



DEPARTMENT OF JUSTICE
GENERAL COUNSEL DIVISION

September 28, 2006

Christina Smith
Administrative Law Judge
Public Utility Commission of Oregon
550 Capitol Street, NE
Salem, Oregon 97308

Re: Docket No. UM 1261

Dear Judge Smith:

This letter is a status report regarding the parties' on-going settlement negotiations in Docket No. UM 1261. Idaho Power Company ("Idaho Power"), the Citizens' Utility Board ("CUB") and staff of the Public Utility Commission ("staff") met on September 20, 2006. The parties negotiated regarding implementation of a power cost adjustment mechanism for Idaho Power. The parties intend to meet again in early November 2006 to continue this discussion.

The parties agreed to table discussion of the application to defer net variable power costs that is at issue in UM 1261 while they negotiate regarding use of a power cost adjustment mechanism. The parties believe that any agreement regarding a power cost adjustment mechanism may inform resolution, at least as far as settlement is concerned, of Idaho Power's application to defer costs.

I will provide another status update following the parties' settlement conference in early November 2006.

Thank you for your attention.

Very truly yours,

Stephanie S. Andrus
Assistant Attorney General

c. Service list

1 **CERTIFICATE OF SERVICE**

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3 I certify that on September 28, 2006, I served the foregoing upon all parties of record in
4 this proceeding by delivering a copy by electronic mail and by mailing a copy by postage prepaid
5 first class mail or by hand delivery/shuttle mail to the parties accepting paper service.

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