SLICE - Potential Impact on BPA Short Term Marketing

1. BPA Purpose
   - "Public Benefits through Commercially Successful Businesses"
   - Short Term Marketing Revenues

2. Volatility of the Electricity Commodity Market
   - COB NYMEX Daily 1-year prices

3. Information about Hydro Ops = Big $$$
   - Coulee Drumgate Work
   - 89 Maf forecast

4. Potential Impacts of Providing Hydro Ops & Generation Forecasts

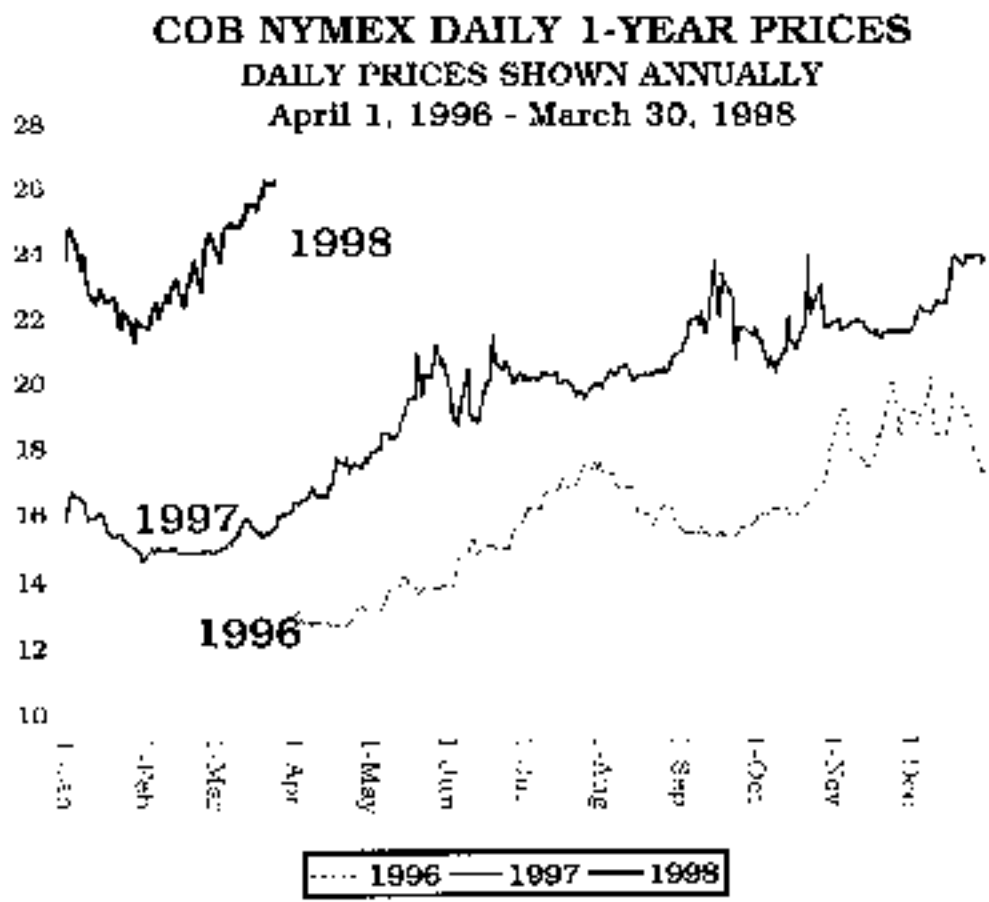
5. Alternatives to Cover Revenue Impacts
   - Raise PF price to all customers
   - Raise the price of the Slice Pro duct
   - Design the product so it does not require forecast information

BUSINESS SUCCESS

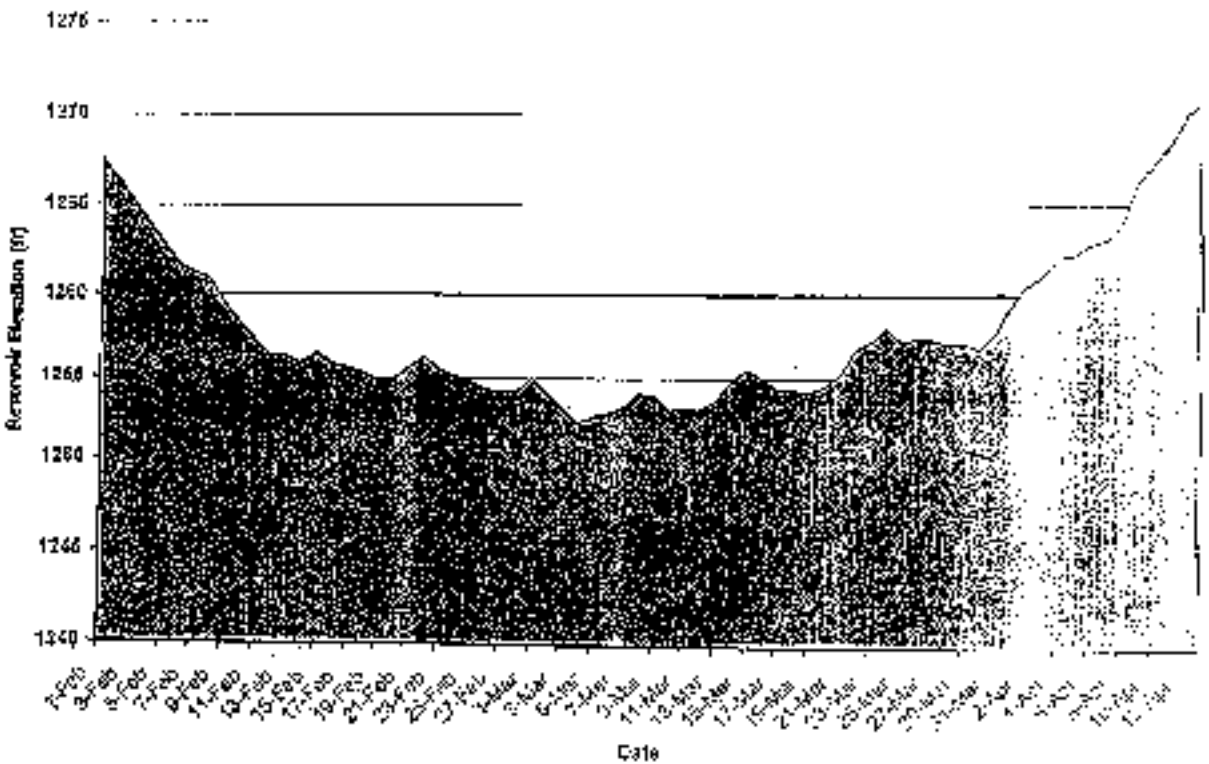
- Gross revenue = $2 billion

- Short Term revenue = $400-$500 million

- Net revenue = $50 million

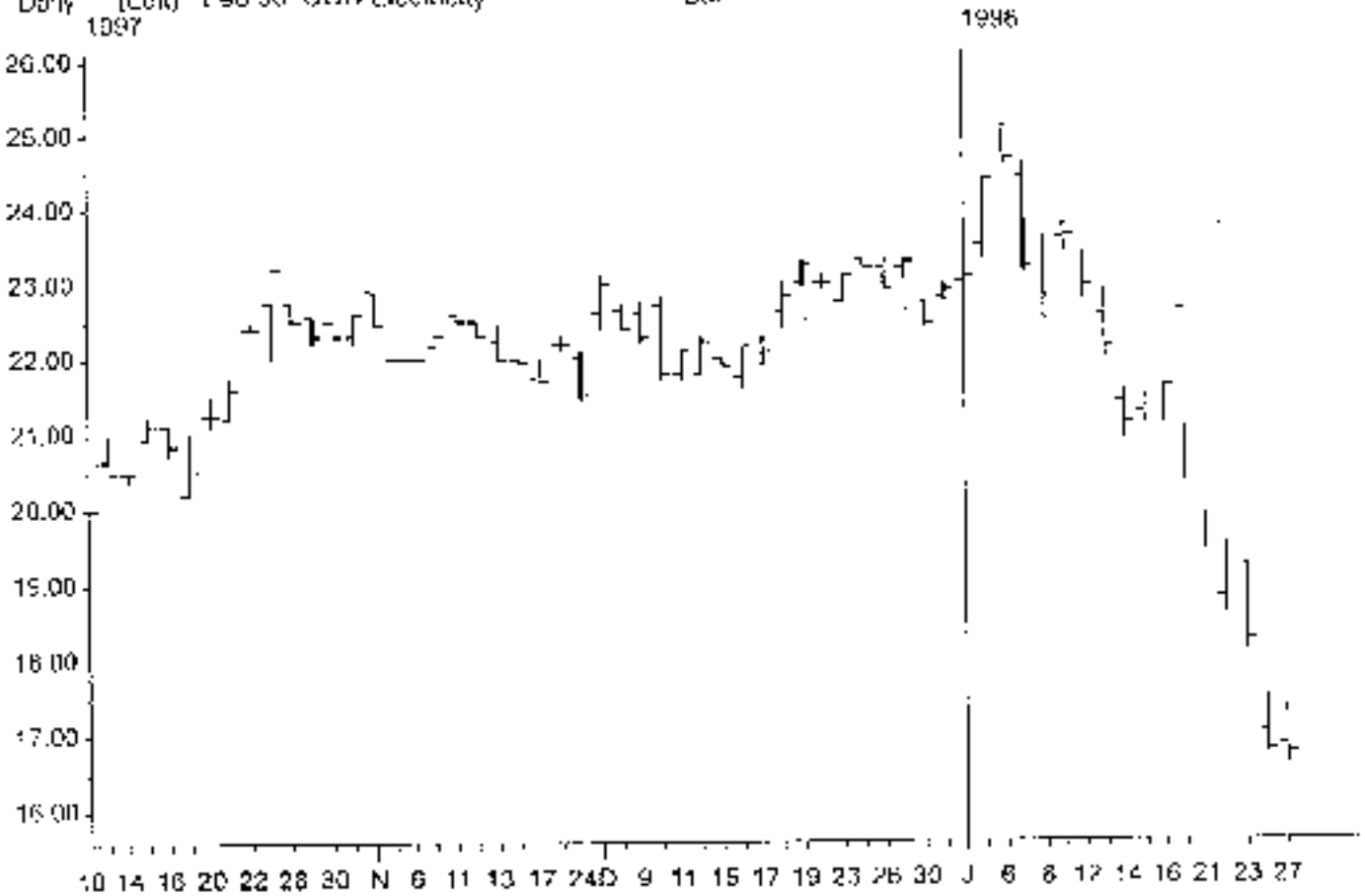

COB NYMEX DAILY 1-YEAR PRICES
DAILY PRICES SHOWN ANNUALLY
April 1, 1996 - March 30, 1998
28
26
24
22
20
18
16
14
12
10
1998
1997
1996
1-Apr
1-May
1-Jun
1-Aug
1-Sep
1-Oct
1-Nov
1996
1997
1998

Grand Coulee Elevation
February 1, 1998 - April 13, 1998



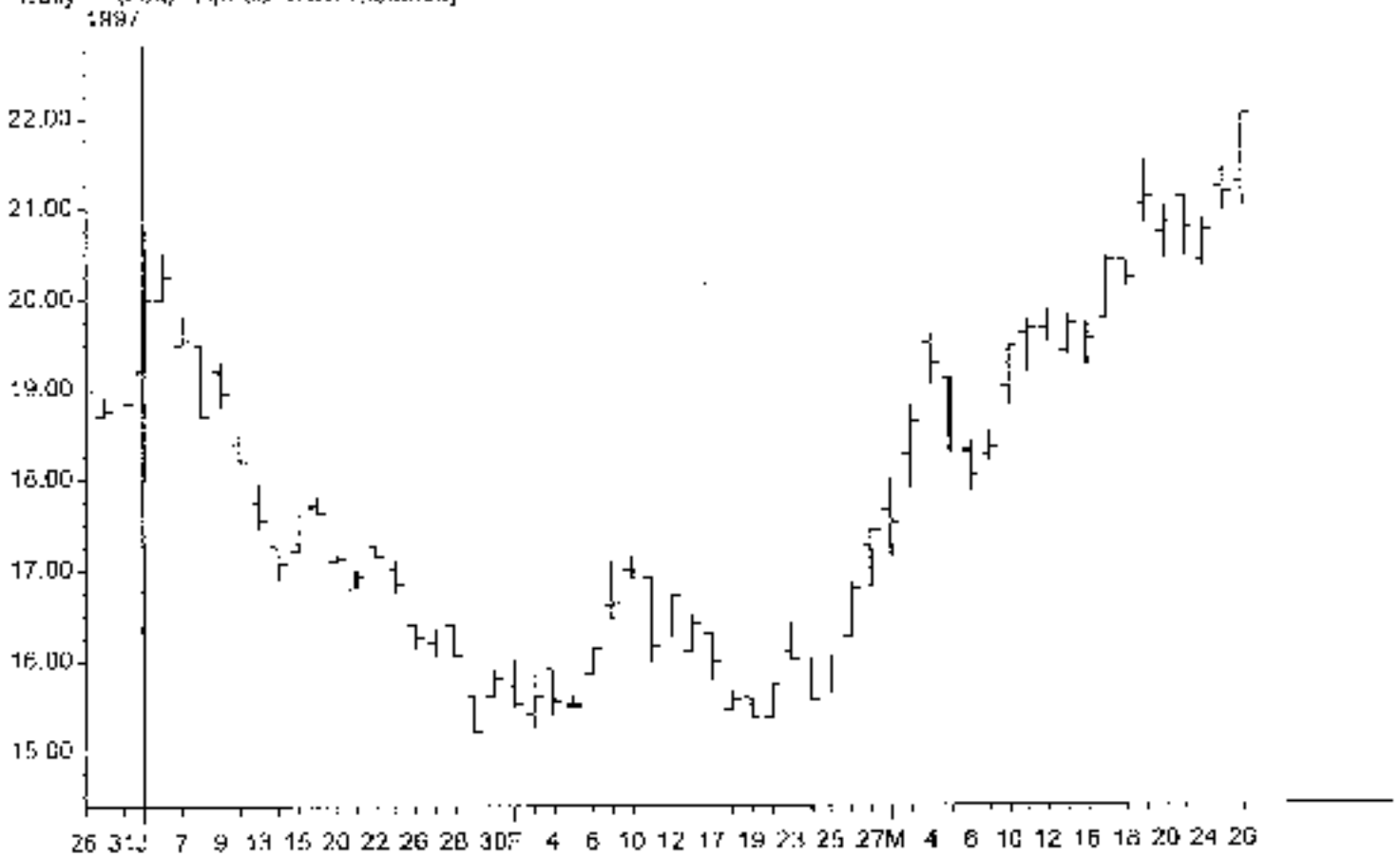
Feb 98 COB Electricity Wed Apr 22 13:50

Daily (Left) Feb 98 COB Electricity Bar



7Apr 98 COB Electricity Wed Apr 22 13:51

Daily (Left) Apr 98 COB Electricity Bar

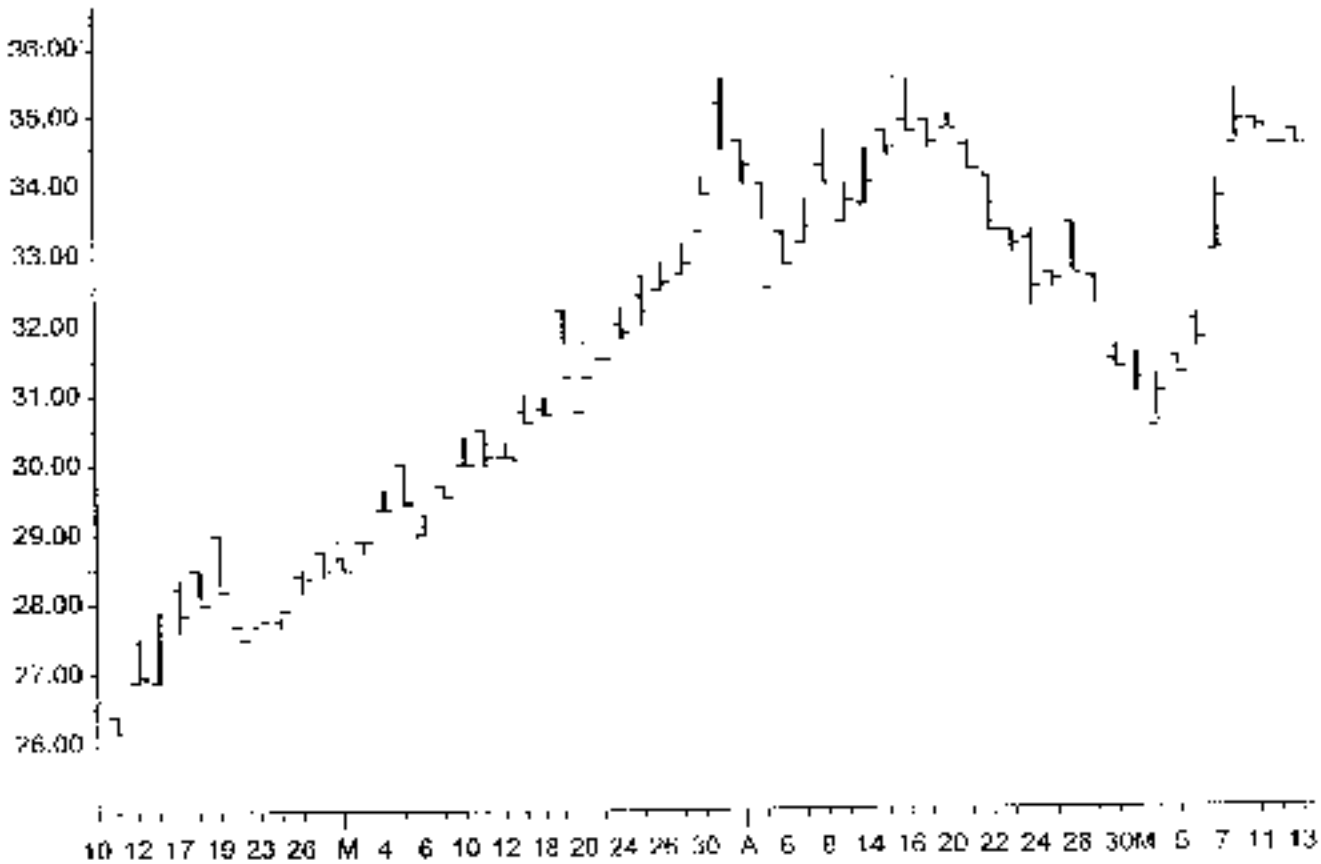


Daily (Left) Jan 96 COB Electricity
Bar
24.00
23.00
22.00
21.00
20.00
19.00
18.00
17.00
16.00
18 20 24 26 M 4 6 10 12 16 18 20 24 26 30 A 3 7 9 14 16 20 22 24 28 30M 5 7 11 13

Aug 98 COB Electricity Wed May 13 14:26

Daily (Left) Aug 98 COB Electricity Bar

1998



$ IMPACTS

Assumptions:

(1) $400 to $600 million in transactions

(2) Average price of $15 to $20/ MWhr

(3) *$1 to $3 margin decline due to providing info. to the market place

$$\frac{\$2 \text{ margin decline}}{\$17.5 \text{ Avg price}} = 11\% \text{ decrease}$$

= $44 to $66 million/year decrease

* This range is a subjective estimate

RATE IMPACTS*

Assumptions:

(1) Need to raise rates to collect additional $50 million/year

(2) 6000 MWav total PF & Slice load

(3) 1000 MWav Slice load

Alternative 1: Spread cost over total load

$$\frac{\$50 \times 10^6}{6000 \times 8760} = \$.95/\text{MWhr}$$

Alternative 2: Spread Cost over Slice load

$$\frac{\$50 \times 10^6}{1000 \times 8760} = \$5.71/\text{MWhr}$$

* Illustrative Only