



EXHIBIT D: STATEMENT OF PROJECT COST AND FINANCING

For the purposes of this License Surrender Application (LSA), only relevant provisions of 18 CFR Section 4.51(e) are included in the discussion where appropriate.

D.1 Original Cost of Project Facilities

This is not an application for an initial license. Therefore, a statement of the original cost of Project land or water rights, structures, or facilities is not applicable.

D.2 Amount Payable in the Event of Project Takeover

In the event the Project is taken over by the federal government at the end of the license term pursuant to Section 14 of the Federal Power Act, PG&E would be entitled to receive its net investment plus severance damages. It is difficult to assess the impact of a takeover. The net impact would depend on how PG&E is compensated for the cost of replacing the Project power and reliability features, and other costs incurred by reason of severance from PG&E's system.

The amount payable to PG&E in the event of a federal takeover, as provided in Section 14 of the Federal Power Act, includes the net investment, not to exceed fair value. Some of the principles bearing upon the final determination of fair value are yet to be ascertained. There are, however, some basic figures as to which there should be no substantial dispute. The net book value, which is the historical cost less accumulated depreciation, is estimated to be about \$5 million.

The definition of "fair value" means the market value of the Project, or the net investment plus severance damages. An estimate of the Project's market value has not been made due to the uncertainty in the energy generation market in California. Under the second "fair value" interpretation, PG&E would be entitled to receive severance damages in addition to its net investment as provided in Section 14 of the Federal Power Act. Here again, applicable principles are uncertain. It would appear that such damages should include, among other things, payments for costs incurred in providing new facilities to continue service, payment for additional costs of generation, and payment for diminution of value to the rest of PG&E's system. Due to the uncertainty in the generation market in California, an estimate of severance damages has not been made.

D.3 Estimated Decommissioning Cost

The preliminary estimated cost for decommissioning the Project is \$14.5 million. This figure includes costs associated with the preparation and filing of the LSA, actual removal costs, and post-decommissioning monitoring costs. This preliminary estimate is based on an assumed scope of work with contingency to address uncertainty. These costs are expected to change as the decommissioning plan is refined.



D.4 Estimated Annual Average Cost of the Project

Once the Project is decommissioned and electricity production ceases, PG&E will need to purchase replacement power from the market. The alternative sources of power currently available to PG&E include increased purchases of replacement power and new generation developments. Since the Project powerhouses are considered “renewable” small hydroelectric facilities under California state law,¹ any reduced power production of the Project would need to be replaced by another source of renewable electrical energy. The California Public Utilities Commission (CPUC) periodically publishes “Market Price Referents” (MPRs), which are estimates of the long-term market price of electricity for baseload and peaking power products that will be used in evaluating bid products received during RPS power solicitations. The MPRs represent “the levelized price at which the proxy power plant revenues exactly equal the expected proxy power plant costs on a net-present value (NPV) basis.”² The 2009 20-year MPR is \$0.11126 per kilowatt-hour.³

D.5 Sources of Financing

PG&E is currently financially able to decommission the Project. In support of this statement, PG&E refers to its financial statements submitted annually to the Commission in FERC Form 1, and to its record in constructing, operating, and maintaining projects.

¹ California Public Utilities Code Section 399.12(b)(1)(A).

² D.04-06-015, p.6.

³ CPUC Resolution E-412 (Dec. 18, 2008).