

Case 1: Initial Proposal Data, No SN CRAC

ENW Refinancing Proceeds w/ '06 Repayment: \$100M
 First Round Cost Cuts: \$70M
 Further Cost Cuts: \$170M
 IOU Deferrals: \$165M (Assumes Restructuring)
 Higher MAF: \$23M
 Higher Secondary Rev. from 4h10C and Higher Prices: \$75M
 Further Reductions (IOU Litigation Settlement): \$201M (LB)
Implement SN October 1, 2003

Bold Represents Items Included for Each Case

	Scenario 1	Scenario 2	Scenario 3
Metrics	Average of worst 500 games Low Water, Low Secondary Prices	Average of 3000 Games Avg. Water, Avg. Secondary Prices	Average of best 500 games High Water, High Secondary Prices
Treasury Payment Probability	0.00%	2.73%	16.20%
Treasury Recovery Probability	0.00%	5.47%	31.60%
Net Revenue	-1530.6	-929.7	-355.8
Total Rates (3yr Avg) LB+FB	41.86%	41.80%	41.54%

Case 2: Add in IOU Settlement, Reduction in LB CRAC

ENW Refinancing Proceeds w/ '06 Repayment: \$100M

First Round Cost Cuts: \$70M

Further Cost Cuts: \$170M

IOU Deferrals: \$165M (Assumes Restructuring)

Higher MAF: \$23M

Higher Secondary Rev. from 4h10C and Higher Prices: \$75M

Further Reductions (IOU Litigation Settlement): \$201M (LB)

Implement SN October 1, 2003

Bold Represents Items Included for Each Case

	Scenario 1	Scenario 2	Scenario 3
Metrics	Average of worst 500 games Low Water, Low Secondary Prices	Average of 3000 Games Avg. Water, Avg. Secondary Prices	Average of best 500 games High Water, High Secondary Prices
Treasury Payment Probability	0.00%	2.73%	16.20%
Treasury Recovery Probability	0.00%	5.47%	31.60%
Net Revenue	-1530.6	-929.7	-355.8
Total Rates (3yr Avg) LB+FB	36.56%	36.50%	36.24%
SN CRAC Added to Meet TPP/TRP Criteria			
Treasury Payment Probability	1.00%	59.03%	97.00%
Treasury Recovery Probability	3.20%	80.50%	100.00%
SN CRAC Avg p/year	340	340	340
SN CRAC Rate (3 yr Avg)	29.59%	29.59%	29.59%
Total Rates (3yr Avg) LB+FB+SN	66.15%	63.68%	60.57%
Rate Increase over FY03 Levels	13.66%	11.97%	9.85%

Case 3: Add in \$98M in 2003 Reflecting Higher MAF, 4h10C and Prices

ENW Refinancing Proceeds w/ '06 Repayment: \$100M

First Round Cost Cuts: \$70M

Further Cost Cuts: \$170M

IOU Deferrals: \$165M (Assumes Restructuring)

Higher MAF: \$23M

Higher Secondary Rev. from 4h10C and Higher Prices: \$75M

Further Reductions (IOU Litigation Settlement): \$201M (LB)

Implement SN October 1, 2003

Bold Represents Items Included for Each Case

	Scenario 1	Scenario 2	Scenario 3
Metrics	Average of worst 500 games Low Water, Low Secondary Prices	Average of 3000 Games Avg. Water, Avg. Secondary Prices	Average of best 500 games High Water, High Secondary Prices
Treasury Payment Probability	0.00%	5.00%	32.80%
Treasury Recovery Probability	0.00%	8.43%	52.00%
Net Revenue	-1432.6	-834.2	-271.5
Total Rates (3yr Avg) LB+FB	36.56%	36.41%	35.74%
SN CRAC Added to Meet TPP/TRP Criteria			
Treasury Payment Probability	2.40%	68.03%	99.20%
Treasury Recovery Probability	5.80%	81.60%	100.00%
SN CRAC Avg p/year	310	310	310
SN CRAC Rate (3 yr Avg)	26.98%	26.98%	26.98%
Total Rates (3yr Avg) LB+FB+SN	63.53%	60.55%	57.36%
Rate Increase over FY03 Levels	11.87%	9.83%	7.65%

Case 4: Add in Settlement of the \$55M/year (Requires Restructuring)

ENW Refinancing Proceeds w/ '06 Repayment: \$100M

First Round Cost Cuts: \$70M

Further Cost Cuts: \$170M

IOU Deferrals: \$165M (Assumes Restructuring)

Higher MAF: \$23M

Higher Secondary Rev. from 4h10C and Higher Prices: \$75M

Further Reductions (IOU Litigation Settlement): \$201M (LB)

Implement SN October 1, 2003

Bold Represents Items Included for Each Case

	Scenario 1	Scenario 2	Scenario 3
Metrics	Average of worst 500 games Low Water, Low Secondary Prices	Average of 3000 Games Avg. Water, Avg. Secondary Prices	Average of best 500 games High Water, High Secondary Prices
Treasury Payment Probability	0.00%	11.63%	58.80%
Treasury Recovery Probability	0.00%	17.80%	88.00%
Net Revenue	-1212.7	-621.9	-88.9
Total Rates (3yr Avg) LB+FB	36.56%	36.13%	34.36%
SN CRAC Added to Meet TPP/TRP Criteria			
Treasury Payment Probability	1.80%	66.83%	99.20%
Treasury Recovery Probability	3.80%	80.00%	100.00%
SN CRAC Avg p/year	250	250	250
SN CRAC Rate (3 yr Avg)	21.76%	21.76%	21.76%
Total Rates (3yr Avg) LB+FB+SN	58.28%	54.88%	51.69%
Rate Increase over FY03 Levels	8.28%	5.95%	3.77%

Case 5: Add in \$170M in Further Cost Cuts

ENW Refinancing Proceeds w/ '06 Repayment: \$100M

First Round Cost Cuts: \$70M

Further Cost Cuts: \$170M

IOU Deferrals: \$165M (Assumes Restructuring)

Higher MAF: \$23M

Higher Secondary Rev. from 4h10C and Higher Prices: \$75M

Further Reductions (IOU Litigation Settlement): \$201M (LB)

Implement SN October 1, 2003

Bold Represents Items Included for Each Case

	Scenario 1	Scenario 2	Scenario 3
Metrics	Average of worst 500 games Low Water, Low Secondary Prices	Average of 3000 Games Avg. Water, Avg. Secondary Prices	Average of best 500 games High Water, High Secondary Prices
Treasury Payment Probability	0.00%	23.07%	84.20%
Treasury Recovery Probability	0.00%	31.17%	99.40%
Net Revenue	-1042.7	-463.7	41.0
Total Rates (3yr Avg) LB+FB	36.56%	35.70%	32.90%
SN CRAC Added to Meet TPP/TRP Criteria			
Treasury Payment Probability	4.00%	70.00%	100.00%
Treasury Recovery Probability	7.60%	81.43%	100.00%
SN CRAC Avg p/year	200	200	200
SN CRAC Rate (3 yr Avg)	17.41%	17.41%	17.41%
Total Rates (3yr Avg) LB+FB+SN	53.89%	50.25%	47.07%
Rate Increase over FY03 Levels	5.27%	2.79%	0.61%

Case 6: Add in \$70M of "First Round" Cost Cuts

ENW Refinancing Proceeds w/ '06 Repayment: \$100M

First Round Cost Cuts: \$70M

Further Cost Cuts: \$170M

IOU Deferrals: \$165M (Assumes Restructuring)

Higher MAF: \$23M

Higher Secondary Rev. from 4h10C and Higher Prices: \$75M

Further Reductions (IOU Litigation Settlement): \$201M (LB)

Implement SN October 1, 2003

Bold Represents Items Included for Each Case

	Scenario 1	Scenario 2	Scenario 3
Metrics	Average of worst 500 games Low Water, Low Secondary Prices	Average of 3000 Games Avg. Water, Avg. Secondary Prices	Average of best 500 games High Water, High Secondary Prices
Treasury Payment Probability	0.00%	29.10%	89.80%
Treasury Recovery Probability	0.00%	38.40%	100.00%
Net Revenue	-972.7	-400.5	94.0
Total Rates (3yr Avg) LB+FB	36.56%	35.45%	32.27%
SN CRAC Added to Meet TPP/TRP Criteria			
Treasury Payment Probability	2.60%	69.80%	100.00%
Treasury Recovery Probability	5.20%	80.50%	100.00%
SN CRAC Avg p/year	170	170	170
SN CRAC Rate (3 yr Avg)	14.80%	14.80%	14.80%
Total Rates (3yr Avg) LB+FB+SN	51.29%	47.69%	44.44%
Rate Increase over FY03 Levels	3.49%	1.03%	-1.19%

Case 7: Add in ENW Refinancing Proceeds w/ '06 Repayment: \$100M

ENW Refinancing Proceeds w/ '06 Repayment: \$100M

First Round Cost Cuts: \$70M

Further Cost Cuts: \$170M

IOU Deferrals: \$165M (Assumes Restructuring)

Higher MAF: \$23M

Higher Secondary Rev. from 4h10C and Higher Prices: \$75M

Further Reductions (IOU Litigation Settlement): \$201M (LB)

Implement SN October 1, 2003

Bold Represents Items Included for Each Case

	Scenario 1	Scenario 2	Scenario 3
Metrics	Average of worst 500 games Low Water, Low Secondary Prices	Average of 3000 Games Avg. Water, Avg. Secondary Prices	Average of best 500 games High Water, High Secondary Prices
Treasury Payment Probability	0.00%	37.03%	98.80%
Treasury Recovery Probability	0.00%	40.07%	100.00%
Net Revenue	-972.7	-402.7	89.3
Total Rates (3yr Avg) LB+FB	36.56%	35.37%	32.10%

See Case 8 for SN CRAC Calculations

Case 8: Add in SN CRAC to meet TPP Criteria (50% TPP, 80% TRP) w/ Fixed SN of \$170M/yr

ENW Refinancing Proceeds w/ '06 Repayment: \$100M

First Round Cost Cuts: \$70M

Further Cost Cuts: \$170M

IOU Deferrals: \$165M (Assumes Restructuring)

Higher MAF: \$23M

Higher Secondary Rev. from 4h10C and Higher Prices: \$75M

Further Reductions (IOU Litigation Settlement): \$201M (LB)

Implement SN October 1, 2003

Bold Represents Items Included for Each Case

	Scenario 1	Scenario 2	Scenario 3
Metrics	Average of worst 500 games Low Water, Low Secondary Prices	Average of 3000 Games Avg. Water, Avg. Secondary Prices	Average of best 500 games High Water, High Secondary Prices
Treasury Payment Probability	6.60%	78.07%	100.00%
Treasury Recovery Probability	7.60%	81.37%	100.00%
Net Revenue	-465.1	36.3	530.4
Total Rates (3yr Avg) LB+FB+SN	51.27%	47.56%	44.37%
Rate Increase over FY03 Levels	3.48%	0.95%	-1.24%

Case 9: Initial Proposal w/ Fixed SN of \$370M/yr

ENW Refinancing Proceeds w/ '06 Repayment: \$100M

First Round Cost Cuts: \$70M

Further Cost Cuts: \$170M

IOU Deferrals: \$165M (Assumes Restructuring)

Higher MAF: \$23M

Higher Secondary Rev. from 4h10C and Higher Prices: \$75M

Further Reductions (IOU Litigation Settlement): \$201M (LB)

Implement SN October 1, 2003

Bold Represents Items Included for Each Case

	Scenario 1	Scenario 2	Scenario 3
Metrics	Average of worst 500 games Low Water, Low Secondary Prices	Average of 3000 Games Avg. Water, Avg. Secondary Prices	Average of best 500 games High Water, High Secondary Prices
Treasury Payment Probability	1.20%	55.33%	93.80%
Treasury Recovery Probability	8.00%	81.97%	100.00%
Net Revenue	-420.7	103.1	603.9
Total Rates (3yr Avg) LB+FB+SN	74.06%	71.18%	68.24%
Rate Increase over FY03 Levels	19.07%	17.10%	15.09%

Case 10: Initial Proposal w/ Variable Rate SN CRAC

ENW Refinancing Proceeds w/ '06 Repayment: \$100M

First Round Cost Cuts: \$70M

Further Cost Cuts: \$170M

IOU Deferrals: \$165M (Assumes Restructuring)

Higher MAF: \$23M

Higher Secondary Rev. from 4h10C and Higher Prices: \$75M

Further Reductions (IOU Litigation Settlement): \$201M (LB)

Implement SN October 1, 2003

Bold Represents Items Included for Each Case

	Scenario 1	Scenario 2	Scenario 3
Metrics	Average of worst 500 games Low Water, Low Secondary Prices	Average of 3000 Games Avg. Water, Avg. Secondary Prices	Average of best 500 games High Water, High Secondary Prices
Treasury Payment Probability	3.00%	50.07%	91.60%
Treasury Recovery Probability	39.40%	87.67%	100.00%
Net Revenue	-250.7	25.0	229.6
Total Rates (3yr Avg) LB+FB+SN	78.97%	69.02%	57.59%
Rate Increase over FY03 Levels	22.43%	15.63%	7.80%

What if we cancelled the SN CRAC process and all we get is \$100M cash "loan" in 2003?

Case 10a the raw results from these assumptions

Case 10b We assume a 40% SN CRAC starting April 1, 2004.*

Case 10c We ratchet the SN CRAC up to achieve a 50% TPP for 2004

Case 10d We ratchet the SN CRAC up to achieve the same 2004 TPP BPA's Initial Proposal achieves (56.1%)

* SN CRAC starting April 1, 2004 assumptions:

One-half year of revenue

1/6 of this revenue is for September, received as cash in October of the next fiscal year

2/3 of the revenue is from Net-Billed customers

Overall cash impact: we receive only 43.5% of the half-year SN CRAC revenue as cash in 2004

The currently-assumed deferral of \$55M in cash from '03 to post-06 goes away with SN CRAC

	'03 TPP	'04 TPP	'04 SN % 4-1 04	'04 SN Cash	Rate Inc. on 4-1-04**
Case 10a	96%	41%	0%	\$0M	-0.50%
Case 10b	96%	47%	40%	\$99M	28.6%
Case 10c	96%	50%	48%	\$120M	34.5%
Case 10da	96%	56.1%	62%	\$155M	44.5%

** Percentage by which typical Non-Slice rate rise on April 1st, 2004 compared to rates on March 1, 2004

This is $(SN2+LB2+FB+1.0)/(LB1+FB+1.0) - 1$

where SN2 = SN CRAC for 2nd half 04

LB2 = LB CRAC for 2nd half 04

LB1 = LB CRAC for 1st half 04

FB = exp. val. FB CRAC for 04

LB CRAC is assumed to drop .5% for 2nd half 04