

**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	1,775,032	3,968,876
2	<i>Total Operating Revenues</i>	2,193,844	-	2,193,844	1,775,032	3,968,876
<i>Operating Expenses</i>						
3	Operation Expense	1,776,587	254,608	2,031,195	-	2,031,195
4	Maintenance Expense	89,344	4,729	94,073	-	94,073
5	Depreciation Expense	857,546	512,204	1,369,750	-	1,369,750
6	Taxes O.T.I.T.	65,765	4,515	70,280	-	70,280
7	<i>Total Operating Expenses</i>	2,789,242	776,056	3,565,298	-	3,565,298
8	<i>Operating Income Before Taxes</i>	(595,398)	(776,056)	(1,371,454)	1,775,032	403,579
<i>Provision for Income Taxes</i>						
9	Deferred	-	-	-	-	-
10	Current	-	(548,581)	(548,581)	710,013	161,431
11	Debt Interest	-	-	-	-	-
12	<i>Total Provision for Income Taxes</i>	-	(548,581)	(548,581)	710,013	161,431
13	<b><i>Net Operating Income</i></b>	<b>(595,398)</b>	<b>(227,474)</b>	<b>(822,872)</b>	<b>1,065,019</b>	<b>242,147</b>
<i>Rate Base</i>						
14	Utility Plant	14,325,852	(11,988,713)	2,337,139	-	2,337,139
15	Accumulated Depreciation	(12,601,686)	12,187,139	(414,547)	-	(414,547)
16	Deferred Income Taxes	-	-	-	-	-
17	Working Capital	-	498,879	498,879	-	498,879
18	<b><i>Total Rate Base</i></b>	<b>1,724,166</b>	<b>697,305</b>	<b>2,421,471</b>	<b>-</b>	<b>2,421,471</b>
19	<i>Rate Of Return</i>	-34.5%		-34.0%		10.0%

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

Revenue Requirement Adjustment Summary (Whole Dollars)

Line No.	DESCRIPTION	Per Books	Restating Adjustments							
			Restate Inc. Taxes and A.D.I.T. 1.01	Working Capital 1.02	Depreciation Expense 1.03	Management Fee 1.04	Rent Expense 2.01	Utilities Expense 2.02	Training Expense 2.03	Professional Services - Rate Case Filing 2.04
	Adjustment Number	1.00								
<i>Operating Revenues</i>										
1	Operating Revenues	2,193,844	-	-	-	-	-	-	-	-
2	<i>Total Operating Revenues</i>	2,193,844	-	-	-	-	-	-	-	-
<i>Operating Expenses</i>										
3	Operation Expense	1,776,587	-	-	-	-	1,800	3,093	544	205,000
4	Maintenance Expense	89,344	-	-	-	-	-	-	-	-
5	Depreciation Expense	857,546	-	-	512,204	-	-	-	-	-
6	Taxes O.T.I.T.	65,765	-	-	-	-	-	-	-	-
7	<i>Total Operating Expenses</i>	2,789,242	-	-	512,204	-	1,800	3,093	544	205,000
8	<i>Operating Income Before Taxes</i>	(595,398)	-	-	(512,204)	-	(1,800)	(3,093)	(544)	(205,000)
<i>Provision for Income Taxes</i>										
9	Deferred		-	-	-	-	-	-	-	-
10	Current	-	(238,159)	-	(204,882)	-	(720)	(1,237)	(218)	(82,000)
11	Debt Interest	-	-	-	-	-	-	-	-	-
12	<i>Total Provision for Income Taxes</i>	-	(238,159)	-	(204,882)	-	(720)	(1,237)	(218)	(82,000)
	<b><i>Net Operating Income</i></b>	<b>(595,398)</b>	<b>238,159</b>	<b>-</b>	<b>(307,322)</b>	<b>-</b>	<b>(1,080)</b>	<b>(1,856)</b>	<b>(326)</b>	<b>(123,000)</b>
<i>Rate Base</i>										
13	Utility Plant	14,325,852	-	-	(13,791,181)	1,432,585	-	-	-	-
14	Accumulated Depreciation	(12,601,686)	-	-	12,187,139	-	-	-	-	-
15	Deferred Income Taxes	-	-	-	-	-	-	-	-	-
16	Working Capital	-	-	498,879	-	-	-	-	-	-
17	<b><i>Total Rate Base</i></b>	<b>1,724,166</b>	<b>-</b>	<b>498,879</b>	<b>(1,604,042)</b>	<b>1,432,585</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
18	<i>Rate Of Return</i>	-34.53%								
19	Rev. Req. Def. / (Suf.)	1,279,691	(396,932)	83,147	244,864	238,764	1,800	3,093	544	205,000
20	Pro Forma Rate of Return	10.00%								
21	Revenue Conversion Factor	0.600000								

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

Revenue Requirement Adjustment Summary (Whole Dollars)

Line No.	DESCRIPTION	Pro Forma Adjustments									
		Professional Services Office 2.05	Professional Services - Operations 2.06	Operations Expense 2.07	Integrity Management Expense 2.08	Fixed Assets - Office & Operations 2.09	Fixed Assets - Trucks and Equipment 2.10	Public Awareness Expense 2.11	Employee Benefits 2.12	Property Taxes 2.13	Insurance Expense 2.14
	Adjustment Number	2.05	2.06	2.07	2.08	2.09	2.10	2.11	2.12	2.13	2.14
<i>Operating Revenues</i>											
1	Operating Revenues	-	-	-	-	-	-	-	-	-	-
2	<i>Total Operating Revenues</i>	-	-	-	-	-	-	-	-	-	-
<i>Operating Expenses</i>											
3	Operation Expense	17,128	-	53,350	(81,936)	-	-	-	-	-	5,542
4	Maintenance Expense	-	-	-	-	-	-	807	3,922	-	-
5	Depreciation Expense	-	-	-	-	-	-	-	-	-	-
6	Taxes O.T.I.T.	-	-	-	-	-	-	-	-	3,825	-
7	<i>Total Operating Expenses</i>	17,128	-	53,350	(81,936)	-	-	807	3,922	3,825	5,542
8	<i>Operating Income Before Taxes</i>	(17,128)	-	(53,350)	81,936	-	-	(807)	(3,922)	(3,825)	(5,542)
<i>Provision for Income Taxes</i>											
9	Deferred	-	-	-	-	-	-	-	-	-	-
10	Current	(6,851)	-	(21,340)	32,774	-	-	(323)	(1,569)	(1,530)	(2,217)
11	Debt Interest	-	-	-	-	-	-	-	-	-	-
12	<i>Total Provision for Income Taxes</i>	(6,851)	-	(21,340)	32,774	-	-	(323)	(1,569)	(1,530)	(2,217)
	<b><i>Net Operating Income</i></b>	<b>(10,277)</b>	<b>-</b>	<b>(32,010)</b>	<b>49,162</b>	<b>-</b>	<b>-</b>	<b>(484)</b>	<b>(2,353)</b>	<b>(2,295)</b>	<b>(3,325)</b>
<i>Rate Base</i>											
13	Utility Plant	-	-	-	-	119,803	250,080	-	-	-	-
14	Accumulated Depreciation	-	-	-	-	-	-	-	-	-	-
15	Deferred Income Taxes	-	-	-	-	-	-	-	-	-	-
16	Working Capital	-	-	-	-	-	-	-	-	-	-
17	<b><i>Total Rate Base</i></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>119,803</b>	<b>250,080</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
18	<i>Rate Of Return</i>										
19	Rev. Req. Def. / (Suf.)	17,128	-	53,350	(81,936)	19,967	41,680	807	3,922	3,825	5,542
20	Pro Forma Rate of Return										
21	Revenue Conversion Factor										

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

Revenue Requirement Adjustment Summary (Whole Dollars)

Line No.	DESCRIPTION	Pipeline Safety Tax Expense 2.15	Gross Receipts Tax 2.16	Payroll Expense 2.17	Pro Forma Results	Rate Increase	Proposed Total
	Adjustment Number						
<i>Operating Revenues</i>							
1	Operating Revenues	-	-	-	2,193,844	<b>1,775,032</b>	3,968,876
2	<i>Total Operating Revenues</i>	-	-	-	2,193,844	1,775,032	3,968,876
<i>Operating Expenses</i>							
3	Operation Expense	7,457	-	42,630	2,031,195	-	2,031,195
4	Maintenance Expense	-	-	-	94,073		94,073
5	Depreciation Expense	-	-	-	1,369,750		1,369,750
6	Taxes O.T.I.T.	-	690	-	70,280	-	70,280
7	<i>Total Operating Expenses</i>	7,457	690	42,630	3,565,298	-	3,565,298
8	<i>Operating Income Before Taxes</i>	(7,457)	(690)	(42,630)	(1,371,454)	1,775,032	403,579
<i>Provision for Income Taxes</i>							
9	Deferred	-	-	-	-	-	-
10	Current	(2,983)	(276)	(17,052)	(548,581)	710,013	161,431
11	Debt Interest	-	-	-	-	-	-
12	<i>Total Provision for Income Taxes</i>	(2,983)	(276)	(17,052)	(548,581)	710,013	161,431
	<b><i>Net Operating Income</i></b>	<b>(4,474)</b>	<b>(414)</b>	<b>(25,578)</b>	<b>(822,872)</b>	<b>1,065,019</b>	<b>242,147</b>
<i>Rate Base</i>							
13	Utility Plant	-	-	-	2,337,139		2,337,139
14	Accumulated Depreciation	-	-	-	(414,547)		(414,547)
15	Deferred Income Taxes	-	-	-	-		-
16	Working Capital	-	-	-	498,879		498,879
17	<b><i>Total Rate Base</i></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,421,471</b>	<b>-</b>	<b>2,421,471</b>
18	<i>Rate Of Return</i>				-33.98%		10.00%
19	Rev. Req. Def. / (Suf.)	7,457	690	42,630	1,775,032		0
20	Pro Forma Rate of Return						
21	Revenue Conversion Factor						

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

**Revenue Conversion Factor**

Line No.	Description	Factor
1	<b>Revenues</b>	1.000000
	<b>Expense:</b>	
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

South Dakota Intrastate Pipeline Company

Pipeline Pro Forma Revenue Requirement

Twelve Months Ended December 31, 2016

Cost of Capital

<b>Capital Structure</b>			
<u>Component</u>	<u>Capital Structure</u>	<u>Cost</u>	<u>Weighted Cost</u>
Debt	0.0%	0.00%	0.00%
Preferred	0.0%	0.00%	0.00%
Common Equity	<u>100%</u>	10.00%	<u>10.00%</u>
Total	<u><u>100.00%</u></u>		<u><u>10.00%</u></u>

<b>Tax Rates</b>	
	<u>Rate</u>
Federal + State	40.00%

**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		(238,159)		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			498,879	Incorporates a provision for working capital in rate base
1.03	Depreciation	512,204		(1,604,042)	Adds a negative net salvage component to depreciation expense and normalizes pipeline plant balances to be fully depreciated by the rate period
1.04	Management Fee			1,432,585	Incorporates a management fee into revenue requirement as a component of rate base. Provides for a return on 10% of the gross plant balance.

**South Dakota Intrastate Pipeline Company**

Pipeline Pro Forma Revenue Requirement

Twelve Months Ended December 31, 2016

Pro forma Adjustment Details (Whole Dollars)

<u>Adj. No.</u>	<u>Description</u>	<u>2016</u>	<u>Projected 2017-2018 Expenditure</u>	<u>Projected 2017-2018 Avg. Annual</u>	<u>Adjustment</u>	
					<u>Oper. Exp</u>	<u>Rate Base</u>
2.01	Rent Expense	50,400	104,400	52,200	1,800	
2.02	Utilities Expense	37,385	80,956	40,478	3,093	
2.03	Training Expense	4,545	10,178	5,089	544	
2.04	Professional Services - Rate Case Filing		410,000	205,000	205,000	
2.05	Professional Services Office	13,176	60,608	30,304	17,128	
2.06	Professional Services - Operations	0	0	-	0	
2.07	Operations Expense	71,550	249,800	124,900	53,350	
2.08	Integrity Management Expense	160,456	157,040	78,520	-81,936	
2.09	Fixed Assets - Office & Operations		119,803			119,803
2.10	Fixed Assets - Trucks and Equipment		250,080			250,080
2.11	Public Awareness Expense	10,668	22,950	11,475	807	
2.12	Employee Benefits	81,757	171,358	85,679	3,922	
2.13	Property Taxes	41,378	90,406	45,203	3,825	
2.14	Insurance Expense	107,982	227,047	113,524	5,542	
2.15	Pipeline Safety Tax Expense	56,233	127,380	63,690	7,457	
2.16	Gross Receipts Tax	3,060	7,500	3,750	690	
2.17	Payroll Expense	684,209	1,453,678	726,839	42,630	