

Creative Licensing Approach Maximizes Benefits for Licensee, Government and Stakeholders in Approval of Major Incremental Hydropower Project

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PPL Holtwood LLC (PPL Holtwood), a subsidiary of PPL Corporation, obtained Federal Energy Regulatory Commission (FERC) approval of a license amendment to construct a new 125 MW powerhouse that will effectively double the capacity of its Holtwood hydroelectric project on the Susquehanna River in Pennsylvania. By creatively navigating FERC's hydropower license amendment process, PPL Holtwood was able to garner support from federal and state governmental agencies, non-governmental organizations (NGOs), and private stakeholders on economic, environmental, recreational and other issues to enable what is believed to be the largest expansion of an existing hydropower facility in the eastern U.S. The \$440 million expansion project will provide high-value renewable energy through incremental generation at an existing dam and reservoir, and will create environmental benefits by facilitating restoration of the American Shad fishery in the Susquehanna River.

Significantly, PPL Holtwood's license amendment extends the existing Federal Power Act (FPA) project license for an additional 16-year period, taking the license to the FPA maximum of 50 years. The original 34-year license would have expired in 2014, which meant that PPL Holtwood had to provide a contingent notice of its intent to relicense the facility before final FERC action on the license amendment application. If the project expansion had been considered in the context of a full relicensing process, the near-term environmental and economic benefits of the planned project expansion would have been delayed at least during the pendency of the process, possibly compromising the economic viability of the investment. Thus, a license amendment, even with a license term shorter than a new license, provided a more expedient and cost-effective alternative to the relicensing process.

FERC views relicensing as a process that involves a comprehensive look at all facets of a project, and the Commission has a policy statement indicating a preference for studying the cumulative effects of projects on a watershed during relicensing. Thus, the inclination of federal and state resource agencies and FERC staff was to have the Holtwood Project undergo the relicensing process at the same time as two downstream projects owned by a different company as a process to comprehensively address restoration of the American Shad fishery in the Susquehanna River. PPL Holtwood was able to convince agency staff, as well as other

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potential opponents to the amendment, that the near-term benefits of the proposed project expansion through license amendment outweighed the considerations militating towards a comprehensive relicensing process.

PPL Holtwood's project team and counsel were able to engage in a series of negotiations with federal and state agencies, NGOs and stakeholders to reach a series of settlements on numerous issues, including future project operations and maintenance of reservoir levels, methods to enhance American Shad and other anadromous and catadromous fish migration, recreational uses of project waters and land, and other environmental developments. PPL Holtwood also reached agreement with the owner of downstream projects regarding the timing and amount of releases of water from the Holtwood dam. With significant support of key government agencies, NGOs and stakeholders evidenced in the agreements, and the prospect of more immediate environmental benefits, FERC staff moved forward with the license amendment process.

As is often the case with projects involving approvals from multiple agencies, the Holtwood project amendment raised issues regarding the scope of federal and state agency authority over the required Clean Water Act certification process. The inclusion of broader language for conditions in the state agency's Clean Water Act certificate in turn permitted FERC to bridge jurisdictional concerns relating to the scope of jurisdiction.

Finally, although the license amendment application had to be withdrawn when the financial turmoil at the end of 2008 temporarily rendered the project uneconomical, the PPL Holtwood team was able to successfully negotiate a process with FERC staff and other parties to essentially revive the license amendment application. The application was refiled with public notice of the intent to incorporate the record of the prior docket, thereby allowing FERC to rely upon its prior work and arrive at a final decision within six months.

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