

**DON PEDRO HYDROELECTRIC PROJECT
FERC NO. 2299**

FINAL LICENSE APPLICATION

EXHIBIT D – STATEMENT OF COSTS AND FINANCING



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Table of Contents
Description

Section No.	Description	Page No.
PREFACE		1-1
1.0 INTRODUCTION		1-1
2.0 ORIGINAL COST OF DON PEDRO PROJECT		2-1
3.0 PROJECT TAKEOVER COSTS		3-1
4.0 ESTIMATED COSTS OF PROPOSED MEASURES AND NEW DEVELOPMENT		4-1
5.0 ESTIMATED AVERAGE ANNUAL COSTS OF THE DON PEDRO HYDROELECTRIC PROJECT		5-1
5.1 Federal, State, and Local Taxes		5-1
6.0 ESTIMATED PRESENT AND FUTURE ANNUAL VALUE OF POWER		6-1
7.0 SOURCES OF FINANCING AND REVENUE		7-1
8.0 COSTS TO DEVELOP THE LICENSE APPLICATION		8-1
9.0 ESTIMATED VALUE OF ON-PEAK AND OFF-PEAK POWER		9-1

List of Tables
Description

Table No.	Description	Page No.
Table 4.0-1.	Estimated capital and annual O&M cost for additional PM&E measures.....	4-1

List of Acronyms

ac	acres
ACEC	Area of Critical Environmental Concern
ACHP	Advisory Council for Historic Preservation
ACOE	U.S. Army Corps of Engineers
ADA	Americans with Disabilities Act (ADA/ABAAG)
AF	acre-feet
AGS	Annual Grasslands
ALJ	Administrative Law Judge
APE	Area of Potential Effect
APEA	Applicant-Prepared Environmental Assessment
ARMR	Archaeological Resource Management Report
AWQC	Ambient Water Quality Criteria
BA	Biological Assessment
BDCP	Bay-Delta Conservation Plan
BLM	U.S. Department of the Interior, Bureau of Land Management
BLM-S	Bureau of Land Management – Sensitive Species
BMI	Benthic macroinvertebrates
BMP	Best Management Practices
BO	Biological Opinion
BOW	Blue Oak Woodland
°C	celsius
CalCOFI	California Cooperative Oceanic Fisheries Investigations
CalEPPC	California Exotic Pest Plant Council
CalSPA	California Sportfishing Protection Alliance
CAS	California Academy of Sciences
CBDA	California Bay-Delta Authority
CCC	Criterion Continuous Concentrations
CCIC	Central California Information Center
CCSF	City and County of San Francisco
CD	Compact Disc
CDBW	California Department of Boating and Waterways

CDEC	California Data Exchange Center
CESA	California Endangered Species Act
CDFA	California Department of Food and Agriculture
CDFG	California Department of Fish and Game (as of January 2013, CDFW)
CDFW	California Department of Fish and Wildlife
CDMG	California Division of Mines and Geology
CDOF	California Department of Finance
CDPH	California Department of Public Health
CDPR	California Department of Parks and Recreation
CDSOD	California Division of Safety of Dams
CDWR	California Department of Water Resources
CE	California Endangered Species
CEC	California Energy Commission
CEII	Critical Energy Infrastructure Information
CEQA	California Environmental Quality Act
CESA	California Endangered Species Act
CFR	Code of Federal Regulations
cfs	cubic feet per second
CGS	California Geological Survey
cm	centimeters
CMAP	California Monitoring and Assessment Program
CMC	Criterion Maximum Concentrations
CNDDB	California Natural Diversity Database
CNPS	California Native Plant Society
CORP	California Outdoor Recreation Plan
CPUC	California Public Utilities Commission
CPUE	Catch Per Unit Effort
CRAM	California Rapid Assessment Method
CRC	Chamise-Redshank Chaparral
CRLF	California Red-Legged Frog
CRRF	California Rivers Restoration Fund
CSAS	Central Sierra Audubon Society
CSBP	California Stream Bioassessment Procedure

CSU.....	California State University
CT	California Threatened Species
CTR.....	California Toxics Rule
CTS	California Tiger Salamander
CVP.....	Central Valley Project
CVRWQCB	Central Valley Regional Water Quality Control Board
CWA	Clean Water Act
CWD	Chowchilla Water District
CWHR.....	California Wildlife Habitat Relationship
CZMA	Coastal Zone Management Act
DDT	dichlorodiphenyltrichloroethane
Districts	Turlock Irrigation District and Modesto Irrigation District
DLA	Draft License Application
DO.....	Dissolved Oxygen
DOI	Department of Interior
DPRA.....	Don Pedro Recreation Agency
DPS	Distinct Population Segment
DSE.....	Chief Dam Safety Engineer
EA	Environmental Assessment
EBMUD	East Bay Municipal Utilities District
EC	Electrical Conductivity
EFH.....	Essential Fish Habitat
EIR	Environmental Impact Report
EIS.....	Environmental Impact Statement
Elev or el.....	Elevation
ENSO	El Niño Southern Oscillation
EPA.....	U.S. Environmental Protection Agency
ESA.....	Federal Endangered Species Act
ESRCD.....	East Stanislaus Resource Conservation District
ESU	Evolutionary Significant Unit
EVC.....	Existing Visual Condition
EWUA.....	Effective Weighted Useable Area
°F.....	fahrenheit

FERC.....	Federal Energy Regulatory Commission
FFS	Foothills Fault System
FL.....	Fork length
FLA.....	Final License Application
FMP.....	Fishery Management Plan
FMU	Fire Management Unit
FOT	Friends of the Tuolumne
FPA	Federal Power Act
FPC	Federal Power Commission
FPPA.....	Federal Plant Protection Act
ft	feet
ft/mi.....	feet per mile
FWCA.....	Fish and Wildlife Coordination Act
FWUA.....	Friant Water Users Authority
FYLF.....	Foothill Yellow-Legged Frog
g.....	grams
GIS	Geographic Information System
GLO	General Land Office
GORP.....	Great Outdoor Recreation Pages
GPS	Global Positioning System
HCP.....	Habitat Conservation Plan
HSC.....	Habitat Suitability Criteria
HHWP.....	Hetch Hetchy Water and Power
HORB	Head of Old River Barrier
hp.....	horsepower
HPMP.....	Historic Properties Management Plan
IFIM	Instream Flow Incremental Methodology
ILP.....	Integrated Licensing Process
in	inches
ISR	Initial Study Report
ITA	Indian Trust Assets
IUCN.....	International Union for the Conservation of Nature
KOPs.....	Key Observation Points

kV	.....	kilovolt
kVA	.....	kilovolt-amperes
kW	.....	kilowatt
LWD	.....	large woody debris
m	.....	meters
mm	.....	millimeter
M&I	.....	Municipal and Industrial
MCL	.....	Maximum Contaminant Level
mg/kg	.....	milligrams/kilogram
mg/L	.....	milligrams per liter
mgd	.....	million gallons per day
MGR	.....	Migration of Aquatic Organisms
MHW	.....	Montane Hardwood
mi	.....	miles
mi ²	.....	square miles
MID	.....	Modesto Irrigation District
MOA	.....	Memorandum of Agreement
MOU	.....	Memorandum of Understanding
MPN	.....	Most Probable Number
MPR	.....	market price referents
MSCS	.....	Multi-Species Conservation Strategy
msl	.....	mean sea level
MUN	.....	municipal and domestic supply
MVA	.....	Megavolt-ampere
MW	.....	megawatt
MWh	.....	megawatt hour
mya	.....	million years ago
NAE	.....	National Academy of Engineering
NAHC	.....	Native American Heritage Commission
NAS	.....	National Academy of Sciences
NAVD 88	.....	North American Vertical Datum of 1988
NAWQA	.....	National Water Quality Assessment
NCCP	.....	Natural Community Conservation Plan

NGVD29	National Geodetic Vertical Datum of 1929
NEPA	National Environmental Policy Act
NERC	North American Electric Reliability Corporation
NGOs	Non-Governmental Organizations
NHI	Natural Heritage Institute
NHPA	National Historic Preservation Act
NISC	National Invasive Species Council
NMFS	National Marine Fisheries Service
NOAA	National Oceanic and Atmospheric Administration
NOI	Notice of Intent
NPS	U.S. Department of the Interior, National Park Service
NRCS	National Resource Conservation Service
NRHP	National Register of Historic Places
NRI	Nationwide Rivers Inventory
NTU	Nephelometric Turbidity Unit
NWI	National Wetland Inventory
NWIS	National Water Information System
NWR	National Wildlife Refuge
O&M	operation and maintenance
OEHHA	Office of Environmental Health Hazard Assessment
OID	Oakdale Irrigation District
ORV	Outstanding Remarkable Value
OSHA	Occupational Safety and Health Administration
PA	Programmatic Agreement
PAD	Pre-Application Document
PDAW	Project Demand of Applied Water
PDO	Pacific Decadal Oscillation
PEIR	Program Environmental Impact Report
PGA	Peak Ground Acceleration
PG&E	Pacific Gas and Electric
PHABSIM	Physical Habitat Simulation System
PHG	Public Health Goal
PM&E	Protection, Mitigation and Enhancement

PMF.....	Probable Maximum Flood
POAOR.....	Public Opinions and Attitudes in Outdoor Recreation
ppb.....	parts per billion
ppm.....	parts per million
PSP.....	Proposed Study Plan
PWA.....	Public Works Administration
QA.....	Quality Assurance
QC.....	Quality Control
RA.....	Recreation Area
RBP.....	Rapid Bioassessment Protocol
REC-1.....	water contact recreation
REC-2.....	water non-contact recreation
Reclamation.....	U.S. Department of the Interior, Bureau of Reclamation
RM.....	River Mile
RMP.....	Resource Management Plan
RP.....	Relicensing Participant
rpm.....	Rotations per minute
RPS.....	Renewable Portfolio Standard
RSP.....	Revised Study Plan
RST.....	Rotary Screw Trap
RWG.....	Resource Work Group
RWQCB.....	Regional Water Quality Control Board
SC.....	State candidate for listing under CESA
SCADA.....	Supervisory Control and Data Acquisition
SCD.....	State candidate for delisting under CESA
SCE.....	State candidate for listing as endangered under CESA
SCT.....	State candidate for listing as threatened under CESA
SD1.....	Scoping Document 1
SD2.....	Scoping Document 2
SE.....	State Endangered Species under the CESA
SEED.....	U.S. Bureau of Reclamation's Safety Evaluation of Existing Dams
SFP.....	State Fully Protected Species under CESA
SFPUC.....	San Francisco Public Utilities Commission

SHPO	State Historic Preservation Officer
SJRA	San Joaquin River Agreement
SJRGAA	San Joaquin River Group Authority
SJTA	San Joaquin River Tributaries Authority
SM.....	Standard Method
SMUD.....	Sacramento Municipal Utility District
SPAWN.....	spawning, reproduction and/or early development
SPD	Study Plan Determination
SRA.....	State Recreation Area
SRMA	Special Recreation Management Area or Sierra Resource Management Area (as per use)
SRMP.....	Sierra Resource Management Plan
SRP	Special Run Pools
SSC	State species of special concern
ST.....	California Threatened Species under the CESA
STORET	Storage and Retrieval
SWAMP.....	Surface Water Ambient Monitoring Program
SWE	Snow-Water Equivalent
SWP	State Water Project
SWRCB.....	State Water Resources Control Board
TAC.....	Technical Advisory Committee
TAF.....	thousand acre-feet
TCP	Traditional Cultural Properties
TCWC.....	Tuolumne County Water Company
TDS.....	Total Dissolved Solids
TID.....	Turlock Irrigation District
TMDL.....	Total Maximum Daily Load
TOC.....	Total Organic Carbon
TRT.....	Tuolumne River Trust
TRTAC	Tuolumne River Technical Advisory Committee
UC.....	University of California
USBR.....	U.S. Bureau of Reclamation
USDA.....	U.S. Department of Agriculture

USDOC	U.S. Department of Commerce
USDOI	U.S. Department of the Interior
USFS	U.S. Department of Agriculture, Forest Service
USFWS	U.S. Department of the Interior, Fish and Wildlife Service
USGS	U.S. Department of the Interior, Geological Survey
USR	Updated Study Report
UTM	Universal Transverse Mercator
VAMP	Vernalis Adaptive Management Plan
VELB	Valley Elderberry Longhorn Beetle
VES	visual encounter surveys
VRM	Visual Resource Management
VRO	Visual Resource Objective
WBWG	Western Bat Working Group
WECC	Western Electricity Coordinating Council
WPA	Works Progress Administration
WPT	Western Pond Turtle
WQCP	Water Quality Control Plan
WSA	Wilderness Study Area
WSIP	Water System Improvement Program
WSNMB	Western Sierra Nevada Metamorphic Belt
WUA	weighted usable area
WWTP	Wastewater Treatment Plant
WY	water year
yd ³	cubic yard
yr	year
μS/cm	microSeimens per centimeter
μg/L	micrograms per liter
μmhos	micromhos

EXHIBIT D - STATEMENT OF COSTS AND FINANCING

The following excerpt from the Code of Federal Regulations (CFR) at 18 CFR § 4.51 (e) describes the required content of this Exhibit.

Exhibit D is a statement of costs and financing. The statement must contain:

- (1) *If the application is for an initial license, a tabulated statement providing the actual or approximate original cost (approximate costs must be identified as such) of:
 - (i) Any land or water right necessary to the existing project; and
 - (ii) Each existing structure and facility described under paragraph (b) of this section (Exhibit A).*
- (2) *If the applicant is a licensee applying for a new license, and is not a municipality or a state, an estimate of the amount which would be payable if the project were to be taken over pursuant to section 14 of the Federal Power Act upon expiration of the license in effect [see 16 U.S.C. 807], including:
 - (i) Fair value;
 - (ii) Net investment; and
 - (iii) Severance damages.*
- (3) *If the application includes proposals for any new development, a statement of estimated costs, including:
 - (i) The cost of any land or water rights necessary to the new development; and
 - (ii) The cost of the new development work, with a specification of:
 - (A) Total cost of each major item;
 - (B) Indirect construction costs such as costs of construction equipment, camps, and commissaries;
 - (C) Interest during construction; and
 - (D) Overhead, construction, legal expenses, taxes, administrative and general expenses, and contingencies.*
- (1) *A statement of the estimated average annual cost of the total project as proposed specifying any projected changes in the costs (life-cycle costs) over the estimated financing or licensing period if the applicant takes such changes into account, including:
 - (i) Cost of capital (equity and debt);
 - (ii) Local, state, and Federal taxes;
 - (iii) Depreciation and amortization;
 - (iv) Operation and maintenance expenses, including interim replacements, insurance, administrative and general expenses, and contingencies; and
 - (v) The estimated capital cost and estimated annual operation and maintenance expense of each proposed environmental measure.*
- (2) *A statement of the estimated annual value of project power, based on a showing of the contract price for sale of power or the estimated average annual cost of obtaining an equivalent amount of power (capacity and energy) from the lowest cost alternative source, specifying any projected changes in the cost of power*

from that source over the estimated financing or licensing period if the applicant takes such changes into account.

- (3) A statement specifying the sources and extent of financing and annual revenues available to the applicant to meet the costs identified in paragraphs (e) (3) and (4) of this section.*
- (4) An estimate of the cost to develop the license application;*
- (5) The on-peak and off-peak values of project power, and the basis for estimating the values, for projects which are proposed to operate in a mode other than run-of-river; and*
- (6) The estimated average annual increase or decrease in project generation, and the estimated average annual increase or decrease of the value of project power, due to a change in project operations (i.e., minimum bypass flows; limits on reservoir fluctuations).*

PREFACE

The Don Pedro Project provides water storage for irrigation and municipal and industrial (M&I) use, flood control, hydroelectric generation, recreation, and natural resource protection (hereinafter, the “Don Pedro Project”). The Don Pedro Project was originally conceived as a water supply project. The Don Pedro Project was constructed for the following primary purposes: (1) to provide water supply for the co-licensees, Turlock Irrigation District (TID) and Modesto Irrigation District (MID) (collectively, the Districts), for irrigation of over 200,000 acres (ac) of Central Valley farmland and for M&I use, (2) to provide flood control benefits along the Tuolumne and San Joaquin rivers, and (3) to provide a water banking arrangement for the benefit of the City and County of San Francisco (CCSF) and its 2.6 million Bay Area water customers. The original license was issued in 1966. In 1995, the Districts entered into an agreement with a number of parties which resulted in greater flows to the lower Tuolumne River for the protection of aquatic resources.

Hydroelectric generation is a secondary purpose of the Don Pedro Project. Hereinafter, the hydroelectric generation facilities and operations will be referred to as the “Don Pedro Hydroelectric Project”, or the “Project”. With this license application to FERC, the Districts are seeking a new license to continue generating hydroelectric power. Based on the information contained in this application, and other sources of information on the record, FERC will consider whether, and under what conditions, to issue a new license for the continued generation of hydropower at the Districts’ Don Pedro Project. The Districts are providing a complete description of the facilities and operation of the Don Pedro Project so the effects of the operation and maintenance of the Don Pedro hydroelectric facilities can be distinguished from the effects of the operation and maintenance activities of the overall Don Pedro Project’s flood control and water supply/consumptive use purposes.

Being able to differentiate the effects of the hydropower operations from the effects of the flood control and consumptive use purposes and needs of the Don Pedro Project will aid in defining the scope and substance of reasonable protection, mitigation, and enhancement (PM&E) alternatives to be considered in relicensing. As FERC states in Scoping Document 2 in a discussion related to alternative project operation scenarios: “...alternatives that address the consumptive use of water in the Tuolumne River through construction of new structures or methods designed to alter or reduce consumptive use of water are...alternative mitigation strategies that could not replace the Don Pedro *hydroelectric* project [emphasis added]. As such, these recommended alternatives do not satisfy the NEPA purpose and need for the proposed action and are not reasonable alternatives for the NEPA analysis.”

1.0 INTRODUCTION

This Exhibit describes the recent operation, maintenance, and capital replacement costs for the Don Pedro Hydroelectric Project and the current estimated value of hydropower generation at the Project. This license application also contains a number of specific proposals for new capital improvements; resource protection, mitigation, and enhancement measures (PM&Es); and associated operation and maintenance costs, all as described in this Exhibit D. The resource-related and power development-related programs proposed in this license application consist of

the following measures:

- Historic Properties Management Plan (HPMP), including the development of certain cultural resource education exhibits. A draft HPMP (being filed as Privileged) and description of education exhibits are included in Exhibit E of this application.
- Bald Eagle Management Plan, as described in a draft plan filed with this application.
- Vegetation Management Plan, as described in a draft plan filed with this application, including protection plan for the host plant of the Valley Elderberry Long-Horn Beetle (VELB).
- Recreation Resource Management Plan (RRMP), including the design and construction of improvements to river-egress for whitewater boaters at the Ward's Ferry Bridge site. A draft RRMP and description of the proposed improvements to Ward's Ferry take-out are described in Exhibits B and E of this application.
- Upgrade of power generating equipment, proposed to consist of new turbine runners and uprated generators.

As explained in the Executive Summary of this application, until all resource-related studies have been completed, including all Federal Energy Regulatory Commission (FERC)-approved studies, and the associated reports have been reviewed and commented upon by relicensing participants, it is premature to propose other specific resource protection measures beyond those enumerated above. Once all studies are completed, the Districts can embark on modeling of potential future operating scenarios using the project-specific and river-specific modeling tools completed as part of this relicensing process, including the Tuolumne River Operations Model, Don Pedro Reservoir 3-D Temperature Model, Lower Tuolumne River Temperature Model, Chinook Population Model, and *O.Mykiss* Population Model. In this exhibit, the Districts have analyzed the economics of the Project using an approach that is consistent with FERC's practices (Mead Corp., 72 FERC ¶ 61,027 (1995)). Current and anticipated costs have been analyzed over a 30-year time period and annualized to develop an estimated current cost of generation and future cost of generation with the measures proposed by the Districts as described herein. Upon completion of all resource studies, the Districts may modify their proposed PM&E measures and future operations. If so, the current and future costs of generation will be updated at that time.

2.0 ORIGINAL COST OF DON PEDRO PROJECT

The original cost of construction of the Don Pedro Project was \$105 million.

3.0 PROJECT TAKEOVER COSTS

Both TID and MID are political subdivisions of the State of California. The Districts are also municipalities within the meaning of Section 3(7) of the Federal Power Act (FPA). Because the Districts are subdivisions of the state, the Don Pedro Hydroelectric Project is not subject to the takeover provisions of Section 14 of the FPA. Accordingly, FERC's regulations (18 CFR § 4.51(e)(2)) do not require the Districts to include an estimate of takeover costs.

4.0 ESTIMATED COSTS OF PROPOSED MEASURES AND NEW DEVELOPMENT

The Districts have developed cost estimates for each proposed new PM&E measure. The associated capital and annual operations and maintenance (O&M) costs are provided in Table 4.0-1 below for each proposed resource-related PM&E measure.

Table 4.0-1. Estimated capital and annual O&M cost for additional PM&E measures.

PM&E Measure	Capital Cost/Annualized Capital Cost ¹ (2014 dollars)	Average Annual O&M Cost (2014 dollars)
Historic Properties Management Plan	\$300,000/\$17,350	\$270,000/yr for first 15 years ² ; \$30,000/yr thereafter
Bald Eagle Management Plan	N/A	\$12,500/yr for first 10 years; \$5,000/yr thereafter
Vegetation Management Plan	N/A	\$23,200 per year
Bat Protection Measures	N/A	\$4,000/yr
Recreation Resource Management Plan	\$1,100,000/\$63,600	\$289,000/yr for years 2 through 6; and 17 through 21; average over 30 years of \$96,000/yr
Total	\$1,400,000/\$80,950	\$405,700/yr for first 10 years \$393,200/yr for years 11-15 \$158,200/yr thereafter

¹ Capital costs are amortized at 4% for 30 years.

² Starting in year two after acceptance of license by the Districts

The Districts are proposing to increase the hydropower capacity of the Project from the currently authorized 168 MW to the proposed new authorized capacity of approximately 220 MW, with a maximum output of 244 MW compared to the current maximum of 203 MW at maximum head. The estimated cost of the upgrade is \$46.1 million (2014 dollars). The expected increase in annual energy production is approximately 20 million kWh. The annualized capital cost would be \$2.7 million.

5.0 ESTIMATED AVERAGE ANNUAL COSTS OF THE DON PEDRO HYDROELECTRIC PROJECT

The current average annual cost of the Don Pedro Hydroelectric Project includes O&M, administration, legal, accounting, insurance, and amortization of capital costs. The annual Project O&M costs were approximately \$7.9 million in 2012, including O&M costs associated with providing recreation management at Don Pedro Reservoir. Capital costs in 2012 were approximately \$6.1 million, or \$352,760 annualized cost computed assuming amortization at 4 percent over 30 years.

Adding the cost of the proposed resource PM&E measures brings the estimated annual average plant costs to \$8,613,600, assuming a weighted average annual O&M cost of new PM&E measures of approximately \$279,900 per year and the annualized capital cost of \$80,950. Including the annualized capital cost of the turbine-generator upgrade of \$2.7 million, the average annual hydropower plant costs would be \$11,313,600.

5.1 Federal, State, and Local Taxes

The Districts are political subdivisions of the State of California. As municipal entities, the Districts are exempt from federal, state, and local taxes.

6.0 ESTIMATED PRESENT AND FUTURE ANNUAL VALUE OF POWER

The Districts provide Don Pedro Project flows to meet the irrigation and M&I water demand of their customers, provide flood flow management consistent with the U.S. Army Corps of Engineers Flood Control Manual, and meet the downstream flow requirements of the FERC license. The Districts also ensure dam safety and comply with all other requirements of the FERC license. Both TID and MID are also retail electric service providers to their designated service territories. The Project's average annual energy production since 1997 is 622,440 megawatt-hours (MWh). Based on the 2012 total estimated annual cost of power of \$8.25 million, the current annual value of the Project power is approximately \$13.25/MWh. In accordance with California Health and Safety Code (38500-38599), Don Pedro's hydropower generation does not qualify towards meeting TID's or MID's 33 percent RPS standard established in California. Therefore, greenhouse gas allowances must be purchased as an offset. The present cost of the greenhouse gas allowances is approximately \$7/MWh, raising the cost of hydropower production to the Districts by almost 50 percent to \$20.25/MWh. Including the annualized costs of the Districts' proposed PM&E measures, the estimated future average annual costs would increase to \$8.61 million, or \$13.83/MWh. Including the annualized cost of the proposed turbine-generator upgrade, and the addition of 20,000 MWh/year to generation, the estimated future average annual costs would increase to \$17.60/MWh, not including any capacity benefits associated with the upgrade, and not including any greenhouse gas penalty.

7.0 SOURCES OF FINANCING AND REVENUE

As governmental entities, the Districts finance major capital expenditures by the issuance of long-term bonds. The Districts' Don Pedro Project costs are included in each district's rate base for water and power services.

8.0 COSTS TO DEVELOP THE LICENSE APPLICATION

The cost of relicensing to date, exclusive of legal and internal management costs, is estimated to be \$15 million.

9.0 ESTIMATED VALUE OF ON-PEAK AND OFF-PEAK POWER

Rates for off-peak power and on-peak power in California vary widely by season. In 2013, off-peak power rates have frequently been about \$25/MWh and on-peak power rates have frequently been about \$85/MWh, according to information available from CAISO¹ and provided to FERC in its Market Reports.

¹ CAISO market reports are available at: www.caiso.com.