

NorthWestern Energy
South Dakota Electric
Revenue Requirement Model Description

Schedule H-12

Schedule H-12 – Interest Synchronization. This adjustment reflects the change in federal income taxes by using the interest synchronization method of computing the interest deduction for income tax purposes. Under this method, interest in the income tax calculation was set equal to the implied interest in the proposed cost of capital included in this filing.

<u>Line</u>	<u>Description</u>	<u>Amount</u>
	(a)	(b)
1	Investment To Be Financed (Average Rate Base)	447,397,986
2	Weighted Cost of Long Term Debt	<u>2.400%</u>
3	Synchronized Interest Expense	10,737,555
4	Interest Expense as filed	<u>6,990,243</u>
5	Difference In Interest Expense	3,747,312
6	Federal Income Tax Adjustment (35%)	\$ (1,311,558)