

Mark R. McNamara
Partner



January 27, 2014

BY OVERNIGHT MAIL

Steven Porath
Executive Director
County of Rockland Industrial Development Agency ("Agency")
P.O. Box 1575
One Blue Hill Plaza
Pearl River, New York 10965-1575

Re: Bowline Point Generation Station and Hudson Valley Gas Corporation 24"
Pipeline – Inducement Letter
Bowline Complex PILOT Application

Dear Mr. Porath:

We offer this letter on behalf of NRG Bowline LLC (formerly known as GenOn Bowline, LLC and Mirant Bowline, LCC) ("Bowline") and Hudson Valley Gas Corporation ("HVG") (together, "NRG") in relation to a proposed payment in-lieu of tax ("PILOT") agreement for NRG's existing Bowline Point Generation Facility and HVG's twenty-four inch (24") natural gas pipeline ("Bowline Complex"), which are located in the Town of Haverstraw, and the Villages of Haverstraw and West Haverstraw (Haverstraw-Stony Point (North Rockland) Central School District). NRG's Application for financial assistance (in the form of a straight-lease transaction), with the \$500 application fee, is being forwarded concurrently herewith.

The proposed Bowline Complex PILOT agreement represents a significant step in the future health of the electric generating business conducted at Bowline. The merchant energy industry faces significant financial challenges created by deregulation. More particularly, the Bowline Complex faces serious challenges from specific market forces with respect to its ability to compete against other electric generators. In addition, as the Agency may be aware, real property tax assessments on the Bowline Complex have been contested by NRG since 2009 (with a prior litigation involving Mirant Bowline, LLC that spanned from 1995-2003). The present litigation (challenging the 2009-2013 final assessment rolls) has not been resolved in the courts and stands as an impediment to the continuation of NRG's business at the Bowline Complex. It also jeopardizes the continuation of a significant revenue source for the Town of Haverstraw, the Village of Haverstraw, the Village of West Haverstraw, the Haverstraw-Stony Point (North Rockland) Central School District, and the County of Rockland (together, the

“Taxing Jurisdictions”). In addition, a litigated outcome will not provide sufficient future tax liability or revenue certainty to either NRG or the Taxing Jurisdictions.

As a result, and over the past year, NRG and the Taxing Jurisdictions have been engaged in discussions to resolve the many complex issues that surround the taxation of the Bowline Complex. The parties have agreed upon a settlement that, generally, calls for:

1. dismissal of all real property tax assessment litigation relating to the Bowline Complex, with refunds; and
2. prospective payment certainty for NRG and the Taxing Jurisdictions in the form of a proposed PILOT agreement.

Accordingly, the Agency’s support of the proposed PILOT agreement is critical to resolving NRG and the Taxing Jurisdictions’ property tax issues and the operation of Bowline.

The Application requests a cost-benefit analysis. There is no cost to the Agency associated with supporting the proposed PILOT agreement – representatives of all Taxing Jurisdictions have agreed to the economic terms of the proposed PILOT – and no further assistance is requested of the Agency (in this regard). The potential benefits of supporting the proposed PILOT agreement include resolution of multiple years of contested property tax challenges and management of the risks to NRG and the Taxing Jurisdictions associated with that litigation, continuation of the Bowline Complex as an operating business, preservation of employment in the Rockland County area (approximately 50 employees), and the continuation and certainty of a significant municipal and school revenue contributor.

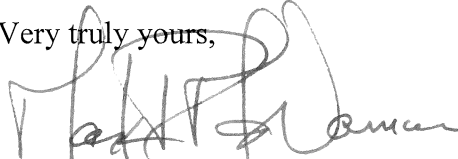
The Application also requested identity of consequences that may follow if financial assistance is not granted. It is anticipated that NRG will pursue full refunds in the pending five years of assessment litigation and that the Bowline Complex would face serious economic challenges if a PILOT agreement cannot be obtained. The application of a PILOT agreement is the most effective way the Taxing Jurisdictions can affect a lower level of revenue from Bowline, so that its business can be put into a posture that significantly improves its economic survival.

With respect to transaction fees, GenOn agrees to pay all reasonable costs of the Agency’s legal counsel associated with the Application, and the Agency’s Administrative Fee once the parties have agreed to the amount.

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As noted above, NRG and the Taxing Jurisdictions have successfully completed settlement discussions to resolve the pending Bowline Complex tax assessment litigation. NRG representatives (including ourselves) request an emergency meeting of the Agency at its earliest convenience to offer a more substantial explanation of the circumstances, the agreed upon framework for settlement, the requested assistance and the proposed time frame to complete the PILOT process (i.e., prior to March 1, 2014).

Very truly yours,



Mark R. McNamara

cc: Elizabeth Quirk-Hendry, Esq.
Danita Park

Via electronic mail:

Jonathan P. Nye, Esq.
John S. Edwards, Esq.
J. Nelson Hood, Sr., Esq.
Daniel Pettigrow, Esq.