

Section M

20:10:13:96. Statement M -- Overall cost of service. Statement M shall show for the test period the overall cost of service per books for the filing public utility's utility operations during the test period, including allowances for return and income taxes based upon the rate of return claimed, together with the operating revenues of the filing public utility for the test period. If the filing public utility claims any adjustments to book figures, the cost of service based upon the claimed adjustments shall be shown on a separate schedule. If the amount of the filing public utility's total utility operating revenue differs significantly from its overall cost of service, including allowances for claimed return and income taxes, the filing public utility shall show the amounts available for return and taxes on income and return expressed as a percentage of rate base.

South Dakota Intrastate Pipeline Company
Pipeline Pro Forma Revenue Requirement
Twelve Months Ended December 31, 2016

Revenue Requirement Summary (Whole Dollars)

Line No.	DESCRIPTION	WITH PRESENT RATES			WITH PROPOSED RATES	
		Per Books	Restating and Pro Forma Adjustments	Pro-forma Total	Proposed Revenues & Related Exp	Proposed Total
	<i>a</i>	<i>b</i>	<i>c</i>	<i>d</i>	<i>e</i>	<i>f</i>
<i>Operating Revenues</i>						
1	Operating Revenues	2,193,844	-	2,193,844	250,236	2,444,080
2	<i>Total Operating Revenues</i>	2,193,844	-	2,193,844	250,236	2,444,080
<i>Operating Expenses</i>						
3	Operation Expense	1,791,402	324,640	2,116,042	-	2,116,042
4	Maintenance Expense	91,801	3,495	95,296	-	95,296
5	Depreciation Expense	857,546	(805,671)	51,875	-	51,875
6	Taxes O.T.I.T.	115,868	639	116,507	-	116,507
7	<i>Total Operating Expenses</i>	2,856,617	(476,897)	2,379,720	-	2,379,720
8	<i>Operating Income Before Taxes</i>	(662,773)	476,897	(185,876)	250,236	64,360
<i>Provision for Income Taxes</i>						
9	Deferred	-	-	-	-	-
10	Current	-	(74,350)	(74,350)	100,094	25,744
11	Debt Interest	-	-	-	-	-
12	<i>Total Provision for Income Taxes</i>	-	(74,350)	(74,350)	100,094	25,744
13	<i>Net Operating Income</i>	(662,773)	551,247	(111,526)	150,141	38,616
<i>Rate Base</i>						
14	Utility Plant	14,325,852	228,190	14,554,042	-	14,554,042
15	Accumulated Depreciation	(12,601,686)	(1,693,050)	(14,294,736)	-	(14,294,736)
16	Deferred Income Taxes	-	-	-	-	-
17	Working Capital	-	174,092	174,092	-	174,092
18	<i>Total Rate Base</i>	1,724,166	(1,290,768)	433,398	-	433,398
19	<i>Rate Of Return</i>	-38.4%		-25.7%		8.9%

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Revenue Conversion Factor

Line No.	Description	Factor
1	Revenues	1.000000
	Expense:	
2	Uncollectibles	0.000000
3	Commission Fees	0.000000
4	Excise Taxes	0.000000
6	Total Expense	<u>0.000000</u>
7	Net Operating Income Before FIT	1.000000
8	Income Tax @ 40%	0.400000
9	REVENUE CONVERSION FACTOR	0.600000

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Twelve Months Ended December 31, 2016

Cost of Capital

Capital Structure			
Component	Capital Structure	Cost	Weighted Cost
Debt	17.88%	3.90%	0.70%
Preferred	0.0%	0.00%	0.00%
Common Equity	<u>82.12%</u>	10.00%	<u>8.21%</u>
Total	<u>100.00%</u>		<u>8.91%</u>

South Dakota Intrastate Pipeline Company

Pipeline Pro Forma Revenue Requirement
Twelve Months Ended December 31, 2016

Restating Adjustment Details (Whole Dollars)

<u>Adj. No.</u>	<u>Description</u>	<u>Pre-tax NOI</u>	<u>Post Tax NOI</u>	<u>Rate Base</u>	<u>Purpose</u>
1.01	Income Taxes		(265,109)		Accrues a tax benefits associated with the Company's net operating losses at a 40% blended tax rate, consisting of both Federal and state taxes
1.02	Working Capital			174,092	Incorporates a provision for working capital in rate base
1.03	Depreciation	-805,671		(1,693,050)	Accounting for the fully depreciated transmission line as of August 31, 2018.

South Dakota Intrastate Pipeline Company
Pipeline Pro Forma Revenue Requirement
Twelve Months Ended December 31, 2016

Pro forma Adjustment Details (Whole Dollars)

Adj. No.	Description	2016	Projected 2017-2018 Expenditure	Projected 2017-2018 Avg. Annual	Adjustment	
					Oper. Exp	Rate Base
2.01	Rent Expense	50,400	115,200	57,600	7,200	
2.02	Utilities Expense	35,415	75,137	37,569	2,154	
2.03	Training Expense	4,155	15,180	7,590	3,435	
2.04	Professional Services - Rate Case Filing		440,000	220,000	220,000	
2.05	Professional Services Office	13,518	62,016	31,008	17,490	
2.06	Management Fee				102,400	
2.07	Operations Expense	144,252	331,760	165,880	21,628	
2.08	Integrity Management Expense	160,050	100,000	50,000	-110,050	
2.09	Fixed Assets - Office & Operations		73,190			73,190
2.10	Fixed Assets - Trucks and Equipment		155,000			155,000
2.11	Public Awareness Expense	11,271	26,036	13,018	1,747	
2.12	Employee Benefits	31,798	67,092	33,546	1,748	
2.13	Vehicle/Truck Expense	80,256	167,767	83,884	3,628	
2.14	Insurance Expense	111,678	257,487	128,744	17,066	
2.15	Pipeline Safety Tax Expense	56,233	124,248	62,124	5,891	
2.16	Gross Receipts Tax	3,060	7,398	3,699	639	
2.17	Payroll Expense	716,372	1,500,343	750,172	33,800	