

Section 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.

South Dakota Intrastate Pipeline Co.
Income Taxes

SDIPC, with the consent of its stockholders, has elected under the internal revenue code to be treated as an S-Corporation. As such, the corporation is not subject to income taxes but the income from the company is taxed at the shareholder level. Therefore, the company will be required to make cash distributions to the shareholders to pay taxes for the pass through income. We have determined that this rate is 40% to cover federal and state taxes.