



**IDAHO
POWER**

An IDACORP Company

PHIL A. OBENCHAIN
Senior Pricing Analyst
Pricing & Regulatory Services

2007.05.30 11:2:15

IDAHO PUBLIC UTILITIES COMMISSION

(208) 388-2713
FAX (208) 388-6449
E-MAIL pobenchain@idahopower.com

May 30, 2007

Ms. Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
P. O. Box 83720
Boise, Idaho 83720-0074

RE: Case No. IPC-E-01-30
Application for Authority to Implement a Residential and
Small Farm Energy Rate Adjustment Credit

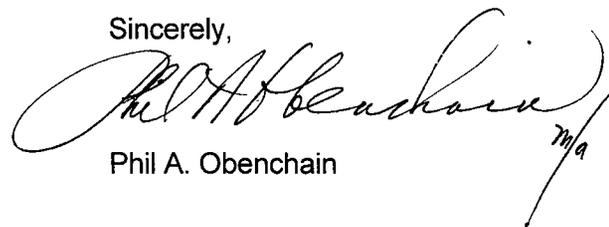
Dear Ms. Jewell:

Idaho Power Company is suspending the monthly residential and small farm credit. The credit will be \$0.000000/kWh beginning with Cycle 1 on June 1, 2007.

On May 3, 2007, the Ninth Circuit Court of Appeals ruled that the settlement agreements Bonneville Power Administration (BPA) entered into with the region's investor-owned utilities (IOU's) were not consistent with the Northwest Power Act. As a result, BPA suspended payments to the northwest investor-owned utilities as of May 21, 2007. BPA and the IOU's believe the court's ruling is wrong and will continue to work to restore the Residential Exchange Program credits. Attached is a copy of the letter from BPA suspending payments under the residential exchange program.

The Company will continue to notify the Commission Staff at the beginning of each revenue month giving you the opportunity to respond to any customer inquiries that may result. If you have questions, please do not hesitate to call.

Sincerely,



Phil A. Obenchain

PAO:ma
Attachment

c: Beverly Barker, IPUC
Terri Carlock, IPUC
Randy Lobb, IPUC
Ric Gale, IPCO



Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

POWER SERVICES

May 21, 2007

In reply refer to: PS-6

Mr. John R. Gale, Vice President
Regulatory Affairs
Idaho Power Company
1221 West Idaho Street
Boise, ID 83702

Dear Mr. Gale:

As we have recently informed you or your representatives, the law provides that a Federal Certifying Officer is personally responsible and accountable for certifying the legality of a proposed payment, and is personally accountable for making a payment prohibited by law. *See* 31 U.S.C. § 3528; Principles of Federal Appropriations, Second Edition, Volume II, 9-88 – 9-145. In the Ninth Circuit Court of Appeal's (Court) recent May 3, 2007, *PGE* and *Golden Northwest Aluminum* decisions, the Court concluded that certain Bonneville Power Administration (BPA) actions in entering residential exchange settlements in 2000 with your company and other Investor Owned Utilities were "not in accordance with law." This quite understandably raised substantial question whether the BPA Certifying Officer could certify additional payments under the settlement agreements; indeed, the Court has asked for briefing as to the effect of its rulings on pending challenges to other outstanding settlement agreements.

We have concluded that this uncertainty created by the Court's decisions means that we must at this time suspend payments. You have acknowledged that BPA is, thus, currently prevented by reasons beyond its control from continuing payment pending final decisions by the Ninth Circuit in the outstanding Ninth Circuit challenges, and that in light of this uncertainty created by the Court's decisions you agree not to assert BPA is in breach of contract as a result of the suspension. Accordingly, BPA is immediately suspending payments (including conservation and renewable discounts and any other credits) under the challenged BPA agreements pending final decisions by the Ninth Circuit in the outstanding Ninth Circuit challenges. Such temporary suspension and acknowledgement shall not constitute an admission or waiver of, and is subject to, any statutory, contractual and other rights and obligations of the parties that may exist, so the suspension is without prejudice to the issue of whether the suspended amounts must at some later point be paid (or credited). BPA's suspension in no way affects the continued existence of the settlement agreements.

We very much regret that it is necessary for us to suspend payments at this time, since we understand that this will rapidly result in large and, for some, severe rate consequences for your

residential and small farm customers. We have spent considerable effort seeking to find means to continue the payments to allow more time for the parties to find a way to address the issues raised by the Court, but without success.

BPA currently anticipates that such suspension will continue at least until any petitions for rehearing on the Court's decisions are finally resolved. We believe the Court's decisions on the settlements are in error, and we are exploring all potential viable avenues for rehearing, including by the full Court if possible. BPA agrees that this suspension is only an interim measure and does not represent a final action by the Administrator, and it will not assert otherwise. BPA agrees it will inform you of its final decision regarding the suspended and any remaining payments (and credits) within a reasonable period of time after the decisions by the Ninth Circuit are final in the outstanding Ninth Circuit challenges.

In the interim we will be consulting with key stakeholders informally as to any ideas for finding a way to resolve these issues consistent with the Court's decision. This is made more challenging by the fact that the Court has not ruled yet on the significant 2001 and 2004 amendments to the contracts that the Court did rule on. We want to resolve this issue as quickly as possible, but also recognize that any work now may be undone by further rulings from the Court.

This is a most vexing problem, and we look forward to working with you and others in the Pacific Northwest region to find a resolution that best serves the interest of all Northwest citizens.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark O. Gendron', with a long horizontal flourish extending to the right.

Mark O. Gendron
Vice President, Requirements Marketing