

**UNITED STATES DEPARTMENT OF ENERGY
BEFORE THE
BONNEVILLE POWER ADMINISTRATION**

**2002 Bonneville Power Administration)
Proposed Wholesale Power Rate) BPA Docket No. WP-02
Adjustment Proceeding)**

PARTIAL STIPULATION and SETTLEMENT AGREEMENT

This Partial Stipulation and Settlement Agreement (“Partial Settlement”) effective this 15th day of February 2001, is entered into by the undersigned Parties in the above-referenced rate case (hereinafter referred to individually as a “Party” or collectively as “the Parties”).

A. BACKGROUND

1. The Bonneville Power Administration (“BPA”) issued a Record of Decision in BPA Docket No. WP-02, dated May 15, 2000, and as amended by errata dated June 22, 2000, adopting power rates for the five-year rate period commencing October 1, 2001, through September 30, 2006 (“May Proposal”). BPA subsequently filed the proposed power rates with the Federal Energy Regulatory Commission (“FERC”) requesting approval of the rates effective October 1, 2001.
2. On August 4, 2000, BPA filed a motion with FERC requesting a stay in FERC’s review of BPA’s WP-02 Wholesale Power Rate filing.
3. On December 12, 2000, BPA reopened the WP-02 proceeding to amend the May Proposal. BPA published its Amended 2002 Bonneville Power Administration Power Rate Case Proposal, Docket No. WP-02 (“Amended Proposal”) to address BPA’s changing financial obligations due to increased loads and market price volatility.
4. In January and February 2001 a series of noticed meetings were held where a group of customers outlined a proposal to modify the Amended Proposal. Over the weeks the Parties and BPA staff worked out the specifics of this proposal. The Parties eventually reached agreement on the structure for resolving the issues raised in Amended Proposal and have translated that into this Partial Settlement.
5. This Partial Settlement resolves issues raised in the May Proposal and Amended Proposal, as set forth herein.

B. AGREEMENT

1. Parties' Proposal

The Parties have jointly developed a proposal to address certain of the issues presented in the Amended Proposal. The elements of the proposal are described in Exhibit "A" hereto ("Parties' Proposal").

2. Required Actions

- a. BPA Staff agrees to file a Supplemental Proposal as required by the Revised Procedural Schedule in the Amended Proposal proceeding that incorporates all the elements of the Parties' Proposal as set forth in Exhibit A. Parties acknowledge that BPA's Supplemental Proposal will not exactly mirror the language contained in the Parties' Proposal and that such divergence, so long as it does not undermine the intent of the Parties' Proposal, does not constitute a breach of this Partial Settlement.
- b. Except as provided in section B(2)(g), if BPA's Supplemental Proposal incorporates all the elements of the Parties' Proposal, all Parties other than BPA Staff agree to file testimony in both their direct and rebuttal cases that is consistent with, and in support of, the Supplemental Proposal. The Parties shall be free to file direct and rebuttal testimony in response to issues raised in testimony by any party to the WP-02 proceeding, so long as such testimony is not inconsistent with the Parties' Proposal.
- c. Except as provided in section B(2)(g), the Parties agree that if the Supplemental Proposal filed by BPA Staff differs from the Parties' Proposal in any material way, the Parties shall, in good faith and using their best efforts, attempt to develop a revised proposal that is as similar as practicable to the Parties' Proposal prior to the deadline for filing Parties' direct testimony in this proceeding. If the Parties reach agreement, the Parties other than BPA will submit testimony consistent with the agreed upon changes. All Parties agree to file testimony in their direct and rebuttal cases that is consistent with, and in support of, the Supplemental Proposal as revised.
- d. Except as provided in section B(2)(g), in the event that the Parties are unable to develop a revised proposal after a good faith attempt to develop such a proposal within the time permitted pursuant to section B(2)(c), then each Party is free to file direct and rebuttal testimony addressing any aspect of the Supplemental Proposal, and may file rebuttal testimony to any party's direct case. In such event, this Partial Settlement shall have no further force or effect, and shall terminate without liability to any party. The Parties agree that this Partial Settlement shall not be cited by any Party for any purpose in any administrative or judicial forum; provided however, that any Party may cite this Partial Settlement for the purpose of explaining why a Party did not

raise an issue earlier in the WP-02 rate proceeding in compliance with this Partial Settlement. In such event, the Parties shall have no obligation to file testimony in this proceeding in support of the Supplemental Proposal, and no issue raised by a Party at its earliest opportunity (whether in direct, rebuttal or a Party's brief) will be deemed to be waived.

- e. In addition, subsequent to filing the Supplemental Proposal, BPA Staff will perform additional Slice/Non-Slice Cost Shift analyses, incorporating a variety of load loss assumptions, to determine the impacts of using revenue and load bases for allocating Augmentation True Up costs. The results of this analysis will be made available to all Parties and will be discussed at a noticed meeting to be held no later than seven days after BPA files its Supplemental Proposal, along with proposals to reduce the level of the overall rate increase. At such meeting, the Parties shall attempt to reach agreement on the appropriate basis for making such allocation, and any other revisions to which the Parties mutually agree.
- f. In the event that the Parties reach agreement on the appropriate basis for the allocation of Augmentation True Up costs, such resolution will be incorporated in the Parties' Proposal and the Parties (other than BPA Staff) will include such resolution in their direct testimony, and BPA Staff will support such resolution in its rebuttal testimony.
- g. In the event that any Party objects to the resolution of the appropriate basis for the allocation of Augmentation True Up costs, regardless of what that resolution may be, such Party may by written notice to all other Parties to be served not less than seven days prior to the date for the Parties, other than BPA, to file their direct case, elect to include such issue on Exhibit B and reserve such issue for litigation, and by doing so shall be free to take whatever position such Party deems appropriate in its direct and rebuttal testimony with regard to such issue notwithstanding any provision of this Partial Settlement. The Parties further agree that despite any objections a Party may have regarding the resolution of such issue, that all other aspects of this Partial Settlement remain valid and enforceable.
- h. So long as section B(2)(d) of this Partial Settlement is not invoked, the Parties agree that the provisions of the Parties' Proposal that address the Safety Net CRAC (SN CRAC) and the attendant section 7(i) procedures to implement such an SN CRAC are consistent with, and permitted by, the language in each Party's respective Subscription power sales agreement with BPA. Each Party waives all arguments to the contrary and agrees not to challenge (or support or join any challenge) to its Subscription power sales agreement on the basis that the implementation procedures or the SN CRAC violates its Subscription power sales agreement in any administrative or judicial forum whatsoever.

- i. So long as section B(2)(d) of this Partial Settlement is not invoked, each Party waives all arguments that the financial benefits payable for FY 2002-2006 under each Subscription Residential Exchange Settlement Agreement with BPA should not be calculated using a forward flat block price forecast of \$38/MWh as proposed by BPA in its Supplemental Proposal. BPA agrees that in any subsequent WP rate proceeding, or any other proceeding, it will not cite the WP-02 rate proceeding as evidence of the propriety of (or precedent for) using a forward flat block forecast for calculation of financial benefits under the Subscription Residential Exchange Settlement Agreements different from the forward flat block forecast used to determine BPA's augmentation costs.
 - j. So long as section B(2)(d) of this Partial Settlement is not invoked, the Parties agree that execution of this Partial Settlement waives the right of any Party hereto to seek review, including before the FERC or the 9th Circuit Court of Appeals, of any issue raised by a Party in the May Proposal and decided finally by BPA therein, except those issues reserved by a Party by listing such issues in Exhibit B. Except as provided in section B(2)(d), the Parties agree not to assert in any forum that they did not waive, as part of this Partial Settlement, the right to seek FERC or judicial review of any issue raised by a Party in the May Proposal that is not reserved in Exhibit B. The Parties acknowledge that listing an issue in Exhibit B does not, in itself, revive such an issue for appeal if such issue was not preserved in the WP-02 proceeding by the Party listing the issue.
 - k. Prior to the date direct testimony must be filed, the Parties agree to file with the Hearing Officer in this proceeding a motion requesting an order stating that issues raised by Parties in their Initial Brief or Brief on Exceptions and decided in the May Proposal and set forth on Exhibit "B" need not be re-argued in their brief in this proceeding to preserve such issue for appeal to the FERC or the Court of Appeals for the 9th Circuit.
 - l. This Partial Settlement is intended to be consistent with the Subscription Contracts, however, to the extent there are any inconsistencies between a Subscription contract and this Partial Settlement, the Parties agree to use good faith efforts to negotiate revisions to such contracts to remove such inconsistencies with this Partial Settlement.
3. Regulatory Commission Actions
- a. The Idaho Public Utilities Commission, Montana Public Service Commission, Public Utility Commission of Oregon, and Washington Utilities and Transportation Commission (collectively "the Commissions") are all signatories of this Stipulation and Partial Settlement.
 - b. The Commissions agree to provide collectively at least one witness to file testimony in support of the Parties' Proposal and Partial Settlement.

C. GENERAL PROVISIONS

1. The Parties enter into this Partial Settlement to avoid further expense, inconvenience, uncertainty and delay in this reopened WP-02 proceeding. By executing this Partial Settlement, no Party shall be deemed to have approved, admitted or consented to the facts, principles, methods or theories employed in arriving at the terms of this Partial Settlement or the Parties' Proposal, nor shall any Party be deemed to have agreed that any provision of this Partial Settlement or Parties' Proposal is appropriate for resolving issues in any other proceeding regardless of whether the Parties' Proposal or Partial Settlement is adopted by the Administrator, except as expressly provided in this Partial Settlement.
2. If the Administrator issues a Final Record of Decision in the WP-02 docket that is consistent with the Parties' Proposal, the Parties agree to support this Partial Settlement and the Parties' Proposal in the WP-02 docket proceeding and before the FERC.
3. Each Party represents that it has the power to execute this Partial Settlement and any other documentation relating hereto, and that it has taken all necessary action to obtain any authorization needed to execute and perform under this Partial Settlement.
4. Notwithstanding any other provision of the Partial Settlement: (1) any Party may respond, in a manner not inconsistent with this Partial Settlement, to any issue raised at the FERC or in judicial review of WP-02 or otherwise; and (2) in the event that the Ninth Circuit Court of Appeals invalidates any rate adopted in WP-02 and remands such rate to BPA, no Party shall be limited by this Partial Settlement from raising any issues within the scope of the remand, or be deemed to have waived any issue, by virtue of this Partial Settlement.
5. Nothing in this Partial Settlement is intended to preclude any of the Commissions from exercising any right they may have to intervene in proceedings reviewing the WP-02 rate case (whether at FERC or the Ninth Circuit Court of Appeals) and BPA will not oppose such interventions.

This Partial Settlement may be executed in counterparts and each signed counterpart shall constitute an original document.

This Stipulation and Partial Settlement Agreement is effective on the ____ day of _____, 2001, regardless of the date signed by each executing Party below.

Bonneville Power Administration

Avista Corporation

By: Byron S. Keep

By: _____

Puget Sound Energy, Inc.

Portland General Electric Company

By: _____

By: _____

PacifiCorp

Idaho Power Company

By: _____

By: _____

Montana Power Company

Washington Utilities and
Transportation Commission

By: _____

By: _____

Idaho Public Utilities Commission

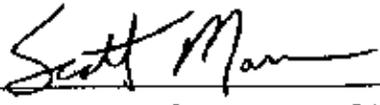
Public Utility Commission
Of Oregon

This Stipulation and Partial Settlement Agreement is effective on the ___ day of _____, 2001, regardless of the date signed by each executing Party below.

Bonneville Power Administration

Avista Corporation

By: _____

By: 

FEBRUARY 15, 2001

Puget Sound Energy, Inc.

Portland General Electric Company

By: _____

By: _____

PacifiCorp

Idaho Power Company

By: _____

By: _____

Montana Power Company

Washington Utilities and Transportation Commission

By: _____

By: _____

Bonneville Power Administration

Avista Corporation

By: _____

By: _____

Puget Sound Energy, Inc.

Portland General Electric Company


By: William A. Graves
Vice President, Energy Supply

By: _____

PacifiCorp

Idaho Power Company

By: _____

By: _____

Montana Power Company

Washington Utilities and
Transportation Commission

By: _____

By: _____

Idaho Public Utilities Commission

Public Utility Commission
Of Oregon

Bonneville Power Administration

Avista Corporation

By: _____

By: _____

Puget Sound Energy, Inc.

Portland General Electric Company

By: _____

By: *Mary E. Truina*

[Handwritten initials]

PacificCorp

Idaho Power Company

By: _____

By: _____

Montana Power Company

Washington Utilities and
Transportation Commission

By: _____

By: _____

Idaho Public Utilities Commission

Public Utility Commission
Of Oregon

By: _____

By: _____

Bonneville Power Administration

Avista Corporation

By:

By:

Puget Sound Energy, Inc.

Portland General Electric Company

By:

By:

PacifiCorp

Idaho Power Company

M. P. Smith

By: *Vice President,
Regulation*

By:

Montana Power Company

Washington Utilities and
Transportation Commission

By:

By:

Idaho Public Utilities Commission

Public Utility Commission
Of Oregon

_____, 2001, regardless of the date signed by each executing Party below.

Bonneville Power Administration

Avista Corporation

By:

By:

Puget Sound Energy, Inc.

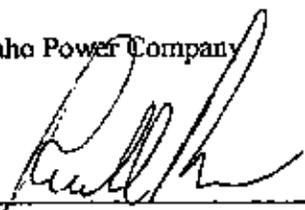
Portland General Electric Company

By:

By:

PacifiCorp

Idaho Power Company



By:

By: Richard Riazzi
Sr. Vice President
Marketing & Generation

Montana Power Company

Washington Utilities and
Transportation Commission

By:

By:

Idaho Public Utilities Commission

Public Utility Commission
Of Oregon

IN THE MATTER OF:

UNITED STATES DEPARTMENT OF ENERGY
BEFORE THE
BONNEVILLE POWER ADMINISTRATION

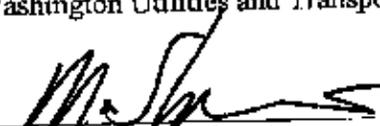
2002 Bonneville Power Administration)
Proposed Wholesale Power Rate) BPA Docket No. WP-02
Adjustment Proceeding)

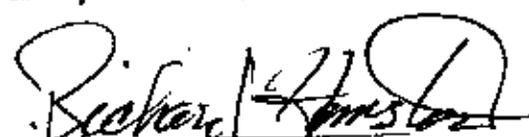
PARTIAL STIPULATION and SETTLEMENT AGREEMENT

The Washington Utilities and Transportation Commission approves
the Partial Stipulation and Settlement Agreement.

DONE AND DATED at Olympia, Washington this 14th day of February, 2001.

Washington Utilities and Transportation Commission

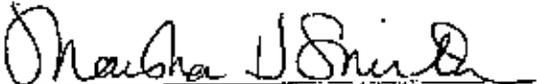

Marilyn Showalter, Chairwoman


Richard Hemstad, Commissioner

THE IDAHO PUBLIC UTILITIES COMMISSION as co-signatories to the Partial
Stipulation and Settlement Agreement in 2002 Bonneville Power Administration
Proposed Wholesale Power Rate Adjustment Proceeding - BPA Docket No. WP-02.

Dated this 15th day of February, 2001.


DENNIS S. HANSEN, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


PAUL KJELLANDER, COMMISSIONER



Oregon

John A. Kitzhaber, M.D., Governor

Public Utility Commission

550 Capitol Street NE, Suite 215

Salem, OR 97301-2557

(503) 373-7394

DATED at Salem, Oregon, and effective this 13 day of February, 2000.

OREGON PUBLIC UTILITY COMMISSION

Ron Eachus
Chairman

Roger Hamilton
Commissioner

Joan Smith
Commissioner

RE: BPA-related Stipulation

P:\Commissioner Office\m\miller, Carol\2000 Documents\2000 Documents\Signature Page with 3 Commissioners.doc

Post-It® Fax Note	7671	Date	2-15-01	# of pages	1
To	KYLE SCIUCHETTI		From		
Co./Dept.	Public Power Co.		Co.	OR PUC	
Phone #			Phone #		



Montana Public Service Commission

Gary Feland, Chairman
Jay Stovall, Vice-Chairman
Bob Anderson
Matt Brainard
Bob Rowe

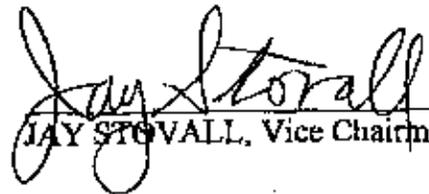
1701 Prospect Avenue
PO Box 202601
Helena, MT 59620-2601
Telephone: (406) 444-6199
FAX#: (406) 444-7618
<http://www.psc.state.mt.us>

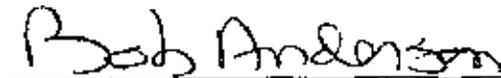
RE: Approval of Bonneville Power Administration Partial Stipulation & Settlement

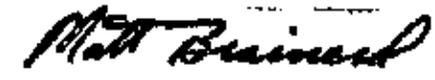
DONE AND DATED at Helena, Montana, and this 14th day of February, 2001.

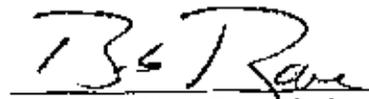
MONTANA PUBLIC SERVICE COMMISSION


GARY FELAND, Chairman


JAY STOVALL, Vice Chairman


BOB ANDERSON, Commissioner


MATT BRAINARD, Commissioner


BOB ROWE, Commissioner

By:

Montana Public Service Commission

By:

Northwest Requirements Utilities

By:

Pacific Northwest Generating Cooperative

John D. Savan
By:

Public Power Council

By:

Public Generating Pool

By:

Western Public Agencies Group

By:

Market Access Coalition

By:

Seattle City Light

By:

By:

By: _____

Montana Public Service Commission

By: _____

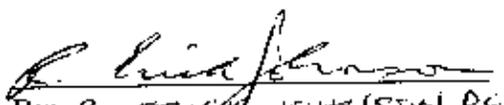
Northwest Requirements Utilities

By: _____

Pacific Northwest Generating Cooperative

By: _____

Public Power Council


By: E. ERIC JOHNSON PC
for PNLGE

Public Generating Pool

By: _____

Western Public Agencies Group

By: _____

Market Access Coalition

By: _____

Seattle City Light

By: _____

By: _____

By: _____

Montana Public Service Commission

By: _____

Northwest Requirements Utilities

By: _____

Pacific Northwest Generating Cooperative

By: _____

Public Power Council

By: _____

Public Generating Pool

By: _____

Western Public Agencies Group

Bob Lane, Manager
(not including Canby Utility Board)

By: _____

Market Access Coalition

By: _____

Seattle City Light

By: _____

By: _____



February 15, 2001

Mr. Peter Burger
Office of General Counsel LP-7
Bonneville Power Administration
905 NE 11th Avenue - 7th Floor
Portland, Oregon 97232

RE: Partial Stipulation and Settlement Agreement in the WP-02 Rate Proceeding

Dear Mr. Burger:

The Public Power Council (PPC) has signed the Partial Stipulation and Settlement Agreement (Agreement) entered into among several parties to the WP-02 rate case on February 15, 2001.

Attached is a letter from Dan Seligman representing the Canby Utility Board. Canby is a member utility of PPC. Canby does not agree to the terms of the Agreement and therefore will not sign the document. The purpose of my letter is to declare that PPC's execution of the Agreement no way limits Canby's right to pursue any issue it deems appropriate in the WP-02 rate proceeding or any other forum. In other words, Canby is not bound by PPC's position in this matter.

Thank you for your attention to this matter. If you have any questions, please call me at (503) 232-2427.

Sincerely,

C. Clark Leone
Manager

Attachment
cc: WP-02 Service List

COLUMBIA RESEARCH CORPORATION

209 W. Evergreen Blvd., Suite 605 • Vancouver, Washington 98660 • Phone (360) 695-7422 • Fax (360) 695-7426

February 15, 2001

Ms. Jerry Leone, Manager
Public Power Council
1500 N.E. Irving, Suite 200
Portland, Oregon 97232

**SUBJECT: Partial Stipulation and Settlement Agreement
BPA Rate Case WP-02**

Dear Jerry:

My client, the Canby Utility Board, does not join in the Partial Stipulation and Settlement Agreement for the Bonneville Power Administration's WP-02 rate case.

If the PPC signs the Stipulation, please note Canby's position so that it is clear to BPA that my client does not waive the right to raise certain issues later in this proceeding.

Thank you for your assistance. Please call if you have any questions about this request.

Sincerely,

Dan Seligman

Dan Seligman
Attorney at Law

By: _____

Montana Public Service Commission

By: _____

Northwest Requirements Utilities

By: _____

Pacific Northwest Generating Company

By: _____

Public Power Council

By: _____

Public Generating Pool

By: _____

Western Public Agencies Group



By: Jay T. Waldron

By: _____

Market Access Coalition

Seattle City Light

By: _____

Montana Public Service Commission

By: _____

Northwest Requirements Utilities

By: _____

Pacific Northwest Generating Company

By: _____

Public Power Council

By: _____

Public Generating Pool

By: _____

Western Public Agencies Group

By: _____

Market Access Coalition

Terence L. Mundorf
By: Terence L. Mundorf, Attorney

Seattle City Light

By: _____

By: _____

By: _____

Montana Public Service Commission

By: _____

Northwest Requirements Utilities

By: _____

Pacific Northwest Generating Cooperative

By: _____

Public Power Council

By: _____

Public Generating Pool

By: _____

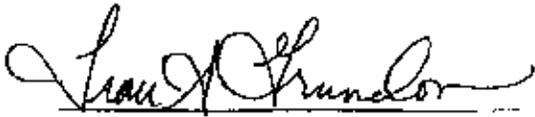
Western Public Agencies Group

By: _____

Market Access Coalition

By: _____

Seattle City Light



By: John A. Cameron
Traci A. Grundon
Davis Wright Tremaine, LLP
Attorneys for Market Access Coalition

By: _____

By: _____

Montana Public Service Commission

By: _____

Northwest Requirements Utilities

By: _____

Pacific Northwest Generating Cooperative

By: _____

Public Power Council

By: _____

Public Generating Pool

By: _____

Western Public Agencies Group

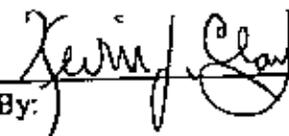
By: _____

Market Access Coalition

By: _____

Seattle City Light

By: _____

By: 

PARTIES' PROPOSAL

The proposal has the following elements

A. LB CRAC

1. LB CRAC will be calculated using an augmentation market price based on the forecast market price for the rate period and will be applied to the following rate schedules: PF rates, excluding Slice, Industrial Firm Power (IP-02), including under the Industrial Firm Power Targeted Adjustment Charge (IPTAC), Cost-Based Index Rate, actual power deliveries under the Residential Load (RL-02), and New Resource Firm Power (NR-02). The CRAC does not apply to Pre-Subscription contracts or Slice product or the financial portion of the Residential Exchange Settlement.
2. The forecast of market prices for the rate period to be used in setting the final rates will be performed as late in the rate process as practicable while permitting its inclusion in the draft Record of Decision. BPA will conduct one or more public workshops with the parties on this forecast. BPA will make available to the parties prior to the workshop the inputs used and the results of the forecast, and will make available at the workshop(s) for questioning the BPA staff that participated in the preparation of the forecast.
3. BPA shall give due consideration to the comments and suggestions made by the parties regarding the forecast during the course of the workshop(s) in preparation of the forecast that is finally included in the draft Record of Decision.

B. Augmentation True Up

BPA and the other Parties have discussed two bases for allocating the costs of Augmentation True Ups, those being revenues and loads. The lack of time has made it impracticable for the Parties to analyze the impacts of both approaches or to explore potential alternative approaches. The Parties intend to do such analysis after the filing of Supplemental Proposal, and will attempt to reach consensus on either of these methods or some alternative approach to use in this proceeding.

Establishing the October 2001-March 2002 Load-Based Cost Recovery Adjustment Clause (LB CRAC)

1. By June 1, 2001, BPA will estimate Forecasted Total Load it expects to serve during each month of Fiscal Year (FY) 2002 under subscription contracts and other existing contracts. BPA will estimate amount of sales subject to the LB CRAC, identifying separately Slice sales. Forecasted Total Load shall exclude Slice load and shall reflect any known reductions (for contract terminations, amendments, load losses, or buydowns) and reasonably predictable load reductions for BPA's full and partial service contracts.

2. BPA shall also forecast the total Expected Revenue for the first half of that year at its Base Rates (excluding any CRACs) from sales subject to the LB CRAC, including separately indentifying Expected Revenue from Slice sales (assuming 1,732 aMW in the Net Cost of the Inventory Solution). BPA shall calculate the Average Base Rate by dividing this Expected Revenue by the forecasted number of megawatt-hours of sales subject to the LB CRAC. BPA shall calculate the amount of Net Augmentation Costs In Base Rates already included in Expected Revenue by dividing forecasted number of megawatt-hours of sales subject to the LB CRAC by the number of megawatt-hours of sales assumed for each six months in the May Proposal and multiplying the resulting ratio by the six-month amount of net augmentation costs already included in the base rates from the May Proposal.
3. BPA will assume federal system output (reduced for system obligations and transmission losses) of 7,070 aMW minus Slice sales, with a monthly shape proportionate to the percentage each month's Forecasted Total Load is of the annual Forecasted Total Load. BPA will calculate its Expected Augmentation Quantity by subtracting this assumed federal system capability from the Forecasted Total Load for each such month.
4. BPA will calculate its Assumed Average Net Augmentation Price by computing for each month of the period the weighted average price per megawatt-hour it has paid for power to be delivered in that month. If BPA has not purchased for any month in the period as much power as its Expected Augmentation Quantity, it shall calculate the residual amount needed. For these residual amounts, BPA shall obtain Forward Price Strips during the last five business days of May and average those strips in with the average price BPA paid for its advance purchases for that month to establish the Assumed Average Augmentation Price for the first half of the contract year. BPA will subtract from this Assumed Average Augmentation Price the Average Base Rate to establish the Assumed Average Net Augmentation Price for the period.
5. BPA shall multiply the Assumed Average Net Augmentation Price times the Expected Augmentation Quantity, add the payments made by BPA to any customer to buy-down loads (including Conservation Augmentation), add the cost of options to hedge the cost of augmentation, and subtract the Net Augmentation Costs In Base Rates to calculate the Expected Net Additional Augmentation Cost for the period. The Expected Net Additional Augmentation Cost shall be multiplied by the ratio of the Slice portion of Expected Revenues to forecasted Expected Revenues from all sales subject to the LB CRAC to establish the Slice Share of the Expected Net Additional Augmentation Cost which shall be added to the Slicers' share of the Slice Revenue Requirement. The Non-Slice Share of Expected Net Additional Augmentation Cost shall be divided by the Expected Revenue from non-Slice sales subject to the LB CRAC to establish the LB CRAC to be paid during the period by all non-Slice sales subject to the LB CRAC. This results in a single percentage to be

applied to all non-Slice adjustable rates and charges (demand, energy, and load variance).

6. As early as possible in June (and every six months thereafter for subsequent periods), BPA shall hold a publicly noticed workshop to review its preliminary calculations with customers subject to the LB CRAC and any other interested parties. BPA will make available to the parties prior to the workshop the inputs used and the results of the forecast, and will make available at the workshop(s) for questioning the BPA staff that participated in the preparation of the forecast. After considering any comments it receives and revising its calculations as it deems appropriate, BPA shall notify customers before June 30, 2001 of the LB CRAC and the Slice Share of the Expected Net Additional Augmentation Costs that it will apply for the first six-month period (and by the end of each December and June of the rate period for subsequent periods).

Establishing the LB CRAC for Subsequent Periods

7. By December 1, 2001 (and every six months thereafter), BPA shall perform the same calculations as above to establish the LB CRAC and the Slice Share of the Expected Net Additional Augmentation Costs for the next six-month period, (using Forward Price Strips averaged during the last five business days of each November and May as appropriate for the upcoming six month augmentation period), but with the Slice and Non-Slice Shares of Expected Net Additional Augmentation Cost for the upcoming period increased or decreased as follows.

8. BPA shall calculate a Revised Augmentation Quantity for the most recently completed six months (only October and November 2001 in the case of the December 2001 calculation) by replacing the Forecasted Total Load used in the calculation pursuant to Section B.3 above for those months with Actual Total Load under subscription contracts and other existing contracts.

9. BPA shall calculate the Revised Slice Share of Net Additional Augmentation Costs by: (1) replacing the Expected Augmentation Quantity with Revised Augmentation Quantity; (2) updating the Assumed Average Net Augmentation Price to include the weighted average price of any additional power BPA purchased at least 120 days before each of those months (but after calculating the Assumed Average Net Augmentation Price the preceding June or December) (3) if BPA had still not purchased all of the Revised Augmentation Quantity, continuing to value the residual amounts with the Forward Price Strips used the preceding June or December to calculate the Assumed Average Net Augmentation Price for that six-month period; (4) adding the Slice Share of any additional payments not assumed in the Slice Share of Expected Net Cost of Augmentation Cost made by BPA to any customer to buy-down loads (including Conservation Augmentation), or for additional options to hedge the cost of augmentation purchases. If the Revised Slice Share of Net Additional Augmentation Costs is more than the Slice Share of Expected Net Additional Augmentation Costs that was added to the Slicers' Share of the Slice

Revenue Requirement for that period, that difference shall be added to the Slice Share of Expected Net Additional Augmentation Costs for the upcoming period, and if it is less it shall be subtracted.

10. To calculate the Revised Non-Slice Share of Net Additional Augmentation Costs, BPA shall calculate a Revised Average Net Augmentation Price for those months by: (1) updating the Assumed Average Net Augmentation Price to include the weighted average price of any additional power BPA purchased before each of those months (but after calculating the Assumed Average Net Augmentation Price the preceding June or December); and (2) if BPA had still not purchased all of the Revised Augmentation Quantity, valuing the residual amounts by replacing the Forward Price Strips used to calculate the Assumed Average Net Augmentation Price for that six-month period, with Forward Price Strips for power to be delivered each individual month obtained (averaged) during the last five business days prior to that individual month.

11. BPA shall calculate the Non-Slice Share of the Revised Net Additional Augmentation Cost for those months by multiplying the Revised Augmentation Quantity times the ratio of Expected Revenue from non-Slice sales subject to the LB CRAC divided by the Expected Revenue from all sales subject to the LB CRAC times the Revised Average Net Augmentation Price, and adding the non-Slice share of any additional payments not assumed in the Non-Slice Share of Expected Net Cost of Augmentation Cost made by BPA (1) to any customer to buy-down loads (including Conservation Augmentation), or (2) for additional options to hedge the cost of augmentation. If the Non-Slice Share of the Revised Net Additional Augmentation Cost is greater than the Non-Slice Share of the Expected Net Additional Augmentation Cost, the difference shall be added to the Non-Slice Share of the Expected Net Additional Augmentation Cost for the upcoming period; and if it is less, the difference shall be subtracted.

12. The determination of the Augmentation True Up will be subject to audit by BPA's independent outside auditing firm, and the results of such audits will be available to customers. One year after the end of each of the six month periods described in this section B, the Parties, other than BPA, will be allowed to review or audit the documentation of any augmentation power purchase made by BPA that is used either in the calculation of the Assumed Augmentation Net Cost, Revised Slice Share of Net Additional Augmentation Costs or the Non-Slice Share of the Revised Net Additional Augmentation Costs. Prior to that time, the Parties, other than BPA will not have access to the terms of the purchases in order to verify the above referenced calculations. BPA will retain verifiable records necessary to facilitate such audits.

C. FB CRAC

1. FB CRAC will use the trigger amounts and the maximum collection amounts of the CRAC set out in the BPA May Proposal for FYs 2003, 2004, 2005 and 2006. For FY

2002, the threshold from the BPA May Proposal will be used, the amount to be collected shall not be subject to a dollar cap but may not exceed the amount needed for reserves to equal the FB CRAC threshold.

2. FB CRAC may be triggered at the start of any FY during the rate period based on the Third Quarter Review forecast of end-of-year accumulated net revenues in the prior year. Collection will begin in October and continue for 12 months. There will be a true-up of the amount collected in March on the FY using BPA's audited actual year-end financial results for the preceding FY.
3. FB CRAC will be applied to the following rate schedules: PF rates, excluding Slice, Industrial Firm Power (IP-02), including under the Industrial Firm Power Targeted Adjustment Charge (IPTAC), Cost-Based Index Rate, actual power deliveries under the Residential Load (RL-02), and New Resource Firm Power (NR-02).. The FB CRAC will not apply to the Pre-Subscription contracts or Slice product or the financial portion of the Residential Exchange Settlement.

D. SN CRAC

1. A Safety-Net CRAC will be available if the Administrator determines that after implementation of the FB CRAC and any Augmentation True Ups, either of the following conditions exist:
 - BPA forecasts a 50 percent or greater probability that it will nonetheless miss its next payment to Treasury or other creditor, or
 - BPA has missed a payment to the Treasury or some other creditor,
2. The SN CRAC will be an upward adjustment to posted power rates to which it applies. The SN CRAC will modify the FB CRAC parameters. BPA will propose changes to the FB CRAC parameters that will, to the extent market and other risk factors allow, achieve a high probability that the remainder of Treasury payments during the FY 2002-2006 rate period will be made in full. BPA's proposal could include changes to the Revenue Amount, the duration (the length of time the SN CRAC would be in place, which could be more than 1 year), and the timing of collection. BPA will calculate the Revenue Amount that the changes in the FB CRAC parameters are intended to generate during the period that such changes are effective. Such Revenue Amount shall be collected by means that will result in a uniform percentage increase to all rates subject to the FB CRAC and a commensurate decrease in the financial portion of the Residential Exchange Settlement
3. The SN CRAC applies to power purchases under these firm power rate schedules: PF Preference (Exchange Program, and Exchange Subscription), Industrial Firm Power (IP-02), including under the Industrial Firm Power Targeted Adjustment Charge (IPTAC) and Cost-Based Index Rate, Residential Load (RL-02), New Resource Firm Power (NR-02) and both the actual power deliveries and the financial portion of the

Residential Exchange Settlement. The CRAC does not apply to Pre-Subscription contracts or Slice product.

SN CRAC Notification Process

4. At the time the Administrator determines that the SN CRAC has triggered, BPA will send written notification of the determination to customers that purchase power under rates subject to the SN CRAC and to other interested parties. Such notification shall include the documentation used by BPA to determine that the SN CRAC has triggered, the amount of any forecast shortfall, and the time and location of a workshop on the SN CRAC.
5. The purpose of the SN CRAC workshop will be to discuss with customers and interested parties the cause of shortfall, and any proposed changes to the FB CRAC that will achieve a high probability that the remainder of Treasury payments during the FY 2002-2006 rate period will be made timely. In determining which proposal to include in its initial proposal in the SN CRAC Section 7(I) proceeding, BPA will give priority to prudent cost management and other options that enhance Treasury Payment Probability (TPP) while minimizing changes to the FB CRAC.

SN CRAC Hearing Process

6. As soon as practicable after a determination that the SN CRAC has triggered, BPA will publish a Federal Register notice initiating an expedited hearing process to be conducted in accordance with Section 7(I) of the Northwest Power Act. The hearing shall be completed within 40 days, unless a different duration is agreed to by the parties. Upon completion of such hearing, BPA will submit the following documentation in support of a request for review and confirmation: Separate Accounting Analysis, current and revised revenue tests, the proposed revisions to the FB CRAC parameters and the administrative record compiled by BPA in the SN CRAC proceeding.

E. Exchange Settlement

1. Financial benefits for the IOUs will be calculated for Settlement purposes using a price of \$38/MWh.
2. Power deliveries to the IOUs under the Settlement will be subject to all three CRACs (LB, FB and SN).
3. Financial benefits to the IOUs under the Settlement will only be subject to SN CRAC.
4. Both power deliveries and the 900 aMW of federal power delivered as financial benefits will be used to calculate the IOU participation in DDC disbursements.

F. Slice Rate

1. The Slice rate will be subject to the augmentation price true up in the manner described in Section B.
2. The Slice rate will not be subject to the LB, FB or SN CRACs.
3. Slice loads will not participate in any distribution under the DDC.

G. Dividend Distribution Clause

1. The DDC is a clause establishing criteria that will determine when dividends should be distributed and the amount that should be distributed. The DDC enables BPA to distribute dividends to customers.
2. The DDC applies to power customers under these firm power rate schedules: PF rates, excluding Slice, , Industrial Firm Power (IP-02), including under the Industrial Firm Power Targeted Adjustment Charge (IPTAC) and Cost-Based Index Rate, Residential Load (RL-02) including the financial portion of any Residential Exchange Settlement , New Resource Firm Power (NR-02), and Subscription purchases under Firm Power Products and Services (FPS) that are subject to the LB, FB and SN CRACs. The DDC does not apply to Pre-Subscription contracts or Slice product.

Formula for the Calculation of the Dividend Distribution Amount

3. The DDC process will be implemented if audited actual accumulated net revenues for the end of any of the fiscal years 2002-2005 are above the DDC Threshold value.
4. Actual Accumulated Net Revenues (AANR) are generation function net revenues, as accumulated since 1999, at the end of each of the Fiscal Years 2002 through 2005. Net revenues are accrued revenues less accrued expenses, in accordance with Generally Accepted Accounting Practices, with the following exceptions. For purposes of determining if the DDC Threshold has been reached, actual and forecasted expenses will include BPA expenses associated with Energy Northwest debt service as forecasted in the May 2000 WP-02 Final Studies. The impact of adopting Financial Accounting Standard 133, Accounting for Derivative Instruments and Hedging Activities, will not be considered in determining if the CRAC threshold has been reached. Only generation function revenues and expenses, which is to say accrued revenues and accrued expenses that are associated with the production, acquisition, marketing, and conservation of electric power, are included in determinations under the DDC; accrued revenues and expenses of the transmission function are excluded. The determination of AANR will be audited by BPA's

independent outside auditing firm in 2002 and will be confirmed by the auditing firm in each subsequent year.

5. DDC Threshold is the minimum level of AANR that must be realized before a dividend distribution is considered. The DDC Threshold is \$250 million for the end of Fiscal Years 2002, 2003, 2004, and 2005. [**change to whatever level is equivalent to \$1.7, \$1.5, \$1.2, and \$1.2 billion dollars in the appropriate FYs in BPA financial reserves.**]
6. DDC Amount is the aggregate amount that is available to be distributed to customers. The DDC Amount may be equal to zero and will be determined by the following formula:

AANR – DDC Threshold

7. The threshold for any fiscal year will be adjusted upward by the following:
 - a. In the event there has been a power system emergency during the fiscal year, and there are agreed-upon fish and wildlife mitigation efforts related to the emergency operations for which BPA has not yet spent, said amounts will be added to the threshold amount for that year.
 - b. BPA fish and wildlife direct program costs previously budgeted for expenditure in that fiscal year for implementation of the Biological Opinion that were not spent in that fiscal year due to suspension or deferral, and for which a need continues, will be added to the threshold amount for that year.
8. The Power Customer DDC Amount will be converted to a percentage (the Power Customer DDC Percentage), which will be applied to all power customer rates subject to the DDC to arrive at the amount to be rebated on power bills for each of the included power customers.
9. The Power Customer DDC Percentage will be determined by the following formula:

Power Customer DDC Percentage equals:
Power Customer DDC Amount
Divided by the
DDC Revenue Basis

Where DDC Revenue Basis is the total generation revenue for the loads subject to the DDC for the fiscal year in which the DDC implementation begins, based on the then most current revenue forecast.

10. Each covered power customer will receive a rebate equal to the Power Customer DDC Percentage applied to their total charge for energy, demand and load variance. For customers receiving financial benefits under the Residential Exchange

Settlement, their total charge will include the product of each such customer's AMW share of 900 aMW (based on its portion of the total financial benefits) and the sum of the Residential Load (RL-02) rate and the amount of any CRAC applied to power deliveries under such rate.

Determination and Timing of a Dividend Distribution

11. In January of each year of the rate period (FY 2002-2006), the Administrator will determine whether the AANR exceeds the DDC Threshold. The Administrator will distribute dividends in every FY in which the AANR exceeds the DDC Threshold.
12. Dividends distributed to customers are included in bills for deliveries beginning May 1, and, for any Fiscal Years 2003-2005, remain in effect for 12 months i.e., through April 30 of the following year. In the last year of the rate period (FY 2006), the rebate would expire on September 30, 2006.

Determining How the Distribution is Allocated

13. The first \$15 million of the DDC Amount, if the DDC Amount exceeds \$15 million, or the entire DDC Amount if it equals \$15 million or less, will be allocated to qualifying customers' participating in the C&R Discount. The C&R Discount is a rate mechanism designed to encourage incremental conservation and renewable resource development by BPA's power purchasers under PF, IP, RL, and NR rate schedules. See C&R Discount GRSPs, Section II.A. The DDC amounts will be allocated based on the total revenues paid to BPA since the beginning of the rate period or the last DDC distribution, whichever is later. Such revenues shall include the product of 900 aMW and the applicable RL Rate for the financial portion of the Residential Exchange Settlement

Dividend Distribution Notification Process

14. Financial Performance Status Reports

By no later than August 31 of each year, BPA shall post on its electronic information access site (World Wide Web) a forecast of AANR attributable to the generation function for the fiscal year ending September 30. By December 1 of each year, BPA shall post on its website the unaudited AANR.

15. Notice of DDC Trigger

On or about January 15 in each of the Fiscal Years 2003-2006, BPA will notify all power customers and rate case parties if the AANR exceeds the DDC Threshold. (If the December unaudited AANR report for the generation function indicated that the DDC Threshold might be exceeded, and the audited actuals show that it was not exceeded, customers will also be notified). Notification will include the AANR for the prior fiscal year, the DDC Amount, the calculation of the DDC Amount, and the

estimated resulting Power Customer DDC Percentage for each applicable rate schedule. The notice shall also describe the data and assumptions relied upon by BPA. Such data, assumptions, and documentation, if non-proprietary and/or non-privileged, shall be made available for review at BPA upon request.

16. On or about April 15 of any of the Fiscal Years 2003-2006 in which the AANR exceeds the DDC Threshold, BPA shall notify customers of the final calculation of the DDC Amount and, if applicable, the resulting level of the Power Customer DDC Percentage to be applied to each applicable firm power rate schedule.
17. The DDC will at the end of each FY automatically return to customers BPA reserves as follows: FY 2003, reserves in excess of \$1.7 billion; FY 2004, reserves in excess of \$1.5 billion; FYs 2005 and FY 2006, reserves in excess of \$1.2 billion. This sum will be converted to an accumulated net revenue equivalent. In determining the amount of reserves available for return to the customers, costs previously budgeted for expenditure in the prior FY for implementation of the Biological Opinion that were not spent in the FY for which they were budgeted, due to suspension or deferral, will be deducted from reserves to determine if the threshold for returning reserves to customers has been met.
18. The determination of the AANR will be audited in 2002 and confirmed in each year thereafter by BPA's independent outside auditing firm, and the results of such audit or confirmation will be made available to customers eligible for DDC distributions.

H. DSI RATE

The DSI rate will be subject to the LB, FB and SN CRACs, and to the augmentation true up in the same manner as the PF, RL and NR rates.

EXHIBIT B

I. Public Power Council

The sections of Public Power Council's (PPC's) Initial Brief (WP-02-B-PP-01) dated February 28, 2000, that PPC preserves and does not waive for purposes of Exhibit B of the Partial Stipulation and Settlement Agreement are as follows:

1. Section II.2.B: BPA Should Eliminate TAC, TACUL and SUMY and Revise its Design for the Unauthorized Increase Charge and the Excess Factoring Charge.
2. Section II.4.A: The "Compromise Approach" Does Not Exempt DSI Rates from Implementation of the Legal Floor Rate.
3. Section II.4.B: BPA Rates Must Be Based Upon Substantial Evidence, Including Implementation of a Properly Calculated Industrial Margin.
4. Section II.4.C: BPA's Offer of a DSI Variable Rate Must Not Increase Risk to Other BPA Customers.
5. Section II.5.A. BPA Has Administratively Conferred Rights to Certain Utilities and Denied Them to Others, In Violation of Existing Statutory Provisions.
6. Section II.5.B: The Proposed Subscription Settlement Is Generous and May Exceed the Value of the Traditional Exchange.
7. Section II.5.C: BPA's ASC Methodology is Neither As Temporary Nor As Malleable As the IOUs Claim.
8. Section II.5.D: There is No Inherent Bias in the 7(b)(2) Rate Test Model.
9. Section II.5.E: BPA Improperly Mingled the Rate Design Step and the Subscription Step.
10. Section II.5.F: Inclusion of Uncontrollable Costs in 7(g) Adjustment to the 7(b)(2) Rate Test is Not Supported.
11. Section II.5.G: Inclusion of Power From the Pricing of the Mid-Columbia Dams in 7(b)(2) Resource Stack is Appropriate.
12. Section II.5.H: Conservation and Other Resources Should Be Least-Cost Ordered in 7(b)(2) Resources Stack.

13. Section II.5.I: BPA's Assumption of Within or Adjacent DSI Loads is Correct.
14. Section II.5.J: Service of 7(b)(2) Customers' Loads - Pre-Existing Contracts Have Expired and Surplus Expected After Service to 7(b)(2) Load.
15. Section II.5.K: "In Lieu" Power Sales May Occur at Less Than 100%.
16. The above issues were noted and preserved in PPC's Brief on Exceptions (WP-02-R-PP-01) dated April 24, 2000, under the following sections: Section III.3, Section III.4, Section III.5, Section III.6, Section III.7, Section III.10 (A and B), Section III.11 (A and B), Section III.12, Section III.13, Section III.14 and Section III.15.

II. Western Public Agencies Group

Western Public Agencies Group (WPAG) preserves the issues identified in WPAG's Initial Brief submitted in the May Proceeding and dated February 27, 2000 as follows:

1. Sections III(A) and (B): Subscription Implementation Issues
2. Section III(A): The Proposed Allocation of Augmentation Costs is Improper.
3. Section III(B): The Results of the Section 7(b)(2) Rate Test Were Improperly Allocated.
4. The above issues were noted and preserved in WPAG's Brief on Exceptions (WP-02-B-WA-02) dated April 24, 2000, under the following sections: Section II(A)(1), Section II(A)(2), Section II(A)(3) and Section II(B).

III. Public Generating Pool

The issues that PGP preserves and does not waive are as follows:

1. WP-02-B-PG-01, pp. 3-10 and WP-02-R-PG-01, pp. 8-9: The General Transfer Agreement costs.
2. WP-02-B-SG-01, pp. 13-14: The amount and terms of the sale of power to the direct service industries.
3. WP-02-R-SG-01, pp. 1-15: The lack of support in the administrative record for the revisions that were made to the Slice product and the changes for that product in the Record of Decision.

IV. Investor-Owned Utilities

A. ISSUES PRESERVED FOR APPEAL BY THE INVESTOR-OWNED UTILITIES

Avista Corporation, Idaho Power Company, Montana Power Company, Portland General Electric, PacifiCorp, and Puget Sound Energy (the "IOUs") preserve for appeal the issues listed below (the issues are numbered and identified as they appear in the Brief on Exceptions the IOUs filed in WP-02), and waives certain issues upon the occurrence or non-occurrence of specified conditions, as described below.

In consideration of this Partial Settlement:

B. CONDITIONAL WAIVER OF CERTAIN ISSUES

If, within 30 days of execution of the Partial Stipulation and Settlement Agreement by all Parties, all Parties and other WP-02 rate case parties waive all issues related to the Section 7(b)(2) rate test, the IOUs will waive all issues they raised related to the 7(b)(2) rate test and withdraw such issues from this Exhibit B. Similarly, if, within 30 days of execution of the Partial Stipulation and Settlement Agreement by all Parties, all other Parties waive all issues related to the settlement of the Residential Exchange program with the IOUs, the IOUs will waive all issues they raised related to the Residential Exchange Settlement and withdraw such issues from this Exhibit B.

Effective upon FERC confirmation of the transmission rates submitted to FERC, the IOUs will waive further appeals of BPA's allocation of generation costs to transmission for the supply of reactive power support and voltage control.

The IOUs will not pursue challenges to the IP industrial margin, IP floor rate, or any other DSI rate issues if none of the DSIs pursue appeals, at FERC or in the 9th Circuit Court of Appeals, relating to the IOU Residential Exchange (Subscription Settlement), PF Exchange rate, or RL rate.

C. ISSUES PRESERVED

I. BPA'S DRAFT ROD FAILS TO IMPLEMENT BPA'S GOALS AND FRUSTRATES THE INTENT OF CONGRESS TO PROVIDE RATE PARITY FOR ALL RESIDENTIAL AND RURAL CUSTOMERS

A. BPA's Draft ROD Fails to Meet Its Own End Results Test

B. BPA's Draft ROD Frustrates the Intent of Congress

1. Introduction—The End Result Test

2. Congressional Intent in Creating the Residential Exchange

- II. THE ADMINISTRATOR HAS THE POWER AND OBLIGATION TO MAKE FOUR CHANGES THAT WILL INCREASE RESIDENTIAL EXCHANGE BENEFITS AND ENCOURAGE CONSERVATION
 - A. The Administrator Must Direct Two Changes To Correct a Calculation That Was Used To Deny Residential Benefits
 - 1. The Administrator Must Treat Conservation as an FBS Replacement, Which Will Substantially Increase Residential Benefits and Encourage Conservation
 - 2. The Administrator Must Subtract the Costs of Uncontrollable Events from the “Program Case,” Which Will Substantially Increase Residential Benefits
 - (a) The Costs of Risk Are the Costs of Uncontrollable Events
 - C. The Costs of Terminated Generating Facilities Are the Cost of Uncontrollable Events
 - B. The Administrator Must Require DSI Companies To Pay a Full and Fair Industrial Margin and To Pay the Correct Floor Rate
 - 1. BPA Has Improperly Excluded Revenue Taxes from the Industrial Margin
 - 2. BPA’s Initial Proposal Sets Direct Service Aluminum Company Rates Below the Congressionally Required Floor
 - C. The Administrator Must Overhaul the Average System Cost Methodology and Deemer Balance in Order To Restore Congressionally Intended Outcomes for Residential and Rural Customers
- IV. RISK MITIGATION AND RATE DESIGN
 - B. BPA’s Proposed Rate Design for Demand and Energy Charges Does Not Send Appropriate Market Price Signals
 - C. BPA Has Not Established Rates of General Applicability or Offered a PF and RL Rate that Are Approximately Equal Because the Products Offered to Purchasers Under Those Rates Have Very Different Values

Exhibit B

- D. BPA's Refusal To Offer the Slice Product to Investor-Owned Utilities Violates Its Obligation To Establish Rates of General Applicability
 - E. Term of Slice Contracts
 - F. BPA's Proposed Rate Design for the Indexed IP Rate Places an Unreasonable Risk of Cost Shift on Other Customer Classes
- V. FUNCTIONALIZATION OF POWER AND TRANSMISSION COSTS
- B. BPA Should Not Functionalize Fiber Optics Costs to Transmission, Thereby Forcing Its Transmission Customers To Subsidize BPA's New Business Venture in Fiber Optics
- VI. BIFURCATION AND INTER-BUSINESS LINE ISSUES
- A. BPA Has Allocated an Arbitrarily High Percentage of Generation Costs to Transmission for the Supply of Reactive Power Support and Voltage Control
 - B. Bifurcation of the Rate Case Precludes the Parties from Examining Whether BPA Has Properly Functionalized All Costs Between Power and Transmission
 - C. BPA Must Consider Both Power and Transmission Costs in Establishing the DSI Floor Rate
- VII. PROCEDURAL ISSUES
- A. The Administrator Has Exceeded Her Discretion and Placed Limitations upon the Scope of These Proceedings That Have Denied the Parties Statutory Due Process
 - B. BPA's Use of Undisclosed Witnesses Violates Principles of Due Process by Denying Parties the Right To Cross Examine a Witness Who Has Knowledge About the Subject of the Testimony
 - C. The Administrator Wrongfully Withheld Official Notice of the Department of Energy Report
 - D. Under the Terms of the 1996 Settlement Agreements, BPA Is Not Entitled to Use the Findings and Conclusions of the 1996 ROD as Precedent in this Proceeding

- E. BPA's Aggressive Briefing Schedule Denied the Parties an Adequate Amount of Time to Fully Brief the Issues in the Draft ROD

V. The Public Utility Commission of Oregon

The Public Utility Commission preserves the issues raised in its Brief on Exceptions to the extent not inconsistent with the Partial Settlement.

VI. Pacific Northwest Generating Cooperative

Pacific Northwest Generating Cooperative, on behalf of itself and its Members (collectively, PNGC), reserves (*i.e.*, does *not* waive) the following issues, and all arguments related thereto, for future litigation in WP-02 proceedings before the BPA Administrator, at the FERC and in the Ninth Circuit Court of Appeals:

1. The Targeted Adjustment Charge for Uncommitted Loads, including without limitation that the TACUL is unlawful and should be eliminated. *See*, PNGC's Initial Brief, Section II; PNGC's Brief on Exceptions, WP-02-R-PN-01, Sections 1-7; Administrator's Final ROD, WP-02-A-02, Section 19; FERC Docket No. EF00-2013.
2. The right to reply to any settling party's challenge to the Administrator's determinations concerning General Transfer Agreements. *See*, Initial Brief of PNGC, Section III; Administrator's Final ROD, WP-02-A-02, Sections 8.3 and 9 (June 22, 2000)
3. Demand and Load Variance Charges, including without limitation that these charges were not set low enough by the Administrator. *See*, Initial Brief of PNGC, Section V; Administrator's Final ROD, WP-02-A-02, Sections 10.3, 10.4 and 10.5 (June 22, 2000).
4. The Administrator's calculation of the Low Density Discount for Slice Product customers. *See*, PNGC's Brief on Exceptions, WP-02-R-PN-01, Section 7; Administrator's Final ROD, WP-02-A-02, Section 10.12 (June 22, 2000).
5. The right to reply to any settling party's challenge to the Administrator's determinations concerning the Low Density Discount. *See*, Initial Brief of PNGC, Section IV; Administrator's Final ROD, WP-02-A-02, Section 10.12 (June 22, 2000).
6. The right to reply to any settling party's challenge to the Administrator's determinations concerning Delivery Segment costs being retained in power rates on a rolled-in basis. *See*, Initial Brief of PNGC, Section VI; Administrator's Final ROD, WP-02-A-02, Section 8-15 (June 22, 2000).

7. To the extent not specified above, PNGC also reserves the right to assert any argument not expressly precluded by the Partial Settlement in response to any argument made by any settling or non-settling party that is not precluded by the Partial Settlement.