



Department of Energy

Bonneville Power Administration
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GENERAL COUNSEL

November 27, 2006

In reply refer to: L-7

To parties interested in the settlement of outstanding Slice product litigation:

The U.S. Department of Justice has approved, and the Bonneville Power Administration (BPA) Administrator has signed, a settlement agreement between BPA, the Slice customers, and the Northwest Requirements Utilities representing a consortium of publicly owned utilities that are non-Slice customers. The settlement agreement contains many components. It resolves all Slice true-up disputes for calendar years 2002-2005, resolves previously-disputed substantive issues in a way that will have precedential effect beyond 2005, provides for refunds to Slice customers in the form of credits to their bills, and includes a new dispute resolution provision and a Memorandum of Understanding regarding BPA's Debt Optimization Program.

A draft settlement agreement was reached in July 2006 and was then submitted to parties' various governing boards, as well as to the U.S. Department of Justice, for review and approval. In addition, BPA released the draft settlement agreement for public review and comments. BPA received no comments on the draft settlement agreement; it has now been executed without change by all parties.

The settlement agreement is a very important step forward in resolving the very complex substantive and jurisdictional issues that were before the Court. It removes concerns voiced in the litigation regarding cost shifts, and it addresses and resolves the underlying issues that spawned the litigation. It is designed to promote more harmony, improved communications and a better business relationship between the parties in the future and it will positively assist future offerings of the product. Additional information on this settlement is available on the BPA Web site at <http://www.bpa.gov/Power/PSP/products/slice/announcements.shtml>.

If you have any questions, please contact your Power Account Executive, Constituent Account Executive, Tribal Account Executive, me or Tom Miller in the Office of General Counsel at (503) 230-4201.

Sincerely,

/s/ Randy Roach

Randy Roach
General Counsel