BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE APPLICATION BY SCS CARBON TRANSPORT LLC FOR A PERMIT TO CONSTRUCT A CARBON DIOXIDE TRANSMISSION PIPELINE

SD PUC DOCKET NO. _____

PRE-FILED DIRECT TESTIMONY OF JON PROBST
ON BEHALF OF SCS CARBON TRANSPORT LLC

November 19, 2024

Q. Please state your name, employer, and business address.

A. My name is Jon Probst. I am the Chief Commercial Officer for Summit Carbon Solutions, LLC ("Summit"). My business address is 2321 N. Loop Drive, Suite 221, Ames, IA 50010.

Q. Briefly describe your educational and professional background.

A. I have a Bachelor of Science degree from Iowa State University, where I majored in finance and a Masters of Business Administration degree from the University of Texas. I have approximately 15 years of professional experience in evaluating various types of investments and in executing on project developments, including the last 6 years with Summit Agricultural Group and Summit.

My resume is attached as Exhibit 1.

Q. What is your role with respect to the Project?

A. I serve as Chief Commercial Officer and oversee all commercial activity for the company, which includes managing relationships with our ethanol producer partners, business development related to CO_2 utilization opportunities, and monetization of the various tax credit and carbon credits that the Project will generate.

Q. What is the purpose of your Direct Testimony?

A. The purpose of my direct testimony is to describe the demand for the Project and the related economic impacts of the Project.

Q. What sections of the Application are you sponsoring?

A. I am sponsoring the following sections of the Application:

- Section 3.0 – Demand for Facility
- Section 6.1 – Economic Impacts
- Appendix 23 – Economic Impact Report

Q. Please summarize the demand for the Project.

A. The Project seeks to fill a demand by midwestern ethanol producers to access growing low carbon fuel markets, industrial CO_2 markets such as municipal water treatment, federal tax incentives, and future market opportunities, such as sustainable aviation fuel (SAF) and E-Fuel. Lowering carbon intensity scores for ethanol greatly benefits South Dakota's ethanol and agriculture industries, enhancing their long-term economic sustainability. Utilizing the Project to

capture and permanently store their CO_2 emissions enables participating ethanol plants to reduce their carbon footprint by as much as fifty percent (50%), putting them on the path towards producing a net-zero carbon fuel.

Without the Project pipeline, the 15 partner ethanol plants in South Dakota (i.e., the 14 existing traditional ethanol plants and one ethanol plant associated with Gevo's proposed SAF facility) would lack a viable option to capture and permanently store their CO_2 emissions because South Dakota does not have proven subsurface geologic formations capable of economically storing the volume of CO_2 the plants produce. The Project is necessary for these ethanol plants because it provides a CO_2 transportation solution, which otherwise would not exist, and without which South Dakota's ethanol plants would be at a significant long-term disadvantage when compared with ethanol plants in states like North Dakota, Indiana, Wyoming, and Illinois, which contain proven subsurface geologic storage formations. The Project pipeline provides benefits not only for the ethanol industry, but for an even broader segment of the public - the agriculture industry with which it partners.

As governments, industries, and consumers seek to reduce carbon emissions, a dramatic increase in CCS is crucial to achieving that goal. The Project is capable of moving up to 18.5 MMTPA of CO_2 for safe and permanent storage. Once operational, the Project will provide the largest and single most meaningful technology-based reduction of carbon emissions in the world.

Q. Please summarize the Project's benefits.

A. As SCS's ethanol partners earn more for producing low-carbon renewable fuel, it strengthens the economic prosperity and long-term viability of ethanol, and as a result, benefits South Dakota's family farms and ultimately the entire state. The ethanol industry is the largest purchaser of South Dakota corn, consuming approximately 50 percent of South Dakota's corn crop each year. A stable ethanol industry provides South Dakota's farmers with a reliable market for their corn and underpins the value of South Dakota farmland. The Project will play an important role in reducing greenhouse gas emissions in South Dakota. As governments, industries, and consumers seek to reduce carbon emissions, a dramatic increase in carbon capture and sequestration projects, as well as the associated pipelines, is crucial to achieving that goal. Further, the Project represents the safest mode for transporting CO_2. As compared to rail and truck transportation, pipelines are the safest and most efficient, and most reliable means to transport hazardous liquids. As noted above, SCS has offered, and will continue to offer,

carbon transportation and storage services to a variety of industrial facility owners in South Dakota and surrounding states, which, for the first time, gives them a viable opportunity to reduce their carbon emissions.

The Project will also provide significant economic benefits to South Dakota, local governments and communities, and landowners, including the following:

- Provides additional income to landowners whose land will be crossed by the Project in the form of easement payments. Landowners will be compensated for use of the temporary construction workspace on their land, as well as for SCS's permanent right-of-way (ROW) to operate the Project.
- Creates an annual average of 1,086 construction-related jobs during the construction period, resulting in a total labor income impact over the construction period of $475.7 million and $668.3 million in total value added to South Dakota's gross domestic product (GDP).
- Creates up to 40 full-time jobs once the Project is operational, resulting in approximately $48.1 million to South Dakota's GDP and $140.4 million in sales throughout the state. These full-time staff are expected to live within or in proximity to the counties and townships in which the facility is located.
- Construction of the Project would provide temporary increases in revenue through increased demand for lodging, food services, fuel, transportation, and general supplies.
- Generates personal income by circulation and recirculation of dollars paid out by the Project as business expenditures and state and local taxes, as well as associated increases to the local tax base.
- Diversifies economic development across the 23 counties while complementing existing economic activities.
- In addition to direct payments to participating landowners, creation of jobs, and other economic activity, the Project will also generate significant direct economic benefits in the form of property tax revenue.

Q. How was the construction jobs estimate calculated?

A. The 1,086 construction-related jobs estimate is based on an average of employment over a seven-year period, beginning from the project's inception, which includes years with fewer workers during planning, permitting, and early-stage development. This long-term

averaging approach distributes the total worker years over a broader time frame, resulting in a lower annualized figure.

However, during the construction phase, which represents the most labor-intensive period of the project, the workforce will peak at approximately 3,040 jobs. This includes employment generated by pipeline construction and the development of associated capture facilities. This peak reflects the concentrated nature of construction activities, which will occur over a much shorter timeline. As such, while the seven-year average provides a useful perspective on long-term employment impact, the peak construction employment figure more accurately reflects the immediate economic boost the project will bring to South Dakota during its most active phase.

Q. What is the estimated cost of the Project?

A. The total estimated cost for the equipment and installation of the Project is approximately $1.351 billion. Section 1.3 and Table 1 of the Application includes a breakdown of the estimated costs used to develop the total cost of the Project.

Q. Please describe for us your expectations in terms of taxes due the state and local governments?

A. The Project intends to pay its fair share of taxes as any other pipeline does. It is anticipated the Project will have a temporary positive impact on state sales and use tax during Project construction from the purchases of materials, equipment, supplies, and services by temporary construction employees of the Project. City sales tax will also be applicable on purchases made or deliveries received within a city that has a city sales tax. The city tax is in addition to the state sales tax and is typically 1-2%.

The state imposes a 1.5% tourism tax on lodging, amusement, entertainment, and other tourism related businesses. It is anticipated the Project will generate additional tourism revenues in locations utilized by the non-local construction work force. Contractors providing Project construction work or operational repairs are required to have a South Dakota contractor's tax license. The excise tax imposed on the gross receipts for construction Projects is 2%. It is anticipated that there will be a positive impact on property taxes during operations.

The increased economic activity that results during construction of the pipeline will generate an estimated $171.8 million in taxes, of which $69.2 million is state and local taxes.

During the first full year of operation the pipeline will generate an estimated $17.2 million in new property taxes for local governments.

Q. Has the Project performed any studies regarding the economic effect the pipeline will have?

A. Yes, the Project ordered a study from Decision Innovation Solutions that analyzes the Project's economics and tax contributions during construction and while in operation for consideration both by the Project and by stakeholders all along the route.

Q. Did the study look at Project expenditures in detail?

A. Yes, it did. We gave the study authors our estimate of Project costs along with our plans for construction and operation.

Q. Does the report discuss projected taxes due to governmental entities?

A. Yes, it does. We looked at both sales taxes and property taxes. It is important to note that taxes are determined by the taxing jurisdictions and are not under SCS control. We made assumptions with respect to Project taxes, nonetheless, in order to inform ourselves and our stakeholders of expectations for the Project. **Q. What were the sales tax projections to be expected in South Dakota?**

A. State and local sales tax projections are $69.2 million during the construction of the Facility and $34.4 million annually during the operations of the Facility from direct, indirect, and induced activity.

Q. How are property taxes expected to be calculated?

A. Property taxes are expected to be calculated for this Project as they would be for any other pipeline operating in South Dakota. Pipelines are centrally assessed by the South Dakota Department of Revenue (SDDOR). SCS will annually submit a report to the SDDOR that states the location of property by county, township, and school district. The SDDOR will certify the taxable value to the counties where the facility property is located. Those counties will then apply their mill levies and the SCS will pay those property taxes.

Q. What are the projected property taxes for the Facility?

A. The Project is expected to generate $20.8 million in new property taxes for local government that will be generated in the first full year of operation. See the Project's economic impact report - Appendix 23 of the Application for more information.

Q. Does this conclude your direct testimony?

A. Yes.

Dated this ____ day of November, 2024.

/s/ Jon Probst

Jon Probst