

EXHIBIT 7: INCREMENTAL OPERATION AND MAINTENANCE EXPENSES

The operational and maintenance expenses described in **Exhibit 7** should be viewed as “incremental” only and are in addition to costs included in the existing Naughton Unit 3 operational and maintenance plan.

Incremental Work Summary

The expected incremental operations and maintenance expenses, on-going capital, and reagent and consumable expenses, are described by system below:

SCR System

The following preventative and routine maintenance activities are expected:

- Regular walk downs and check point observations of the:
 - NOx analyzers (which provide critical feedback to the ammonia injection system)
 - Ammonia dilution and injection equipment (including dilution air steam coil heaters)
 - Sonic horns and associated compressed air system
 - Sootblowers
- Routine maintenance material purchases
- Sonic horn maintenance

The following operational requirements are expected:

- Annual catalyst condition sampling and testing (work is expected to be contracted)
- Catalyst efficiency evaluated daily based on performance data and records
- Monthly SCR system performance evaluations and reporting
- Catalyst efficiency testing every 3,000 operating hours
- Examination of reactor catalyst conditions during unplanned outages (expected every 3 months on the average)
- Ammonia injection grid tuning (expected to be contracted after original tune-up by EPC contractor)
- Laboratory analyses

The following on-going capital costs are expected:

- Execution of the Catalyst Management Plan (“CMP”), including purchasing spare and replacement catalyst layers every 32,000 operating hours (4 year cycle) and transfer of ownership, disposal and/or regeneration of catalyst as an asset. It is assumed that only one layer would need to be replaced every 4 years per the proposed Cormetech ceramic honeycomb CMP. The required duration to remove and replace one catalyst layer is 9 days working continuously.
- System betterment on-going capital assumed to be addressed by others.

The following variable O&M expenses for reagents and consumables are expected:

- None specifically identified for this system as urea to ammonia system addressed separately.

Dry Urea to Ammonia System

The following preventative and routine maintenance activities are expected:

- Periodic on-line hydrolyser blow down
- Regular walk downs and check point observations
- Biweekly inspection and routine maintenance, including recording observations in log book
- Periodic removal and inspection of hydrolyser tube bundles
- Periodic inspection of the urea mix tank preheater steam coils
- Drain and check tanks
- Ensure deionized water supply system is maintained.
- Tank filling observations
- Routine maintenance material purchases.

The following typical operational requirements are expected:

- Operator alarm observations and reactions.

The following on-going capital costs are expected:

- None identified.
- System betterment on-going capital assumed to be addressed by others.

The following variable O&M expenses for reagents and consumables are expected:

- Dry urea, estimated at 5,100 tons per year.
- Steam and deionized water consumption is not assumed as an incremental cost.

PJFF System

The following preventative and routine maintenance activities are expected:

- Regular walk downs and check point inspections to ensure systems are not compromised.
- Emphasis to inspect compressed air system for indication of air leakage.
- Routine maintenance involves:
 - Draining the pulse air headers
 - Checking the operation of the pulse air valves.
 - Inspecting, lubricating and repairing the damper packing glands, linkage, bearings and seals as necessary.
- Biweekly inspection and routine maintenance, including recording observations in log book
- Routine maintenance material purchases.
- Annual bag check
- Fly ash handling system walk down, including pug mill maintenance.
- Ash silo fluidizer maintenance
- Unplanned outage equipment condition assessments
- Steam-to-glycol preheating coils inspection

The following typical operational requirements are expected:

- Operator alarm observations and reactions.
- Reacting to bag damage as determined by in-duct opacity monitors or bag failure detection systems.

The following on-going capital requirements are expected:

- Periodic repair of ripped or torn bags, estimated at 1 percent of damaged bags per year.
- Bag replacement, 4 year bag life.
- Cage replacement, 8 year cage life.
- System betterment on-going capital assumed included by others.

The following variable O&M expenses for reagents and consumables are expected:

- Steam consumption is not an incremental cost.
- Propylene glycol (make-up after initial fill)

ID Fans and 13.8 kV Auxiliary Power System

No incremental costs are expected, as the existing ID Fans and the Precipitator will be retired.

Wet FGD System Upgrades

The following preventative and routine maintenance activities are expected:

- Routine system walk downs and check point observations
- Instrumentation maintenance
- Major equipment maintenance
- Off-line condition inspection and reports.
- Routine maintenance material purchases.
- There is a potential reduction in absorber contact tray maintenance costs if an open spray tower design alternative is selected.

The following typical operational requirements are expected:

- Review operating data and reactions
- Chemistry testing and laboratory analyses
- Observation of locally mounted instrumentation
- Evaluation of observed performance information
- Routine equipment performance trending and reactions
- Monitoring reagent deliveries

The following on-going capital requirements are expected:

- None identified.
- System betterment on-going capital assumed to be addressed by others.

The following variable O&M expenses for reagents and consumables are expected:

- Mine water
- Raw water
- Water treatment chemicals.

No incremental maintenance capital is assumed.

Fixed and Variable Costs

A summary of incremental fixed preventative and routine maintenance and variable O&M costs are summarized by system in Exhibit 4 Table 1. Observe one additional full time employee (“FTE”) addition is recommended.

On-Going Capital

A summary of on-going capital costs are summarized by system in Exhibit 4 Table 1.

TABLE 1 IS CONFIDENTIAL
AND PROVIDED UNDER SEPARATE COVER