

Schedule D-5

20:10:13:59. Schedule D-5 -- Working papers on capitalizing interest and other overheads during construction.

Schedule D-5 shall include a complete statement of the methods and procedures followed in capitalizing interest during construction and other construction overheads, including any policy changes, the effective dates, and the reasons for the changes, for the last five calendar years, ending during the test year.

Source:2 SDR 90, effective July 7, 1976; 12 SDR 151, 12 SDR 155, effective July 1, 1986.

General Authority: SDCL 49-34A-4.

Law Implemented: SDCL 49-34A-10, 49-34A-12, 49-34A-41.

Allowance for Funds Used During Construction (AFUDC)

AFUDC is computed monthly and applied to projects exceeding \$10,000 which are under construction more than thirty days with the exception of land and land rights. AFUDC is applied monthly and projects receive 1/2 of the charge in the first and last months of the construction period. Capitalization of AFUDC ceases when the project is placed in service, or once a project hasn't had charges for 90 days. The AFUDC rate is calculated in accordance with the formula prescribed by FERC, and a consolidated rate is used for all NorthWestern Energy jurisdictions.

Engineering and Supervision / Administrative and General Expense

Every three years the company conducts a time study to identify the portion of supervision, engineering, and administrative time that directly supports construction related activities, and should be capitalized as part of the cost of a project. To be capitalized, this time must have a direct relationship to the construction activity. This applies to all employees that do not charge their payroll directly to capital projects or orders. In addition to labor, a charge for Business Technology and benefits is also included.