

RRI ENERGY ENVIRONMENTAL POLICY

The availability of affordable and reliable electricity is crucial to the economy and the standard of living demanded by society today. Rising fuel prices and environmental concerns are at a high level in the public consciousness. A quest for greater energy independence for both economic and national security reasons and the increasing pressure on generation and transmission new build to meet growing demand have sparked national debate and concern. At RRI Energy, we believe that competitive markets will meet these formidable challenges with customer-driven, innovative solutions that will be cleaner, faster and more cost effective than those developed by the traditional regulated utility model.

To accomplish these objectives, we will advocate policies and take actions that:

- Improve plant efficiency and reduce emissions through operations excellence and the development and application of new technology.
- Shape consumer demand for electricity to fully utilize generation and transmission assets and conserve energy.
- Preserve the availability and use of low-cost domestic fuels such as coal.
- Expand the use of electricity where it provides a better alternative to other energy sources.

We are committed to leading the industry in developing inventive, market-based answers to the nation's energy and environmental challenges, while creating value for our customers, shareholders and employees.

As a competitive generator, we believe that improving efficiency, reducing waste and using innovative technologies benefits the environment and makes sound business sense.

Our goal is to improve the economic performance of our plants while aligning operational, financial and environmental benefits.

We have completed a comprehensive initiative to drive Wholesale Asset Value Expansion (WAVE). This initiative will increase portfolio value by 20 percent by July 2008. We will deliver these economic results while achieving top quartile industry performance in environmental compliance and employee safety. Under the WAVE initiative, we implemented several projects to improve the efficiency of our generating stations. These projects reduced fuel costs and lower emissions, of SO₂, NO_x, CO₂, and particulate matter.

In May 2007, extensive repairs were completed at the Avon Lake Station with a focus on efficiency improvements. As a result, plant efficiency was improved by over 7 percent. Sulphur dioxide emissions will be reduced by 3,500 tons per year. Carbon dioxide emissions will be reduced by 280,000 tons per year.

We perform testing on our largest generating units to detect thermal losses within the various plant systems. These hidden losses represent a significant opportunity to improve efficiency. Stopping these losses will reduce the amount of coal burned by 150,000 tons per year and eliminate the associated emissions.

We have invested millions of dollars to reduce emission of nitrogen oxides (NO_x). Investments made to-date include: installation of low-NO_x combustion systems on nearly every unit in the fleet; selective catalytic reduction (SCR) – the most expensive and highest removal efficiency NO_x control currently available – on nine generating stations; and selective non-catalytic reduction, a less expensive option than SCR, on six generating stations.

We have participated in several projects to investigate mercury control technologies and are moving forward to install mercury emission controls. While federal and state regulatory requirements for the control of mercury remain uncertain, we have committed to proceed with

installation of mercury controls at two of our stations. By proceeding with these emission control projects, we are demonstrating our commitment to environmental stewardship, and also obtaining an opportunity to gain real-world, full-scale experience in operating mercury controls. This commitment will deliver significant reductions of mercury emissions from our facilities ahead of any regulatory requirement to do so.

We support climate legislation that reduces the emission of greenhouse gases while recognizing economic impacts and technological limitations. We are a member of several industry organizations that are proactively addressing these issues and providing venues for climate change policy discussions. These include the Generators for Clean Air, California Climate Coalition, Independent Energy Producers Association, and the National Climate Coalition. We have also joined the Chicago Climate Exchange, a voluntary greenhouse gas control program whose purpose is to achieve reductions in greenhouse gas emissions through market mechanisms.

We have made station improvements to reduce air emissions from existing power generating facilities that we acquired. Many of the SCR and selective non-catalytic reduction systems described above were installed after our purchase of these facilities. We are investing \$350 million in new scrubbers to remove sulfur dioxide at two power plants. These scrubber projects will be fully operational in 2009.

We have committed to Distinctive Competitive Performance at each generating station. The Distinctive Competitive Performance initiative will move and maintain our stations to top quartile electricity production performance. A top priority of the Distinctive Competitive Performance program is achieving production goals while demonstrating top quartile environmental and safety results.

We have a proactive Environmental Management Program that measures and tracks each station's environmental performance with an Environmental Performance Index (EPI). We also conduct third party compliance audits for both power stations and environmental support contractors, and provide performance-improvement tools to station personnel such as site-specific environmental compliance manuals, commitment tracking tools, and computer-based training modules

RRI Energy uses innovative approaches to address both environmental and economic challenges and to leverage domestic sources of fuel.

Our Environmental Partners program offers a unique and proven approach to address some of our nation's most pressing environmental and ecological problems. This approach involves forging partnerships with stakeholders such as governmental agencies, environmental advocacy groups and educational institutions. For every dollar we invest, approximately three additional project dollars are provided through a partner matching funds program. As we have grown into a national energy provider, the Environmental Partners program has grown as well, forging significant partnerships in key regions across the United States, including California, Florida, Pennsylvania and Texas. See the [Environmental Partners](#) section of the RRI Energy website for details on specific programs.

Our Seward Station in Pennsylvania, recognized by Platt's POWER magazine as the 2004 Plant of the Year, produces more than twice the amount of electricity as the generating station it replaced, while significantly lowering emissions rates. By installing a new technology to use low-cost waste coal, the Seward plant has helped to remove waste coal deposits and produce significant environmental benefits in western Pennsylvania. This innovative approach to improving the environment while providing low-cost, reliable electricity also earned us the 2004 Pennsylvania Governor's Award for Environmental Excellence.

In July 2006, we announced the investment of \$350 million to install state-of-the-art emission control systems at the Cheswick and Keystone stations, a major step in the company's strategy for maximizing the long-term value of its power generation assets while reducing emissions of SO₂. The plans call for the installation of a wet flue gas desulphurization system, or scrubber, at the company's Cheswick Generating Station in Springdale, Pennsylvania, and for funding our portion of the scrubber installation at the Keystone Generating Station near Indiana, Pennsylvania. RRI Energy jointly owns the Keystone Station with six other entities and operates the facility on behalf of the owners. Installation of scrubbers at these units will remove approximately 98% of SO₂ from the stations' flue gases, reducing our SO₂ emissions by approximately 68,000 tons per year. The systems will also be designed to maximize the removal of mercury from flue gases.

We beneficially use around 70% of our coal combustion products (CCPs) – approximately twice that of the industry average! Our beneficial uses of CCPs include: substituting fly ash for Portland cement in the production of ready-mix concrete, creation of synthetic gypsum that is used in the manufacture of wallboard, and use of bottom ash as an anti-skid material on roads during the winter months. CCPs have also been used as flowable fill, a self-leveling, self-compacting concrete substitute and as a grout material in a variety of applications. For example, grout made from CCPs was injected into abandoned underground mine shafts in order to control subsidence and extinguish a fire that was fueled by an underground coal seam that had burned near Pittsburgh for decades. Over 2 million tons of coal ash from the Seward, Titus and Elrama stations is used annually to reclaim mine lands in Pennsylvania. In addition, our Conemaugh station provides nearly 600,000 tons of synthetic gypsum generated by the station's scrubbers for the fabrication of wallboard.

Our creative and competitive approach to energy and the environment fosters a sense of excitement, pride and purpose among our employees that produces breakthrough results. RRI Energy will continue to think creatively about ways to shape and reduce our environmental impact and provide opportunities for employee involvement in environmental initiatives.

We have recently collaborated with the U.S. Fish and Wildlife Service to reforest an area outside Angleton, Texas. The project provides CO₂ offsets while achieving the service's objective of protecting an important wildlife habitat.

Marsh Mania, part of our Environmental Partners Program, involves creating a wetlands nursery where company employees plant trees to refurbish the habitat. Marsh Mania has been one of the highest involvement activities undertaken by our employees.

Every September the Ormond Beach Generating Station sponsors the California Coastal Commissions Annual Coastal Cleanup Day. Station personnel and more than 300 participants from Ventura County collect trash and debris from the beaches, dunes and wetlands near the Ormond Beach station. In addition to collecting debris, Ormond Beach employees collect data during the cleanup, which provides important clues as to the nature and source of the trash.

RRI Energy has more than 100 employees that deal with environmental matters on a day-to-day basis. To help keep our employees informed on environmental issues, we have created and distribute a quarterly newsletter that contains useful environmental tips, synopses of new or upcoming regulations, environmental personnel changes and profiles, and success stories.