

NorthWestern Energy
South Dakota Electric
Revenue Requirement Model Description

Schedule H-7

Schedule H-7 – Bad Debt Adjustment. This Schedule represents the calculation to normalize bad debt expense using a three year historical period. Once calculated, the average rate is applied to the adjusted revenue amount to determine the expected bad debt expense. The decrease to bad debt expense is adjusted in Statement H, column (g).

Line No.	FERC (a)	Description (b)	Reference (c)	Adjusted Amount (d)
1	904	Electric Bad Debt Expense		
4		10/2011 - 09/2012		2,264
5		10/2012 - 09/2013 - (normalized to remove Northern Beef Packers)		338,722
6		10/2013 - 09/2014		641,869
7		Total Bad Debt Expense		<u>982,854</u>
8				
9		Average Net Write Offs	Ln.7 / 3 years	327,618
10				
11		Average Billed Revenue (10/2009 - 09/2014)		363,216,643
12				
13		Average Effective Uncollectible Rate (5 year average)	Ln.9 / Ln. 11	0.09%
14				
15		Adjusted Retail Revenue	Statement I	153,494,222
16				
17		Net Write Off Calculated	Ln. 13 * Ln.15	138,450
18				
19		NWE per books	Stmt H p.3, L6	<u>641,869</u>
20				
21		Pro Forma Adjustment to FERC 904	Ln. 17 - Ln. 19	\$ (503,419)