

SLICE FINANCIAL SUBGROUP REPORT

November 16, 2005

GOALS OF THE SLICE FINANCIAL SUBGROUP

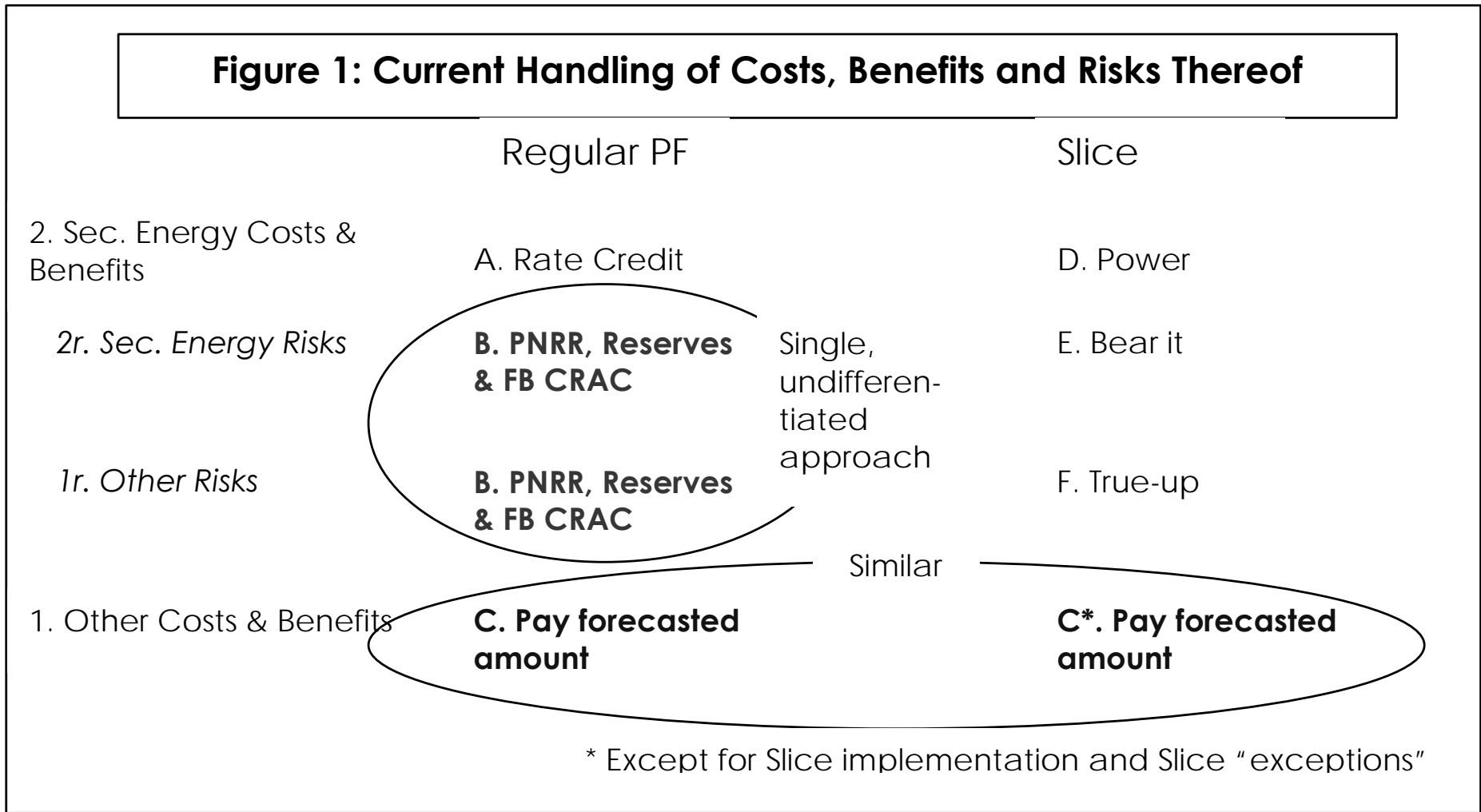
- **Achieve alignment of non-Slice and Slice customers with regard to BPA power pricing and risk mitigation.**
- **Reduce or eliminate tension between non-Slice and Slice customers associated with the current CRACs and Slice True-Ups.**
- **Develop new rate and risk mitigation approaches that properly include those costs that need to be paid for by all power customers and those that are separately assignable to non-Slice and Slice customers.**
- **Develop new rate and risk mitigation approaches such that future Power Product selection is not strongly influenced by the pricing mechanisms of the product, but rather the attributes desired by the customers.**

WHERE WE GO FROM HERE

- **These concepts should be a part of the Regional Dialogue discussions of the long-term rate methodology.**
- **However, any agreements between customers and BPA on these matters should not predetermine issues of rate design and risk mitigation that should be left to the 2012 rate case either because that is the proper forum or because additional time for consideration could lead to improvements that are better for at least some parties and worse for none.**

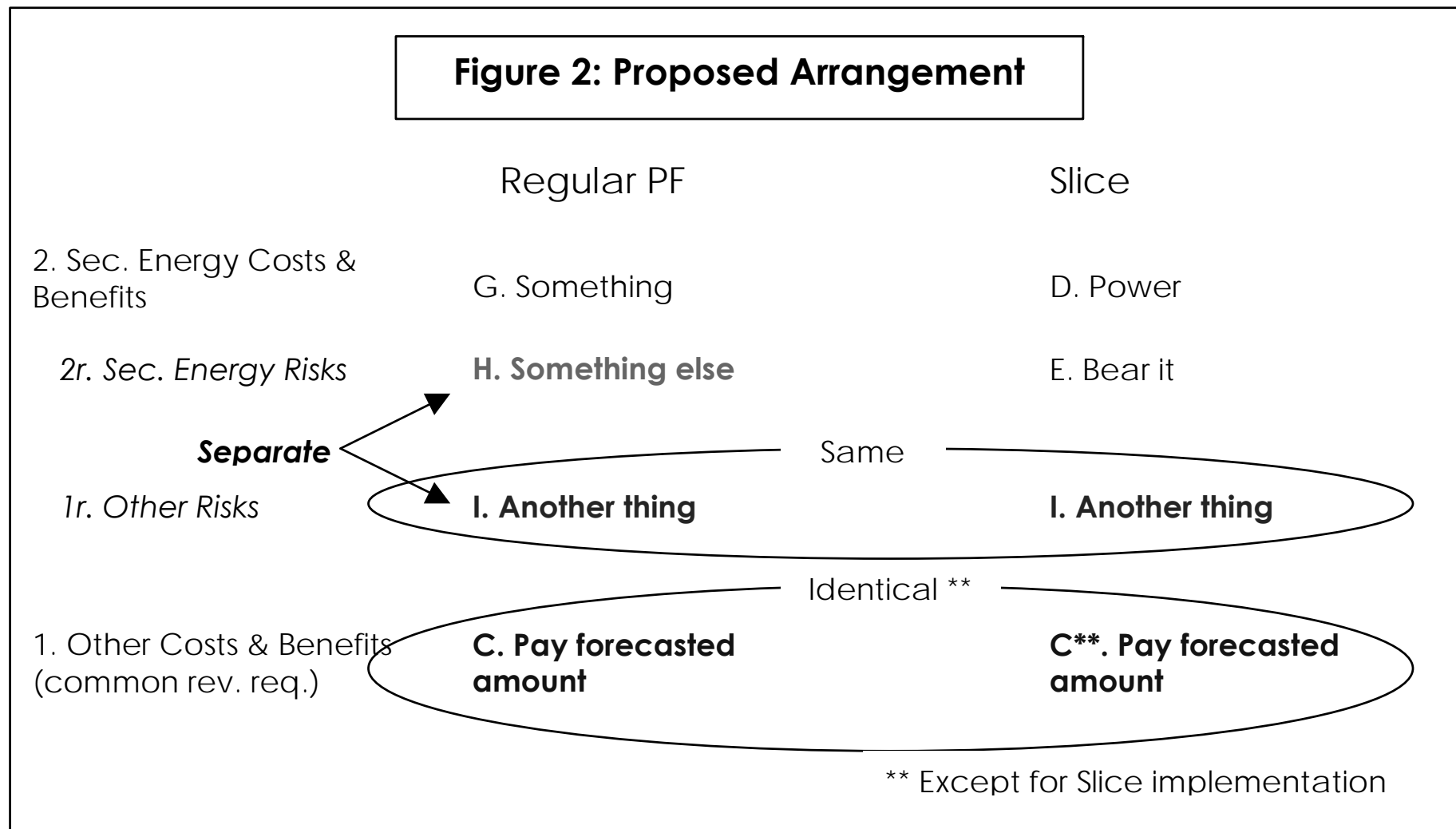
CURRENT SITUATION

Figure 1: Current Handling of Costs, Benefits and Risks Thereof



FUTURE SITUATION

Figure 2: Proposed Arrangement



MECHANISMS TO DEAL WITH RISKS

- **Possible ways to deal with non-secondary sales risks that are common to both Slice and non-Slice customers are Expense CRACs, True-Ups, or reserves until next rate case, a common device for both sets of products.**
- **Possible mechanisms to deal with non-Slice secondary sales and other risks include reserves, CRACs, DDCs, hydro surcharges, net secondary rebates.**