



May 24, 2007

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

Dear Steve:

In the past several days since the BPA sent notice that it was suspending all payments to the investor-owned utilities (IOUs) under the residential exchange settlements, I have had many conversations with representatives of public power across the Northwest. The clear sentiment expressed by them is a strong and sincere commitment to working collaboratively with you and with investor-owned utilities to move quickly toward a long-term, stable solution regarding residential exchange payments.

This message was repeated in our meeting yesterday between a broad cross-section of public power utility leadership and senior staff of BPA. The utility leaders there agreed that constructive engagement among the parties should begin as soon as possible in order to move the region forward on these issues.

As you know, public power did not advocate for the immediate suspension of all payments, which has created this recent situation. Rather, we believe stakeholders should be working together in the region to create sustainable solutions that are in the interest of all of the region's electricity ratepayers.

We fully understand the intent within the Northwest Power Act to provide some benefits of the federal power system to residential and small farm customers of investor-owned utilities. Likewise, we note that the Act established a method of calculating those benefits and a rate ceiling for preference customers, thus creating a balance that needs to be respected in any approach to providing those benefits.

While we are mindful of the likely rate impacts for investor-owned utilities' residential and small farm customers from this suspension of payments, we note that the settlements in question contributed to the over 40 percent wholesale rate increase suffered by consumer-owned utilities in 2002 and ensuing years.

It is important to note that this situation originated from past choices by the agency to enter into arrangements with the IOUs without agreement among preference customers. The result was a finding by the Ninth Circuit Court of Appeals that the settlements violated the letter and the intent of the law's residential exchange and rate protection provisions.

Now, it is time to take the next steps to join together in serious deliberation to chart a path forward. There is little time to waste and a large workload ahead if we are to continue expeditiously on a path toward clarifying the future power supply roles and responsibilities within the region.

In the interest of creating an atmosphere where the region can arrive at lasting solutions, representatives of public power are pledging to constructively engage with BPA and the other parties in a regional process to ensure that all of the region's electricity consumers are treated fairly and that the requirements of the Northwest Power Act are respected.

Sincerely,



Scott Corwin
Executive Director
Public Power Council

Cc:

Peggy Fowler, Portland General Electric
Michael Hanson, NorthWestern Energy
LaMont Keen, Idaho Power Company
Scott Morris, Avista Corp.
Pat Reiten, Pacific Power
Steve Reynolds, Puget Sound Energy
Rich Walje, Rocky Mountain Power

Northwest Congressional Delegation