

Option 1. Contract Change

Conceptual Language for all Prototype Contracts:

The Prototype Contracts would no longer guarantee that the 2002 rates wouldn't change during their term.

New contract language would address the following:

Rate Revisions. Allow the 2002 rates to be revised during their term.

Timing. Establish time limitations, if any, on when rates could be revised

Which 2002 Rate? Only the 5-year level rates would be offered.

Slice Augmentation. Enable the augmentation price included in Slice payments to change if 2002 rates are revised.

■ Option 2 (mini 7(i)): CRAC Redesign/Slice Fix

Op-tion	Description	Threshold (millions)	Annual Cap†	Fre-quency	\$Ave/ year†	\$Ave/ CRAC†	TPP††
0	Rate Case (RC) (August 9 Analysis)	\$420	\$147/1.8	22%	\$26/.4	\$115/1.9	62.9%
1a	RC design, Super CRAC, Slice fix	\$800	\$800/10	27%	\$84/1.4	\$304/5.0	80.0%
1b	RC design, Superlite CRAC; Slice fix	\$950	\$328/4.1	37%	\$71/1.2	\$192/3.2	80.1%
2a	Forecasted ER*, Super CRAC; Slice fix	\$680	\$680/8.5	23%	\$67/1.1	\$291/4.9	79.8%
2b	Forecasted ER, Superlite CRAC; Slice fix	\$800	\$380/4.7	28%	\$61/1.0	\$250/4.2	79.9%
2c	Forecasted ER, Superlittest CRAC; Slice fix	\$950	\$264/3.3	37%	\$61/1.0	\$164/2.7	80.0%
3	Ratchet** (surcharge-like CRAC)						88%
4	5-year TPP trigger***						88%

Actual pattern of CRAC parameters: Threshold = 300, 300, 500, 500, 500; Cap = 125, 135, 150, 150.

† First number is \$ millions; second is mills.

†† TPP = Treasury Payment Probability

* ER = End of Year Reserves

** CRAC raises rates for all remaining years in period; rate can't come down (DDC can trigger, though).

***5-year TPP test run each year; if >88%, DDC; if <80%, CRAC.