EXHIBIT D
STATEMENT OF COSTS AND FINANCING

TABLE OF CONTENTS

PAGE

LIST OF TABLES

1.0 APPROXIMATE ORIGINAL COST

The Lake Livingston Dam is an existing facility owned, operated, and maintained by the Trinity River Authority of Texas (TRA). The dam was completed in 1969 at a cost of approximately $84,000,000, including acquisition of lands and construction of existing structures. The existing facilities are shown on ***Exhibit F and G Drawings***.

2.0 PAYMENT IF PROJECT WERE TAKEN OVER BY THE UNITED STATES

This is not an application for a new license, but rather an original license. Pursuant to Section 4.51(e)(2) of the Commission's regulations, an estimate of payment if the Project were taken over by the United States is not required.

3.0 STATEMENT OF ESTIMATED COSTS

3.1 NECESSARY LAND OR WATER RIGHTS

The Cooperative has a Memorandum of Understanding (MOU) with the owner of the dam and reservoir, TRA, and with the City of Houston, Texas, which has rights under State water law to approximately 70 percent of the useful storage in Lake Livingston. Under the MOU, TRA and Houston agree to convey the minimum proprietary rights necessary to enable the Cooperative to fulfill its obligations under the FERC license. Those rights will be conveyed through an as-yet unexecuted easement agreement. TRA and Houston each has also filed an application with the Texas Commission on Environmental Quality (Texas CEQ) to amend its existing water rights certificates to add hydropower generation as an additional authorized non-consumptive use under Texas water law. (Those applications were pending as of the filing of this license application). In consideration for the conveyance of the necessary proprietary rights and the use of water releases at Lake Livingston Dam, the Cooperative will pay TRA and Houston a total of $1,500,000 annually during the initial 30 years of project operation (and $2,500,000 per year thereafter through the term of the initial license).

3.2 NEW DEVELOPMENT

3.2.1 Cost of Each Major Item

The cost of each major item is given, by major categories of the U.S. Department of Agriculture, Rural Utilities Service (RUS) Uniform System of Accounts, on ***Table D-1***.

Table D-1. Investment In Facilities by RUS Account

RUS ACCOUNT NO.	DESCRIPTION	AMOUNT ($2009 $)
330	Land and Land Rights	$500,000
331	Structures and Improvements	$10,600,000
332	Reservoirs, Dams, and Waterways	$10,700,000
333	Waterwheels, Turbines, and Generators	$14,300,000
334	Accessory Electrical Equipment	$4,400,000
335	Miscellaneous Power Plant Equipment	$4,300,000
336	Roads, Railroads, and Bridges	$300,000
350 – 359	Transmission and Substation Facilities	$4,400,000
397	Communications and Control Equipment	$1,200,000
	Subtotal	**$50,700,000**
	Additional Contingency	$10,200,000
	Engineering, Construction Management, Legal, Licensing, and Proposed Environmental Measures	$10,000,000
	Interest During Construction	$6,100,000
	Total	**$77,000,000**

3.2.2 Indirect Construction Costs

The indirect construction costs are included in the costs of each major item. No construction camps or commissaries are deemed necessary during the construction of the Project.

3.2.3 Interest During Construction

Interest during construction was calculated using a 6.0 percent interest rate during the 24-month construction period from January 1, 2011, through December 31, 2012, resulting in an addition of approximately $6.1 million to the Project's capital cost.

3.2.4 Overhead (Legal Expenses, Taxes, Administrative and General Expenses and Contingencies)

These costs are included in the estimates shown in ***Table D-1***.

4.0 ESTIMATED AVERAGE ANNUAL COSTS

The Project is estimated to begin operation in the year 2013, allowing one year for licensing and two years and nine months for the commencement and completion of construction. The annual cost of energy produced by the Project will be approximately $10,000,000 in 2013 increasing to $12,180,000 in 2042. ***Table D-2*** illustrates the comparison of the proposed Project to a 600 MW pulverized coal plant, as further explained in Section 5.0. ***Table D-2*** illustrates that the Project is less costly than the alternative coal plant over a 30-year period.

4.1 COST OF CAPITAL

Based on financing approximately $80,000,000 (2013 $), it is estimated that the annual cost of capital (i.e., principal and interest) will be approximately $5,000,000.

4.2 LOCAL, STATE, AND FEDERAL TAXES

The Cooperative is a tax-exempt entity and will not be subject to any federal or state taxes. However, the Cooperative will be responsible for any and all property taxes associated with the Project. These property taxes are expected to be approximately $1,600,000 in 2013 and assumed to escalate at 1.0 percent per year thereafter.

4.3 DEPRECIATION AND AMORTIZATION

Depreciation of the Project's assets will be done in accordance with RUS regulations on a straight-line basis over a 35-year period, resulting in an annual depreciation expense of approximately $2,300,000. It is anticipated that amortization of the debt associated with Clean Renewable Energy Bond (CREB) financing will be done on a straight-line basis over 14 years and on a level debt service schedule over 35 years for RUS financing (see Section 6.0 for a discussion on the financing structure).

4.4 OPERATION AND MAINTENANCE EXPENSES, INCLUDING INTERIM REPLACEMENTS, INSURANCE, ADMINISTRATIVE AND GENERAL EXPENSES, AND CONTINGENCIES

Cost of operation and maintenance expenses, including interim replacements, insurance, administrative and general expenses, contingencies, environmental measures, and FERC annual charges are estimated to be approximately $1,690,000 per year (2013 $) and are assumed to escalate at 3.0 percent per year thereafter. The estimated annual cost calculation incorporates a combined payment of $1,500,000 to the city of Houston

and TRA for easement and water usage rights that remain constant on an annual basis over the initial 30-year period (see Section 3.1 above).

Table D-2. Comparison to a 600 MW Pulverized Coal Plant

	Base Yr	Escalation		1	2	3	4	5	6	7	8	9	10	11	12	13
	2009		2013	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Lake Livingston Hydroelectric Generating Plant																
Energy Generation (MWh)[1]				124,000	124,000	124,000	124,000	124,000	124,000	124,000	124,000	124,000	124,000	124,000	124,000	124,000
Plant Capacity (MW)				24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Dependable Capacity (MW)				13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5
Plant Capacity Factor (%)				59.0%	59.0%	59.0%	59.0%	59.0%	59.0%	59.0%	59.0%	59.0%	59.0%	59.0%	59.0%	59.0%
Supplemental Capacity (MW)[2]				3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Supplemental Capacity ($/kW-mth)	5.00	3.0%		5.63	5.80	5.97	6.15	6.33	6.52	6.72	6.92	7.13	7.34	7.56	7.79	8.02
Supplemental Capacity ($000)				213	219	226	233	240	247	254	262	270	278	286	295	304
Operating Expenses ($000)																
Operation and Maintenance [3]	1,155	3.0%		1,300	1,339	1,379	1,322	1,362	1,403	1,445	1,488	1,533	1,579	1,626	1,675	1,725
A&G, Insurance, FERC fees, etc.	344	3.0%		387	399	411	423	436	449	462	476	490	505	520	536	552
Payment to Houston/TRA	1,500	0.0%		1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Property Taxes	1,540	1.0%		1,603	1,619	1,635	1,651	1,668	1,684	1,701	1,718	1,735	1,753	1,770	1,788	1,806
Total Operation & Maintenance				4,790	4,856	4,925	4,896	4,965	5,036	5,108	5,182	5,258	5,337	5,417	5,499	5,583
Annual Debt Service				5,004	5,004	5,004	5,004	5,004	5,004	5,004	5,004	5,004	5,004	5,004	5,004	5,004
Total Cost ($000)				10,006	10,079	10,154	10,133	10,208	10,286	10,366	10,448	10,532	10,618	10,706	10,797	10,890
Total Costs ($/MWh)				80.70	81.28	81.89	81.71	82.33	82.95	83.60	84.26	84.93	85.63	86.34	87.07	87.82
Net Present Value ($000)[4]			171,658	10,006	9,599	9,210	8,753	8,398	8,060	7,735	7,425	7,128	6,844	6,573	6,313	6,064
Levelized Payment ($000/yr)[4]			11,167													
600 MW Pulverized Coal Plant [5]																
Capacity (MW)				16.7	16.7	16.7	16.7	16.7	16.7	16.7	16.7	16.7	16.7	16.7	16.7	16.7
Energy (MWh)				124,000	124,000	124,000	124,000	124,000	124,000	124,000	124,000	124,000	124,000	124,000	124,000	124,000
Capacity Factor (%)				85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%
Debt Service ($/kW-mth)				17.35	17.35	17.35	17.35	17.35	17.35	17.35	17.35	17.35	17.35	17.35	17.35	17.35
Fixed O&M Rate ($/kW-mth)	5.00	3.0%		5.63	5.80	5.97	6.15	6.33	6.52	6.72	6.92	7.13	7.34	7.56	7.79	8.02
Total Fixed Charges ($/kW-mth)				22.97	23.14	23.32	23.50	23.68	23.87	24.07	24.27	24.48	24.69	24.91	25.14	25.37
Fixed Charges ($000)				4,591	4,625	4,660	4,695	4,732	4,770	4,809	4,850	4,891	4,934	4,978	5,023	5,070
Variable O&M ($/MWh)	4.00	3.0%		4.50	4.64	4.78	4.92	5.07	5.22	5.38	5.54	5.70	5.87	6.05	6.23	6.42
Fuel ($/MWh)	28.50	3.0%		32.08	33.04	34.03	35.05	36.10	37.19	38.30	39.45	40.63	41.85	43.11	44.40	45.73
Total Energy Charges ($/MWh)				36.58	37.68	38.81	39.97	41.17	42.41	43.68	44.99	46.34	47.73	49.16	50.63	52.15
Energy ($000)				4,536	4,672	4,812	4,956	5,105	5,258	5,416	5,578	5,746	5,918	6,096	6,279	6,467
Total Cost ($000)				9,127	9,297	9,472	9,652	9,837	10,029	10,225	10,428	10,637	10,852	11,074	11,302	11,537
Total Costs ($/MWh)				73.60	74.97	76.38	77.84	79.33	80.88	82.46	84.10	85.78	87.52	89.30	91.14	93.04
Net Present Value ($000)[4]			186,231	9,127	8,854	8,591	8,338	8,093	7,858	7,630	7,411	7,200	6,995	6,798	6,608	6,424
Levelized Payment ($000/yr)[4]			12,115													
Hydro Plant Benefit																
Coal Plant minus Hydro NPV ($000)[4]			**14,572**	(879)	(745)	(619)	(415)	(305)	(202)	(105)	(14)	71	151	226	295	360
Coal Plant minus Hydro Levelized ($000/yr)[4]			**948**													

(1) Assumes minimum flow of 200 cfs into the stilling basin
(2) Supplemental capacity purchased to meet a coal-fired resource at an 85% capacity factor
(3) Estimated based upon average 2008 costs of in-service 20 - 30 MW hydroelectric facilities (Source: SNL Financial)
(4) Discount rate of 5.0%
(5) Based upon Cooperative's estimated costs of a jointly-owned coal plant currently under construction

Table D-2. Comparison to a 600 MW Pulverized Coal Plant (Continued)

	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
Lake Livingston Hydroelectric Generating Plant																	
Energy Generation (MWh)[1]	124,000	124,000	124,000	124,000	124,000	124,000	124,000	124,000	124,000	124,000	124,000	124,000	124,000	124,000	124,000	124,000	124,000
Plant Capacity (MW)	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Dependable Capacity (MW)	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5
Plant Capacity Factor (%)	59.0%	59.0%	59.0%	59.0%	59.0%	59.0%	59.0%	59.0%	59.0%	59.0%	59.0%	59.0%	59.0%	59.0%	59.0%	59.0%	59.0%
Supplemental Capacity (MW)[2]	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Supplemental Capacity ($/kW-mth)	8.26	8.51	8.77	9.03	9.30	9.58	9.87	10.16	10.47	10.78	11.11	11.44	11.78	12.14	12.50	12.88	13.26
Supplemental Capacity ($000)	313	322	332	342	352	363	373	385	396	408	420	433	446	459	473	487	502
Operating Expenses ($000)																	
Operation and Maintenance [3]	1,777	1,830	1,885	1,942	2,000	2,060	2,122	2,185	2,251	2,318	2,388	2,460	2,533	2,609	2,688	2,768	2,851
A&G, Insurance, FERC fees, etc.	569	586	603	621	640	659	679	699	720	742	764	787	811	835	860	886	912
Payment to Houston/TRA	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Property Taxes	1,824	1,842	1,860	1,879	1,898	1,917	1,936	1,955	1,975	1,995	2,015	2,035	2,055	2,076	2,096	2,117	2,139
Total Operation & Maintenance	5,669	5,758	5,849	5,942	6,038	6,136	6,237	6,340	6,446	6,555	6,667	6,781	6,899	7,020	7,144	7,271	7,402
Annual Debt Service	5,004	4,275	4,275	4,275	4,275	4,275	4,275	4,275	4,275	4,275	4,275	4,275	4,275	4,275	4,275	4,275	4,275
Total Cost ($000)	10,986	10,355	10,455	10,559	10,665	10,773	10,885	11,000	11,117	11,238	11,362	11,489	11,620	11,754	11,892	12,034	12,179
Total Costs ($/MWh)	88.59	83.51	84.32	85.15	86.00	86.88	87.78	88.71	89.65	90.63	91.63	92.66	93.71	94.79	95.90	97.05	98.22
Net Present Value ($000)[4]	5,826	5,230	5,029	4,837	4,653	4,477	4,308	4,146	3,990	3,842	3,699	3,562	3,431	3,306	3,185	3,070	2,959
Levelized Payment ($000/yr)[4]																	
600 MW Pulverized Coal Plant [5]																	
Capacity (MW)	16.7	16.7	16.7	16.7	16.7	16.7	16.7	16.7	16.7	16.7	16.7	16.7	16.7	16.7	16.7	16.7	16.7
Energy (MWh)	124,000	124,000	124,000	124,000	124,000	124,000	124,000	124,000	124,000	124,000	124,000	124,000	124,000	124,000	124,000	124,000	124,000
Capacity Factor (%)	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%
Debt Service ($/kW-mth)	17.35	17.35	17.35	17.35	17.35	17.35	17.35	17.35	17.35	17.35	17.35	17.35	17.35	17.35	17.35	17.35	17.35
Fixed O&M Rate ($/kW-mth)	8.26	8.51	8.77	9.03	9.30	9.58	9.87	10.16	10.47	10.78	11.11	11.44	11.78	12.14	12.50	12.88	13.26
Total Fixed Charges ($/kW-mth)	25.61	25.86	26.11	26.38	26.65	26.93	27.21	27.51	27.82	28.13	28.45	28.79	29.13	29.48	29.85	30.22	30.61
Fixed Charges ($000)	5,118	5,168	5,219	5,271	5,325	5,381	5,439	5,498	5,559	5,621	5,686	5,753	5,821	5,892	5,965	6,040	6,117
Variable O&M ($/MWh)	6.61	6.81	7.01	7.22	7.44	7.66	7.89	8.13	8.38	8.63	8.89	9.15	9.43	9.71	10.00	10.30	10.61
Fuel ($/MWh)	47.11	48.52	49.97	51.47	53.02	54.61	56.25	57.93	59.67	61.46	63.31	65.21	67.16	69.18	71.25	73.39	75.59
Total Energy Charges ($/MWh)	53.72	55.33	56.99	58.70	60.46	62.27	64.14	66.07	68.05	70.09	72.19	74.36	76.59	78.89	81.25	83.69	86.20
Energy ($000)	6,661	6,861	7,067	7,279	7,497	7,722	7,954	8,192	8,438	8,691	8,952	9,220	9,497	9,782	10,075	10,378	10,689
Total Cost ($000)	11,779	12,028	12,285	12,550	12,822	13,103	13,392	13,690	13,997	14,313	14,638	14,973	15,318	15,674	16,040	16,417	16,806
Total Costs ($/MWh)	94.99	97.00	99.08	101.21	103.41	105.67	108.00	110.40	112.88	115.42	118.05	120.75	123.53	126.40	129.35	132.40	135.53
Net Present Value ($000)[4]	6,247	6,075	5,909	5,749	5,594	5,445	5,300	5,160	5,024	4,893	4,766	4,643	4,524	4,408	4,296	4,188	4,083
Levelized Payment ($000/yr)[4]																	
Hydro Plant Benefit																	
Coal Plant minus Hydro NPV ($000)[4]	421	845	880	912	941	968	992	1,014	1,034	1,051	1,067	1,080	1,092	1,102	1,111	1,118	1,124
Coal Plant minus Hydro Levelized ($000/yr)[4]																	

(1) Assumes minimum flow of 200 cfs into the stilling basin
(2) Supplemental capacity purchased to meet a coal-fired resource at an 85% capacity factor
(3) Estimated based upon average 2008 costs of in-service 20 - 30 MW hydroelectric facilities (Source: SNL Financial)
(4) Discount rate of 5.0%
(5) Based upon Cooperative's estimated costs of a jointly-owned coal plant currently under construction

4.5 ESTIMATED CAPITAL COST AND ANNUAL OPERATIONS AND MAINTENANCE EXPENSE OF EACH PROPOSED ENVIRONMENTAL MEASURE

The estimated capital cost and annual operation and maintenance expense of each proposed environmental measure is provided in the following table:

Table D-3. Estimated Costs for Proposed Environmental Measures

MITIGATION/MONITORING PLAN	ESTIMATED CAPITAL COST	ESTIMATED ANNUAL/O&M COST
50 to 200 cfs minimum flow into stilling basin	N/A	Annual levelized cost of $130,000 to $520,000 (each 50 cfs results in 1,500 MWh loss of generation)
Temperature/Dissolved Oxygen Monitoring	$60,000 for procurement, installation, and start-up	$25,000 per year
Air injection system	$150,000 for procurement, installation, and start-up	$30,000 per year
Striped bass monitoring program	$80,000 for development and execution	$80,000 per year for 3 years of initial operation
Operating MOA with TRA	$15,000 for development and execution	No O&M cost
Raptor proof transmission line	Costs included in transmission line cost estimate	No O&M cost
401 Water Quality Certification	$15,000 for development and execution	No O&M cost
Corps Section 404 & Section 10 permitting	$20,000 for development and execution	No O&M cost

MITIGATION/MONITORING PLAN	ESTIMATED CAPITAL COST	ESTIMATED ANNUAL/O&M COST
TPWD Sand and Gravel permit	$5,000 for development and execution	No O&M Cost
Stormwater Pollution Prevention Plan	$15,000 for development and execution	No O&M cost
Erosion and Sediment Control Plan for Construction	$20,000 for development and execution	No O&M Cost
Recreation Plan	$50,000 for plan development and execution	No O&M cost
Cultural Resources Survey and Report/HPMP	$40,000 for development and execution	No O&M cost

5.0 ESTIMATED ANNUAL VALUE OF PROJECT POWER

The Project is assumed to begin operation in 2013. The annual value of power to the Cooperative and the cost of alternative power for each year are shown in ***Table D-2***. The cost of energy from the Project is estimated to be approximately $80.70/MWh in 2013 increasing to approximately $98.22/MWh in 2042. The cost of energy from a new coal-fired generating facility is estimated at $73.60/MWh in 2012 and increasing to $135.53/MWh in 2042. Capacity was assumed to be purchased from the market to supplement the dependable capacity available from the Project to make a comparison to the capacity required from a coal-fired plant to produce the 124 GWH at an 85.0 percent capacity factor. Based upon the information in ***Table D-2***, the annual levelized value of power is estimated to be approximately $950,000 per year (2013 $) less than the cost of obtaining an equivalent amount of power (capacity and energy) from another resource over the financing period. This value is based on a comparison of the Project to the cost of power from a new pulverized coal-fired generating plant.

The cost estimates for the pulverized coal-fired plant were computed for an equivalent amount of capacity from a pro-rata share of a 600 MW coal-fired facility. These cost estimates are based upon the Cooperative's ownership share of costs associated with a jointly-owned coal-fired facility that is currently under construction. The estimated cost of power includes fuel costs, fixed and variable operation and maintenance, and the cost of capital at current interest rates over a 30-yr amortization period. Fuel costs, as well as operation and maintenance costs, were assumed to escalate at 3.0 percent per year.

The Project will be eligible to receive Renewable Energy Credits (RECs) pursuant to Texas Utilities Code § 39.904 and the Public Utilities Commission of Texas (PUCT) Substantive Rule 25.173. Factoring in the value of RECs into the Project's cost projections, at an assumed constant value of $2.00/MWh, reduces the Project's annual cost of power by approximately $248,000. This additional value associated with RECs increases the Project's annual levelized value of power benefit to approximately $1.20 million per year as compared to the cost of obtaining an equivalent amount of power from a new pulverized coal-fired generating plant.

6.0 SOURCES AND EXTENT OF FINANCING

The Cooperative intends to finance the Project in part through proceeds received from the issuance of CREBs and, as needed, will supplement CREB financing with permanent financing from the RUS. In 2008, the Cooperative received a $10.2 million CREB allocation for the Project from the U.S. Department of Treasury, Internal Revenue Service. The Cooperative anticipates applying for additional CREB allocations as authorized by the Energy Improvement and Extension Act of 2008 (Division B of Public Law 110-343) and as further authorized and extended by the American Recovery and Reinvestment Act of 2009 (Public Law 111-5). To the extent that interim construction financing is needed, the Cooperative anticipates obtaining such financing from the National Rural Utilities Cooperative Finance Corporation (CFC) or CoBank.

7.0 ESTIMATE OF COST TO DEVELOP THE LICENSE APPLICATION

The Cooperative estimates that it has expended in excess of $2,500,000 to develop the license application and associated activities through 2008 and as much as an additional $1,000,000 may be required through the remainder of the licensing process.

8.0 ON-PEAK AND OFF-PEAK VALUES OF PROJECT POWER

Since the Project will operate in a run-of-river mode, this information is not applicable.

9.0 ESTIMATED AVERAGE ANNUAL CHANGE IN PROJECT GENERATION

Since there are no current power generation facilities at the Project site, this information is not applicable at this time.