

SETTLEMENT AGREEMENT

PPL Susquehanna, LLC – Susquehanna Steam Electric Station Salem Township, Luzerne County, Pennsylvania

This Settlement Agreement is entered into this _____ day of September 2007, by and between the Susquehanna River Basin Commission (SRBC) and PPL Susquehanna, LLC (PPL Susquehanna).

SRBC has found and determined the following:

- A. SRBC is the agency with the duty and authority to administer and enforce the Susquehanna River Basin Compact (Compact), P.L. 91-575, 84 Stat. 509 et seq., and any rules, regulations, determinations, actions, and orders issued thereunder.
- B. PPL Susquehanna has a partial ownership interest in, and operates the Susquehanna Steam Electric Station, a nuclear power plant located in Berwick, Pennsylvania (hereafter “Project”).
- C. On July 6, 2001, the Nuclear Regulatory Commission approved a request by PPL Susquehanna to increase the allowable thermal power output of the two Susquehanna nuclear power plants by 1.4 percent.
- D. On July 12, 2001 and May 31, 2002, PPL Susquehanna modified the Project by installing at Unit 2 and Unit 1, respectively, an ultrasonic flow meter that measures feedwater flow to the reactors more accurately than the previously installed meters. This allowed PPL Susquehanna to reduce the required margin of safety from 2 percent below maximum to 0.6 percent below maximum reactor thermal power.
- E. The modifications in 2001 and 2002 resulted in an increase in the amount of water withdrawn at the Project in excess of 100,000 gallons per day (gpd) above that which it was withdrawing prior to May 11, 1995 and, therefore, required approval from the SRBC pursuant to Section 803.44(a)(2) of the SRBC’s regulations in effect at that time.
- F. PPL Susquehanna did not file for approval of any increased water withdrawal at the Project under Section 804.44(a)(2) until December 20, 2006, when it sought such approval for an expected increase in water withdrawal related to an Extended Power Uprate that is expected to increase the Project’s generating capacity by 110 megawatts.

PPL contends the following:

- G. Section 803.44(a)(2) did not apply to increases due to meteorology, and that if meteorology is taken into account, the modifications made in 2001 and 2002 did not result in an increase in excess of 100,000 gpd above that which the Project was withdrawing prior to May 11, 1995.
- H. Any increase in water withdrawal resulting from the uprate fell within the margin of measurement and calculation error allowed by the SRBC.
- I. Water withdrawals at PPL Susquehanna are covered by the agreement among a predecessor affiliate of PPL Susquehanna, several other project owners, and the SRBC relating to Lake Cowanesque.
- J. The Compact only gives the SRBC limited authority to regulate water withdrawals and these modifications to the Project do not fall within the SRBC's authority under the Compact's provisions.
- K. Under the Compact and SRBC's regulations, modifications to existing projects can be regulated only if they are of sufficient magnitude to be considered a separate entity for purposes of evaluation.

After full and complete negotiations of all matters set forth in the Settlement Agreement, and upon mutual exchange of the covenants herein, the parties desire to resolve the same, without resort to litigation, by agreeing to the following, with the intent of being legally bound hereby:

- L. The undersigned parties hereby agree to settle the alleged violations set forth above (including the potential civil penalty assessed thereon) and any other water withdrawal violations at the Project as of the date of this settlement, as authorized under Section 808.18 of SRBC's regulations.
- M. PPL Susquehanna shall pay \$500,000 to the Water Management Fund for the violations described in Paragraph E above, which payment shall be due within 30 days after full and complete execution hereof.
- N. PPL Susquehanna agrees that the findings in Paragraphs A through D and F are true and correct, and shall not challenge the accuracy of those findings.
- O. PPL Susquehanna neither admits nor denies the alleged violations in Paragraph E above.
- P. In the event of a default by PPL Susquehanna on the terms of this Settlement Agreement, SRBC reserves the right to seek civil penalties for the violations described herein. Further, SRBC reserves the right to require abatement of any conditions resulting from the violations described herein or any other violations.

Nothing herein shall preclude the SRBC from issuing special order or seeking civil penalties for any violations not covered by this Settlement Agreement. Except as otherwise provided herein, SRBC reserves all other rights with respect to any matter addressed by this Settlement Agreement. PPL Susquehanna waives the right to challenge the content or validity of this Settlement Agreement or make payment as prescribed in Item M above.

IN WITNESS WHEREOF, the parties have caused this Settlement Agreement to be executed by their duly authorized representatives. The undersigned representatives of the project sponsor certify, under penalty of law (or perjury), as provided by 18 Pa. C.S. Section 4904 and 28 U.S.C. Section 1746 that they are authorized to execute this Settlement Agreement, that they hereby knowingly waive any rights to appeal this Settlement Agreement, which right may be available under Section 3.10(6) of the Compact, P.L. 91-575, 84 Stat. 1509 et seq., 18 CFR Parts 806-808, or any other provision of law.

For the Susquehanna River Basin Commission:

Date: _____
Title: _____

For PPL Susquehanna, LLC:

Bill T. McKinney

Title: Sr. VP Chief Nuclear Officer

Date: 8-21-07

OFFICE OF
GENERAL COUNSEL
BY: AK
DATE: 8/20