energy

Barry Jackson, Assistant to the President for Strategic Initiatives and External Affairs
The Honorable James Connaughton, Chairman, Council on Environmental Quality
The Honorable Jim Nussle, Director, Office of Management and Budget
The Honorable Paula J. Dobriansky, Under Secretary of State
Governor Rod R. Blagojevich, Illinois
Governor Rick Perry, Texas
Director Jack Levin, Illinois Department of Commerce and Economic Opportunity
Chairman Michael Williams, Texas Railroad Commission



FutureGen Industrial Alliance, Inc
1001 Pennsylvania Ave NW
6th floor
Washington DC 20004
www.FutureGenAlliance.org

Michael J. Mudd
Chief Executive Officer
614-716-1585

December 6, 2007

The Honorable C.H. "Bud" Albright, Jr
Under Secretary
U. S. Department of Energy
1000 Independence Avenue, S.W.
Washington, DC 20585

RE: DOE Proposed Amendment to the FutureGen Cooperative Agreement

Dear Mr. Under Secretary:

First, let me extend thanks to you and the entire Department of Energy ("DOE") team for the issuance of the FutureGen Final Environmental Impact Statement (EIS). Completing this major effort allows the final site selection to proceed, as well as site-specific engineering design necessary to complete the current project phase. Despite the six-month delay, we are optimistic that working together we can still meet the 2009 construction start date, as represented by DOE to Congress, and control costs.

At this week's Alliance Board meeting, there was an opportunity to discuss DOE's proposed amendment terms. It appears that DOE's primary objective is to reapportion among the two parties the cost and risk associated with the project. The Board notes that under the terms of the existing Cooperative Agreement, the Alliance has already agreed to negotiate limits to the federal government's investment at the end of the current project phase, and its preference is to proceed under the existing Cooperative Agreement until costs and risks can be properly assessed with input from the upcoming preliminary design report and cost estimate. However, in deference to DOE, the Alliance Board has agreed to discuss the newly proposed terms with the Department, and to discuss the merits of amending the agreement early.

One item of particular concern is that DOE wants the Alliance to accept considerably more financial risk and to do so in the absence of information (i.e., the preliminary design and cost estimate) both parties previously agreed would be a precursor to these discussions. While the Alliance may be willing to absorb increased financial risk, either now or at the end of the current project phase, it will be extremely difficult to do so if the DOE also takes away the tools (financing, vesting of title, revenue management, and mechanisms to control cost) necessary for the Alliance to manage the very risks DOE wishes the Alliance to assume. There is long history of these tools being available under cooperative agreements. When DOE launched FutureGen, part of the initial invitation to participate included a commitment to be more flexible in the use of these tools, not less flexible.

The FutureGen Industrial Alliance Member Companies

American Electric Power Service Corporation · Anglo American Services (UK) Limited · BHP Billiton Energy Coal, Inc.
China Huaneng Group · CONSOL Energy, Inc · E.ON U.S. LLC · Foundation Coal Corporation
Peabody Energy Corporation · PPL Energy Services Group, LLC · Rio Tinto Energy America Services
Southern Company Services, Inc. · Xstrata Coal Pty Limited

December 6, 2007

Page 2

The attached "Additional Considerations" provide a context around the issues associated with the Alliance's view of DOE's proposed amendment terms.

I want to assure you that the Alliance board is committed to honoring its obligations under the existing Cooperative Agreement, while at the same time discussing DOE's proposed amendment terms in good faith. I feel it is extremely important for all of us to convey positive messages about the project, including that it remains on-track and is fully supported by the Administration and the five nations who have committed to participate in the government steering committee. As we know, stakeholders throughout the world are watching this flagship project, which will address global energy security and climate change concerns, while allowing for stable economies. To this end, it is important that stakeholders do not misinterpret our discussions as a full renegotiation, or that the current contractual agreement is anything less than a "good deal" for DOE and energy consumers throughout the world. We must all plan for continued success and ground breaking in 2009, and this mandates a rapid closure of any open issues. All of this is with a backdrop of the December 2007 meeting of the United Nations Framework Convention on Climate Change in Bali, Indonesia.

Assuming release by DOE of the Record of Decision by December 17th, we plan to hold the final site announcement on December 18th. My suggestion is that we meet as soon after the site announcement as possible to continue discussions.

Sincerely,



Michael J. Mudd
Chief Executive Officer
FutureGen Industrial Alliance

cc: Mr. Barry Jackson, Assistant to the President for Strategic Initiatives and External Affairs
The Honorable James Connaughton, Chairman, Council on Environmental Quality
The Honorable Samuel W. Bodman, Secretary U.S. Department of Energy
The Honorable Clay Sell, Deputy Secretary, U.S. Department of Energy
The Honorable Paula J. Dobriansky, Under Secretary, U.S. Department of State

Attachment

Attachment
Additional Considerations
Under Secretary Albright
December 6, 2007
Page 1

Background Information

At the time President Bush launched the FutureGen project, industry was challenged to organize a consortium of companies to participate in the project. Administration representatives clearly conveyed that the basis for the business arrangement would be patterned after previous clean coal technology (CCT) cooperative agreements. Also, because of the project scale and the desire to make it a global effort to accelerate the use of the technology, it was indicated that the more restrictive CCT requirements would be removed. Specifically, the DOE represented the following anticipated terms:

- 20 percent non-federal cost-sharing;
- no repayment requirement from the industry partner (Energy Policy Act of 2005 subsequently disallowed any repayment on clean coal projects as a DOE condition for signing a Cooperative Agreement);
- ability to vest ownership of the plant with the industry partner;
- traditional CCT program data protections for the industry partner;
- potential for program income (electricity, CO₂, and byproduct sales) to be shared among project participants proportional to their cost sharing during the four-year project operating program
- 100 percent of post-project revenues to the industry partner, including any proceeds from a sale of the facility after the project; and
- an advanced appropriation of US\$300 million toward the project through a programmatic transfer of funds from several cancelled CCT projects. (Typically DOE advance appropriates 100 percent of the funds on a CCT project – a practice the Government Accountability Office has supported. However, in FutureGen's case, DOE determined obtaining Congressional support for 100 percent advanced appropriation was not possible).

It was with this framework in mind that industry formed the Alliance and grew membership. Further, in the interest of ensuring that neither the DOE nor industry were inappropriately accused of "corporate welfare," after much debate, the Alliance was formed as a non-profit 501(c)3 entity. The decision to incorporate as a 501(c)3 entity is unprecedented for a DOE clean coal project cooperative agreement and has the following implications for the Alliance members and DOE:

- unlike DOE, the industry contributors can never share in a single dollar of program income or proceeds from the plant sale if that ever occurs;
- any program income or proceeds from the plant sale realized by the Alliance must be reinvested in public benefit R&D; and
- unlike DOE, the industry contributors do not gain any stake in intellectual property rights.

During the course of negotiating the initial Cooperative Agreement approved in 2005 and the renewed Cooperative Agreement approved earlier in 2007, the Alliance made additional, unique concessions. In our view these make the current FutureGen Cooperative Agreement a fiscally responsible project for DOE and the taxpayer:

Attachment:
Additional Considerations
Under Secretary Albright
December 6, 2007
Page 2

- The Alliance boosted its cost-share from 20 percent to 26 percent
- The Alliance agreed to attempt to negotiate a cap of the DOE contribution, subject to escalation and to set industry-based inflation/escalation indices (a common practice in industry) after a preliminary design report and cost estimate were completed (i.e., at the end of Budget Period-1 activities).
- DOE and the Alliance would share in inflation, but the Alliance is 100 percent responsible for costs associated with any scope growth, not mutually agreed to.
- The Alliance agreed to share revenues with DOE pro-rata instead of the typical cooperative agreement whereby the private partner keeps 100 percent of the revenues. The effect of this concession was to have 74 percent of the estimated \$300 million in revenues be allocated to reduce DOE's cost share.
- The Alliance agreed to share proceeds from the facility's sale on a pro-rata basis instead of 100 percent being allocated to the Alliance as is typical. This has the net effect of creating the potential for a material repayment of DOE's cost share. To the best of our knowledge, this is unprecedented in the history of CCT projects.
- Contributing Alliance members under the 501(c)(3) structure would not receive any repayment of their contributions from project revenues or a facility sale. Such funds must be directed back to research and development.

The Alliance had already agreed to negotiate limits to DOE's costs, at an appropriate later date.

Under the terms of the existing Cooperative Agreement for Budget Period-1 signed earlier in 2007, the Alliance and DOE had already agreed to negotiate limits to the Federal government's investment subject to escalation. DOE and the Alliance agreed to wait until the end of the current budget period for this discussion, because a product of the ongoing Budget Period-1 is a more detailed site-specific design and cost estimate. This information, which will be available at the end of Budget Period-1, is an appropriate prerequisite to assess both DOE's and the Alliance's project investment requirements and risk. Thus, the preference of the Alliance's Board continues to be to proceed under the existing Cooperative Agreement through the current budget period. However, in deference to DOE, the Alliance has agreed to discuss DOE's proposed revised terms.

The sustainability of the Alliance as a viable organization, and thus the sustainability of the project, requires that any premature amendment to the Cooperative Agreement which places such increased financial risk on the Alliance must not simultaneously eliminate the Alliance's access to risk management tools (i.e., financing, vesting of title, revenue management and other project scope and cost controls). These necessary risk and financial management tools are normally available to the industry partner under traditional CCT projects, other DOE cooperative agreements, and existing statutes. Moreover, all of these options were contemplated by the Alliance and discussed with DOE during the phases of the project to date.

Attachment:
Additional Considerations
Under Secretary Albright
December 6, 2007
Page 3

Inflation is a reality in building new power plants.

The current worldwide hyper-inflation is having an impact on all energy and infrastructure projects, including nuclear, solar, and ethanol, and FutureGen is not immune from this inflation. However, there can be no doubt that the terms of the existing Cooperative Agreement are remarkably favorable to the taxpayer, especially considering that the industry contributors receive zero financial returns and zero intellectual property returns. Because the Alliance members are absorbing cost increases and not just billing DOE as a contractor, they have every reason to control costs.

Financing a portion of the plant will assist in the commercialization of the technology.

As part of previous cooperative agreements, the private partner financing of some portion of the project is commonplace. Further, federal procurement regulations specifically include provisions for project financing and the handling of interest. The Alliance members have always considered, and discussed with DOE, potential financing. Further, the FutureGen program provides the unique opportunity to involve a consortium of lenders in this first-of-a-kind, fully integrated integrated gasification combined cycle plant with carbon capture and sequestration (CCS). Lender involvement and confidence in the initial facility is an important step to facilitate financing of subsequent projects with CCS throughout the world. Bank financing will be especially important for advancing CCS projects in emerging economies. Thus, a well thought-out financing approach involving international lenders will help accomplish an important goal of the FutureGen program: to increase the level of comfort in such facilities by many important stakeholders, such as lenders, insurers, permitting agencies, and landowners. The participation of a bank consortium lends credibility to these stakeholders. The successful project will also enhance vendor confidence in giving future performance guarantees which do not exist today, but are so critical to subsequent CCS project financing.

With the above points in mind, the Alliance will continue to have discussions with DOE concerning any possible modifications to the Cooperative Agreement, which we realize that both the Secretary and the Alliance Board will need to approve.

Exhibit 10



Department of Energy
Washington, DC 20585

December 11, 2007

Mr. Michael J. Mudd
Chief Executive Officer
FutureGen Industrial Alliance, Inc.
1001 Pennsylvania Ave., NW
6th Floor
Washington, DC 20004

Dear Mr. Mudd:

The Department of Energy is in receipt of your December 6, 2007, letter to Under Secretary Albright.

In light of that letter, we are evaluating what the Department's next actions should be with respect to the Alliance and its FutureGen project. In that regard, we note that your December 6 letter references an assumption that the Department will issue a Record of Decision (ROD) concerning this project "by" December 17, and that the Alliance plans to schedule a site selection announcement for December 18. This was done without any consultation with the Department.

Please note that under applicable regulations, the waiting period following issuance of the FutureGen Final Environmental Impact Statement (EIS) ends on December 17. The Department would need to consider any comments received on the Final EIS prior to issuing a ROD. Therefore, December 18 is the earliest permissible date that the Department could issue a ROD for this project. At this time, we do not anticipate issuing a ROD by that date. Therefore, we would consider it inadvisable for the Alliance to schedule any site selection announcement or media advisory at this time without prior consultation with the Department.

If you have any questions, please contact me at (202) 586-6660.

Sincerely,

James A. Slutz
Acting Principal Deputy Assistant Secretary
Office of Fossil Energy



Exhibit 11




Department of Energy

Washington, DC 20585

December 6, 2007

MEMORANDUM FOR THE SECRETARY

THROUGH: C. H. ALBRIGHT, JR.
UNDER SECRETARY OF ENERGY

FROM: JAMES A. SLUTZ 
ACTING PRINCIPAL DEPUTY ASSISTANT SECRETARY
OFFICE OF FOSSIL ENERGY

SUBJECT: **ACTION:** Sign Response to Letter from Secretary Naimski of the Polish Ministry of Economy regarding Poland's intent to join the FutureGen Initiative.

ISSUE: In response to discussions between staff of the Office of Fossil Energy and the Polish Embassy, the letter from Secretary Naimski expresses Poland's intent to contribute to the FutureGen Project. The letter also identifies the Central Mining Institute in Katowice as the Government of Poland's participant in negotiations of the draft multilateral agreement which will serve as the framework for international collaboration among the U.S. and Foreign Government contributors to the Project. Each contributing foreign government is expected to contribute at least \$10 million to the Project. The latest meeting of interested Governments (Australia, China, India, Japan, and Republic of Korea) was held in Seoul, South Korea, October 31- November 1, 2007. The participants agreed to continue their work to finalize the text of the draft agreement via e-mail exchanges.

The proposed reply letter to Secretary Naimski welcomes Poland's expression of interest in joining the FutureGen Project, and requests name, address, and other point of contact information for one or more officials at the Central Mining Institute, so that we can transmit electronically the draft text of the multilateral agreement under consideration, in response to Secretary Naimski's request.

URGENCY: None.

POLICY IMPACT: None.

SENSITIVITIES: None.

RECOMMENDATION: That you sign the attached letter.

ATTACHMENT

CONCURRENCE: General Counsel/ EFygi/12/4/2007 w/Comment
Policy and International/ KHarbert/12/3/2007





MINISTRY OF ECONOMY
SECRETARY OF STATE

Piotr Naimski

Government's Plenipotentiary
for Oil and Gas Supply

SPN/87/2007

Warszawa, 31st of October 2007

Mr. Samuel Bodman

Secretary of Energy

U.S. Department of Energy

Washington DC

Dear Secretary,

On behalf of the Government of the Republic of Poland I would like to express our intention to become a contributing member of the FutureGen Project. Therefore I would appreciate if the Central Mining Institute could obtain a draft text agreement of "Agreement for International Collaboration on the FutureGen Project". Central Mining Institute in Katowice has been nominated for negotiation the Agreement from Polish side and will eventually carry on this project in Poland. Would you please address any further correspondence also to this Institute.

I am looking forward hearing from you soon.

Sincerely,

Piotr Naimski

Exhibit 12



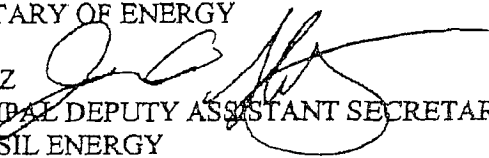
Department of Energy

Washington, DC 20585

January 31, 2008

MEMORANDUM FOR THE SECRETARY

THROUGH: C. H. ALBRIGHT, JR.
 UNDER SECRETARY OF ENERGY

FROM: JAMES A. SLUTZ 
 ACTING PRINCIPAL DEPUTY ASSISTANT SECRETARY
 OFFICE OF FOSSIL ENERGY

SUBJECT: **ACTION:** Letters to the International Participants of the
 FutureGen Project

ISSUE: With yesterday's announcement of a restructured FutureGen project, these letters notify the international participants of our announcement and indicate that there will be a shift in their role in the project.

URGENCY: The letters should be sent to the international partners today in order to maintain the relationships with each country.

POLICY IMPACT: This action will impact current Department policy by notifying the international partners of the restructured FutureGen project.

SENSITIVITIES: None.

RECOMMENDATION: That you approve and sign the attached letters.

ATTACHMENTS

CONCURRENCE:

APPROVED: _____

DISAPPROVED: _____

DATE: _____





The Secretary of Energy
Washington, D.C. 20585

February 1, 2008

The Honorable Akira Amari
Minister of Economy, Trade and Industry
3-1 Kasumigascki, 1-Chrome, Chiyoda-ku
Tokyo, Japan

Dear Minister Amari:

In order to address the twin challenges of energy security and climate change, it is critical that governments and the private sector invest in technological advancements that will accelerate the viability of clean coal technology. As you know, the FutureGen initiative has that objective as its main mission. Since the United States launched the FutureGen initiative in 2003, technology has advanced and the estimated cost of the project being implemented by the FutureGen Alliance has escalated substantially. Given the nature of the undertaking and the extraordinarily steep inflation currently affecting energy projects worldwide, the Department forecasts that project costs will continue to rise in the future, perhaps by substantial amounts.

In consideration of the foregoing, we have concluded that for FutureGen to effectively meet its goal under these new market realities, it is necessary to adopt a broader, strategic approach, one that emphasizes early commercial experience with technologies associated with near-zero emission coal plants through a series of demonstrations linked to the commercial operations of Integrated Gasification Combined Cycle (IGCC) with Carbon Capture and Storage (CCS). The goal of the FutureGen program remains the same: to prove and accelerate commercial deployment of IGCC-CCS technology, at a cost that is sustainable for the United States taxpayer to bear.

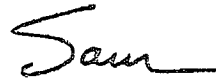
This revised approach differs from the original FutureGen which focused on the large-scale integration of advanced research and development technologies in a "living laboratory" setting to be followed by commercial demonstrations and subsequent deployment. The new direction focuses on demonstrating CCS technology at multiple clean coal power plants in the next seven years. This commercial demonstration route will allow for early deployment of nearer term IGCC-CCS technologies along side commercial IGCC operations. The revised approach will address early on the challenges associated with near-zero emissions technologies in coal-fired power plants, including siting issues, and help drive the regulatory frameworks for carbon dioxide transport, injection and storage associated with power generation. More importantly, the new approach will still address the very critical technical feasibility question of IGCC-CCS coal plants.



The Department of Energy places high value in your government's cooperation to date in our collective efforts to make FutureGen an international showcase for demonstrating advanced clean coal technology with CCS. We remain firmly committed to the overarching goals of FutureGen to accelerate the commercial viability of affordable, reliable energy from near-zero emission coal plants integrated with CCS throughout the world. As we further develop and engage industry on commercial application of low-emission power generation from fossil-fueled power plants, we look forward to continued outreach to Japan and other interested countries concerning our vision to realize FutureGen.

Should you have any questions, please contact Dr. Victor Der, Deputy Assistant Secretary for Clean Coal, at +1 202-586-1650.

Sincerely,

A handwritten signature in cursive script that reads "Sam".

Samuel W. Bodman



The Secretary of Energy
Washington, D.C. 20585

February 1, 2008

The Honorable Kim Young-ju
Minister of Commerce, Industry
and Energy
3 Joongang-dong
Gwacheon-Si Gyeonggi-do 427-721
Republic of Korea

Dear Minister Kim:

In order to address the twin challenges of energy security and climate change, it is critical that governments and the private sector invest in technological advancements that will accelerate the viability of clean coal technology. As you know, the FutureGen initiative has that objective as its main mission. Since the United States launched the FutureGen initiative in 2003, technology has advanced and the estimated cost of the project being implemented by the FutureGen Alliance has escalated substantially. Given the nature of the undertaking and the extraordinarily steep inflation currently affecting energy projects worldwide, the Department forecasts that project costs will continue to rise in the future, perhaps by substantial amounts.

In consideration of the foregoing, we have concluded that for FutureGen to effectively meet its goal under these new market realities, it is necessary to adopt a broader, strategic approach, one that emphasizes early commercial experience with technologies associated with near-zero emission coal plants through a series of demonstrations linked to the commercial operations of Integrated Gasification Combined Cycle (IGCC) with Carbon Capture and Storage (CCS). The goal of the FutureGen program remains the same: to prove and accelerate commercial deployment of IGCC-CCS technology, at a cost that is sustainable for the United States taxpayer to bear.

This revised approach differs from the original FutureGen which focused on the large-scale integration of advanced research and development technologies in a "living laboratory" setting to be followed by commercial demonstrations and subsequent deployment. The new direction focuses on demonstrating CCS technology at multiple clean coal power plants in the next seven years. This commercial demonstration route will allow for early deployment of nearer term IGCC-CCS technologies along side commercial IGCC operations. The revised approach will address early on the challenges associated with near-zero emissions technologies in coal-fired power plants, including siting issues, and help drive the regulatory frameworks for carbon dioxide transport, injection and storage associated with power generation. More importantly, the new approach will still address the very critical technical feasibility question of IGCC-CCS coal plants.



The Department of Energy places high value in your government's cooperation to date in our collective efforts to make FutureGen an international showcase for demonstrating advanced clean coal technology with CCS. We acknowledge with particular appreciation the Republic of Korea's financial contribution to the FutureGen initiative, and we stand ready to consult with you on your government's desired disposition of those monies as we chart the course of the revised FutureGen program.

We remain firmly committed to the overarching goals of FutureGen to accelerate the commercial viability of affordable, reliable energy from near-zero emission coal plants integrated with CCS throughout the world. As we further develop and engage industry on commercial application of low-emission power generation from fossil-fueled power plants, we look forward to continued outreach to the Republic of Korea and other interested countries concerning our vision to realize FutureGen.

Should you have any questions, please contact Dr. Victor Der, Deputy Assistant Secretary for Clean Coal, at +1 202-586-1650.

Sincerely,

A handwritten signature in black ink, reading "Samuel W. Bodman". The signature is written in a cursive style with a large, prominent initial "S".

Samuel W. Bodman



The Secretary of Energy

Washington, D.C. 20585

February 1, 2008

The Honorable Sushikumar Shinde
Minister of Power
Government of India
New Delhi – 110-001

Dear Honorable Minister Shinde:

In order to address the twin challenges of energy security and climate change, it is critical that governments and the private sector invest in technological advancements that will accelerate the viability of clean coal technology. As you know, the FutureGen initiative has that objective as its main mission. Since the United States launched the FutureGen initiative in 2003, technology has advanced and the estimated cost of the project being implemented by the FutureGen Alliance has escalated substantially. Given the nature of the undertaking and the extraordinarily steep inflation currently affecting energy projects worldwide, the Department forecasts that project costs will continue to rise in the future, perhaps by substantial amounts.

In consideration of the foregoing, we have concluded that for FutureGen to effectively meet its goal under these new market realities, it is necessary to adopt a broader, strategic approach, one that emphasizes early commercial experience with technologies associated with near-zero emission coal plants through a series of demonstrations linked to the commercial operations of Integrated Gasification Combined Cycle (IGCC) with Carbon Capture and Storage (CCS). The goal of the FutureGen program remains the same: to prove and accelerate commercial deployment of IGCC-CCS technology, at a cost that is sustainable for the United States taxpayer to bear.

This revised approach differs from the original FutureGen which focused on the large-scale integration of advanced research and development technologies in a "living laboratory" setting to be followed by commercial demonstrations and subsequent deployment. The new direction focuses on demonstrating CCS technology at multiple clean coal power plants in the next seven years. This commercial demonstration route will allow for early deployment of nearer term IGCC-CCS technologies along side commercial IGCC operations. We expect the revised approach will address early on the challenges associated with near-zero emissions technologies in coal-fired power plants, including siting issues, and help drive the regulatory frameworks for carbon dioxide transport, injection and storage associated with power generation. More importantly, the new approach will still address the very critical technical feasibility question of IGCC-CCS coal plants.



The Department of Energy places high value in your government's cooperation to date in our collective efforts to make FutureGen an international showcase for demonstrating advanced clean coal technology with CCS. We acknowledge with particular appreciation India's financial contribution to the FutureGen initiative, and we stand ready to consult with you on your government's desired disposition of those monies as we chart the course of the revised FutureGen program.

We remain firmly committed to the overarching goals of FutureGen to accelerate the commercial viability of affordable, reliable energy from near-zero emission coal plants integrated with CCS throughout the world. As we further develop and engage industry on commercial application of low-emission power generation from fossil-fueled power plants, we look forward to continued outreach to India and other interested countries concerning our vision to realize FutureGen.

Should you have any questions, please contact Dr. Victor Der, Deputy Assistant Secretary for Clean Coal, at +1 202-586-1650.

Sincerely,

A handwritten signature in black ink, reading "Samuel W. Bodman". The signature is written in a cursive style with a large, prominent "S" at the beginning.

Samuel W. Bodman



The Secretary of Energy
Washington, D.C. 20585

February 1, 2008

The Honorable Wan Gang
Ministry of Science and Technology
of the People's Republic of China 15B
Fuxing Road
Beijing, 100862
People's Republic of China

Dear Minister Wan:

In order to address the twin challenges of energy security and climate change, it is critical that governments and the private sector invest in technological advancements that will accelerate the viability of clean coal technology. As you know, the FutureGen initiative has that objective as its main mission. Since the United States launched the FutureGen initiative in 2003, technology has advanced and the estimated cost of the project being implemented by the FutureGen Alliance has escalated substantially. Given the nature of the undertaking and the extraordinarily steep inflation currently affecting energy projects worldwide, the Department forecasts that project costs will continue to rise in the future, perhaps by substantial amounts.

In consideration of the foregoing, we have concluded that for FutureGen to effectively meet its goal under these new market realities, it is necessary to adopt a broader, strategic approach, one that emphasizes early commercial experience with technologies associated with near-zero emission coal plants through a series of demonstrations linked to the commercial operations of Integrated Gasification Combined Cycle (IGCC) with Carbon Capture and Storage (CCS). The goal of the FutureGen program remains the same: to prove and accelerate commercial deployment of IGCC-CCS technology, at a cost that is sustainable for the United States taxpayer to bear.

This revised approach differs from the original FutureGen which focused on the large-scale integration of advanced research and development technologies in a "living laboratory" setting to be followed by commercial demonstrations and subsequent deployment. The new direction focuses on demonstrating CCS technology at multiple clean coal power plants in the next seven years. This commercial demonstration route will allow for early deployment of nearer term IGCC-CCS technologies along side commercial IGCC operations. The revised approach will address early on the challenges associated with near-zero emissions technologies in coal-fired power plants, including siting issues, and help drive the regulatory frameworks for carbon dioxide transport, injection and storage associated with power generation. More importantly, the new approach will still address the very critical technical feasibility question of IGCC-CCS coal plants.



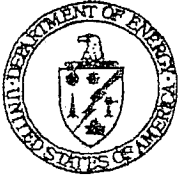
The Department of Energy places high value in your government's cooperation to date in our collective efforts to make FutureGen an international showcase for demonstrating advanced clean coal technology with CCS. We remain firmly committed to the overarching goals of FutureGen to accelerate the commercial viability of affordable, reliable energy from near-zero emission coal plants integrated with CCS throughout the world. As we further develop and engage industry on commercial application of low-emission power generation from fossil-fueled power plants, we look forward to continued outreach to China and other interested countries concerning our vision to realize FutureGen.

Should you have any questions, please contact Dr. Victor Der, Deputy Assistant Secretary for Clean Coal, at +1 202-586-1650.

Sincerely,



Samuel W. Bodman



The Secretary of Energy
Washington, D.C. 20585

February 1, 2008

The Honorable Martin Ferguson
Minister of Resources and Energy
Industry House
10 Binara Street
CANBERRA ACT 2601
Australia

Dear Minister Ferguson:

In order to address the twin challenges of energy security and climate change, it is critical that governments and the private sector invest in technological advancements that will accelerate the viability of clean coal technology. As you know, the FutureGen initiative has that objective as its main mission. Since the United States launched the FutureGen initiative in 2003, technology has advanced and the estimated cost of the project being implemented by the FutureGen Alliance has escalated substantially. Given the nature of the undertaking and the extraordinarily steep inflation currently affecting energy projects worldwide, the Department forecasts that project costs will continue to rise in the future, perhaps by substantial amounts.

In consideration of the foregoing, we have concluded that for FutureGen to effectively meet its goal under these new market realities, it is necessary to adopt a broader, strategic approach, one that emphasizes early commercial experience with technologies associated with near-zero emission coal plants through a series of demonstrations linked to the commercial operations of Integrated Gasification Combined Cycle (IGCC) with Carbon Capture and Storage (CCS). The goal of the FutureGen program remains the same: to prove and accelerate commercial deployment of IGCC-CCS technology, at a cost that is sustainable for the United States taxpayer to bear.

This revised approach differs from the original FutureGen which focused on the large-scale integration of advanced research and development technologies in a "living laboratory" setting to be followed by commercial demonstrations and subsequent deployment. The new direction focuses on demonstrating CCS technology at multiple clean coal power plants in the next seven years. This commercial demonstration route will allow for early deployment of nearer term IGCC-CCS technologies along side commercial IGCC operations. The revised approach will address early on the challenges associated with near-zero emissions technologies in coal-fired power plants, including siting issues, and help drive the regulatory frameworks for carbon dioxide transport, injection and storage associated with power generation. More importantly, the new approach will still address the very critical technical feasibility question of IGCC-CCS coal plants.



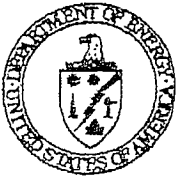
The Department of Energy places high value in your government's expression of interest in our efforts to make FutureGen an international showcase for demonstrating advanced clean coal technology with CCS. We remain firmly committed to the overarching goals of FutureGen to accelerate the commercial viability of affordable, reliable energy from near-zero emission coal plants integrated with CCS throughout the world. As we further develop and engage industry on commercial application of low-emission power generation from fossil-fueled power plants, we look forward to continued outreach to Australia and other interested countries concerning our vision to realize FutureGen.

Should you have any questions, please contact Dr. Victor Der, Deputy Assistant Secretary for Clean Coal, at +1 202-586-1650.

Sincerely,

A handwritten signature in black ink that reads "Samuel W. Bodman". The signature is written in a cursive style with a large, prominent initial "S".

Samuel W. Bodman



The Secretary of Energy
Washington, D.C. 20585

February 1, 2008

The Honorable Waldemar Pawlak
Minister of Economy
Ministry of Economy
Pl. Trzech Krzyzy 3/5
00-507 Warsaw
Poland

Dear Minister Pawlak:

In order to address the twin challenges of energy security and climate change, it is critical that governments and the private sector invest in technological advancements that will accelerate the viability of clean coal technology. As you know, the FutureGen initiative has that objective as its main mission. Since the United States launched the FutureGen initiative in 2003, technology has advanced and the estimated cost of the project being implemented by the FutureGen Alliance has escalated substantially. Given the nature of the undertaking and the extraordinarily steep inflation currently affecting energy projects worldwide, the Department forecasts that project costs will continue to rise in the future, perhaps by substantial amounts.

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The Department of Energy places high value in your government's expression of interest in our efforts to make FutureGen an international showcase for demonstrating advanced clean coal technology with CCS. We remain firmly committed to the overarching goals of FutureGen to accelerate the commercial viability of affordable, reliable energy from near-zero emission coal plants integrated with CCS throughout the world. As we further develop and engage industry on commercial application of low-emission power generation from fossil-fueled power plants, we look forward to continued outreach to Poland and other interested countries concerning our vision to realize FutureGen.

Should you have any questions, please contact Dr. Victor Der, Deputy Assistant Secretary for Clean Coal, at +1 202-586-1650.

Sincerely,

A handwritten signature in black ink, reading "Samuel W. Bodman". The signature is written in a cursive style with a large, stylized initial "S".

Samuel W. Bodman



The Secretary of Energy
Washington, D.C. 20585

February 1, 2008

The Honorable Aslaug Haga
Minister of Petroleum and Energy
Einar Gerhardsens plass 1 (R4)
Dep, NO- 0033 Oslo
Norway

Dear Minister Haga:

In order to address the twin challenges of energy security and climate change, it is critical that governments and the private sector invest in technological advancements that will accelerate the viability of clean coal technology. As you know, the FutureGen initiative has that objective as its main mission. Since the United States launched the FutureGen initiative in 2003, technology has advanced and the estimated cost of the project being implemented by the FutureGen Alliance has escalated substantially. Given the nature of the undertaking and the extraordinarily steep inflation currently affecting energy projects worldwide, the Department forecasts that project costs will continue to rise in the future, perhaps by substantial amounts.

In consideration of the foregoing, we have concluded that for FutureGen to effectively meet its goal under these new market realities, it is necessary to adopt a broader, strategic approach, one that emphasizes early commercial experience with technologies associated with near-zero emission coal plants through a series of demonstrations linked to the commercial operations of Integrated Gasification Combined Cycle (IGCC) with Carbon Capture and Storage (CCS). The goal of the FutureGen program remains the same: to prove and accelerate commercial deployment of IGCC-CCS technology, at a cost that is sustainable for the United States taxpayer to bear.

This revised approach differs from the original FutureGen which focused on the large-scale integration of advanced research and development technologies in a "living laboratory" setting to be followed by commercial demonstrations and subsequent deployment. The new direction focuses on demonstrating CCS technology at multiple clean coal power plants in the next seven years. This commercial demonstration route will allow for early deployment of nearer term IGCC-CCS technologies along side commercial IGCC operations. The revised approach will address early on the challenges associated with near-zero emissions technologies in coal-fired power plants, including siting issues, and help drive the regulatory frameworks for carbon dioxide transport, injection and storage associated with power generation. More importantly, the new approach will still address the very critical technical feasibility question of IGCC-CCS coal plants.



The Department of Energy places high value in your government's expression of interest in our efforts to make FutureGen an international showcase for demonstrating advanced clean coal technology with CCS. We remain firmly committed to the overarching goals of FutureGen to accelerate the commercial viability of affordable, reliable energy from near-zero emission coal plants integrated with CCS throughout the world. As we further develop and engage industry on commercial application of low-emission power generation from fossil-fueled power plants, we look forward to continued outreach to Norway and other interested countries concerning our vision to realize FutureGen.

Should you have any questions, please contact Dr. Victor Der, Deputy Assistant Secretary for Clean Coal, at +1 202-586-1650.

Sincerely,

A handwritten signature in cursive script that reads "Samuel W. Bodman". The signature is written in dark ink and is positioned above the printed name.

Samuel W. Bodman