

Department of Energy

Bonneville Power Administration
P.O. Box 3621
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POWER BUSINESS LINE

July 12, 2000

In reply refer to: PS-6

Dear Potential Slice Customer

This letter is in reply to your June 29, 2000, letter to BPA Administrator and CEO Judi Johansen suggesting an "Allocation Methodology for Slice Product Purchases."

BPA has completed a thorough review of the Slice Product and the consequences of selling Slice within the 1,150 aMW to 2,000 aMW range we officially announced on April 28, 2000. As a result of our review, we have concluded that it is reasonable to offer 2,000 aMW of the Slice product.

I am pleased to tell you that we have adopted a Slice product sales volume limit and allocation methodology that clearly parallels your recommendation. Here is the approach we will use:

- 1) On or before September 1, 2000, BPA will communicate to potential Slice purchasers who executed a master agreement and submitted a good faith estimate prior to July 7, the net requirements load of all such potential Slice purchasers. Please note that these estimates were important in the BPA decision making process but will serve no further purpose as we move forward.
- 2) The standard Block/Slice contract or a contingent Block/Slice contract would be required to be signed by the customer and delivered to BPA on or before September 25, 2000. The Slice purchaser would specify in that contract the amount of net requirement load to be served by the Slice Product. Prior to contract execution, customers must also complete Board approvals, legal review, and credit requirements identified in the June letters you received from your Account Executives. If the customer chooses (as their option) to sign a contingent Block/Slice contract, they will also specify the minimum amount of Slice product they are willing to buy. The customer will agree to purchase as a Full Requirements customer in the event the amount of their Slice Product allocation is less than their stated minimum amount of Slice.
- 3) Following September 25, 2000, BPA will sum the amounts of requirements load for which service has been requested under the Slice Product in executed contracts. If the sum of such requested amounts exceeds 2,000 aMW, BPA will, on an equal percentage basis, reduce all of the amounts of requested requirements service under the Slice Product until the total amount of service provided thereunder equals 2,000 aMW. If the sum of such requested amounts is less than 2,000 aMW, BPA will accept those amounts as the contracted for Slice purchases under the Subscription contract.

- 4) BPA will mail written notification to all Slice purchasers on or before September 27, 2000, of their final amount of service under the Slice Product that will be provided to the Slice purchaser. If the customer has signed a contingent Block/Slice contract and the final amount of Slice Product that BPA will provide that customer is less than the minimum amount of Slice Product stated in the contingent contract, then the customer's entire net requirement purchase will be converted automatically to a Full Net Requirement Subscription contract.
- 5) If the amount of service provided under the standard Slice contract is less than that requested by the Slice purchaser in the executed contract, then the Slice purchaser will be permitted 14 calendar days to adjust its Block purchase amount, or non-Federal resources set forth in the contract if there is no Block purchase, to reflect the change in the Slice Product service and to deliver written notice of that adjustment to BPA.
- 6) An exhibit to the Block/Slice contract will set forth the contingency stated above and the right to make an election regarding the Block sale. The exhibit will be included in the Block/Slice contract and the contingent Block/Slice contract which the Slice purchaser executes as an offer to BPA.

I believe this is a workable approach that embodies the major features of your recommendation. However, there are several differences:

- a) Whereas your proposal called for a reallocation of any amounts under 2,000 aMW, we have determined that if the sum of the requested Slice amounts is less than 2,000 aMW, we will accept the requests as submitted.
- b) BPA added the additional procedure of the contingent Block/Slice contract to accommodate any customers that may find it unworkable to have the allocated Slice amount below their minimum level.
- c) Block/Slice and contingent Block/Slice contracts must be signed by the customer by September 25, 2000, in order to assure BPA that its Subscription process will close on September 30, 2000.
- d) BPA will provide written notice (referred to in (4) above) to all Slice purchasers on or before September 27, 2000, instead of the proposed date of October 15, 2000. We would like to wrap up our Subscription sales issues as soon as possible.
- e) BPA has added the requirement that Slice purchasers increase their Block purchase amounts, if necessary under the allocation they receive, within 14 days of receiving notice from BPA, or no later than October 11, 2000. Again, we want to know our Block obligations as soon as possible so we can move forward with implementing Subscription.

You indicated in your June 29 letter that it reflected a consensus approach agreeable to all potential Slice purchasers---a commendable accomplishment for your group. The creative

solution recommended in your letter was helpful for us in adopting an allocation methodology that I believe will work for all Slice purchasers. My staff and I look forward to working with the Slice purchaser work group to create the necessary contract exhibit quickly.

Sincerely,

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