

AVISTA UTILITIES
ELECTRIC ADJUSTMENT SUMMARY
TWELVE MONTHS ENDED DECEMBER 31, 2009
(000'S OF DOLLARS)

(Including Production Tax Credit)
FEDERAL
INCOME TAX
ELECTRIC

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Line No.	DESCRIPTION	System	Washington	Idaho
REVENUES				
1	Total General Business	\$0		
2	Interdepartmental Sales			
3	Sales For Resale			
4	Total Sales of Electricity	0	0	0
5	Other Revenue			
6	Total Electric Revenue	0	0	0
EXPENSES				
Production and Transmission				
7	Operating Expenses			
8	Purchased Power			
9	Depreciation and Amortization			
10	Taxes			
11	Total Production & Transmission	0	0	0
Distribution				
12	Operating Expenses			
13	Depreciation			
14	Taxes	0		0
15	Total Distribution	0	0	0
16	Customer Accounting			
17	Customer Service & Information			
18	Marketing			
Administrative & General				
19	Operating Expenses			
20	Depreciation			
21	Taxes			
22	Total Admin. & General	0	0	0
23	Total Electric Expenses	0	0	0
24	Operating Income before FIT	0	0	0
Federal Income Taxes				
25	Current Accrual (at 35%)	945	945	
26	Deferred Income Taxes	(26)	(26)	
27	Amortized ITC - Noxon	(29)	(29)	
28	NET OPERATING INCOME	(\$890)	(\$890)	\$0
RATE BASE				
PLANT IN SERVICE				
29	Intangible			
30	Production			
31	Transmission			
32	Distribution			
33	General			
34	Total Plant in Service	0	0	0
35	ACCUMULATED DEPRECIATION			
36	ACCUM. PROVISION FOR AMORTIZATION			
37	Total Accum. Depreciation & Amort.	0	0	0
38	GAIN ON SALE OF BUILDING			
39	WORKING CAPITAL			
40	DEFERRED TAXES			
41	TOTAL RATE BASE	\$0	\$0	\$0

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AVISTA UTILITIES
Electric FIT Adjustment
For the Twelve Months Ended December 31, 2009

	System	Washington	Idaho
Taxable NOI per Results (Per E-FIT-12A)	46,715,426	32,480,299	14,235,127
Schedule M Reallocations and Adjustments			
(1) Injuries and Damages Elim Orig Alloc	(135,000)	(88,713)	(46,287)
(2) Residential Exchange Elim Orig Alloc	(3,149,622)	(2,123,539)	(1,026,083)
Add Reallocation	3,125,997	2,104,966	1,021,031
Reallocated Taxable NOI	46,556,801	32,373,013	14,183,788
FIT Normal Accrual per Results (Per E-FIT-12A)	16,350,399	11,368,105	4,982,294
Adjusted FIT Normal Accrual	16,294,880	11,330,554	4,964,326
Total Current FIT Adjustment	(55,519)	(37,551)	(17,968)

	System	Washington	Idaho
Deferred FIT Adjustment			
(1) Injuries and Damages Elim Orig Alloc	47,250	30,171	17,079
(3) Deferred Compensation Record DFIT adjustment	(6,626)	(4,299)	(2,327)
(4) CDA Lake Settlement Eliminate DFIT that should be non-utility	(63,730)	(52,198)	(11,532)
Total Deferred FIT Adjustment	(23,106)	(26,326)	3,220

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AVISTA UTILITIES
Electric FIT Adjustment
For the Twelve Months Ended December 31, 2009

Amortized Investment Tax Credit Adjustment

ITC Normal Amortization per Results	(44,606)	(28,936)	(15,670)
(Per E-FIT-12A, 6 months amort allowed)			
Adjusted ITC Normal Accrual (annualized)	(89,212)	(57,872)	(31,340)
Amortized Investment Tax Credit - Noxon	(44,606)	(28,936)	(15,670)

Effective Tax Rate Test

Net Operating Income Before FIT	161,873,568	93,663,196	68,210,372
Less: Allocated Interest Charges	54,698,577	35,664,981	19,033,596
	107,174,991	57,998,215	49,176,776
Current FIT per ROO	16,350,399	11,368,105	4,982,294
Deferred FIT per ROO	27,468,296	12,903,762	14,564,534
Investment Tax Credit - Noxon	(4,415,973)	(2,864,642)	(1,551,331)
Adjustment to Tax Expense	(123,231)	(92,813)	(30,418)
Adjusted FIT Expense	39,279,491	21,314,412	17,965,079
Effective Tax Rate	36.65%	36.75%	36.53%
Adj for WNP3 tax effect on WA		417,207	
		36.03%	
Net FIT/DFIT/ITC Adjustment	(123,231)	(92,813)	(30,418)
FIT Adjustment for Production Tax Credit	1,514,842	982,678	532,164
Net Tax Adjustment	1,391,611	-889,865	501,746

FIT Adjustments and Reallocations
Electric System
For the Twelve Months Ended December 31, 2009

(1) Injuries and Damages

Reverse Schedule M and Deferred Tax amounts for actual payment and accrual so that tax expense reflects the accrued level of injuries & damages expense which is adjusted in Injuries & Damages Adjustment.

(corrects variance b/w Sch M & DFIT)

		Allocation	
Sch M	\$135,000		# 2
WA	88,713	65.713%	
ID	46,287	34.287%	

		Allocation	
DFIT	(\$47,250)		# 14
WA	(30,171)	63.854%	
ID	(17,079)	36.146%	

		AMOUNT	
Sch M		\$135,000	
DFIT		(47,250)	

		N/A		Reallocation	
Sch M					# 4
WA	0			64.886%	
ID	0			35.114%	

		N/A		Reallocation	
DFIT					# 4
WA	0			64.886%	
ID	0			35.114%	

(2) Residential Exchange

Adjust Schedule M to match utility DFIT - Sch M includes both operating amort and non-oper interest expense.

		AMOUNT	
Sch M WA		\$2,123,539	
Sch M ID		\$1,026,083	
DFIT WA		(\$736,738)	
DFIT ID		(\$357,361)	
s/h/b Sch M WA		\$2,104,966	
s/h/b Sch M ID		\$1,021,031	

		Allocation	
Sch M	\$3,149,622		Direct
WA	2,123,539	67.422%	
ID	1,026,083	32.578%	

		Re-Allocation	
Sch M	\$3,125,997		Direct
WA	2,104,966	67.337%	
ID	1,021,031	32.663%	

(3) Deferred Compensation

Adjust DFIT to match utility Schedule M.

		AMOUNT	
Sch M		\$1,446,291	
DFIT @ 35%		(\$506,202)	
DFIT recorded		(\$499,576)	
DFIT Adjustment		(\$6,626)	

		Adjustment		Allocation	
DFIT	(\$6,626)				# 4
WA	(4,299)			64.886%	
ID	(2,327)			35.114%	

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(4) **CDA Lake Settlement**
Eliminate non-oper DFIT to match utility Schedule M.

	AMOUNT
Sch M WA	(\$645,042)
Sch M ID	(\$199,818)
DFIT WA	\$277,963
DFIT ID	\$81,468
DFIT WA @ 35%	\$225,765
DFIT ID @ 35%	\$69,936
WA DFIT Adjust	(\$52,198)
ID DFIT Adjust	(\$11,532)

	Adjustment	Allocation
DFIT	(\$63,730)	Direct
WA	(52,198)	
ID	(11,532)	

FEDERAL INCOME TAXES--ELECTRIC For Twelve Months Ended December 31, 2009 Average of Monthly Averages Basis	Report ID: E-FIT-12A
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Ref/Basis	Description	System	Washington	Idaho
	Calculation of Taxable Operating Income:			
E-OPS	Operating Revenue	951,029,258	617,793,068	333,236,190
E-OPS	Operating & Maintenance Expense	663,263,783	433,071,729	230,192,054
E-OPS	Book Depreciation & Amortization	72,142,743	47,038,435	25,104,308
E-OTX	Taxes Other than FIT	53,749,164	44,019,708	9,729,456
	Net Operating Income Before FIT	161,873,568	93,663,196	68,210,372
E-INT	Less: Interest Expense	54,698,577	35,664,981	19,033,596
E-SCM	Add: Schedule M Additions	90,077,448	60,139,888	29,937,560
E-SCM	Less: Schedule M Deductions	150,537,013	85,657,804	64,879,209
	Taxable Net Operating Income	46,715,426	32,480,299	14,235,127
	Tax Rate	35.00%	35.00%	35.00%
	Total Federal Income Tax	16,350,399	11,368,105	4,982,294
1	Production Tax Credit	(1,679,315)	(1,089,372)	(589,943)
1	Investment Tax Credit - Noxon *	(4,415,973)	(2,864,642)	(1,551,331)
	Total Net Federal Income Tax	10,255,111	7,414,091	2,841,020
E-DTE	Deferred FIT	27,468,296	12,903,762	14,564,534
1	Amortized Investment Tax Credit - Noxon	-44,606	(28,936)	(15,670)
	Total Net FIT/Deferred FIT	37,678,801	20,288,917	17,389,884

ALLOCATION RATIOS:

E-ALL	1	Production/Transmission Ratio	64.870%	35.130%
E-ALL	99	Not Allocated	0.000%	0.000%

RESULTS OF OPERATIONS

AVISTA UTILITIES

DEFERRED INCOME TAX EXP--ELECTRIC
 For Twelve Months Ended December 31, 2009
 Average of Monthly Averages Basis

Report ID:
 E-DTE-12A

Ref/Basis	Acct No	Description	System	Washington	Idaho
14	410100	Deferred Federal Income Tax Expense - Allocated		41,568,946	15,025,511
99	410100	Deferred Federal Income Tax Expense - Washington		-10,422,134	0
99	410100	Deferred Federal Income Tax Expense - Idaho		571,961	571,961
		Sub-Total		31,718,773	15,597,472
14	411100	Deferred Federal Income Tax Expense - Allocated		-857,776	-310,052
99	411100	Deferred Federal Income Tax Expense - Washington		-2,669,815	0
99	411100	Deferred Federal Income Tax Expense - Idaho		-722,886	-722,886
		Sub-Total		-4,250,477	-1,032,938
		Total Deferred Federal Income Tax Expense		27,468,296	14,564,534

E-ALL	14	Net Allocated Schedule M's	100.000%	63.854%	36.146%
E-ALL	99	Not Allocated	0.000%	0.000%	0.000%

Acct	Schedule M Additions / (Deductions)	Electric	Sch M
	12ME 12/09	Line No.	
997000	Book Depreciation	76,214,603	1
997001	Contributions In Aid of Construction	3,551,146	2
997002	Injuries and Damages	135,000	3
997003	Salvage	(4,056,850)	4
997004	Boulder Park Write Off	(103,282)	5
997005	FAS106 Current, Retiree Medical	(404,403)	6
997007	Idaho PCA	(464,614)	7
997008	DSM Book Amortization-ID	1,054,552	8
997009	Rathdrum Turbine Lease	(33,828)	9
997012	N.E. Tank Farm Diesel Spill	(11,502)	10
997013	Airplane Lease Payments	226,877	11
997016	Redemption Expense Amortization	1,264,391	12
997017	Investment in Exch Fwr - Annot	2,450,031	13
997018	DSM Tariff Rider	1,139,044	14
997018	DSM Tariff Rider AN	(131)	14a
997019	CSS Temporary Service Fees	261,704	15
997020	FAS87 Current Pension Accrual	1,489,500	16
997021	Wartsila Generators Amortization	560,072	17
997024	Kettle Falls Disallowance	(134,592)	18
997028	RTO Funding Amortization	229,019	19
997029	FAS106 Post Retirement Benefits	339,356	20
997032	Interest Rate Swaps	1,241,548	21
997033	BPA Residential Exchange	3,189,622	22
997034	Montana Hydro Settlement	1,037,316	23
997041	Rathdrum Turbine Lease, Tax	(3,228,820)	24
997043	Washington Deferred Power Costs	31,567,135	25
997044	Non-Monetary Power Costs	(181,618)	26
997045	Section 199 Manufacturing Deduction	(6,000,000)	27
997046	Nez Perce Settlement	(16,796)	28
997047	Clark Fork PME's	246,989	29
997048	AFUDC	(1,617,121)	30
997049	Tax Depreciation	(149,890,981)	31
997050	CS2 Levelized Return	(62,324)	32
997051	Wind Generation AFUDC - ID	(85,281)	33
997052	Noxon Spill	326,499	34
997053	Renewable Energy Certificate Fees	(174,000)	35
997054	Spokane River Relicensing	(226,221)	36
997058	Colstrip Settlement - ID	153,771	37
997059	Spokane River Relicensing PME	(251,302)	38
997061	CDA Lake Settlement - AN	(9,950,000)	39
997061	CDA Lake Settlement	(32,210)	40
997062	Gain on Sale of Office Bldg	(196,092)	41
997063	CDA Lake Settlement - AN	(9,468,813)	42
997063	CDA Lake Settlement	(844,860)	43
997063	CDA Lake Settlement	(413,972)	44
997064	Chicago Climate Exchange	59,536	45
997065	Unbilled Revenue Add-On Annot	970,806	46
997066	Miscellaneous Schedule M	(1,935,590)	47
997067	CDA IPA Fund	(6,959,569)	
	Total Schedule M per Results/Corp	(62,065,375)	
	Corp Accounting Sch Ms	(1,617,121)	
	AFUDC - not picked up for Results	(6,000,000)	
	Eliminate Kettle Falls ED WA Sch M	134,392	
	Total Schedule M per ROO adjusted	(60,319,662)	
	Difference is Book Depreciation	(11,311)	
	Misc Sch M:		
	Uncollectibles - Retail	411,564	46a
	Uncollectibles-Sales for Resale	(2,705,100)	46b
	Deferred Comp	1,446,291	46c
	Paid Time Off	497,402	46d
	Transp Book Depr	1,020,341	46e
	Meal Disallow-no DFIT	300,308	46f
	Total Misc Sch M	970,806	
	ROO - Misc Sch M's	970,806	
	Difference - rounding	0	

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RESULTS OF OPERATIONS

AVISTA UTILITIES

ELECTRIC SCHEDULE M ITEMS		Report ID:
For Twelve Months Ended December 31, 2009		E-SCM-12A
Average of Monthly Averages Basis		
Ref/Basis	Description	

***** SYSTEM ***** WASHINGTON ***** IDAHO *****			***** SYSTEM ***** WASHINGTON ***** IDAHO *****			***** SYSTEM ***** WASHINGTON ***** IDAHO *****				
Ref/Basis	Description	Direct	Allocated	Total	Direct	Allocated	Total	Direct	Allocated	Total
Schedule M Additions:										
12	997001	0	3,551,146	3,551,146	0	2,248,373	2,248,373	0	1,302,773	1,302,773
2	997002	0	135,000	135,000	0	88,713	88,713	0	46,287	46,287
12	997003	0	-4,056,850	-4,056,850	0	-2,568,554	-2,568,554	0	-1,488,296	-1,488,296
99	997004	-103,282	0	-103,282	0	0	0	-103,282	0	-103,282
4	997005	0	-404,403	-404,403	0	-262,401	-262,401	0	-142,002	-142,002
99	997007	-464,614	0	-464,614	0	0	0	-464,614	0	-464,614
99	997008	1,054,552	0	1,054,552	0	0	0	1,054,552	0	1,054,552
1	997009	0	-33,828	-33,828	0	-21,944	-21,944	0	-11,884	-11,884
1	997012	0	-11,502	-11,502	0	-7,461	-7,461	0	-4,041	-4,041
4	997015	0	226,877	226,877	0	147,211	147,211	0	79,666	79,666
12	997016	0	1,264,391	1,264,391	0	800,537	800,537	0	463,854	463,854
99	997017	2,450,031	0	2,450,031	0	0	0	2,450,031	0	2,450,031
99	997018	1,139,044	0	1,139,044	0	2,123,938	2,123,938	-984,894	0	-984,894
4	997018	-131	-131	-131	0	-85	-85	0	-46	-46
1	997019	261,704	0	261,704	49,950	0	49,950	211,754	0	211,754
4	997020	0	1,489,500	1,489,500	0	966,477	966,477	0	523,023	523,023
99	997021	560,072	0	560,072	191,912	0	191,912	368,160	0	368,160
99	997024	-134,592	0	-134,592	-134,592	0	-134,592	0	0	0
1	997025	0	0	0	0	0	0	0	0	0
99	997028	229,019	0	229,019	158,213	0	158,213	70,806	0	70,806
99	997029	339,356	0	339,356	250,574	0	250,574	88,782	0	88,782
12	997032	0	1,241,548	1,241,548	0	786,074	786,074	0	455,474	455,474
99	997033	3,149,622	0	3,149,622	2,123,539	0	2,123,539	1,026,083	0	1,026,083
99	997034	1,037,316	0	1,037,316	676,632	0	676,632	360,684	0	360,684
4	997052	0	326,499	326,499	0	211,852	211,852	0	114,647	114,647
2	997066	0	970,806	970,806	0	637,946	637,946	0	332,860	332,860
99	997064	-413,972	0	-413,972	0	0	0	-413,972	0	-413,972
99	997065	59,536	0	59,536	449,793	0	449,793	-390,257	0	-390,257
E-OPS	997000	29,133,928	47,080,675	76,214,603	18,230,351	30,542,809	48,773,160	10,903,577	16,537,866	27,441,443
		38,297,720	51,779,728	90,077,448	26,570,341	33,569,547	60,139,888	11,727,379	18,210,181	29,937,560
TOTAL SCHEDULE M ADDITIONS										

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RESULTS OF OPERATIONS

AVISTA UTILITIES

ELECTRIC SCHEDULE M ITEMS
 For Twelve Months Ended December 31, 2009
 Average of Monthly Averages Basis
 Report ID:
 E-SCM-12A

Ref/Basis	Description	SYSTEM ***** WASHINGTON *****		***** IDAHO *****		Total
		Direct	Allocated	Direct	Allocated	
Schedule M Deductions:						
1	997041 Rathdrum Turbine Lease, Tax	0	3,228,820	0	2,094,536	1,134,284
99	997043 Washington Deferred Power Costs	-31,567,135	-31,567,135	-31,567,135	-31,567,135	0
1	997044 Non-Monetary Power Costs	0	141,618	0	91,868	49,750
1	997045 Section 199 Manufacturing Deduction	0	6,000,000	0	3,892,200	2,107,800
4	997046 Nez Perce Settlement	16,796	0	22,008	0	-5,212
99	997047 Clark Fork Preventive Maint. Exp (PME's)	-246,989	0	0	-246,989	0
12	997048 AFUDC	0	0	0	0	0
11	997049 Tax Depreciation	0	149,890,981	0	95,901,749	53,989,232
99	997050 CS2 Levelized Return	62,324	0	62,324	0	62,324
99	997051 Wind Generation AFUDC - ID	85,281	0	85,281	0	85,281
4	997053 Renewable Energy Certificate Fees	0	174,000	0	112,902	61,098
99	997054 Spokane River Relicensing	226,221	0	201,285	0	24,936
99	997058 Colstrip Settlement	-153,771	0	-153,771	0	-153,771
99	997059 Spokane River Relicensing PME	251,302	0	251,302	0	0
1	997061 CDA Lake Settlement - AN	0	9,950,000	0	6,454,565	3,495,435
99	997061 CDA Lake Settlement	32,210	0	32,210	0	0
4	997062 Gain on Sale of Office Bldg	0	196,092	0	127,236	68,856
1	997063 CDA Lake Settlement - AN	0	9,468,813	0	6,142,419	3,326,394
99	997063 CDA Lake Settlement	844,860	0	645,042	0	199,818
1	997067 CDA IPA Fund	0	1,935,590	0	1,255,617	679,973
TOTAL SCHEDULE M DEDUCTIONS		-30,448,901	180,985,914	-30,415,288	116,073,092	64,912,822

z = 60,459,565

ALLOCATION RATIOS:	Production/Transmission Ratio	Number of Customers	Direct Distribution Operating Expense	Jurisdictional 4-Factor Ratio	Net Electric Distribution Plant	Book Deprec (0403.XX, 0404.11 & 0406.XX)	Net Electric Plant	Not Allocated
E-ALL 1	100.000%	64.870%	35.130%	64.870%	35.130%	36.019%	36.686%	0.000%
E-ALL 2	100.000%	65.713%	34.287%	65.713%	34.287%	36.019%	36.686%	0.000%
E-ALL 3	100.000%	66.846%	33.154%	66.846%	33.154%	36.019%	36.686%	0.000%
E-ALL 4	100.000%	64.886%	35.114%	64.886%	35.114%	36.019%	36.686%	0.000%
E-ALL 10	100.000%	61.076%	38.924%	61.076%	38.924%	36.019%	36.686%	0.000%
E-ALL 11	100.000%	63.981%	36.019%	63.981%	36.019%	36.019%	36.686%	0.000%
E-ALL 12	100.000%	63.314%	36.686%	63.314%	36.686%	36.019%	36.686%	0.000%
E-ALL 99	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

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Avista Corporation
 Electricity Production Tax Credit - Open-Loop Biomass/Hydro Upgrade
Applicable to Production at the Kettle Falls Generating Plant and Cabinet Unit 4 Upgrade

	Kettle Falls		Cabinet Upgrade
KF Generation included in pro forma power supply (net of station load)	0 MWh X <u>1,000</u> 0 kWh		Cab. Gorge est. Net Gen. <u>1,060,429</u> MWh X <u>1,000</u> 1,060,429,000 kWh
			(incremental increase in gen.) <u>1.41%</u> 14,952,049 kWh
Production credit rate per kWh	-\$0.021		
50% reduction for open-loop biomass/hy	X 50%		
Production credit	X <u>-\$0.011</u> \$/kWh		<u>-\$0.01100</u> \$/kWh
Gross production credit amount	\$0		-\$164,473
Qualified Financing Rate (Note 1)	X <u>88.54%</u>		<u>100.00%</u>
Net production credit amount	<u>\$0</u>		Total CG production credit <u>-\$164,473</u>

Note 1:
Kettle Falls pollution control bonds amount

\$4,100,000

Tax basis for Kettle Falls (from Tax Acctg)	\$106,782,161 N/A
Less: reduction for ITC previously taken	\$8,139,258 N/A
reduction for tax exempt financing	4,100,000 N/A
portion not qualified for credit	11.46% N/A
Plus additions to basis	

	System	WA	ID
Total pro forma production tax credits	-\$164,473	-\$106,693	-\$57,779
Production Tax Credit per ROO (E-FIT-12A)	<u>-1,679,315</u>	<u>-\$1,089,372</u>	<u>-\$589,943</u>
Adjustment to FIT for pro forma qualified generation	<u>\$1,514,842</u>	<u>\$982,678</u>	<u>\$532,164</u>
Production/Transmission Ratio	100.00%	64.87%	35.13%

Note: Kettle Falls tax credit is a five-year credit that ends on 12/31/2009. Therefore, we eliminated the Kettle Falls Production Tax credit from our calculation.

There will be a new credit available to us in 2009; however, we need to wait for the system to come on-line and to receive a FERC license in order for us to know what the incremental generation will be in order to determine the credit. Per the tax department, they do not feel that this credit will be material; they estimate that it will be around \$60k.

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Avista Corporation
 Cabinet Gorge Generating Plant Upgrade
 Location 304 - only

Estimate of 2009 Renewable Energy Production Credit - Hydro - Cabinet Gorge

	<i>In Svc Date 4/1/2007 partial year only 2007 Estimate</i>	12 months actual 2008	12 months actual 2009	
KWH gross generation (per monthly Source K reports)	805,488,500	1,082,807,000	1,062,197,000	
Less: Station Service and In Service Use (per monthly Source K reports)	-1,306,500	-1,966,000	-1,768,000	
Net KWH Generation (per Form 1 page 407 - Annual Report)	<u>804,182,000</u>	<u>1,080,841,000</u>	<u>1,060,429,000</u>	(a)
Total Clark Fork River Project <u>w/out</u> Upgrade - MWh	3,130,397	1,207,067 **	1,207,067 **	
Total Clark Fork River Project <u>with</u> Upgrade - MWh	<u>3,147,437</u>	<u>1,224,107 **</u>	<u>1,224,107 **</u>	
Incremental Additional Generation - MWh	17,040	17,040	17,040	
Percentage Generation Due to Improvements	0.54%	1.41%	1.41%	(b)
Incremental KWh produced eligible for credit	4,342,583	15,239,858	14,952,049	(c) = (a)x(b)
Tax credit rate	\$0.0201	\$0.0208	\$0.0213	
50% reduction for hydro/open loop biomass facilities	50.00%	50.00%	50.00%	
Cabinet Gorge tax credit rate	<u>\$0.010</u>	<u>\$0.010</u>	<u>\$0.011</u>	(d) - rounded
	\$43,425.83	\$152,398.58	\$164,472.54	(e) = (c)x(d)
Phase out adjustment	100.00%	100.00%	100.00%	(f)
Credit for FIT Form	<u>\$43,425.83</u>	<u>\$152,398.58</u>	<u>\$164,472.54</u>	(g) = (e)x(f)

** Revised formula - use only Cabinet Gorge Dam to determine % for Credit - Per 2006-2007 RAR agreed adjustment.

Effective Date:
 The provision is effective for electricity produced and sold from qualifying facilities after the date of enactment in taxable years ending after the date of enactment. (Starts 1-1-2005)
 With respect to efficiency upgrades to an existing hydro facility: the improvements need to be placed in service after August 8, 2005 and prior to January 1, 2008. (See the Energy Policy Act of 2005)

Electricity produced at Qualified Hydropower Production plants after August 8, 2005 and before January 1, 2008.
 Qualifying "Incremental hydro power production". The baseline and percentage are to be certified by FERC.
 See filing with FERC: Clark Fork Project, FERC Project No. 2058. Application for Renewable Energy Production Tax Credit Certification.

[The Clark Fork Project, FERC Project No. 2058, consists of two hydro development Projects (Cabinet Gorge and Noxon Rapids).
 Unit 4 of the four-unit Cabinet Gorge powerhouse is undergoing a 50-year mechanical overhaul project. This work includes replacement of the 1952 vintage turbine runner with a new modern design runner that operates at a higher efficiency than the current unit.

Cabinet Gorge Unit 4 was removed from service in September 2006, and disassembly of the unit began immediately. Installation of the new high efficient runner is planned for January 2007. Once this work is completed, we anticipate an increase of 17,040 MWh annually due to the improvement in the runner efficiency when contrasted to the old runner. This increase will be effective immediately when the unit is returned to service on March 31, 2007.

10 Year Credit Period. Starting in April 2007. Credit begins on the date the improvements are placed in service. (2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016 and a portion of 2017)

For 2009, the credit is 2.13 cents per kilowatt hour. (Code Sec. 45(a)). But for electricity produced and sold at any qualifying facility (open-loop biomass, small irrigation power, trash combustion, hydropower, etc.), the credit is reduced by one-half (to 1.10 cents per kilowatt hour). (Code Sec.45(b)(4)).

Need to adjust rates after the inflation adjustments are made for 2009 tax return (Form 8835).
 Check to see if phase outs apply in 2009 - See RIA ¶ 2324 of the 2009 RIA Federal Tax Handbook.

Checked with John Hamill on April 9, 2007. He indicated that the Cabinet Gorge Unit 4 went back in service on April 5, 2007. We should factor the number of days in April 2007 (26 days/ 30 days) in order to calculate the credit generated in the first month of in service.

	(a)	(b)	(a) x (b) = (c)
Rates did change for the 2009 tax year.			
No phase-out applies in 2009	RIA L-17761	RIA L-17762	
1993	\$0.015	100.00%	\$0.0150
1994	\$0.015	102.73%	\$0.0154
1995	\$0.015	104.30%	\$0.0156
1996	\$0.015	107.50%	\$0.0161
1997	\$0.015	109.70%	\$0.0165
1998	\$0.015	112.40%	\$0.0169
1999	\$0.015	112.69%	\$0.0169
2000	\$0.015	113.82%	\$0.0171
2001	\$0.015	116.41%	\$0.0175
2002	\$0.015	119.08%	\$0.0179
2003	\$0.015	120.48%	\$0.0181
2004	\$0.015	122.30%	\$0.0183
2005	\$0.015	125.28%	\$0.0188
2006	\$0.015	129.81%	\$0.0195
2007	\$0.015	134.33%	\$0.0201
IRS Bulletin No. 2008-21 - May 27, 2008	\$0.015	138.54%	\$0.0208
IRS Bulletin No. 2009-40, 2009-19	\$0.015	141.71%	\$0.0213