

FINANCIAL SUBGROUP FOR SLICE PRODUCT REVIEW
Notes from September 29, 2005 Meeting

1. Financial Team Members. All team members have been identified.

2. Waivers. Waivers have not been executed yet. Issues discussed in mediation are under a confidentiality agreement and cannot be discussed until the waivers are executed. To avoid confusion about which topics can be discussed, there will be attachments of items that can be discussed. Waivers should be executed shortly (once attachments are finalized) and be in place before our next meeting.

3. Revenue Requirement Questions. Kevin had some questions for Byrne regarding cash to accrual issues. Kevin suggested that we adjust rate periods going forward, but don't try to equate it to cash. Although we can true-up the cost over/under recovery in the next rate case, BPA must break even on a cash basis in order to make the Treasury payment. Since we were unable to discuss this issue in detail, we will address it at the next meeting (when waivers are in place).

4. Follow-up to Issues from 9/20/05 Financial Subgroup Meeting.

(a) *Reserves for customer classes.* The discussion should include both past and future reserves.

(b) *Rates language in Slice contracts.* When adopted, rates are an administrative rule. They govern over contracts. BPA is obligated to conduct rate-making through public process and not through contract negotiation. BPA's goal is to not put pricing language in contracts. The rate methodology will not be discussed in the contracts, but the existence of it will be. The product being sold will be defined in the contract and the pricing mechanism will depend on what you bought (rate adopted for that product).

(c) *Dispute Resolution Rights* - to be handled outside our group.

(d) *Administrative Costs.* Kevin wanted support for the concern that the Slice product is causing greater administrative burden to BPA that affects all customers.

Action Item: Kelly, Stephanie, & Carie are looking into this further, to see if it is an issue to be addressed.

(e) *Legal Concerns:* Issue paper mentions concern that flexibility is being used to a larger extent. Issues are: Did Slicers fail to deliver load? Are Slicers using flexibility to full extent? Does it appear to be going to trading hubs?

Action Item: Ted will get data to see if there is an existing problem and address concerns for future hindrances (concerns about what product was sold).

5. Discussion of Specific Issues. Please see attached document with Geoff Carr's flipchart notes. We will pick up with these issues for further discussion at the next meeting.

6. Next Meeting. Oct. 13, 2005, 1:00 – 4:00 p.m. in BPA Headquarters Room 614