

<i>Customized Product</i>	<i>Slice of System</i>
General	<p>The Slice of System product is available to PNW public preference purchasers that have a Northwest Power Act Section 5(b)(1) regional net firm requirements load. This product provides firm power, based a calculated percentage share of the capability of specified Federal System Resources, including actual energy generation (firm and secondary) and storage capability. This product is provided by schedule. If requested by the purchaser, BPA will work with the purchaser to explore ways to provide the product by dynamic signal.</p> <p>A more detailed description of this product is attached.</p>
Purchase Period	The purchase period is 10-20 years with no off-ramps, beginning October 1, 2001.
Transmission and Ancillary Services	Transmission and Ancillary Services are not included with this product.
Amount & Shape	At the beginning of the contract, BPA and the purchaser will establish the firm resources and the net firm requirements load of the purchaser on an average annual megawatt basis for the contract term, consistent with methodologies used to determine firm net requirements load for purchasers of the Block Partial Service product. Actual power received will vary, depending on the power output of the Federal System Resources.
Load Growth	None.
Load Variations	None.
Resource Fluctuations	This product does not guarantee that purchaser load will be met on any hour, due to the fact that the sale is indexed to the generation from the Federal System Resources.

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Linkages	This product cannot be purchased in combination with Full Service or Actual Partial Products. This product can be purchased with the Block Partial Service Product with no Factoring, Capacity, or other staple-on option.
Basis for Payment	The cost of a Slice is based on a percentage share of a contractually determined annual revenue requirement, including a true-up mechanism.

SLICE PRODUCT

General

- This product is a bundled requirements and surplus power sale.
- This product includes the right to receive power indexed to the generation from certain specified Federal System Resources (System Resources).
- This product includes the right to modify the rate of delivery within the day, week, month, and year, based on indices that are tied to the then-existing minimum and maximum capabilities of the System Resources, after considering non-power requirements.
- BPA may withhold the requirements portion of Slice that is in excess of the customer's net firm requirements load, on an annual planning basis, to the extent necessary to assure service to BPA's other statutory or contractual commitments in the PNW.
- This product includes an obligation to pay a percentage share of BPA's revenue requirements without credit for secondary sales.
- The purchaser will assume the performance risks for its share of the Federal System Resources.
- BPA will be released from any BPA obligation to serve purchaser's load that is not met by the combination of Slice, other firm purchases from BPA, and the purchaser's own resources.
- A set-up and testing period is required before 10/1/01 in order to test the implementation of Slice.

Term

- The term is 10 to 20 years.
- There are no off-ramps.
- A Slice purchase will not affect purchaser's rights to purchase BPA power after the Slice contract terminates.

Eligibility to Purchase

- All Subscribers will be PNW Public Preference purchasers that have a Northwest Power Act Section 5(b)(1) regional net firm requirements load.
- The firm portion of Slice sold in Subscription would be used to serve net firm requirements load (total retail firm load minus customer declared resources).
- Slice contracts will establish a percentage amount for the contract term that cannot exceed the net firm requirements load. The net firm requirements load will be determined in the same manner as the Block Partial Service product.
- Net requirements rights would be mapped to Federal System firm resource capability,

yielding a Slice percentage. Firm portions of Slice would count against net requirements eligibility.

- Slice will not be available after the Subscription window closes.
- Slice percentages will not be adjusted for load growth (no remapping).
- Slice percentages will not be adjusted for decreases in Federal System firm resource capability (no remapping).
- Potential Slice purchasers will be required to pay set-up and implementation costs of the Slice.

Product Received

- The Slice entitlement is calculated using an index based on the output of System Resources, including both firm and secondary energy.
- The maximum and minimum rates of delivery are based on a proportionate share of the flexibilities of the System Resources between the minimum and maximum operating requirements. Slice purchasers would be kept informed of the minimum and maximum operating requirements by BPA.
- Slice energy will be scheduled via traditional prescheduling procedures. The possibility of receiving Slice by dynamic signal will be considered by BPA.
- The product allows the customer to vary energy delivered during a day, or between days, weeks, or months within the minimum and maximum operating constraints.
- Deviations of actual take from purchaser's right to generation based on passing of inflow would be posted daily to a storage account.
- The storage account will be zeroed out when System Resources reach physical limits (storage is non-guaranteed).
- Hour-ahead changes in the amount to be taken will be permitted (preschedule change rights).
- BPA will be relieved of its obligation to serve a Slice purchaser's net firm requirements load.
- There will be no protection against required spill.

Linkages

- The only core Subscription product with which the Slice product can be combined is the Block Partial Service product. The Factoring, Capacity, or other staple-on products will not be available.

Costs to Purchasers

- Slice purchasers will pay a corresponding percentage of BPA's PBL revenue requirement without adjustment for secondary revenue credits, and which excludes:
 1. Costs of transmitting Slice power to the purchaser (other than those associated with the fulfillment of System Obligations);
 2. Power purchase costs (with the exception of those net costs incurred as part of the Inventory Solution); and
 3. Net Revenues for Risk.

- Responsibilities of the Slice purchasers will include their percentage share of all remaining PBL line item revenue requirements including, but not limited to:
 1. Generation integration;
 2. Treasury and WPPSS bonds;
 3. Residential/small farm exchange costs if they are a continuing Federal system obligation;
 4. All personnel and overhead costs for the PBL, including marketing, ratemaking, billing, and contract administration;
 5. General Transfer Agreement costs;
 6. Service and Exchange agreements;
 7. Costs of transmission of Canadian Entitlement return and the costs of transmission to support other Federal system obligations such as operational agreements;
 8. Net costs of relieving the expected FCRPS inventory constraint resulting from Subscription, including resource acquisitions and short-term purchases, if necessary, but not including future inventory constraints such as those from load growth;
 9. Environmental investments (some conservation and renewable resource costs);
 10. Other public purposes;
 11. Stranded costs (same treatment as other Subscription purchasers);
 12. Costs of using financial reserves as a substitute for reduced generating capability, to meet public purposes or fish mitigation;
- Slice purchasers will pay all costs of implementing Slice, including set-up costs.
- Slice purchasers will have no direct influence or control over budget, investment, cost allocations, and marketing decisions. Those actions would continue to be taken per normal BPA practice.

Risks and Cost Shifts

- Slice purchasers assume a proportionate share of the risks of the FCRPS.
- Slice is designed to produce no cost shifts between Slice purchasers and other BPA customers.

Basis for Payment

- The cost of a Slice share is based on a percentage share of a contractually determined revenue requirement.
- Slice purchasers are responsible for their proportionate share of BPA's actual costs. There will be true-ups to reflect actual BPA cost overruns or underruns, or extraordinary costs of generating units ("acts of God").
- There will be no credits from BPA's marketing revenues.

Resources Included/Excluded

- Included are Federal System hydro and thermal resources committed prior to the 1998-99 Operating Year (less Canadian Entitlement, Hourly Coordination, PNCA, Non-Treaty Storage, Biological Opinion, and TBL obligations).
- Included are long-term BPA power purchases committed prior to the 1998-99 Operating Year.
- Included are public purpose resource acquisitions.
- Excluded are resources acquired for specific customers under other agreements.
- Excluded are short-term purchases.

Transmission

- Transmission is not included. The purchaser obtains its own transmission for delivery of Slice to its system.

Generation Reserves

- The customer is responsible for generation reserves to meet reliability standards.

Scheduling and Accounting

- Use of storage is accounted for daily in a “storage account.”
- Scheduling and accounting provisions will be established by contract.
- BPA may adjust the rate of power deliveries to reflect actual operating constraints on the FCRPS.
- Slice will be available by preschedule. Further negotiations may allow Slice to be made available by dynamic signal.

Operations/Management Influence

- Federal agencies will make decisions on non-power requirements and operations of the FCRPS.
- The purchaser would have no authority in river management, investment, or other management decisions.

Forecast and Data Needs

- Forecasted Constraints and Data Supplied by BPA to the Slice purchaser (the items identified and timing which data is to be provided may be altered based on changes to the accounting methods):

<u>Item</u>	<u>Within Day</u>	<u>Next Day</u>	<u>Next Week</u>
1. Maximum rate of delivery (MW)	next hour	yes	no
2. Minimum rate of delivery (MW)	next hour	yes	no
3. Maximum rate of change (MW/Hr)	next hour	yes	no
4. Maximum HLH energy delivery for the day (for sustained peaking capability) (MWh)	Yes	yes	yes
5. Maximum upward storage deviation (MWh)	Yes	yes	yes
6. Maximum downward storage deviation (MWh)	Yes	yes	yes
7. Estimated FCRPS generation from natural flows (MWh) (assuming no storage draft)	Yes	yes	yes
8. Formal and periodic updates on characteristics of non-power constraints, similar to what BPA now provides to PNCA Parties <ul style="list-style-type: none"> ▪ Items 4 and 5 are cumulative over 24 hours. ▪ Information provided for the next week is expressed in terms of average for heavy load hours or daily averages (as appropriate). 			

- BPA will provide 50-year hydro studies for the following month through the end of the operating year for Slice purchasers to estimate the maximum and minimum storage capability of the FCRPS under varying water conditions.
- BPA will provide to each purchaser its after-the-fact storage account balances.
- Forecasted Data Supplied by the Slice purchaser to BPA: Best estimate of purchaser's expected hourly Slice take will be provided to BPA for the next day.

Dispute Resolution

- A Contract Implementation Group will be the first forum for disputes among parties.
- Mediation is available for any dispute.
- Binding arbitration is available for certain specific topics, not including operational decisions.