

Exhibit N Public Meeting

August 2, 2006



Exhibit N Implementation

The purpose of today's discussion is to share information regarding BPA's implementation of Exhibit N in the Slice contract because BPA's actions will affect some customers who purchase Slice and customers who purchase non-Slice products.



Exhibit N Description

Exhibit N allows BPA to purchase Excess Requirements Energy at a weighted average firm power rate from Slice customers if BPA has a requirement load deficit, according to an Exhibit N calculation of BPA surplus or deficit condition.



Description of Situation

- BPA is showing a load deficit according to Exhibit N calculations.
- BPA has not purchased all of the augmentation power it needs for FY 2007.
- BPA estimates that there could be as much as 40 – 75 aMW of Excess Requirements Energy (ERE) available for repurchase from Slice customers in FY 2007.
- BPA won't know the exact amount of ERE available until Sept. 1, 2006.
- The value to *BPA* and its customers of purchasing ERE for augmentation could range from \$8 million to \$31 million, depending on market price levels.



Issue For Discussion

Why does BPA purchase of ERE from Slice customers through Exhibit N make sense?

Factors for consideration:

- BPA needs to purchase augmentation power for FY 2007.
- Rates for non-Slice products will benefit, due to BPA's purchase of ERE.
- Exercising Exhibit N provisions ensure the legal defensibility of the Slice product.
- Slice customers return only their requirements energy that is in excess of their load, and not the associated surplus power.
- Slice customers' return of requirements energy is only for one year, and reevaluated at the beginning of the next year.



Process Moving Forward

BPA will evaluate the input received from customers and inform them on purchasing ERE on or before September 1, 2006.

