



David Rifkind
202.969.4218 **DIRECT**
202.572.9994 **DIRECT FAX**
david.rifkind@stinson.com

247035
247036
247037

January 31, 2019

ENTERED
Office of Proceedings
January 31, 2019
Part of
Public Record

Via E-Filing

Ms. Cynthia T. Brown
Section Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street, SW
Washington, DC 20423

Re: STB Docket No. EP 552 (Sub-No. 22), EP 558 (Sub No. 21), EP 750
Railroad Revenue Adequacy - 2017 Determination, et al.

Dear Ms. Brown,

Pursuant to the December 6, 2018 decision in the above referenced docket, Soo Line Corporation ("SOO"), hereby submits its Pro Forma adjustments to STB schedules affected by that decision. These adjustments exclude the impacts of the Tax Cuts and Jobs Act on SOO's deferred tax liability. Recalculated figures that differ from SOO's original filings are denoted in yellow. We have only included the schedules that were impacted by the Tax Cuts and Jobs Act. All other schedules remain as originally filed, and can be found on the STB website.

Sincerely,

Stinson Leonard Street LLP

A handwritten signature in blue ink, appearing to read "David Rifkind", is placed over the typed name.

David Rifkind

Enclosure

DFR:mmma

Cc: STB Office of Economics

CORE/9990000.7319/150448532.1

200. COMPARATIVE STATEMENT OF FINANCIAL POSITION - LIABILITIES AND SHAREHOLDERS' EQUITY

(Dollars in thousands)

Pro Forma Excluding
tax cuts & jobs act
adj's

Line No.	Cross Check	Account	Title (a)	Balance at close of year (b)	Balance at beginning of year (c)	Line No.
Current Liabilities						
29		751	Loans and Notes Payable	0	0	29
30		752	Accounts Payable: Interline and Other Balances	872	1,100	30
31		753	Audited Accounts and Wages	44,867	46,730	31
32		754	Other Accounts Payable	570	523	32
33		755, 756	Interest and Dividends Payable	1,446	1,446	33
34		757	Payables to Affiliated Companies	186,289	135,617	34
35		759	Accrued Accounts Payable	130,722	112,495	35
36		760, 761, 761.5, 762	Taxes Accrued	36,106	31,097	36
37		763, 763.5, 763.6	Other Current Liabilities	8,970	11,016	37
38		764	Equipment Obligations and Other Long-Term Debt due Within One Year	94	94	38
39			TOTAL CURRENT LIABILITIES	409,936	340,118	39
Non-Current Liabilities						
40		765, 767	Funded Debt Unmatured	657	750	40
41		766	Equipment Obligations	41,509	41,457	41
42		766.5	Capitalized Lease Obligations	0	0	42
43		768	Debt in Default	0	0	43
44		769	Accounts Payable: Affiliated Companies	1,578,619	1,678,600	44
45		770.1, 770.2	Unamortized Debt Premium	0	0	45
46		781	Interest in Default	0	0	46
47		783	Deferred Revenues-Transfers from Government Authorities	26,007	26,907	47
48		786	Accumulated Deferred Income Tax Credits	1,342,982	1,247,656	48
49		771, 772, 774, 775, 782, 784	Other Long-Term Liabilities and Deferred Credits	145,775	148,516	49
50			TOTAL NONCURRENT LIABILITIES	3,135,549	3,143,886	50
Shareholders' Equity						
51		791, 792	Total Capital Stock	0	0	51
52			Common Stock	0	0	52
53			Preferred Stock	0	0	53
54		793	Discount on Capital Stock	0	0	54
55		794, 795	Additional Capital	969,763	968,490	55
56		797	Retained Earnings: Appropriated	0	0	56
57		798	Unappropriated (Schedule 220)	1,127,615	1,035,534	57
58		798.5	Less Treasury Stock	0	0	58
59		799	Accumulated Other Comprehensive Income or (Loss)	(40,793)	(39,429)	59
60			Total Stockholders Equity (Before deducting Non-controlling interest)	2,056,585	1,964,595	60
61			Noncontrolling interest	5	3	61
62			Total Equity (Lines 60 + 61)	2,056,590	1,964,598	62
63			TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	5,602,075	5,448,602	63

NOTES AND REMARKS

See additional notes to financial statements on pages 7-15

200. COMPARATIVE STATEMENT OF FINANCIAL POSITION - EXPLANATORY NOTES - Continued

NOTES TO FINANCIAL STATEMENTS

14. FUTURE ACCOUNTING CHANGES (Continued)

Intangibles – Goodwill and Other

In January 2017, the FASB issued ASU 2017-04, Simplifying the Test for Goodwill Impairment under FASB ASC Topic 350. This is intended to simplify how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. The amendments are effective for SOO beginning on January 1, 2020. Entities are required to apply the amendments in this update prospectively from the date of adoption. The Company does not anticipate that the adoption of this ASU will impact SOO's financial statements as there is a sufficient excess between the fair value and carrying value of SOO's goodwill. Furthermore Soo expects to continue to apply the Step 0 qualitative assessment when testing for goodwill impairment. Goodwill is included and reported in PA741.

15. Income Tax

On December 22, 2017, the United States ("U.S.") enacted the "Tax Cuts and Jobs Act" which has been commonly referred to as U.S. tax reform. A significant change under this reform is the reduction of U.S. federal statutory corporate income tax rate from 35% to 21% beginning in 2018. As a result of this the Company revalued its account 786 deferred income tax balances accordingly. The revaluation of deferred tax associated with rate changes total a net \$446,841 in 2017 (2016 - \$nil) reducing income tax expense of the period in account 557. Without this adjustment, net income on Sch. 210 line 63 would be \$211,613 and net railway operating income on Sch. 210 line 71 would be \$315,815.

16. Pro Forma adjustments to comply with EP 552 (Sub-No. 22) EP 558 (Sub-No. 21) and EP 750

"to make one-time adjustments to its 2017 annual cost of capital determination, revenue adequacy determination, and Uniform Railroad Costing System calculations to remove the accounting impacts of the Tax Cuts and Jobs Act on rail carriers' deferred tax liability."

 Cells with a yellow background are pro forma data which differ from original filing. Other cells and schedules omitted are unchanged

Sch	Column	Line No's
200	(b)	48, 50, 57, 60, 62
200	-	This footnote #16 listing changes due to STB ruling December 6, 2018
210	(b)	50, 51, 52, 55, 61, 63, 64, 65, 68, 71
210a	(b)	1, 9, 11
220	(b)	3, 6, 14, 15 & 17
240	(b)	10, 13
250	(c)	1, 5, 12, 13
250Part B		2 NROI, 2 Current Provision for taxes
450	(c), (e)	1, 5, 6, 7, 8, 9, 10, 11, 13, 14, 16, 17, 19

210. RESULTS OF OPERATIONS - Continued					
(Dollars in thousands)					
Line No.	Cross Check	Item (a)	Pro Forma Excluding tax cuts & jobs act Amount for current year (b)	Amount for preceding year (c)	Line No.
FIXED CHARGES					
		(546) Interest on funded long-term debt:			
38		(a) Fixed interest not in default	138,136	101,878	38
39		(b) Interest in default	0	0	39
40		(547) Interest on unfunded debt	56	181	40
41		(548) Amortization of discount on funded debt	0	0	41
42		TOTAL FIXED CHARGES (lines 38 through 41)	138,192	102,059	42
43		Income after fixed charges (lines 37 minus line 42)	361,851	335,736	43
OTHER DEDUCTIONS					
		(546) Interest on funded debt:			
44		(c) Contingent interest	0	0	44
UNUSUAL OR INFREQUENT ITEMS					
45		(555) Unusual or infrequent items (debit) credit	0	0	45
46		Income (loss) from continuing operations (before income taxes)	361,851	335,736	46
PROVISIONS FOR INCOME TAXES					
		(556) Income taxes on ordinary income:			
47		(a) Federal income taxes	38,205	52,755	47
48		(b) State income taxes	16,220	14,278	48
49		(c) Other income taxes	(211)	(7)	49
50		(557) Provision for deferred taxes	96,024	71,277	50
51		TOTAL PROVISIONS FOR INCOME TAXES (lines 47 through 50)	150,238	138,303	51
52		Income from continuing operations (line 46 minus line 51)	211,613	197,433	52
DISCONTINUED OPERATIONS					
53		(560) Income or loss from operations of discontinued segments (less applicable income taxes of \$)	0	0	53
54		(562) Gain or loss on disposal of discontinued segments (less applicable income taxes of \$)	0	0	54
55		Income before extraordinary items (lines 52 through 54)	211,613	197,433	55
EXTRAORDINARY ITEMS AND ACCOUNTING CHANGES					
56		(570) Extraordinary items (net)	0	0	56
57		(590) Income taxes on extraordinary items	0	0	57
58		(591) Provision for deferred taxes-Extraordinary items	0	0	58
59		TOTAL EXTRAORDINARY ITEMS (lines 56 through 58)	0	0	59
60		(592) Cumulative effect of changes in accounting principles (\$ less applicable tax of \$)	0	0	60
61		Net income (loss) (lines 55 + 59 + 60)	211,613	197,433	61
62		Less: Net Income attributable to noncontrolling interest	0	0	62
63		Net income attributable to reporting railroad (lines 61 + 62)	211,613	197,433	63
64		Basic Earnings Per Share	101	94	64
65		Diluted Earnings Per Share	101	94	65
Reconciliation of net railway operating income (NROI)					
66		Net revenues from railway operations	465,979	412,585	66
67		(556) Income taxes on ordinary income (-)	54,214	67,026	67
68		(557) Provision for deferred income taxes (-)	96,024	71,277	68
69		Income from lease of road and equipment (-)	0	0	69
70		Rent for leased roads and equipment (+)	74	72	70
71		Net railway operating income (loss)	315,815	274,354	71

Income Tax

On December 22, 2017, the United States ("U.S.") enacted the "Tax Cuts and Jobs Act" which has been commonly referred to as U.S. tax reform. A significant change under this reform is the reduction of U.S. federal statutory corporate income tax rate from 35% to 21% beginning in 2018. As a result of this the Company revalued its account 786 deferred income tax balances accordingly. The revaluation of deferred tax associated with rate changes total a net \$446,841 in 2017 (2016 - \$nil) reducing income tax expense of the period in account 557. Without this adjustment, net income on line 63 would be \$211,613 and net railway operating income on line 71 would be \$315,815.

See additional notes to financial statements on pages 7-15

210 A. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in Thousands)

1. This schedule applies only to entities with items of Other Comprehensive Income (OCI)

Schedule 210
Line 61, col b

2. Entities must present comprehensive income in two separate but consecutive financial statements.

3. Entities must present reclassification adjustments and the effects of those adjustments on net income and OCI on the face of the financial statements.

4. All contra entries should be shown in parenthesis.

Line No.	Cross Check	Item (a)	Pro Forma Excluding tax cuts & jobs act adj's		Line No.
			Amount for current year (b)	Amount for preceding year (c)	
1		Net Income (Loss) from Schedule 210 Line 61	211,613	197,433	1
2		Other Comprehensive Income, net of tax:			
		Foreign currency translation adjustments	0	0	2
3		Unrealized gains on securities:			
		Unrealized holding gains arising during period	0	0	3
4		Less: reclassification adjustment for gains included in net income	0	0	4
5		Defined benefit pension and post-retirement benefit plans:			
		Prior service credit/(cost) arising during period	0	0	5
6		Net Gain/(Loss) arising during period	(4,282)	770	6
7		Less: amortization of prior service cost/(credit) and net			
		Loss/(Gain) included in net periodic benefit cost	(3,152)	(3,529)	7
8		Other Comprehensive Income (Loss)	(234)	62	8
9		Comprehensive Income (Loss) (lines (1+2+3+5+6+8) minus lines (4+7))	210,249	201,794	9
10		Less: comprehensive income attributable to noncontrolling interest	0	0	10
11		Comprehensive Income (Loss) attributable to reporting railroad (line 9 - 10)	210,249	201,794	11

See additional notes to financial statements on pages 7-15

220. RETAINED EARNINGS

(Dollars in Thousands)

1. Show below the items of Retained Earnings Accounts of the respondent for the year, classified in accordance with the Uniform System of Accounts for Railroad Companies.
2. All contra entries hereunder should be shown in parentheses.
3. Show in lines 22 and 23 the amount of assigned Federal income tax consequences for Accounts 606 and 616.
4. Segregate in column (c) all amounts applicable to the equity in undistributed earnings (losses) of affiliated companies based on the equity method of accounting.
5. Line 3 (line 7 if debit balance), column (c), should agree with line 26, column (b), Schedule 210. The total of columns (b) and (c), lines 3 and 7, should agree with line 61, column (b), Schedule 210.
6. Include in column (b) only amounts applicable to retained earnings exclusive of any amounts included in column (c).

Pro Forma Excluding tax cuts & jobs act adj's					
Line No.	Cross Check	Item (a)	Retained earnings-unappropriated (b)	Equity in undistributed earnings (losses) of affiliated companies (c)	Line No.
1		Balances at beginning of year	961,057	74,477	1
2		(601.5) Prior period adjustments to beginning retained earnings	0	0	2
		CREDITS			
3		(602) Credit balance transferred from income	194,732	16,881	3
4		(603) Appropriations released	0	0	4
5		(606) Other credits to retained earnings	0	0	5
6		TOTAL CREDITS	194,732	16,881	6
		DEBITS			
7		(612) Debit balance transferred from income	0	0	7
8		(616) Other debits to retained earnings	0	0	8
9		(620) Appropriations for sinking and other funds	0	0	9
10		(621) Appropriations for other purposes	0	0	10
11		(623) Dividends: common stock	119,532	0	11
12		preferred stock 1	0	0	12
13		TOTAL DEBITS	119,532	0	13
14		Net increase (decrease) during year (line 6 minus line 13)	75,200	16,881	14
15		Balances at close of year (lines 1, 2 and 14)	1,036,257	91,358	15
16		Balances from line 15(c)	91,358	N/A	16
17		(798) Total unappropriated retained earnings and equity in undistributed earnings (losses) of affiliated companies at end of year	1,127,615	N/A	17
18		(797) Total appropriated retained earnings:			18
19		Credits during year---\$			19
20		Debits during year---\$			20
21		Balance at close of year-\$ 0			21
22		Amount of assigned Federal income tax consequences: Account 606----\$ 0			22
23		Account 616----\$ 0			23

1. If any dividends have not been declared on cumulative preferred stock, give cumulative undeclared dividends at beginning of year and end of year.

See additional notes to financial statements on pages 7-15

240. STATEMENT OF CASH FLOWS - Concluded

(Dollars in thousands)

RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES**Pro Forma
Excluding tax
cuts & jobs act
adj's**

Line No.	Cross Check	Description (a)	Current Year (b)	Prior Year (c)	Line No.
10	*	Income from continuing operations	211,613	197,433	10

ADJUSTMENTS TO RECONCILE INCOME FROM CONTINUING OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Line No.	Cross Check	Description (a)	Current Year (b)	Prior Year (c)	Line No.
11		Loss (gain) on sale or disposal of tangible property and investments	(1,938)	(6,468)	11
12		Depreciation and amortization expenses	137,762	131,582	12
13		Net increase (decrease) provision for deferred income taxes **	96,024	71,277	13
14		Net decrease (increase) in undistributed earnings (losses) of affiliates	(16,881)	(9,455)	14
15		(Increase) decrease in accounts receivable	(28,877)	(4,296)	15
16		(Increase) decrease in materials and supplies, and other current assets	(25,752)	(15,521)	16
17		Increase (decrease) in current liabilities other than debt	59,296	50,210	17
18		Increase (decrease) in other-net	(17,593)	(10,157)	18
19		Net Cash provided from continuing operations (lines 10 through 18)	413,654	404,605	19
20		Add (subtract) cash generated (paid) by reason of discontinued operations and extraordinary items	0	0	20
21		NET CASH PROVIDED FROM OPERATING ACTIVITIES (lines 19 and 20)	413,654	404,605	21

CASH FLOWS FROM INVESTING ACTIVITIES

Line No.	Cross Check	Description (a)	Current Year (b)	Prior Year (c)	Line No.
22		Proceeds from sale of property	4,255	13,753	22
23		Capital expenditures	(253,663)	(253,735)	23
24		Net change in temporary cash investments not qualifying as cash equivalents	0	0	24
25		Proceeds from sale/repayments of investment and advances	0	25,954	25
26		Purchase price of long-term investment and advances	(672)	(27,067)	26
27		Net decrease (increase) in sinking and other special funds	0	0	27
28		Other-net	83,250	31,738	28
29		NET CASH USED IN INVESTING ACTIVITIES (lines 22 through 28)	(166,830)	(209,357)	29

CASH FLOWS FROM FINANCING ACTIVITIES

Line No.	Cross Check	Description (a)	Current Year (b)	Prior Year (c)	Line No.
30		Proceeds from issuance of long-term debt	1	0	30
31		Principal payments of long-term debt	(100,094)	(4,553)	31
32		Proceeds from issuance of capital stock	0	0	32
33		Purchase price of acquiring treasury stock	0	0	33
34		Cash dividends paid	(119,532)	(250,000)	34
35		Other-net -	0	0	35
36		NET CASH FROM FINANCING ACTIVITIES	(219,625)	(254,553)	36
37		NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (lines 21, 29, 36)	27,199	(59,305)	37
38	*	Cash and cash equivalents at beginning of year	45,759	105,064	38
39	*	CASH & CASH EQUIVALENTS AT END OF THE YEAR	72,958	45,759	39

Footnotes to Schedule:

40		Cash paid during the year for: Interest (net of amount capitalized) *	116,508	81,893	40
41		Income taxes (net) *	60,766	45,319	41

* Only applies if indirect method is adopted

**** Income Tax**

On December 22, 2017, the United States ("U.S.") enacted the "Tax Cuts and Jobs Act" which has been commonly referred to as U.S. tax reform. A significant change under this reform is the reduction of U.S. federal statutory corporate income tax rate from 35% to 21% beginning in 2018. As a result of this the Company revalued its account 786 deferred income tax balances accordingly. The revaluation of deferred tax associated with rate changes total a net \$446,841 in 2017 (2016 - \$nil) reducing income tax expense of the period in account 557. Without this adjustment, net income on Sch. 210 line 63 would be \$211,613 and net railway operating income on Sch. 210 line 71 would be \$315,815.

See additional notes to financial statements on pages 7-15

450. ANALYSIS OF TAXES
(Dollars in thousands)

A. Railway Taxes

Line No.	Cross Check	Kind of Tax (a)	Amount (b)	Line No.
1		Other than U.S. Government Taxes	53,793	1
		U.S. Government Taxes		
		Income Taxes:		
2		Normal Tax & Surtax	38,205	2
3		Excess Profits	0	3
4	*	Total Income Taxes (ln. 2 + 3)	38,205	4
5		Railroad Retirement	45,174	5
6		Hospital Insurance	3,761	6
7		Supplemental Annuities	0	7
8		Unemployment Insurance	3,366	8
9		All Other United States Taxes	489	9
10		Total - U.S. Government Taxes	90,995	10
11		Total Railway Taxes	144,788	11

B. Adjustments to Federal Income Taxes

1. In column (a) are listed the particulars which most often cause a differential between taxable income and pretax accounting income. Other particulars which cause such a differential should be listed under the caption Other (Specify), including State and other taxes deferred if computed separately. Minor items, each less than \$100,000, may be combined in a single entry under Other (Specify).

2. Indicate in column (b) the beginning of the year total of Accounts 714, 744, 762 and 786 applicable to each particular item in column (a).

3. Indicate in column (c) the net change in Accounts 714, 744, 762 and 786 for the net tax effect of timing differences originating and reversing in the current accounting period.

4. Indicate in column (d) any adjustments, as appropriate, including adjustments to eliminate or reinstate deferred tax effects (credits or debits) due to applying or recognizing a loss carry-forward or loss carry-back.

5. The total of line 19 in columns (c) and (d) should agree with the total of the contra charges (credits) to Account 557, Provision for Deferred Taxes, and Account 591, Provision for Deferred Taxes - Extraordinary Items, for the current year.

6. Indicate in column (e) the cumulative total of columns (b), (c) and (d). The total of column (e) must agree with the total of Accounts 714, 744, 762 and 786.

Pro Forma Excluding tax cuts & jobs act adj's

Line No.	Particulars (a)	Beginning of year balance (b)	Net credits (charges) for current year (c)	Adjustments (d)	End of year balance (e)	Line No.
1	Accelerated depreciation, Sec. 167 I.R.C.: Guideline lives pursuant to Rev. Proc. 62-21.	1,323,189	97,748	0	1,420,937	1
2		0	0	0	0	2
3	Capital leases	0	0	0	0	3
4	Amortization of rights of way, Sec. 185 I.R.C.	0	0	0	0	4
5	Intangibles	3,490	(406)	0	3,084	5
6	Undistributed earnings from affiliates	28,599	6,422	0	35,021	6
7	Gross deferred tax liabilities	1,355,278	103,764	0	1,459,042	7
8	Accelerated amortization of facilities, Sec. 168 I.R.C.	(10,205)	283	0	(9,922)	8
9	Pension & Post retirement benefits	(21,718)	(1,072)	0	(22,790)	9
10	Reserves for employee severance/related costs	(297)	130	0	(167)	10
11	Expense reserves & environmental remediation	(29,872)	3,878	0	(25,994)	11
12	Capital Leases	0	0	0	0	12
13	Other items	(40,383)	(13,167)	0	(53,550)	13
14	Net operating loss carryforwards (Federal and State)	(4,207)	668	0	(3,539)	14
15	Other credit carryforwards	0	0	0	0	15
16	Minimum tax credit carryforwards	(940)	842	0	(98)	16
17	Gross deferred tax assets	(107,622)	(8,438)	0	(116,060)	17
18	Deferred tax assets valuation allowance	0	0	0	0	18
19	NET DEFERRED TAX LIABILITIES	1,247,656	95,326	0	1,342,982	19

250. CONSOLIDATED INFORMATION FOR REVENUE ADEQUACY DETERMINATION

(Dollars in Thousands)

**Pro Forma
Excluding tax
cuts & jobs act
adj's**

Line No.	Item (a)	Beginning of year (b)	End of year (c)
	Adjusted Net Railway Operating Income For Reporting Entity		
1	Combined/Consolidated Net Railway Operating Income for Reporting Entity	N/A	315,815
2	Add: Interest Income from Working Capital Allowance-Cash Portion		7
3	Income Taxes Associated with Non-Rail Income and Deductions		2,711
4	Gain or (loss) from transfer/reclassification to nonrail-status (net of income taxes)		1,162
5	Adjusted Net Railway Operating Income (Lines 1, 2, 3 & 4)		319,695
	Adjusted Investment in Railroad Property for Reporting Entity		
6	Combined Investment in Railroad Property Used in Transportation Service	4,155,337	4,296,271
7	Less: Interest During Construction	10,374	4,684
8	Other Elements of Investment (if debit balance)	1,135	1,135
9	Add: Net Rail Assets of Rail-Related Affiliates	0	0
10	Working Capital Allowance	60,780	63,320
11	Net Investment Base Before Adjustment for Deferred Taxes (Lines 6 through 10)	4,204,608	4,353,772
12	Less: Accumulated Deferred Income Tax Credits	1,247,656	1,342,982
13	Net Investment Base (Line 11-12)	2,956,952	3,010,790

In the space provided, please list all railroads and rail-related affiliated companies which are being reported in this consolidation, along with the nature of the business for each company.

Name of Affiliate	Nature of Business
Soo Line Corporation	Railroad Related
Soo Line Railroad Company (SLRR)	Railroad
Soo System Radio Communications Corporation	Railroad Related
Dakota, Minnesota & Eastern Railroad Corporation (DME)	Railroad
Wyoming Dakota Railroad Properties, Inc.	Railroad
Soo Line Holding Company	Financing - Rail Related
Delaware and Hudson Railway Company, Inc. (DH)	Railroad
Wilkes Barre Connecting Railroad Company	Railroad
Northern Coal and Iron Company	Railroad - Leased Line
Albany & Vermont Railroad Company	Railroad - Leased Line
Saratoga & Schenectady Railroad Company	Railroad - Leased Line
CPR Locomotive Equity Company	Railroad Related
Soo Green Holding LLC	Railroad Related
Canadian Pacific PTC LLC	Railroad Related
CPR US Inc.	Railroad Related

Footnote 1) Government Funding (per STB letter dated 6-21-2010):

Soo had State & Federal government grants and subsidies in account 783 of \$26,007 and \$26,907 at 12-31-2017 and 12-31-2016 respectively, which are not included in figures above. During 2017 Soo amortized \$900 of account 783 balances to revenue Account 503.

Footnote 2) Income tax reform impact on Schedule 250 Return on Investment calculation

On December 22, 2017, the United States ("U.S.") enacted the "Tax Cuts and Jobs Act" which has been commonly referred to as U.S. tax reform. A significant change under this reform is the reduction of U.S. federal statutory corporate income tax rate from 35% to 21% beginning in 2018. As a result of this the Company revalued its account 786 deferred income tax balances accordingly. The revaluation of deferred tax associated with rate changes total a net \$446,841 in 2017 (2016 - \$nil) reducing income tax expense of the period in account 557. Without this adjustment, Combined/Consolidated Net Railway Operating Income for Reporting Entity on line 1 would be \$315,815 and Accumulated Deferred Income Tax Credits on line 12 would have been 1,342,982. Had this adjustment not been made, the revenue adequacy return on investment calculation above would have 10.71% instead of the 23.90% shown using the standard template as filled in above.

250. PART B
Determination of Nonrail Taxes
(Dollars in Thousands)

This table is designed to facilitate the calculation of taxes that are not rail-related. the amount to be reported on Schedule 250, Line 3.

Part I- DETERMINE TAXES ON NONRAILROAD INCOME FOR ALL COMBINED/CONSOLIDATED RAILROADS (EXCLUDES ALL RAIL-RELATED AFFILIATES).

- (1) Determine Combined/Consolidated Adjusted income from continuing operations (before taxes) for all affiliated railroads (all classes). Do not include rail-related affiliates that are not railroads in this part. this represents the total combined/consolidated amounts for all items listed below for all railroads in the reporting entity.

Income from continuing operations (before taxes) should be the equivalent of the numbers contained in the R-1 Schedule 210, Line 46, adjusted to include all railroads in the reporting entity.

- Equity in undistributed earnings, which represents the total of Schedule 210, Line 26, for all railroads in the reporting entity.
- Dividends in affiliated companies. (If the affiliate is 80% or more controlled by the parent railroad, then deduct 100% of the affiliate's dividend. If the affiliate is less than 80% controlled by the parent railroad, then deduct 80% of the affiliate's dividend).
- = Adjusted income from continuing operations (before taxes). This represents "A" in Item (3) below.

- (2) Determine Combined/Consolidated Adjusted Pre-tax NROI for all railroads in the reporting entity Combined/Consolidated Pre-tax NROI for the entire entity, which equals the amount shown on Schedule 250, Line 1.

- + Current Provision for taxes, which represents the consolidated amounts of Schedule 210, Line 51, for all railroads in the reporting entity. (This figure includes both Account 556, Income Taxes on Ordinary Income and Account 557, Provision for Deferred Taxes.)
- + Dakota, Minnesota & Eastern Railroad Corporation (DME)
- + Interest income on working capital allowance, which represents the total consolidated interest income relative to the working capital component of the net investment base and should equal the amount shown in Schedule 250, Line 2, for all railroads in the reporting entity.
- + Release of premiums on funded debt, which represents the consolidated total of release of premium on funded debt as shown on Schedule 210, Line 22, for all railroads in the reporting entity.
- Total fixed charges, which represents the consolidated total of fixed charges as shown on Schedule 210, Line 42, for all railroads in the reporting entity.
- Railroad-related income from affiliates (other than railroads) which was included in consolidated NROI (Schedule 250, Line 1).
- = Combined/Consolidated Pre-Tax Adjusted NROI for all railroads. This represents "B" in Item (3) below.

- (3) Calculate the railroad-related tax ratio: "B/A"

- (4) Compute the nonrailroad-related complement: (1-Railroad-related income ratio) which equals the Nonrailroad-related tax ratio.

- (5) Compute the nonrailroad portion of the total provisions for taxes. This equals:

The Nonrailroad-related tax ratio (Item (4) above) times the total current income taxes accrued on ordinary income (Account 556) which represents the consolidated amounts of Schedule 210, Lines 47, 48, and 49 for all railroads in the reporting entity.

Part II- DETERMINE NONRAILROAD-RELATED TAXES FOR RAIL-RELATED AFFILIATES (EXCLUDES ALL AFFILIATED RAILROADS).

- (6) This is calculated by dividing the nonrailroad-related income for combined rail-related affiliates by the total pre-tax net income for all combined rail-related affiliates and multiplying this result by the total taxes (current provision plus deferred). This equals the taxes on nonrailroad income for all affiliated companies.

Part III- DETERMINE TOTAL NONRAILROAD-RELATED TAXES

- (7) This is determined as follows:

- Total income taxes on nonrailroad-related income for all railroads in the reporting entity (Item 5 above).
- + Total Nonrailroad-related taxes for rail-related affiliates (Item 6 above).
- = Total nonrailroad-related taxes (This amount should be transferred to Schedule 250, Part A, Line 3).

Pro Forma Excluding tax cuts & jobs act adj's	
	361,851
	16,881
	3
	344,967
	315,815
	150,238
	7
	0
	138,192
	0
	327,868
	95%
	5%
	2,711
	0
	2,711
	0
	2,711