

Line No.	DESCRIPTION (a)	TOTAL SYSTEM (b)	CLAIMED ADJUSTMENTS (c)	ADJUSTED TOTAL (d)
1	<b>SOUTH DAKOTA ELECTRIC</b>			
2	CURRENT INCOME TAX EXPENSE			
3	FEDERAL	5,198,696	0	5,198,696
4	STATE	0	0	-
5				
6	DEFERRED INCOME TAX EXPENSE			
7	FEDERAL	2,168,031	0	2,168,031
8	STATE	0	0	-
9				
10	INVESTMENT TAX CREDIT AMORTIZATION	(389,788)	0	(389,788)
11				
12	<b>TOTAL SOUTH DAKOTA ELECTRIC</b>	<b>6,976,940</b>	<b>-</b>	<b>6,976,940</b>
13				
14				
15	<b>SOUTH DAKOTA GAS</b>			
16	CURRENT INCOME TAX EXPENSE			
17	FEDERAL	732,265	(795,654)	(63,389)
18	STATE	0	0	-
19				
20	DEFERRED INCOME TAX EXPENSE			
21	FEDERAL	404,217	0	404,217
22	STATE	0	0	-
23				
24	INVESTMENT TAX CREDIT AMORTIZATION	(20,351)	0	(20,351)
25				
26	<b>TOTAL SOUTH DAKOTA GAS</b>	<b>1,116,130</b>	<b>(795,654)</b>	<b>320,476</b>
27				
28				
29	<b>OTHER UTILITY &amp; NON-UTILITY OPERATIONS</b>			
30	CURRENT INCOME TAX EXPENSE			
31	FEDERAL	573,603	0	573,603
32	STATE	0	0	-
33				
34	DEFERRED INCOME TAX EXPENSE			
35	FEDERAL	(222,312)	0	(222,312)
36	STATE	0	0	-
37				
38	INVESTMENT TAX CREDIT AMORTIZATION	(16,651)	0	(16,651)
39				
40	<b>TOTAL OTHER OPERATIONS</b>	<b>334,640</b>	<b>-</b>	<b>334,640</b>
41				
42	<b>TOTAL INCOME TAX EXPENSE</b>	<b>8,427,710</b>	<b>(795,654)</b>	<b>7,632,056</b>

NorthWestern Corporation, dba NorthWestern Energy  
Reconciliation of Income Per Books to Income Per Tax  
December 31, 2010 Test Year

Schedule K-1  
Page 1 of 5

RECONCILIATIONS OF BOOK NET INCOME TO TAX NET INCOME FOR NORTHWESTERN ENERGY  
ARE ATTACHED FOR THE TAX YEARS 2009, 2008, 2007, AND 2006.

NorthWestern Corporation, dba NorthWestern Energy  
 Reconciliation of Income Per Books to Income Per Tax - 2009  
 December 31, 2010 Test Year

<b>Net Income/(Loss) per Books</b>	19,894,574
<b>Permanent Adjustments:</b>	
AFUDC-DEBT-FLO THRU	(156,348)
AFUDC-EQUITY-FLO THRU	(354,896)
BAD DEBTS ACCRUALS-FLO THRU	9,624
CAPD INTEREST-SEC 263A-FLO THRU	475,108
DEPRECIATION-BOOK-FLO THRU	21,497,364
DEPRECIATION-TAX-FLO THRU	(19,319,531)
INSURANCE-OFFICERS LIFE-PREMIUMS	(3,358)
LOBBYING EXPENSES	48,184
MEALS & ENTERTAINMENT	112,097
REMOVAL COSTS-FLO THRU	(1,383,293)
SALVAGE-FLO THRU	83,111
<b>Sub-Total Permanent Adjustments</b>	<u>1,008,064</u>
<b>Temporary Adjustments</b>	
CIAC	316,344
CONTRIBUTION CARRYOVER	468,455
DEFERRED INTEREST	4,748
DEFERRED POWER COSTS	3,861,532
DEFERRED REVENUE (UNBILLED REVENUE)	890,012
DEPRECIATION-TAX-IN EXCESS OF FLOW THRU-DEFERRED	(5,402,503)
ENVIRONMENTAL LIABILITY	(227,820)
FUTURE SISP	(278,914)
GAIN / LOSS ON ASSET RETIREMENTS-TAX VS. BOOK	(2,453,078)
INJURIES & DAMAGES	51,409
INSURANCE-LTD-SELF INSURED	(57,045)
LOSS ON REACQUIRED DEBT	14,836
MISCELLANEOUS	(410,932)
NON-QUALIFIED RETIREMENT COMPENSATION & BENEFITS	1,397,399
PARTNERSHIP INCOME / (LOSS)	501
PENSION LIABILITY	(7,640,047)
PROPERTY TAXES	(123,574)
REG ASSET-PENSION	7,346,955
VACATION PAY	29,871
DERERRED FEDERAL INCOME TAX DEDUCTED ON BOOKS	4,202,751
CURRENT FEDERAL INCOME TAX DEDUCTED ON BOOKS	910,121
REG ASSET - ABERDEEN	1,312,285
REG ASSET - CLARK	(5,000)
REG ASSET - HURON	(23,000)
REG ASSET - MITCHELL	(11,000)
REG ASSET - NEK	73,652
REG ASSET - RATE CASE RECEIVABLE	78,669
REG LIABILITY - HURON	(759,861)
REPAIRS EXPENSE	(5,020,785)
<b>Sub-Total Temporary Adjustments</b>	<u>(1,454,019)</u>
<b>Taxable Income/(Loss)</b>	<u><u>19,448,619</u></u>

NorthWestern Corporation, dba NorthWestern Energy  
 Reconciliation of Income Per Books to Income Per Tax - 2008  
 December 31, 2010 Test Year

Schedule K-1  
 Page 3 of 5

<b>Net Income/(Loss) per Books</b>	19,936,684
<b>Permanent Adjustments:</b>	
AFUDC-DEBT-FLO THRU	(141,977)
AFUDC-EQUITY-FLO THRU	(307,031)
BAD DEBTS ACCRUALS-FLO THRU	(24,593)
CAPD INTEREST-SEC 263A-FLO THRU	285,733
DEPRECIATION-BOOK-FLO THRU	21,259,195
DEPRECIATION-TAX-FLO THRU	(17,339,454)
INSURANCE-OFFICERS LIFE-PREMIUMS	17,945
LOBBYING EXPENSES	80,178
MEALS & ENTERTAINMENT	143,127
REMOVAL COSTS-FLO THRU	(1,746,750)
SALVAGE-FLO THRU	110,622
<b>Sub-Total Permanent Adjustments</b>	<u>2,336,994</u>
<b>Temporary Adjustments</b>	
BONUSES & COMPENSATION	46,696
CIAC	203,601
CONTRIBUTION CARRYOVER	425,236
DEFERRED INTEREST	4,748
DEFERRED POWER COSTS	5,778,826
DEFERRED REVENUE (UNBILLED REVENUE)	(2,026,258)
DEPRECIATION-TAX-IN EXCESS OF FLOW THRU-DEFERRED	3,732,053
ENVIRONMENTAL LIABILITY	1,547,000
FUTURE SISF	(289,805)
GAIN / LOSS ON ASSET RETIREMENTS-TAX VS. BOOK	(785,873)
INJURIES & DAMAGES	(276,392)
INSURANCE-LTD-SELF INSURED	(56,784)
LOSS ON REACQUIRED DEBT	14,837
MISCELLANEOUS	(414,747)
NON-QUALIFIED RETIREMENT COMPENSATION & BENEFITS	329,031
PARTNERSHIP INCOME / (LOSS)	501
PENSION LIABILITY	4,138,210
PROPERTY TAXES	(165,310)
REG ASSET-PENSION	(15,331,132)
VACATION PAY	327,224
DERERRED FEDERAL INCOME TAX DEDUCTED ON BOOKS	4,692,103
CURRENT FEDERAL INCOME TAX DEDUCTED ON BOOKS	5,236,154
REG ASSET - ABERDEEN	(943,678)
REG ASSET - CLARK	51,000
REG ASSET - HURON	(146,000)
REG ASSET - MITCHELL	(103,429)
REG ASSET - NEK	73,652
REG ASSET - RATE CASE RECEIVABLE	(51,318)
REG ASSET - YANKTON	3,000
REG LIABILITY - HURON	(797,208)
REPAIRS EXPENSE	(32,154,438)
<b>Sub-Total Temporary Adjustments</b>	<u>(26,938,501)</u>
<b>Taxable Income/(Loss)</b>	<u>(4,664,823)</u>

NorthWestern Corporation, dba NorthWestern Energy  
 Reconciliation of Income Per Books to Income Per Tax - 2007  
 December 31, 2010 Test Year

**Net Income/(Loss) per Books** 23,709,663

**Permanent Adjustments:**

AFUDC-DEBT-FLO THRU	(104,259)
AFUDC-EQUITY-FLO THRU	(192,581)
BAD DEBTS ACCRUALS-FLO THRU	(67,686)
CAPD INTEREST-SEC 263A-FLO THRU	206,658
DEPRECIATION-BOOK-FLO THRU	20,788,257
DEPRECIATION-TAX-FLO THRU	(19,279,729)
INSURANCE-OFFICERS LIFE-PREMIUMS	523,970
LOBBYING EXPENSES	43,257
MEALS & ENTERTAINMENT	109,756
PENALTIES	1,029
REMOVAL COSTS-FLO THRU	(1,954,511)
SALVAGE-FLO THRU	142,707

**Sub-Total Permanent Adjustments**

216,870

**Temporary Adjustments**

BONUSES & COMPENSATION	738,857
CIAC	202,273
DEFERRED CAPITAL LOSS CARRYFORWARD	(11,439)
DEFERRED INTEREST	4,748
DEFERRED POWER COSTS	(6,262,030)
DEFERRED REVENUE (UNBILLED REVENUE)	(1,569,987)
DEPRECIATION-TAX-IN EXCESS OF FLOW THRU-DEFERRED	3,838,468
ENVIRONMENTAL LIABILITY	(1,024,241)
FUTURE SISP	(668,788)
GAIN / LOSS ON ASSET RETIREMENTS-TAX VS. BOOK	(823,758)
INJURIES & DAMAGES	(173,557)
INSURANCE-LTD-SELF INSURED	(61,169)
LOSS ON REACQUIRED DEBT	14,836
MISCELLANEOUS	(258,334)
NON-QUALIFIED RETIREMENT COMPENSATION & BENEFITS	718,150
PARTNERSHIP INCOME / (LOSS)	(13,334)
PENSION LIABILITY	(2,879,473)
PROPERTY TAXES	(1,541,268)
REG ASSET-PENSION	3,642,353
VACATION PAY	247,287
DERERRED FEDERAL INCOME TAX DEDUCTED ON BOOKS	1,176,561
CURRENT FEDERAL INCOME TAX DEDUCTED ON BOOKS	10,899,316
REG ASSET - ABERDEEN	(12,288,703)
REG ASSET - CLARK	(630,000)
REG ASSET - HURON	(1,499,000)
REG ASSET - MITCHELL	(334,000)
REG ASSET - NEK	(362,124)
REG ASSET - RATE CASE RECEIVABLE	(161,159)
REG ASSET - YANKTON	(13,000)
REG LIABILITY - HURON	2,208,270

**Sub-Total Temporary Adjustments**

(6,884,243)

**Taxable Income/(Loss)**

17,042,290

<b>Net Income/(Loss) per Books</b>	11,725,033
<b>Permanent Adjustments:</b>	
AFUDC-DEBT-FLO THRU	(72,642)
AFUDC-EQUITY-FLO THRU	(113,123)
BAD DEBTS ACCRUALS-FLO THRU	255,828
CAPD INTEREST-SEC 263A-FLO THRU	147,071
DEPRECIATION-BOOK-FLO THRU	19,163,819
DEPRECIATION-TAX-FLO THRU	(18,426,233)
INSURANCE-OFFICERS LIFE-PREMIUMS	111,620
LOBBYING EXPENSES	79,166
MEALS & ENTERTAINMENT	125,228
PENALTIES	1,055
REMOVAL COSTS-FLO THRU	(2,762,387)
SALVAGE-FLO THRU	3,487,336
<b>Sub-Total Permanent Adjustments</b>	<u>1,996,738</u>
<b>Temporary Adjustments</b>	
BONUSES & COMPENSATION	(2,258,228)
CIAC	346,440
DEFERRED CAPITAL LOSS CARRYFORWARD	(1,933,367)
DEFERRED INTEREST	4,747
DEFERRED POWER COSTS	4,393,483
DEFERRED REVENUE (UNBILLED REVENUE)	1,977,431
DEPRECIATION-TAX-IN EXCESS OF FLOW THRU-DEFERRED	4,307,734
ENVIRONMENTAL LIABILITY	(388,481)
FUTURE SISF	(278,945)
GAIN / LOSS ON ASSET RETIREMENTS-TAX VS. BOOK	1,078,882
INJURIES & DAMAGES	56,949
INSURANCE-LTD-SELF INSURED	(60,711)
LOSS ON REACQUIRED DEBT	14,836
NON-QUALIFIED RETIREMENT COMPENSATION & BENEFITS	871,508
PARTNERSHIP INCOME / (LOSS)	(35,345)
PENSION LIABILITY	706,344
PROPERTY TAXES	208,271
REG ASSET-PENSION	462,917
SIMPLIFIED SERVICE COSTS METHOD	4,552,695
VACATION PAY	378,002
DERERRED FEDERAL INCOME TAX DEDUCTED ON BOOKS	(4,553,116)
CURRENT FEDERAL INCOME TAX DEDUCTED ON BOOKS	11,284,122
<b>Sub-Total Temporary Adjustments</b>	<u>21,136,168</u>
<b>Taxable Income/(Loss)</b>	<u><u>34,857,939</u></u>

NorthWestern Corporation, dba NorthWestern Energy  
 Difference Between Book and Tax Depreciation  
 December 31, 2010 Test Year

Line No.	Description (a)	Total Company (b)	South Dakota Electric Only (c)	South Dakota Gas Only (d)
1	TAX DEPRECIATION ON A STRAIGHT-LINE BASIS	18,373,188	13,690,918	3,274,879
2				
3	BOOK DEPRECIATION	21,877,275	16,302,015	3,899,456
4				
5	<b>DIFFERENCE BETWEEN STRAIGHT-LINE BASIS TAX DEPRECIATION</b>	<u>(3,504,087)</u>	<u>(2,611,097)</u>	<u>(624,577)</u>
6	<b>AND BOOK DEPRECIATION</b>			
7				
8				
9				
10				
11	TAX DEPRECIATION	33,026,360	24,609,839	5,886,694
12				
13	TAX DEPRECIATION ON A STRAIGHT-LINE BASIS	18,373,188	13,690,918	3,274,879
14				
15	<b>EXCESS OF TAX DEPRECIATION OVER STRAIGHT-LINE BASIS</b>	<u>14,653,172</u>	<u>10,918,921</u>	<u>2,611,815</u>
16	<b>TAX DEPRECIATION</b>			

NorthWestern Corporation, dba NorthWestern Energy  
 Consolidated Federal Income Tax  
 December 31, 2010 Test Year

Schedule K-3  
 Page 1 of 1

(ESTIMATE BASED UPON EXTENSION)

Line No.	Company (a)	Taxable Income/(Loss) (b)	Allocation of Consolidated Taxes (c)
1	NORTHWESTERN CORPORATION - PARENT	(434,226,178)	1,500,000
2			
3	TOTAL	<u>(434,226,178)</u>	<u>1,500,000</u>
4			
5	INCOME TAX @ 35%	-	
6	ALTERNATIVE MINIMUM TAX	1,500,000	
7			
8	TOTAL CONSOLIDATED TAX	<u>1,500,000</u>	

NorthWestern Corporation, dba NorthWestern Energy  
Consolidated Federal Income Tax  
December 31, 2010 Test Year

Schedule K-3  
Page 1 of 1

(ESTIMATE BASED UPON EXTENSION)

<u>Line No.</u>	<u>Company</u>	<u>Taxable Income/(Loss)</u>	<u>Allocation of Consolidated Taxes</u>
	(a)	(b)	(c)
1	NORTHWESTERN CORPORATION - PARENT	(434,226,178)	1,500,000
2			
3	TOTAL	<u>(434,226,178)</u>	<u>1,500,000</u>
4			
5	INCOME TAX @ 35%	-	
6	ALTERNATIVE MINIMUM TAX	1,500,000	
7			
8	TOTAL CONSOLIDATED TAX	<u>1,500,000</u>	

NorthWestern Corporation, dba NorthWestern Energy  
Working Papers for an Allowance for Current Tax Greater  
Than Tax Calculated at Consolidated Rate  
December 31, 2010 Test Year

Schedule K-4  
Page 1 of 1

THE "STAND-ALONE" METHOD IS USED TO COMPUTE THE INCOME TAX EXPENSE OR BENEFIT TO NORTHWESTERN PUBLIC SERVICE. NORTHWESTERN PUBLIC SERVICE PAYS TO ITS PARENT THE AMOUNT OF TAX WHICH EQUALS BUT DOES NOT EXCEED THE AMOUNT OF TAX IT WOULD HAVE PAID HAD NORTHWESTERN PUBLIC SERVICE FILED SEPARATE "STAND-ALONE" TAX RETURNS. THE COMPUTATIONS INCLUDE ALL BENEFITS FROM TAX DEDUCTIONS STEMMING FROM COSTS BORNE BY UTILITY CUSTOMERS.

NorthWestern Corporation, dba NorthWestern Energy  
Claimed Allowance for State Income Tax  
December 31, 2010 Test Year

Schedule K-5  
Page 1 of 1

THIS SCHEDULE IS NOT APPLICABLE AS NO STATE INCOME TAXES ARE CLAIMED FOR SOUTH  
DAKOTA COST OF SERVICE.