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November 29, 2006

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SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

HAND DELIVERED

Patricia Van Gerpen
Executive Director
Public Utilities Commission
500 East Capitol Avenue
Pierre, South Dakota 57501

RE: **NORTHWESTERN/BBI TRANSACTION**
Docket GE06-001
Our file: 0230

Dear Patty:

Enclosed are original and 10 copies of Applicants' Reply Brief on Jurisdiction with Certificate of Service. Please file the enclosure. With a copy of this letter I am sending copies of the enclosure to counsel of record by both first class mail and electronic means where possible.

Yours truly,

MAY, ADAM, GERDES & THOMPSON LLP

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Enclosures
cc/enc: Tom Knapp
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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

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SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE MERGER BETWEEN NORTHWESTERN CORPORATION AND BBI GLACIER CORP., A SUBSIDIARY OF BABCOCK & BROWN INFRASTRUCTURE LIMITED	)	DOCKET NO. GE06-001 **APPLICANTS' REPLY BRIEF ON JURISDICTION**

NorthWestern Corporation ("NorthWestern") and Babcock & Brown Infrastructure Limited ("BBIL") (together, the "Applicants") file this reply brief in response to the brief of Intervenors Heartland Consumers Power District ("Heartland") and South Dakota Power Co. ("SDPC") (together, the "Intervenors") on the question of jurisdiction. The reference to "Intervenors" in this brief is limited to those specified. None of the other intervenors in this docket has filed a brief.

SUMMARY OF ARGUMENT

Intervenors have completely misinterpreted NorthWestern's basic argument (with which Staff agrees): the purpose and context of Chapter 49-34A require that gross regulated revenues are the measure. Under that standard, gross in state revenues are no more than 14.82 percent. Applicants believe the analysis ends here.

That said, for the most part, Intervenors have ignored the extensive legal precedent cited by Applicants for these propositions:

1. While better reasoned authority holds that "gross revenue" establishes a broad and inclusive measure for the calculation of revenue, the courts readily recognize that this broad view is dependent upon limiting context and language within the statutory framework being examined.

2. The courts have not had the slightest bit of reluctance to enforce limiting terms, such as ". . . receiving more than twenty-five percent of . . . gross revenue [from operations] in this state . . .," to allocate revenue to effect a statutory standard.

Intervenors have also ignored the most recent and relevant twelve month set of calculations raised by Commission Staff. Two parallel avenues of revenue analysis have come into play, one dealing with year-end December 31, 2005, and the other dealing with the 12 months ending June 30, 2006. As recited in Applicants' initial brief, in each 12-month period dealing with gross regulated and unregulated revenues, three calculations were produced. Of the six figures produced, only one figure (from December 31, 2005) exceeded the 25 percent threshold. Under the authority cited by both applicants and staff this percentage is an inappropriate measure, and in any event, the comparable figure for the 12 months ending June 30, 2006, does not reach 25 percent. Intervenors chose not to comment on this. Based on this analysis, even consideration of Nebraska unregulated revenue does not implicate the statute.

In any event, under a plain reading of the statute, there is no way that it can be read to require the inclusion of Nebraska revenues. And thus the 25 percent threshold cannot be reached.

ARGUMENT AND AUTHORITIES

At the outset, it should be noted that a typographical error exists on page 2 of Intervenors' brief. NorthWestern emerged from bankruptcy in November of 2004, not 1994. (Bird depo at 24.)

NorthWestern relies upon the discussion and authorities set forth in its initial brief. We also note that Commission Staff has independently arrived at essentially the same conclusion. NorthWestern submits that Intervenors have either ignored or failed to successfully refute its previously advocated conclusions.

At page 7 of its brief, NorthWestern posits its fundamental position, that ". . . the statute clearly relates to gross *regulated* revenue in this state." Under that test the percentage is less than 15 percent. Intervenors have misinterpreted this issue, arguing that it requires introducing an omitted word into the statute. To the contrary, as stated in the Moore case cited later in this brief, the "manifest intent" of this statute must be ". . . derived from the statute as a whole, as well as other enactments relating to the same subject." Moore, infra., brief, p.6. NorthWestern discussed this analysis in its initial brief. The long standing interpretation of the application of the gross receipts tax (which was first adopted with Chapter 49-34A) to regulated revenues by the Commission furnishes ample reason to apply SDCL 49-34A-38.1 to regulated revenues.

After discussing NorthWestern's calculation of its revenues in pages 3 through 6 of its brief, Intervenors conclude that ". . . using NorthWestern's own methodology and numbers, the only issue is whether to use the second calculation, which includes Nebraska gas revenues, or the third, which does not." While NorthWestern does not agree that Intervenors have described the "only issue," it does acknowledge that Intervenors have stated the determinative issue in this proceeding if the Commission chooses to go beyond regulated revenues. More important from NorthWestern's perspective, however, the discussion by Intervenors shows that they do not seriously disagree with NorthWestern's revenue calculations and the methodology by which NorthWestern arrives at the several percentages.

As stated in NorthWestern's initial brief, six computations have been made, only one of which exceeds the 25 percent threshold. Computations using revenues for the year ended December 31, 2005, with 12 months ended June 30, 2006, in parenthesis, show:

A. The gross regulated revenue in the state was 14.72 (14.82) percent of gross regulated revenue;

B. The gross regulated revenue combined with unregulated revenue in this state was 20.84 (19.78) percent; and

C. The gross regulated revenue combined with in-state and out-of-state unregulated revenue was 25.23 (23.84) percent.

Thus, only one computation, and one not based on the most recent figures, results in a percentage over 25 percent. More important, the one computation resulting in more than 25 percent includes out-of-state unregulated revenue which, as explained in Applicants' initial brief, does not comport with the requirement that revenues from operations in this state be considered under the statute.

Intervenors simply ignored the most recent figures, notwithstanding that the most recent figures are most indicative of the company's current condition.

Intervenors argue that Nebraska unregulated revenue must be counted because ". . . unlike its Montana-based revenue, NorthWestern has itself treated Nebraska and South Dakota revenue the same." (Brief, page 7.) In point of fact, NorthWestern has not treated the revenue from both states as one. Neither the FERC, nor the SEC, nor the Commission requires such a breakdown as a routine regulatory or reporting requirement. Within NorthWestern's accounting system, various ad hoc reports to regulatory agencies can be constructed and certain reoccurring reports are "mapped" from pro forma accounts (each of which has a discrete designator). In this process, before Montana Power was acquired, South Dakota and Nebraska unregulated gas sales were accounted for together under a particular system designator (NEC) but could be broken out as needed individually. When Montana power was acquired, it was simply added as a separate system designator (MTU)[1].

Intervenors next argue that the statute does not "require" the exclusion of Nebraska revenues. To the contrary, the statute is clear in stating that it is only gross revenue generated in South Dakota that applies to the benchmark. The line of cases cited in

[1]See NorthWestern Controller Kendall Kliewer deposition, pp. 13, 21-24 and 43-49, attached.

Applicants' brief clearly requires the purpose and context of the statute to be taken into consideration in interpreting the statute. Similarly, the South Dakota Supreme Court has spoken on the subject:

> Each statute must be construed according to its manifest intent as derived from the statute as a whole, as well as other enactments relating to the same subject. Words used by the legislature are presumed to convey their ordinary, popular meaning, unless the context or the legislature's apparent intention justifies departure. When conflicting statutes appear, it is the responsibility of the court to give reasonable construction to both, and to give effect, if possible to all provisions under consideration, construing them to be harmonious and workable.

Moore vs. Michelin Tire Co. Inc., 1999 SD 152, ¶ 16, 603 NW2d 513, 518. In the context of this proceeding, it is clear that "gross revenue in this state" means something specific. The "manifest intent" of the statute is clear and speaks to revenue from operations in this state.

The unregulated sale of natural gas in Nebraska, delivered in Nebraska, under the authorities cited in the initial brief clearly is not revenue generated from South Dakota operations[2]. At page 9 of their brief, Intervenors suggest that NorthWestern has provided

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[2]NorthWestern's first data production under the first scheduling order included the Nebraska gas supply contract dated July 24, 1997, establishing the Nebraska points of delivery of unregulated sales, identified as: "The pdf file is the contract between NEC (now NSC) and the utility for the nonregulated Nebraska revenues generated. Paragraph I.A details the delivery points in Nebraska."

no authority for the proposition that gross revenue relates only to regulated revenue. In doing so, they ignore the Arkansas Power case cited in our brief. That case clearly concluded that unregulated revenue should not be a part of gross revenue, thus confining the inquiry to regulated revenue.

Intervenors go on to criticize the authorities cited by Applicants at pages 8 through 12 of the brief, concluding that a different statutory test for allocation of revenues was at work in the cited cases. However, the statutory test involved in South Dakota is ". . . receiving more than 25 percent of . . . gross revenue in this state . . . ." SDCL § 49-34A-38.1. The context of the statute within the framework of Chapter 49-34A clearly refers to the receipt of revenue for operations in the state of South Dakota. That is the statutory test which must be implemented by the Commission. The authorities cited by Applicants simply show that the courts give full recognition of limiting language such as this. The reason for the limitation to in-state revenue is manifest: a South Dakota Commission has no more business regulating the business aspects of a Nebraska regulated utility, than has a Nebraska Commission in regulating a South Dakota regulated utility.

CONCLUSION

Intervenors conclude that ". . . because revenue from the sale of natural gas in Nebraska is revenue to a South Dakota corporation, it is revenue received in this state . . .." Such a conclusion flies not only in the face of the applicable statute, but in the face of the established authority cited in Applicants' brief. Revenue from Montana operations finds its way to the bottom line at NorthWestern. No one would consider including that revenue for consideration under the statute. For all the reasons cited in their initial brief, Applicants request that the Commission conclude that it has no jurisdiction to consider approval of the transaction.

Dated this 29th day of November, 2006.

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CERTIFICATE OF SERVICE

Brett Koenecke of May, Adam, Gerdes & Thompson LLP hereby certifies that on the 29th day of November, 2006, he mailed by United States mail, first class postage thereon prepaid, a true and correct copy of the foregoing in the above-captioned action to the following at their last known addresses, to-wit:

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Brett Koenecke

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A. No.
Q. So is it fair to say the only reporting you make to any public agency that would separately identify South Dakota revenue of Northwestern Corporation or any of its subsidiaries is to the South Dakota Public Utilities Commission?
A. Yes.
Q. Because from my reading of your 10K to the SEC, there's no breakout of revenues by state.
A. Correct.
Q. Your previous position at Northwestern was chief accountant. Is that correct?
A. Yes.
Q. Who did you do as the chief accountant?
A. I was hired as chief accountant in November of 2002, and primarily to do technical accounting research and oversee the SEC reporting.
Q. Did you have any previous position at Northwestern Corporation?
A. No.
Q. Do you know who your employer actually is? Are you an employee of Northwestern Corporation?
A. Yes.
Q. Do you have an employment contract?
A. No.

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Q. But you get a check from Northwestern Corporation?
A. Yes.
Q. To your knowledge are all the employees who work in the office in Sioux Falls employees of Northwestern Corporation?
A. Yes.
Q. Can you tell me what you did before you started work for Northwestern Corporation?
A. Sure. I was a CPA with KPMG in Lincoln, Nebraska. I was a senior manager on the audit side.
Q. How long were you there?
A. I was there right at five years.
Q. Were you employed before starting with KPMG?
A. I was. I worked for a small local firm in Aurora, Nebraska, for my first two years out of college.
Q. When did you obtain your -- when did you become a CPA?
A. May of 1994.
Q. Can you just tell me about your education after high school?
A. I graduated from the University of Nebraska in Lincoln with a Bachelor of Science in business

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administration.
Q. What year was that?
A. May of '94.
MR. GERDES: And he is a Nebraska football fan, by the way.
Q. My sympathies. I want to ask you a little about Northwestern Corporation and its corporate structure. My understanding, from its reporting, is that Northwestern Corporation is actually a Delaware corporation. Are you familiar with the incorporation of Northwestern?
A. Yes. I know it is a Delaware corporation, yes.
Q. Can you tell me what wholly-owned subsidiaries Northwestern Corporation has? We can do this both as of today and as of December 31 of 2005.
Why don't we start with year end last year, 12-31-05. What were the wholly-owned subsidiaries of Northwestern Corporation?
A. Northwestern had underneath it Northwestern Services Corporation. It ~~was~~ is a wholly-owned subsidiary.
Northwestern Services Corporation has its

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own wholly-owned subsidiary called Nekota Resources.
Northwestern -- I have to think about this a little while, because we've changed a number of times over the last few years. We also have a captive insurance subsidiary that is Risk Partners Assurance.
We have a subsidiary that's now named Northwestern Investments, LLC. That was formerly Northwestern Growth Corporation, and I don't remember exactly when we converted it to an LLC.
Those are, without seeing an org chart, those are the only ones that I remember we have and had as of year end.
Northwestern Investments also has some wholly-owned subsidiaries. One is Montana Megawatts, I believe. That one is a little bit of a convoluted structure. There's three or four subsidiaries within there. I don't remember the exact legal names offhand.
And Northwestern Investments also had, as of 12-31-05, had a subsidiary named Netexit, Inc., which was liquidated and is in the -- the actual legal structure has either been

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subsidiary of Northwestern Services
Corporation.
A. Correct.
Q. And tell me again what Nekota does.
A. It owns a pipeline, about I believe 23 miles of
pipeline. It was established to hold that
pipeline to serve our unregulated customers.
Q. In South Dakota or in Nebraska?
A. In South Dakota.
Q. Is there any other business that provides
revenue to Northwestern Services Corporation?
A. No.
Q. Is there any external reporting that
Northwestern Corporation does that identifies
separately the income of Northwestern Services
Corporation?
A. Not by itself. Our SEC reports break down our
segments, and Northwestern Services Corporation
rolls up under -- most of it rolls up under
unregulated gas.
Q. Is there separate financial reporting that's
done for Northwestern Services Corporation?
A. Separate external financial reporting?
Q. That's fine. We can start there.
A. No.

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Q. What internal financial reporting is done
within Northwestern Corporation for
Northwestern Services Corporation?
A. It rolls up through our consolidation, and we
have separate budgets. So we do a separate
budget to actual comparison every month.
Q. Is there a monthly financial statement that
would be produced for Northwestern Services
Corporation?
A. Not that we would typically do on a stand-alone
basis. It's included in our consolidated
results.
Q. When you say "our consolidated results," you
mean for internal or external purposes?
A. Both.
Q. Is it identified? Is there a place where I can
go in the report and see the revenue of
Northwestern Services Corporation?
A. Not that you could go, no. I could.
Q. Where do you go to identify the revenue of
Northwestern Services Corporation?
A. Within our SAP or -- our software that does our
accounting. Then we have what we term as
company codes. Company codes that are part of
Northwestern Services Corporation are NCS, NEC,

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and NEK and GRT. Those would show you the
revenues and costs of each of those company
codes or divisions.
Q. One of the attachments to the initial
disclosure Northwestern Corporation made to the
South Dakota PUC was in I believe Excel form.
When I looked at it in Excel form on the
computer, it had several attachments. Those
pages were indicated I believe as NPS and then
NEC, NCS and NEK. Are you familiar with that?
A. Yes.
Q. What I'm talking about.
A. Yes.
Q. Just so I understand exactly what it is I'm
looking at, as part of that document, the chart
that's attributable to NPS, is NPS a company
code?
A. Yes.
Q. What is NPS?
A. That is the regulated utility. It includes the
revenues from all our regulated electric and
natural gas customers.
Q. The next one I think is NEC. Correct?
A. Correct.
Q. Again, that's a company code?

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A. That's a company code, and that's the
unregulated gas sales under Northwestern
Services Corporation.
Q. Then NCS is a company code?
A. NCS is a company code. That's the company code
under Northwestern Services Corporation that we
report the revenues for the folks that do the
furnace and air conditioning repairs.
Q. And NEK?
A. NEK is the company code for Nekota.
Q. The last one that you mentioned that was not
part of the documents that were disclosed to
the PUC was I believe GRT.
A. GRT is the company code under Northwestern
Services Corporation. That's the one where we
hold the property. There were no revenues with
that, which is why we didn't provide it.
Q. Do I understand correctly that Northwestern
Services Corporation has nothing to do with
your regulated utility business, so there is no
revenue that would be reported under
Northwestern Services Corporation as part of
company code NPS?
A. That is correct. It does have the management
agreement related to Nebraska. So there's

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Corporation show up?

A. It would show up in that line item, I believe it's titled Equity and Earnings of Affiliated Companies or Equity and Earnings of Subsidiaries. If you were -- I guess a simple example, if this $154 million, that's only the revenue. If we were to go down the full income statement for these subsidiaries, and let's just say you had costs of $150 million and you had net income of $4 million, for your SEC purposes you're going to show all those gross and come across. So you'll include that $154 million in revenues, $150 million in cost of sales, so you end up with net income of $4 million.

For FERC purposes, you don't show the revenues. You don't show the costs. You show one line item that says Equity ~~and~~ in Earnings of Subsidiaries, $4 million. Then that would be -- I don't remember exactly where it's at on the FERC Form 1 income statement, but it's not included in revenues. It's included in a separate line item. I can go back and look and tell you exactly where.

Q. Let's go to the next category of numbers on the

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first page of Exhibit 1 identified as NPS Revenue. There you've got FERC IS and SEC IS. Those numbers are the same, $214,975,502. Correct?

A. Yes.

Q. Tell me what those numbers are.

A. FERC IS stands for FERC Income Statement, and SEC Income Statement. So those are the revenues that show up in both cases. As I mentioned earlier, there's no differences in South Dakota between SEC purposes and FERC purposes.

That's what we were trying to show is that reconciliation down here, and then as you'll note right below that, we break it out between South Dakota Electric, South Dakota Gas, and Nebraska Gas to tie out to $214,975,000.

Q. So that is not actually total NPS revenue. That's NPS revenue that you attribute to South Dakota.

A. The $214,975,000 is total NPS revenue.

Q. It is.

A. Yes. Right below that we show what we attribute to South Dakota. The $104.3 million is electric, which ties out to the number at

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the top of the schedule. The $55,290,000 is natural gas, which ties out to the number at the top of the schedule.

Then the only different piece is what is attributable to our Nebraska regulated natural gas sales.

Q. I understood that NPS was your company code for basically all regulated revenue of Northwestern Corporation.

A. In South Dakota, Nebraska. I'm sorry. We have completely separate codes for Montana. Yes.

Q. What is the coding for Montana revenues? Are they not part of NPS?

A. They are not part of NPS. It's a separate company code. We call it MPU in our system.

Q. Is all Montana regulated revenue under that code?

A. Yes.

Q. Looking at the second page of Exhibit 1, there are three calculations there. Correct?

A. Correct.

Q. Could you explain to me -- before we get there.

(A recess was taken)

Q. We were talking about the difference between

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SEC and FERC reporting. In Response to the South Dakota PUC dated August 24, 2006, in Paragraph 5 there was a question from the PUC about the difference. I just want to ask you about the response that was actually made there in Paragraph 5.

A. Which question?

Q. The document dated August 24, 2006.

A. Question No. 5.

Q. The first sentence of the response says, "The conversion from SEC reporting to FERC reporting for revenue is based on the direct mapping of the natural account to the FERC accounts."

A. Okay.

Q. Let's define some terms. If that doesn't work, I'll give you another chance to explain to me what that sentence says.

A. Okay.

Q. What do you mean by "direct mapping"?

A. Well, maybe we should start with the accounts or what we have -- we call it the chart of accounts. Natural chart of accounts is what we have for -- what we call a natural chart of accounts for SEC purposes. That's basically you have revenues, cost of sales, and then we

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have several account numbers within any of these categories. We have operating expenses on down the line.

Q. Is this part of general accounting principles?

A. Well it's basically every company may have a separate -- everybody has a chart of accounts. Your basic requirements are to break it down by revenue, cost of sales, operating expenses, taxes, interest expense, and some other categories.

Every company will set up their chart of accounts differently, but they all have to be fairly consistent within those categories. So you have your chart of accounts may say, okay, I've got -- you may have one account number for electricity sales, one account number for natural gas sales, and one account number for propane sales. Same thing down the line for your cost of sales, you may do the same thing. Then on down.

FERC prescribes a chart of accounts. It's called a FERC chart of accounts. I think it's actually called FERC Uniform System of Accounts. They're very specific in how they want things coded for FERC purposes. So they

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have very descriptive information for the types of revenue that would be in a certain FERC account number. You can go to their book or their guide, and you look at FERC Uniform System of Accounts, and you can figure out should this revenue be here or there.

So it's actually a little more cumbersome or I guess if everybody is reporting consistently on a FERC basis, then you know you are getting apples to apples between companies.

SEC reporting or GAP reporting is different because there's not -- since there are so many different types of industries reporting under that method, you are basically on your own to determine how you want to report it in your chart of accounts.

So that's what we say. When we set our SAP, our system is set up using natural -- using a natural chart of accounts or an SEC accounting basis. So everything is coded that way. When any invoice is entered into the system, it's coded to an account number that then for revenues would roll into revenues.

Then we actually have to establish -- I

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guess the term "direct mapping" means we then establish orders. So we've got say a revenue account would be like 4,000. I sell you electricity, send you an invoice for $50, and I code this revenue from you to Account 4000.

The mapping then is we establish orders that designate for FERC purposes where this would flow under the FERC uniform system of accounts. The orders are -- I don't know how they determine what to name them, but they are just every single natural account on the income statement has a FERC order assigned to it. That's what the mapping is is that order.

After we finish our SEC reporting for any given month -- internally we do it monthly. Then we turn around and convert to the FERC uniform system of accounts. Those are system-generated reports that basically if I had your revenue was coded to 4000 and it had an order that was -- say it was an electric order, it would take that number, take your amount, turn around and convert it or put it in that spot under the FERC reporting.

And say you had an invoice for you, as well. It was electric, but maybe there was

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some difference. Just a different area or something that FERC decided they wanted it reported differently. So I've got a different order number for you.

For SEC reporting it would end up in the same exact account. There's a different order type to it when I convert to FERC, and that's all kind of system generated, the conversion is. Since it has that separate order assigned to it, it takes and maps it to a different FERC account for FERC purposes. I don't know, that was probably way too long.

Q. Let's just talk about South Dakota unregulated revenue. That is part of your SEC reporting and included in your total revenue reported to SEC. Correct?

A. Yes.

Q. How is that mapped to FERC?

A. It's mapped because it has a separate order that takes it out of revenues for FERC purposes and moves it down to equity and earnings of subsidiary.

Q. So the order just carries it to a different accounting category for FERC purposes.

A. Right.

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Q. Who determines the orders that are in place? I mean is that something you set up at Northwestern Corporation based on what FERC accounting requires, or does FERC accounting say here is the order that you have to use?
A. No. We set it up. The orders are set up to get it to what FERC requires. We establish our own orders. It's using the IT folks go in and configure it so it goes to the right bucket in FERC.
Q. The second sentence of the response in Paragraph 5 says, "For revenues each account is directly mapped to a FERC account so there is a one-to-one relationship between SEC reporting and FERC reporting."
What I understand that sentence to say is that every line item showing revenue for purposes of SEC reporting has a corresponding line item under FERC accounting, but it may be different than it was for SEC reporting.
A. Right.
Q. The revenue doesn't disappear, but it may show up in a different category.
A. Different place, exactly.
Q. Let's go back to Exhibit 1 and talk about the

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three calculations that are done on the second page there.
First of all, starting with Calculation No. 1, you've taken total South Dakota regulated revenue and unregulated revenue in South Dakota, and taken that total and determined what percentage it is of total grossed-up revenues for Northwestern Corporation. Correct?
A. Correct.
Q. So we have to answer the question, what is grossed-up revenue, and why are we looking at that as opposed to either the FERC revenue number that's on the first page of Exhibit 1 or the total revenue that you report for SEC purposes?
First of all, explain to me what total grossed-up revenue is.
A. Sure. The total grossed-up revenue, which is the $1,261,354,865, is basically we start with our SEC reported revenue, and then there are a number of eliminations ~~that are made.~~
So you start with $1,165,000,000. There are a number of eliminations that are made for intercompany sales. So maybe our unregulated

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electric segment in Montana sells to our regulated electric segment. So they recognize revenues. The regulated segment recognizes costs. We eliminate those out because it's all intercompany revenues.
So what we did was add those, we grossed them up for this purpose to show you what -- I think it was basically looking at the definition under the statute, and we wanted to show what we considered to be gross revenues, which would have encompassed all the purchases or all the sales to whether they were intercompany or not.
Q. Here is what I and someone with no accounting background don't understand. You've taken an SEC total revenue of $1,165,000,000. You've grossed it up, and it becomes a larger number of $1,261,000,000, and you can explain you've done that by process of eliminations of revenue.
How do you go through eliminations of revenue between affiliates and come up with a larger total number?
A. Well, this is adding those eliminations. This is adding those back. For SEC purposes we

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eliminated intercompany sales, but then what we're doing is saying maybe under this definition of gross revenues we should show all of our gross revenues. So we added -- we just basically reversed that elimination and added it back and said here is what our gross company revenues are.
If you were looking -- if you were taking the SEC, the $1.1 billion, you're adding roughly $95,000,000 back. You're going to -- if we were looking at this statement, you are also going to add $95,000,000 to your cost of sales. That's what the elimination is.
For SEC purposes, they say don't recognize that for revenue. You show it as -- you net it out. For this purpose we're saying, where they're asking for gross revenues, so let's show them our gross revenues. If you would take it one step down, you would also see higher cost of sales associated with that gross revenues.
Q. Explain for me, if you can, why it makes sense to make that comparison as opposed to comparing total South Dakota regulated and unregulated revenue as a percentage of total SEC revenue.