

## PILOT OBLIGATION AGREEMENT

This **PAYMENT IN-LIEU OF TAX (“PILOT”) OBLIGATION AGREEMENT** made as of June 30, 2006 (“**Agreement**”), by and between **MIRANT BOWLINE, LLC**, a limited liability company duly organized and validly existing under the laws of the State of Delaware and authorized to do business in the State of New York, with an office at 140 Samsondale Avenue, West Haverstraw, New York (the “**Company**”), and **HUDSON VALLEY GAS CORPORATION**, a corporation duly organized and validly existing under the laws of the State of New York and authorized to do business in the State of New York, with an office at 140 Samsondale Avenue, West Haverstraw, New York (“**HVG**”) (hereinafter collectively referred to as the “**Parties**”).

### WITNESSETH THAT

**WHEREAS**, the Company presented an application for financial assistance (the “**Application**”) to the County of Rockland Industrial Development Agency (the “**Agency**”) on December 12, 2005, which Application requested that the Agency consider undertaking a project (the “**Project**”) consisting of: (a) the acquisition of a leasehold interest in approximately 249± acres of improved real property located in the Town of Haverstraw, County of Rockland, State of New York (the “**Land**”), together with a 1,200 megawatt (“**MW**”) electric generating facility located on the Land and commonly referred to as the Bowline Electric Generating Facility (the “**Facility**”) (the Land and the Facility are collectively referred to as the “**Project Facility**”); (b) the sublease of the Project Facility to the Company and HVG to maintain the operation of the Project Facility in Rockland County, to preserve the competitive position of the Company in the merchant energy industry as that industry faces the financial challenges created by deregulation, to induce continued capital investment by the Company in the Project Facility, and to prevent the closing or distressed sale of the Project Facility so as to preserve the permanent private sector jobs currently existing at the Project Facility; and (c) the grant of “financial assistance” (within the meaning of Section 854(14) of the General Municipal Law) with respect to the foregoing in the form of exemption from real property taxes; and

**WHEREAS**, HVG owns a portion of the Project Facility associated with a gas pipeline and the Company owns the balance of the Project Facility; and

**WHEREAS**, by resolution duly adopted on May 16, 2006 (the “**Agency Authorizing Resolution**”), the Agency approved the Financial Assistance for the Project; and

**WHEREAS**, pursuant to a certain lease agreement (the “**Company Lease**”) dated as of June 30, 2006 the Company and HVG leased the Project Facility to the Agency, and pursuant to a certain lease agreement (the “**Lease Agreement**”) dated as of June 30, 2006 the Agency subleased the Project Facility to the Company and HVG; and

**WHEREAS**, as of the date hereof, the Town of Haverstraw, Village of Haverstraw, Village of West Haverstraw, Haverstraw-Stony Point Central School District, and the County of Rockland (collectively, the “**Tax Jurisdictions**”), the Agency and the Company entered into a

PILOT agreement (“**PILOT Agreement**”) requiring the payment by the Company of PILOT Payments and Special District Taxes (as such terms are defined in the PILOT Agreement) for all Project Facility real property; and

**WHEREAS**, the Parties desire to enter into this Agreement in consideration of the potential current and future benefits to the Company of the property owned by HVG; and

**NOW, THEREFORE**, in consideration of the premises and the mutual covenants herein contained, and intending to be legally bound, the Parties agree as follows:

1. On behalf of the Parties, the Company shall be solely responsible for making all payments to the Tax Jurisdictions required by the PILOT Agreement and relating to both Parties’ interests in the Project Facility, including PILOT Payments, payments for Back Taxes, Special District Tax payments, Recapture Payments, and any other payments which the Company is obligated to make under the PILOT Agreement; and

2. HVG shall have no obligation to the Company for the Company’s obligations hereunder or under the PILOT Agreement.

**IN WITNESS WHEREOF**, and intending to be legally bound, the Parties hereto duly executed this Agreement as of the day and year first above written.

**MIRANT BOWLINE, LLC**, a Delaware limited liability company

By: Its Managing Member, Mirant New York, Inc., a Delaware corporation

By: \_\_\_\_\_  
Jeffrey R. Perry  
President

**HUDSON VALLEY GAS CORPORATION**, a New York corporation

By: \_\_\_\_\_  
Jeffrey R. Perry  
President