

Statement K

20:10:13:88. Statement K -- Income taxes. Statement K shall show for the test period income taxes computed on the basis of the rate of return claimed applied to the overall utility rate base and separated between federal and state taxes. If the rate base claimed includes adjustments other than book figures for the test period 13-month average, the income taxes shall be computed separately for claimed rate base and for the 13-month average rate base per books for the test period. All tax adjustments shall be completely described and the amounts shown separately. Amounts of deferred taxes debited and credited shall be shown separately. The amounts and basis of assignment of income taxes attributed to other utility departments and nonutility operations shall be shown, together with all tax savings affecting the total tax liability. If the filing public utility joins in a consolidated tax return, the total estimated tax savings, expressed as a percentage, resulting from the filing of a consolidated return shall be given, as well as a full explanation of the method of computing the tax savings. Any abnormalities such as nonrecurring income, gains, losses, and deductions affecting the income tax for the test period shall be explained and the tax effect set forth. Items required by §§ 20:10:13:89 to 20:10:13:93, inclusive, shall be submitted as a part of statement K.

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.

NorthWestern Corporation, dba NorthWestern Energy
 South Dakota Electric Rate Case
 Computation of Federal and State Income Taxes
 Twelve Months Ending September 30, 2014

Statement K
 Page 1 of 1

Line No.	Description	Reference	Base Period			Adjustments to Reflect Requested Return	Test Period Total
			Not Normalized	Normalizing Adjustments	Normalized		
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
			\$	\$	\$	\$	\$
1	Operating Income before Income Taxes	Stmt M	20,179,297	(3,792,367)	16,386,930	26,469,794	42,856,724
2	Less Interest Expense	Line 63	(6,990,243)	(3,747,312)	(10,737,555)	0	(10,737,555)
3							
4	Subtotal before Tax Adjustments		<u>13,189,054</u>	<u>(7,539,679)</u>	<u>5,649,375</u>	<u>26,469,794</u>	<u>32,119,169</u>
5							
6	Tax Adjustments - Permanent Differences						
7	Lobbying Expenses		42,274	0	42,274	0	42,274
8	Meals & Entertainment		82,704	0	82,704	0	82,704
9	Officers Life Insurance		71,871	0	71,871	0	71,871
10							
11	Total Permanent Differences		<u>196,849</u>	<u>0</u>	<u>196,849</u>	<u>0</u>	<u>196,849</u>
12							
13	Tax Adjustments - Temporary Differences						
14	AFUDC net of Capitalized Interest		(913,689)	0	(913,689)	0	(913,689)
15	Bad Debts		107,880	0	107,880	0	107,880
16	Bonuses & Compensation		(503,661)	0	(503,661)	0	(503,661)
17	Capitalized Overheads		25,317,488	(25,317,488)	-	0	-
18	Contributions in Aid of Construction		175,399	0	175,399	0	175,399
19	Deferred Interest		2,706	0	2,706	0	2,706
20	Deferred Power Costs		(1,443,002)	0	(1,443,002)	0	(1,443,002)
21	Deferred Revenue		(57,504)	0	(57,504)	0	(57,504)
22	Environmental Liability		(939,806)	0	(939,806)	0	(939,806)
23	FAS 106 & 112 Liability		368,926	0	368,926	0	368,926
24	Future SISF		(546,006)	0	(546,006)	0	(546,006)
25	Injuries & Damages		(183,612)	0	(183,612)	0	(183,612)
26	Loss on Reacquired Debt		8,457	0	8,457	0	8,457
27	Miscellaneous		520,787	0	520,787	0	520,787
28	Non-Qualified Retirement Comp & Benefits		1,729,674	0	1,729,674	0	1,729,674
29	Pension Liability		(5,059,095)	0	(5,059,095)	0	(5,059,095)
30	Property Taxes		24,699	0	24,699	0	24,699
31	Regulatory Asset-FERC Order 472		(1,526)	0	(1,526)	0	(1,526)
32	Regulatory Asset-Pension		5,318,978	0	5,318,978	0	5,318,978
33	Removal Costs net of Salvage		(2,503,232)	0	(2,503,232)	0	(2,503,232)
34	Repairs		(8,270,025)	0	(8,270,025)	0	(8,270,025)
35	Retirements		(440,694)	0	(440,694)	0	(440,694)
36	Sec. 174 Research & Experimental Expenses		(78,606)	0	(78,606)	0	(78,606)
37	Accelerated Tax Depreciation - Flow Thru	Sch K-2, Ln 5	2,544,760	718,006	3,262,767	0	3,262,767
38	Accelerated Tax Depreciation - Deferred	Sch K-2, Ln 12	(29,633,237)	(3,223,366)	(32,856,603)	0	(32,856,603)
39	Vacation Pay		25,532	0	25,532	0	25,532
40							
41	Total Temporary Differences		<u>(14,428,409)</u>	<u>(27,822,848)</u>	<u>(42,251,257)</u>	<u>0</u>	<u>(42,251,257)</u>
42							
43	Taxable Income / (NOL)		(1,042,506)	(35,362,527)	(36,405,034)	26,469,794	(9,935,240)
44	Net Operating Loss Carryforward		1,042,506	35,362,527	36,405,034	(26,469,794)	9,935,240
45							
46	Taxable Income		0	0	0	0	0
47	Federal Tax Rate		35%	35%	35%	35%	35%
48							
49	Federal Income Tax - Current before Credits/Adjmts		0	0	0	0	0
50	Deferred Income Tax		1,495,547	(2,387,586)	(892,039)	9,264,428	8,372,389
51	R & D Tax Credit		(1,424)	0	(1,424)	0	(1,424)
52	Investment Tax Credit Amortization		(232,326)	0	(232,326)	0	(232,326)
53	Prior Year True-Up Adjustments		660,924	(660,924)	0	0	0
54							
55	Total Federal Income Tax - Operating		<u>1,922,721</u>	<u>(3,048,509)</u>	<u>(1,125,788)</u>	<u>9,264,428</u>	<u>8,138,640</u>
56							
57							
58	Computation of Interest Expense						
59							
60	Net Rate Base	Stmt M, Sch 9, L21	296,638,358	150,759,610	447,397,968	0	447,397,968
61	Interest Component of Cost of Capital	Stmt G, Pg1, Ln 1	2.3565%	2.4856%	2.4000%	2.4000%	2.4000%
62							
63	Interest Expense		6,990,243	3,747,312	10,737,555	0	10,737,555