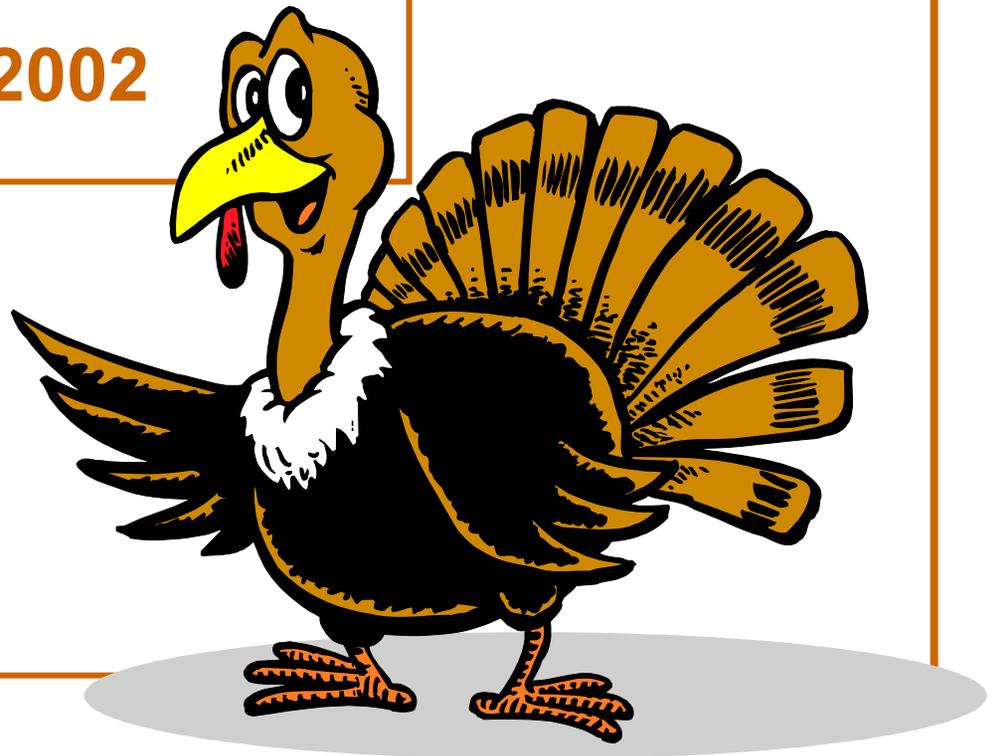


Western Area Power Administration Customer Meeting

November 19, 2002



Agenda

- Introductions
- Transmission Update
- Fed Control Area Update
- Flowcharts
- Fatal Flaws
- 2003 Calendar

Scheduling Agent Function

- SNR is Portfolio Manager
 - Balance Load and Resources for all Customers, regardless of Control Area
 - Base Resource
 - Customer's Existing Generation/Forward Purchases
 - Custom Product
 - Forward Purchases
 - Short-Term/Spot Market Purchases
 - » Firming Product

Power Scheduling Role

- Customers in CAISO
 - Load/Resource Scheduling Coordinator or Trade to Load SC
 - Submits schedules to CAISO according to protocols
 - Allocates settlements after-the-fact
- Customers not in CAISO
 - BR and CP treated as bi-lateral deal

Resource Allocation

Full Load Service Customers

- Base Resource
- Customer's Existing Generation/Forward Purchases
- Exchange Energy
 - Distributed based on number of customers with unmet load
 - Unused portion augments VRC BR
- Custom Product, as needed

Exchange Program

Variable Resource Customers

- Excess FLC Exchange Energy flows to VRC as Exchange Energy
- Exchange Energy distributed to VRC in Exchange Program based on number of customers that have unmet load
- If participating in VRC Exchange Program, must take Exchange Energy

Custom Product

General

- Custom Product power products
 - Forward purchases
 - Short-Term and Spot Market purchases for FLC
 - Firming purchase for VRC
 - Firm BR and EE in DA. If spin is used, purchase ensures delivery for rest of the day
- Custom Product services available
 - SA/SC services

Custom Product

General - con't

- During term of CP agreement, customers waive termination rights for rate changes under the General Power Contract Provisions
- Federal power
 - Cannot be resold

Custom Product

Full Load Service Customers

- Meets total load to existing delivery point(s)
- After Exchange Energy allocated, forward purchases distributed based on number of customers with unmet load
 - Unused forward purchases sold
 - Revenues used to reduce costs of CP

Custom Product

Full Load Service Customers - con't

- SNR must be SA and may be SC
- Short-Term/Spot Market power purchased separately for each customer

Transmission

- Agreement between SNR Merchant and SNR Reliability. CVP transmission initially reserved for:
 - Project Use
 - First Preference
 - Base Resource
 - Exchange Energy

Transmission

continued

- SNR Merchant may use Western transmission for CP delivery, if available

Ancillary Services

Spinning and Non-spinning Reserves

- A/S is transmission product. Offered in accordance with SNR OAT tariff
- Meet all Project Use requirements
- Up to 5% provided by CVP, if available
 - Base Resource
 - Exchange Energy
 - First Preference

Ancillary Services

Spinning and Non-spinning Reserves - con't

- If unavailable from CVP, SNR will purchase
 - 2 hours

Ancillary Services

Regulation

- Only available to Project Use loads
- Not allocated with transmission

Miscellaneous

- Costs associated with meeting Project Use loads are yet to be determined
 - Ongoing sub-cost allocation process
- Allocations of BR will be made, regardless of the amount available, unless zero

Implementation Flowcharts

- Sticking to basics
 - No bells and whistles
- Depicts SNR business processes
 - Merchant vs. Reliability
 - Separation of functions
 - Joint implementation with Reclamation
- Montrose 24-7 Merchant

2003 Calendar

- Informal Rates Process
- Contract Development and Execution Process
 - Custom Product
 - Purchases
 - SA/SC Services
 - Exhibits to BR Contract
 - A/S
 - Exchange Program
 - Delivery Points
 - Final Base Resource Allocation Percentages