



October 18, 1999

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Allen Burns, Marketing Vice President,
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Dear Allen:

I was not able to attend the October 15, 1999 slice meeting in Portland due to a scheduling conflict with local business needs. I do want to let you know some of my feelings on the slice product. When the subscription process began over a year ago, I never imagined Franklin PUD would be interested in this product. Now it seems, it is the only viable product that BPA has come up with that allows Franklin PUD to be responsive to our customers. We want to be responsive to our customers in the changing energy market and, as I see it, being a full or partial requirements customer of BPA doesn't provide us enough flexibility to do this.

I want to commend BPA and its slice negotiating team for tackling many challenges with a positive, problem-solving attitude. They have been open and receptive to alternative suggestions and approaches to resolving problems, which has speeded up the implementation process. The contract to implement slice is well on its way to completion and looks as if it should be completed on schedule. I urge you to continue to make the decisions that will implement slice in a manner that offers us a commercially useful product that doesn't shift costs to other customers.

The basic premise of slice is that the customers get a power supply based on the actual power production of the FBS generation just as BPA does, and it is up to the customer to manage the variable power supply to serve loads. Given the way slice is constructed, it is inequitable to ask the slice purchasers to bear the costs of their own shaping and load growth costs and then pay the costs of BPA purchases to serve other loads. In the spirit of compromise to help finalize Subscription, the slice purchasers agreed to pay a portion of the net costs of the inventory solution for the next rate period. Slice purchasers shouldn't be asked to shoulder the power purchase costs of serving other customers (DSI's and IOU's) in the post 2006 period since they're already directly bearing these costs through the slice product.

We look forward to a swift conclusion to the negotiations of the remaining slice issues. Once again, thank you to Bonneville and the slice negotiating staff for their work on this product to make it useful to our customers and us.

Very truly yours,

A handwritten signature in black ink, appearing to read "Kenneth A. Sugden". The signature is fluid and cursive, with a large, stylized initial "K".

Kenneth A. Sugden
Manager

Ltr 99-268

THE POWER IS YOURS