

**CAPACITY-RELATED LICENSE AMENDMENT
HOLTWOOD HYDROELECTRIC PROJECT
FERC NO. 1881**

EXHIBIT D

STATEMENT OF COST AND FINANCING

December 2007

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1.0 STATEMENT OF ORIGINAL PROJECT COST

Since this application is not for an original license, information regarding original project cost is not being provided.

2.0 PROJECT TAKE-OVER ESTIMATE OF AMOUNT PAYABLE

Since this application is not for a new license, information regarding an estimate of fair market value and severance damages related to a potential Federal take-over are not being provided.

3.0 APPROXIMATE COST OF PROPOSED DEVELOPMENT

As detailed in Exhibits A and B of this License Amendment Application, the Applicant is proposing significant new power development at the Project at this time. The proposed redevelopment will utilize existing resources and will not require the purchase of any lands or water rights.

The plan for the proposed project includes the addition of a new powerhouse to be located adjacent to the existing plant that will house two 40.3 MW Kaplan turbines. This

additional powerhouse will require excavation of an expanded forebay and construction of a new 600 ft long skimmer wall just upstream of the existing powerhouse in the same location as the existing skimmer wall. It will also require excavation of several areas below the powerhouse to create enough space for the water to pass downstream without creating unreasonable backpressure on the generating units, which would reduce generation capabilities. The excavation also creates an enhanced route for anadromous fish passage. Other fish passage components of the redevelopment include the following:

- Construction of a draft tube extension from Unit 1 through the existing diversion wall to discharge the water from existing Unit 1 (the most upstream unit) into the west side of Piney Island to create a secondary fish passage route.
- Modifications to the existing fish lift to enhance lift effectiveness including, construction of a new intake for fish lift attraction water, protection of the entrance C double leaf gate, and relocation of the tailrace crowder drive for improved passage efficiency.

The Applicant is also proposing to install two small (1.2 MW) turbine-generator auxiliary units in the existing powerhouse. Other major physical project components that the Applicant is proposing to install include improvements to existing recreational facilities both above and below the dam. In addition the applicant is proposing to provide funding for the installation and maintenance of new whitewater boating features to be constructed in the Piney Channel by others.

The total approximate cost (2007 \$) of the proposed redevelopment of the project (as described in detail in Exhibit A of this License Amendment Application) is approximately \$322 million. Table 3-1 shows a breakdown of projected costs.

Table 3-1. Estimated project construction costs.

Description	Total
Total design engineering	\$5,362,000
Total construction	\$172,736,000
Turbine-generator equipment	\$49,559,000
Balance of plant equipment	\$10,357,000
PPL management cost	\$5,602,000
FERC licensing	\$2,834,000
Project Sub-Total	\$246,450,000
Contingency	\$31,722,000
Interest during construction	\$43,400,000
Project Total	\$321,572,000

4.0 ESTIMATED AVERAGE ANNUAL COST OF THE TOTAL PROJECT

The estimated annual cost of the total project includes regular operation, maintenance, and repairs to project structures, debt service excluding depreciation, and administrative costs. Annual average cost to operate and maintain the existing project excluding debt service and depreciation is approximately \$4.5 million (2007 \$). The annual cost is expected to increase to approximately \$5.2 million (2007 \$).

5.0 ESTIMATED ANNUAL VALUE OF PROJECT POWER

The Applicant is an exempt wholesale generator. Project power is sold in an open and competitive market in response to consumer demands. Because of industry restructuring, it is difficult to project the future value of project generation with any degree of certainty. Based on general recent locational marginal prices (LMP's) and regulation market clearing prices (RMCP's) available in the PJM system for Project generation, the Applicant estimates future average annual revenue of the proposed project generation to be approximately \$30-35 million (2006 \$). This includes revenue for Area Regulation, Spinning Reserve operations and dependable capacity.

6.0 SOURCES AND EXTENT OF FINANCING AND ANNUAL REVENUES

The Applicant's parent companies (PPL Generation, LLC and PPL Corporation) own approximately 11,000 MW of generating capacity and extensive additional revenue producing assets. Any capital financing needed for new developments would come from a combination of sources (debt, common equity, or revenues) depending on the amount of financing, other company financing needs and total company revenues and expenses.

7.0 ESTIMATE OF THE COST TO DEVELOP THE LICENSE APPLICATION

The cost to develop this license application was approximately \$2.8 million (2007 \$).

8.0 ESTIMATE OF THE VALUE OF PROJECT POWER

Table 8-1 provides relevant assumptions related to the valuation of power provided herein.

Table 8-1. Assumptions for the economic analysis of the project.

Parameter	
Base Year of Analysis	2006
Term of Analysis	30 years
Financing & Depreciation Period for Capital Items	30 years
Depreciation Method	Straight Line
Interest Rate	7.75%
Capital Cost Escalation Rate	4%
Operations & Maintenance Escalation Rate	0%
Net Investment as of September 1, 2007	\$13,393,000
Plant Forced Outage Rate	0% ¹
Annual Capacity Value	\$ 50.8/MW - day
Annual Power Value Escalation Rate	0%
Federal & State Tax Rate	41.5%

The on-peak and off-peak values of project power used in this project valuation were based on 2005 average monthly Locational Marginal Prices (LMP's) and Regulation Market Clearing Prices (RMCP's) at the Face Rock Bus (plant interconnection point). The values used were extracted from the PJM Interconnection website at www.pjm.com. The values used in this valuation are provided in Table 8-2.

Table 8-2. On-peak and off-peak power values.

	On-Peak (12 Hrs) \$/MWh	Off-Peak (12 Hrs) \$/MWh
Locational Marginal Price	104	60
Regulation Market Clearing Price	50	46

¹ No incremental annual forced outage is assumed in this analysis. Cumulatively, loss of total plant generation due to forced outages is assumed to be offset by increased availability of the new units versus the older and less reliable existing units.

9.0 ESTIMATED ANNUAL INCREASE OR DECREASE OF PROJECT GENERATION

The proposed project is expected to increase average annual generation by 360,800 MWh. This coupled with ancillary generation services and the value of increased capacity is expected to increase annual generation revenue by \$30-35 million (2006 \$).