

CON-077

October 8, 2008

Mr. Stephen J. Wright
Administrator and Chief Executive Officer
Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

Subject: Slice Product Subscription

Dear Steve:

In your October 1 letter, you stated that BPA would offer approximately 2,000 aMW of firm power as Slice to meet the relatively higher demand for the product. While we appreciate this modest increase, such an amount still does not allow interested customers in the aggregate to obtain even a 50/50 Slice-to-Block ratio. As a consequence, we continue to seek satisfactory resolution of our concerns about the amount of Slice BPA has offered under the Regional Dialogue Slice/Block Agreements.

BPA staff identifies real time scheduling uncertainty as the major reason for your reluctance to further increase the amount of Slice. In response, the Slice customers have explored different ways of addressing BPA's concern and have outlined the concept provided as attached for your consideration. We believe that this concept goes a long way to address operational uncertainty during critical events, and would allow for an additional increase in the amount of Slice sales BPA can offer.

We would like to ascertain whether there is BPA and customer support for adding a provision such as this in exchange for more Slice above the level you have recently determined to make available. Accordingly, we ask you to review this concept and let us know the results of your analysis, with an indication of how much additional Slice could be offered with the application of this provision.

If you can provide your assessment by tomorrow noon, we are prepared to respond before the end of the day as to the willingness of the Slice customer group to broadly agree to such a trade-off. Thank you for your continued efforts to bring this matter to a mutually agreeable resolution.

Sincerely,



Dick Helgeson
Slice CEO Committee Chair
On behalf of BPA Customers that submitted Slice Good Faith Estimates

Slice Customer Concept

October 8, 2008

Interested Slice Parties present the following concept for consideration to mitigate BPA's stated operating concerns regarding an additional increase in the amount of Slice to be made available.

No-Touch Concept

BPA would have the ability to declare a "No-Touch" hour in the event its real-time operators were facing significant capacity constraints on the Federal System (examples might include extreme weather events or other precarious system conditions). BPA would provide Slice customers with five hours advance notice of a No-Touch hour, and would have a maximum of twenty-four (24) No-Touch hours available for this purpose per contract year.

How it Works

Based on the assessment of BPA's real-time operator, BPA would have the ability to make a declaration for any hour that a capacity constraint was forecast, with such determination not needing to be substantiated by BPA. Any such declaration by BPA must be made to the Slice Customers no less than 5 hours prior to the start of the declared No-Touch Hour.

BPA would have the ability to declare consecutive hours as No-Touch hours. Twenty four (24) hours per contract year would be available to BPA as No-Touch hours. It is presumed that, given the circumstances and system conditions triggering these events, BPA will suspend its own sales activities for any such hours.

In the event BPA declares a No-Touch hour(s), the Slice Customers will adhere to the following conditions:

- Not increase their total Slice Output Energy Schedule for the No-Touch Hour(s) from the amount scheduled at the time of BPA's declaration, except as needed to: 1) meet their own firm native load; or 2) avoid a violation of Operating Constraints in the Simulator; and
- Not be required to curtail any sales during the No Touch Hour(s) that were already arranged prior to the time of BPA's notice and declaration.