

SYNOPSIS OF SLICE PRODUCT DESIGN ISSUES

February 22, 1999

	<u>Issues Awaiting Other “Collateral” Decisions</u>	<u>Status</u>
1	Will Slice participants be given any credit for existing financial reserves when facing capital expenditures or capital investments?	Potential rate case issue, possibly requiring further discussions between customers and BPA.
2	How will Slice participants' net requirements entitlements be determined?	Consistently with the Block Partial Service product. Currently, the focus of internal BPA work. A decision to be made by the end of 2/99. Decisions will be inserted into Slice Contracts without further discussion by Slice negotiators.
3	What 2001-2006 inventory solution costs will the Slice participants be responsible for?	Inventory solution numbers for the 2001-2006 period will be provided in the upcoming rate case and no further discussion is necessary.
4	What post-2006 inventory solution costs will the Slice participants be responsible for?	BPA stated that Slice participants would be treated as other long-term (10 years or longer) Subscription contract signers will be treated, being contractually guaranteed power at the 'lowest applicable cost-based rate,' as consistent with the Subscription strategy. BPA is not sure what forum will address this issue, but in any case, the inventory solution numbers for the post 2006 period will be developed in the associated rate case.
5	What important transmission issues have emerged?	Further discussions between TBL and the customers are needed to resolve the no POI ruling and whether there can be a transmission tariff that accommodates the Slice product. BPA will allow for the Slice participant to terminate the Slice contract and convert to another Subscription product should there be no transmission service available for the Slice product.
6	How will revenues collected by the PBL through transmission surcharges by the TBL be handled, so that the Slice participants aren't charged twice?	The revenue raised through transmission surcharges levied by the TBL should be credited towards PBL's total revenue requirement and reflected in the Slice participant's true-up adjustment. Repayment to TBL, if any, should be included in PBL's total revenue requirement and Slice participants will pay their proportionate share.
7	Will customers be allowed to purchase Slice in the post-Subscription period?	No, Slice may only be purchased during limited offerings and only to the extent offered by BPA.

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	<u>Issues requiring further Slice discussion</u>	<u>Status</u>
1	Will the Slice product be characterized as a bundled requirements product that includes an advanced sale of surplus power, or as only surplus power product?	Many customers believe that Slice is better characterized as a total surplus product (it fits better from a legal perspective) and may provide comment to that effect. BPA will continue to view Slice as a bundled requirements product that includes an advanced sale of surplus power until a policy change is indicated.
2	How will BPA treat a customer's (significant) load loss that causes the customer's net requirement to drop below the requirements portion of Slice? Is BPA applying the same standards to Slice that it applies to other subscription products?	Provisions for load loss will parallel the treatment under the Block Partial Service product. BPA will determine, on an annual average planning basis, the excess requirements portion of Slice (if any) that can not be converted to surplus. BPA will withhold and resell the unconverted excess (crediting back the amount received by PBL from the sale of the energy less any BPA re-marketing fees). The energy withheld will be in the same monthly shape as the Slice entitlement (with 100% load factor).
3	Will joint management of Slice entitlements be allowed?	Only to the extent of allowing scheduling agents.
	<u>Implementation Issues</u>	<u>Status</u>
1	How will Slice entitlement and storage accounting methodology be determined?	BPA will reflect the general concepts in the final product description and recognize that flexibility will be needed to allow changes as we learn from the set up stage.
2	How are scheduling details to be developed?	Through the set-up process.
3	How will Slice participants pay for Slice development and implementation costs?	Side agreements with the customers will be developed to pay for all implementation and set-up costs.

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	<u>Issues requiring further info from BPA</u>	<u>Status</u>
1	What obligations does PBL have to TBL and which of those will be treated as system obligations?	A detailed list is being developed by BPA and will be included in the Slice contract.
2	Can Slice participants self-provide reserves from their Slice entitlements?	This is an ongoing issue that TBL is considering. Currently, the customers are not allowed (by current TBL interpretation) to self provide reserves from the Slice entitlement. However, treating reserves as a System Obligation would automatically provide reserves for the customer's Slice deliveries. This "embedded" reserve treatment is currently allowed by TBL. In the Product Description, PBL is retaining the right, based on economics, to treat reserves as a System Obligation or make the Participant responsible for acquiring reserves for their Slice share.
3	After a final accounting methodology has been determined, what types of data will BPA provide to the Slice participants?	This is dependent on how the Slice entitlement and storage accounting are done. The general concept that the data needed by the customer to make Slice usable will be provided on a frequent basis will be reflected in the final product description with a recognition that some flexibility will be maintained to allow changes as the methodology is finalized.
4	Can Slice participants combine their Slice with only a flat annual block, or are monthly shaped block purchases allowed as well?	Yes, monthly shaped block purchases may be combined as well, but no Factoring, Capacity or any other staple-on product that shapes the block can be used. These shaping products can, however, be purchased from PBL at market prices outside Subscription.
5	Can Slice Participants purchase blocks in future Subscription periods to cover load growth?	Yes, but only flat or shaped monthly blocks. No Factoring, Capacity or any other staple-on product that shapes the block can be used. These shaping products can, however, be purchased from PBL at market prices outside Subscription. These blocks would not be guaranteed to be at the lowest PF rate, though. The Participant would pay whatever the applicable PF rate is at the time the purchase is made.

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	<u>Loose Ends</u>	<u>Status</u>
1	What provision will be included to protect Slice participants if the Slice contract is invalidated by a court?	The participant will have a right to terminate the Slice contract and convert to other subscription products as negotiated by the parties.
2	What is the definition of Public Purpose Resource Acquisition?	To be defined in the contract drafting phase.
3	If the buy back provision remains, what contracts are included in utilities' native firm load, what parts of buy back can subject to the dispute resolution process, and is buy back consistent with the rest of the contract?	The Buy Back provision has been eliminated. In its place is the recognition that BPA may use any idle portion of the FCRPS without adjustment of the Slice payment and provision for load loss (see #2 under <u>Issues requiring further Slice discussion</u>)
4	How will the customer's "dry hole" concerns be addressed?	BPA would be willing to include a provision that if requested to do so, BPA will acquire additional power if the customer covers the total purchase costs.
5	Will further details be provided on the true-up process?	Yes, to be defined in the contract drafting phase.
6	What will the general contract provisions include, in particular, will more details be specified about the Contract Implementation Group (CIG)?	Yes, more detail will be provided on the CIG. In general the standard Subscription provisions will be used to the greatest extent possible. Although some changes may be needed due to the unique nature of Slice.
7	How will the dispute resolution process be laid out?	Technical details to be defined in the contract drafting phase. In general we will specify the items subject to dispute resolution, the rest are not subject to it (like system operations decisions)
8	Can Slice be purchased to serve new or annexed public loads?	The Slice product design assumes that customers would not serve new or annexed loads with Slice. The pricing construct in Slice has no way to deal with the possibility that the cost of serving the new or annexed load may exceed the planned revenue recovery of BPA for these new costs in a melded rate. If the customer wishes to use Slice to serve these new or annexed loads, BPA might have to modify the Slice product to provide treatment similar to the Block product.