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Public Service Commission of Utah
Heber M. Wells Building
160 East 300 South
Salt Lake City, Utah 84110

Attn: Ms. Julie Orchard
Commission Secretary

**Re: Potential Settlement Regarding the Treatment of Certain Tax Related Issues,
Docket Nos. 09-035-23 and 09-035-03**

Dear Commissioners:

The purpose of this letter is to inform you that Rocky Mountain Power, the Utah Division of Public Utilities (DPU) and the Utah Office of Consumer Services (OCS) (“Parties”) have been in settlement discussions and reached a possible settlement in Docket No. 09-035-23 regarding certain income tax related issues, including 1) full normalization of all temporary book-tax differences (including full flow-through of equity AFUDC) and 2) a change in method of accounting for income tax purposes (the “repairs deduction”) that will affect, among other things, the amount of Rocky Mountain Power’s request for an increase in retail rates in Docket No. 09-035-23.

Rocky Mountain Power has been authorized to report that it is the Parties’ intention to finalize discussions and complete a stipulation that would be presented and recommended to the managements of the Parties for final execution and approval. If approved by the Parties’ respective managements, an executed settlement agreement on these issues will be filed with the Commission. The Parties will be meeting with other intervenors to explain the issues and seek their input and support of a settlement as well. In the event a final settlement is not reached on the foregoing issues, the Parties expect to present the Commission with proposed dates for supplemental direct and rebuttal testimony addressing these two tax issues in this Docket.

In anticipation of a possible settlement being filed with the Commission, the Parties respectfully request that the Commission tentatively schedule time on the Commission calendar on November 2 or 3, 2009, to hold a hearing on a stipulation if it is executed and filed with the Commission.

Please contact me if you have any questions regarding this matter at (801) 220-4907.

Sincerely,

Jeffrey K. Larsen
Vice President, Regulation
Rocky Mountain Power