

Exhibit No. \_\_\_\_\_  
Issues: Property Tax, Landowner, Interactions and Property Values  
Witness: John Richard Tregnago  
Type: Surrebuttal Testimony  
Sponsoring Party: Grain Belt Express Clean Line LLC  
Case No. EA-2016-0358  
Date of Testimony: February 21, 2017

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO. EA-2016-0358**

**SURREBUTTAL TESTIMONY OF**

**JOHN RICHARD TREGNAGO**

**ON BEHALF OF**

**GRAIN BELT EXPRESS CLEAN LINE LLC**

**February 21, 2017**

**TABLE OF CONTENTS**

**I. WITNESS INTRODUCTION AND PURPOSE OF TESTIMONY ..... 1**

**II. GRAIN BELT EXPRESS CONDUCT AND MANAGEMENT ..... 1**

**III. TAX IMPACT ..... 2**

1           **I.       WITNESS INTRODUCTION AND PURPOSE OF TESTIMONY**

2   **Q.    Please state your name, position, and address.**

3   A.    My name is John Richard Tregnago. I am the County Assessor for Randolph County,  
4        Missouri. My home address is 3181 County Road 2530; Higbee, Missouri 65257.

5   **Q.    Have you previously submitted prepared testimony and exhibits in this proceeding?**

6   A.    Yes, I submitted direct testimony on August 29, 2016.

7   **Q.    What is the subject matter of your surrebuttal testimony?**

8   A.    I will respond to the rebuttal testimony of Missouri Landowner Alliance (“MLA”) witnesses  
9        Donald Lowenstein and Wiley Hibbard. Specifically, I am responding to their testimonies related  
10       to the tax benefits the Grain Belt Express Project will have on our schools and other public  
11       services. I will also respond to allegations made regarding the development of the Project and the  
12       impact to the land.

13       **II.     GRAIN BELT EXPRESS CONDUCT AND MANAGEMENT**

14   **Q.    Mr. Hibbard alleges that Grain Belt Express improperly notified the public and**  
15       **landowners of the public meetings (pg. 4, lines 1-7). Was that your experience?**

16   A.    The meetings I went to were very well attended. I believe that Grain Belt Express even  
17        advertised some of them in the newspaper. As I stated in my direct testimony, Grain Belt  
18        Express has held more public meetings prior to construction than any other project that I  
19        am aware of.

20   **Q.    Mr. Hibbard stated that at the meeting he attended the “people there from Grain**  
21       **Belt were polite, but they were uninformed” (pg. 4, lines 7-8). Was that your**  
22       **experience at the public meetings?**

1 A. No. That was not my experience. I felt very comfortable that the Grain Belt Express  
2 representatives knew the answers to my questions, as well as the questions of other  
3 farmers who I spoke with. I spoke with several folks from Grain Belt Express, and  
4 learned a great deal. There were poster boards with information and handouts, as well as  
5 large blown-up maps.

6 **Q. Mr. Hibbard claims that Grain Belt Express has not adequately communicated with**  
7 **the Ralls County Commission since his time in office (pg. 5, lines 1-7). Is it your**  
8 **experience that Grain Belt Express has not adequately communicated with County**  
9 **officials?**

10 A. No, my experience is the complete opposite. As I stated in my direct testimony, I receive  
11 regular updates from Grain Belt Express keeping me apprised of the Project's progress. I  
12 also am able to directly contact them if I have questions, just as Mr. Hibbard is.

### 13 **III. TAX IMPACT**

14 **Q. Mr. Hibbard expresses doubt that the converter station will be located in Ralls**  
15 **County because the estimated property tax benefit in Ralls County in the first year**  
16 **of operation is less than neighboring Monroe County (pg. 5, lines 11-13). Is Mr.**  
17 **Hibbard correct in his concern?**

18 A. No. Mr. Hibbard misunderstands how the tax revenues from the Grain Belt Express  
19 Project are distributed. Grain Belt Express, with the assistance of the Missouri State Tax  
20 Commission, has estimated the tax revenues for each county based on the first year the  
21 line is in operation. The entire Project (transmission line plus converter station) will be  
22 centrally assessed by the state. The taxes will be proportioned to each county based on  
23 the mileage in the county, the taxing districts that the project impacts (with the exception

1 of schools), the tax levies of those taxing authorities, and for the schools, the student  
2 population. It is possible that Monroe County is estimated to receive a higher amount of  
3 tax revenues because they have additional taxing districts touching the line or their tax  
4 levies are higher. For example, to determine the amount of revenue that will go to the  
5 schools in each county, once the project is state-assessed, you would multiply the miles  
6 of line in that county times the per-mile assessed value of the Project times the average  
7 school levy in the county.

8 The converter station could be located anywhere in Missouri, and the tax  
9 implication would be the same once the Project is in service and is being state-assessed.  
10 Mr. Hibbard is correct that during the construction of the line, Ralls County will receive  
11 more tax revenue than other counties in Missouri, as the value of the converter station  
12 would be locally assessed during construction.

13 **Q. Mr. Hibbard claims that the farmland hosting the Grain Belt Express Project will**  
14 **be worth less than farmland with no power poles at all (pg. 5, lines 19-22). Do you**  
15 **agree?**

16 A. No. Landowners can choose to receive an annual payment for the power poles, and those  
17 payments continue as long as those poles are on their property. And, the annual payment  
18 escalates by 2% each year. If that land has a guaranteed revenue stream of \$1,500 or  
19 \$5,000 or \$10,000 per year, then that should be taken into account. All things being  
20 equal, I would see farmland that includes an ongoing annual payment as more desirable  
21 than one without the guaranteed revenue stream.

22 **Q. Both Mr. Hibbard and Mr. Lowenstein are skeptical of the property tax benefit the**  
23 **Project will bring because they contend that the Project will have “some negative**

1           **consequence to new economic development and new home construction on or near**  
2           **the line” (Lowenstein pg. 24, lines 13-14). Mr. Hibbard claims that the Project will**  
3           **reduce future potential property taxes because landowners will choose to not build**  
4           **their homes next to the power line, and the homes near the line will be reduced in**  
5           **value (Hibbard pg. 6, lines 5-15). Do you think their concerns are warranted?**

6    A.    No, I disagree with Mr. Hibbard’s and Mr. Lowenstein’s predictions. Neither witness  
7           provided any evidence to support their claims.

8                   First, I do not believe that the powerline will deter new construction in Randolph  
9           County. I have not witnessed this impact from the existing powerlines in the county, or  
10           from other infrastructure or economic development projects.

11                   As an example, there is a 345-KV line built and owned by Central Electric Power  
12           Cooperative that was energized in 1981. It originates at the Thomas Hill Energy Center  
13           in Randolph County, and traverses diagonally through Randolph County as it goes to  
14           Kingdom City, Missouri. I’ve included with my testimony, as **Schedule JRT-1**, pictures  
15           of at least six relatively new homes that were built in close vicinity to this powerline. In  
16           each case, the homes were built after the powerline was already in place. These homes  
17           range in distance from the center of the powerline structures, and are approximately 140,  
18           170, 185, 250, 285, and 475 feet away. There are also other examples of new homes built  
19           near this and other power lines in Randolph County.

20                   However, even if someone chose not to build a home directly adjacent to the line,  
21           there are plenty of other good sites to build a new home in Randolph County. It is  
22           ridiculous to suggest that someone will choose to not build a home in the entire county  
23           because of the presence of this power line.

1            Additionally, the magnitude of the tax revenue generated from the Grain Belt  
 2 Express Project is much more significant than that of new home construction. It would  
 3 take about 350 new homes in Randolph County to replace just year one of the property  
 4 taxes estimated from the line. A typical home that is worth \$150,000 brings in about  
 5 \$2,000 in property taxes each year. I've estimated that in the first year of the Project's  
 6 operation, Randolph County will receive more than \$700,000 in taxes. So, it would take  
 7 about 350 new homes in Randolph County to replace the value of the line. Randolph  
 8 County typically sees about 40 to 50 new homes a year, so it would take 7 to 9 years of  
 9 new home construction to replace just one year of tax revenue from the line.

10 **Q. You state above that your estimate of the tax revenue to Randolph County is more**  
 11 **than \$700,000 in the first year of operation. Can you explain how this number was**  
 12 **derived?**

13 A. I reviewed the taxing districts that are crossed by the line and their 2016 tax levies. Using  
 14 an appraised value of \$2 million dollars per mile of the line, assessed at the rate of 32%,  
 15 you get \$640,000 of assessed value per mile of the line. Grain Belt Express provided me  
 16 with the estimated mileage in Randolph County, and I calculated the updated  
 17 approximate tax revenue, using this cost-approach for the first year of the line's  
 18 operation. I've included a chart below, which shows the various taxing districts that stand  
 19 to benefit from the Grain Belt Express Project in Randolph County.

<i><b>Taxing District</b></i>	<i><b>Estimated New Tax ANNUALLY</b></i>
Randolph School Districts	\$ 556,147
Randolph County Library	\$ 31,688
Randolph County General Revenue	\$ 27,396
Randolph County Road & Bridge	\$ 25,395

Randolph County Health Department	\$ 18,997
Randolph County Developmentally Disabled Resources	\$ 18,852
Western Randolph Fire Protection District	\$ 16,675
Higbee Fire Protection District	\$ 7,861
Eastern Randolph Fire Protection District	\$ 7,503
Southeastern Fire Protection District	\$ 4,795
Moniteau Creek Watershed District	\$ 3,891
<b>Randolph County Total Taxes Levied</b>	<b>\$ 719,200</b>

1

2 **Q. Is the estimated tax revenue provided above different from the estimate you**  
3 **provided in your direct testimony?**

4 A. Yes, this estimate is slightly different from the estimate provided in my direct testimony.  
5 The difference is a result of updating the calculation with the most recent levy numbers  
6 from 2016. Levy rates can change every year, but those changes are typically negligible  
7 for calculating estimates on a project like this. The overall scale of tax revenues that this  
8 Project will deliver is significant, any way you look at it.

9 **Q. Mr. Lowenstein challenges your approach to estimating the tax revenue Grain Belt**  
10 **Express will contribute in the first year of operation stating, “[i]t is impossible to**  
11 **predict future property taxes to the counties after the line is energized.” (pg. 17,**  
12 **lines 3-4). Why was the cost-approach method chosen to estimate the tax revenues**  
13 **that Grain Belt Express will provide once operable?**

14 A. Using the cost-approach method to estimate the tax revenue generated by an  
15 infrastructure project is common practice. The TransCanada Keystone Pipeline also  
16 provided similar estimates, and companies use these estimates for budgeting purposes, as  
17 well. These estimates are not meant to be to the penny or dollar, but instead are the best  
18 effort to provide a projection for the estimated amount of taxes one of these projects will  
19 generate. Grain Belt Express worked with the State Tax Commission to initially estimate



1 these numbers a few years ago. I did my own analysis this year with the most recent tax  
2 levy amounts, and confirmed that the estimate for tax revenues to Randolph County in  
3 the first year of operation are around \$720,000.

4 **Q. Is Mr. Lowenstein correctly characterizing your testimony by stating that it “does**  
5 **not address the tax revenues generated by the Project after it goes into service” (pg.**  
6 **11, lines 4-5)?**

7 A. No, he is not. I directly address this point on page 6, lines 6–20 of my direct testimony,  
8 where I discuss the anticipated taxes the Project will pay after it is fully operational. It is  
9 expected that the Missouri State Tax Commission will use additional information, some  
10 of which Mr. Lowenstein discusses (the market approach and income approach), to  
11 calculate the tax revenue from the line each year after it is placed in service. My  
12 experience with public utilities and infrastructure projects is that regardless of the  
13 approach, they will continue to generate substantial tax revenues well into the future.

14 **Q. Mr. Lowenstein claims that no one knows, and cannot determine, what the overall**  
15 **tax revenues will be from the Project over the life of the Project (pg. 13, lines 13-22),**  
16 **and suggests that you are overstating these tax benefits. Do you agree?**

17 A. No. I did not provide estimates for the tax revenue that Grain Belt Express will provide  
18 over the lifetime of the Project. Mr. Lowenstein is correct in stating that no one knows  
19 those exact amounts today, but he is missing the point. The point is that this Project is a  
20 major infrastructure project that will contribute significant taxes to the schools and public  
21 services in Randolph County and the other counties hosting the line for decades to come.  
22 Whether the total tax revenue is \$700,000 or \$1,000,000 or \$500,000 is not the point. The  
23 point is that the taxes are large enough to have a significant and lasting impact on our

1 communities, providing money for new teachers, updated facilities, new programs, better  
2 services, and the like. Mr. Lowenstein provides several hypothetical factors, but provides  
3 no actual evidence of any infrastructure project, such as the Grain Belt Express Project,  
4 having a negligible overall tax impact on a county.

5 **Q. Mr. Lowenstein uses an example of two pipelines in Clinton County to try to show**  
6 **how the value of a company affects the assessment of property in a county (pg. 22,**  
7 **lines 11-20). Do you agree with his conclusion that the “assessed value has no direct**  
8 **correlation to the cost to build the Line itself.” (pg. 22, line 19-20)?**

9 A. No, I don't think that the example Mr. Lowenstein provides supports his conclusion, and  
10 he has not provided any evidence to back up this claim. Mr. Lowenstein describes two  
11 pipelines that are of similar length that have a much different assessed value, but he does  
12 not provide any evidence to show that the cause for the difference in assessed values is  
13 the value of their companies. In reality, the assessed value is more likely to vary because  
14 of the diameter of the pipeline, the product it is shipping, or other factors.

15 **Q. Mr. Lowenstein asserts that during the construction of the line, 28 of the school**  
16 **districts that will receive tax revenue from the Project will “receive smaller if not**  
17 **negligible benefit” (pg. 16, lines 6). In his response to Data Request 9, Mr.**  
18 **Lowenstein clarifies that his definition of negligible in this instance is less than**  
19 **\$24,250, which is the 2016 Federal Poverty Level. Do you agree that any tax revenue**  
20 **provided to schools under \$24,250 is negligible?**

21 A. I strongly disagree with Mr. Lowenstein's characterization. I've had school  
22 superintendents call to inform me of a new home immediately after it is constructed to  
23 ensure that we are assessing it, and they are getting the benefit. Every penny matters to

1 these school districts. While every school may not be fortunate enough to receive enough  
2 tax revenues to hire a new teacher, there are plenty of other uses these schools can put  
3 their additional funding toward.

4 **Q. Mr. Lowenstein continues to further describe the quantity of schools during the**  
5 **construction period that receive a substantial, modest, or negligible benefit (pg. 16,**  
6 **lines 11-14). Does he explain how he grouped these districts or what these terms**  
7 **mean?**

8 A: No. When given the opportunity to explain these categories and provide a numerical  
9 value to define his assertions, he refused. Mr. Lowenstein's response to Grain Belt  
10 Express Data Request 11 is attached to my surrebuttal testimony as **Schedule JRT-2**. He  
11 also makes the obvious point that there will be school districts that will not receive tax  
12 dollars during construction. This is a product of state and local law, but for some reason  
13 he blames Grain Belt Express for not paying taxes where they are not owed. While this is  
14 the case during the construction of the line, that is a relatively short period of time  
15 compared to the total revenue-generating life span of the Grain Belt Express Project in  
16 Randolph County, which will be contributing to all of the school districts in the county  
17 for decades. I think it is misleading to focus on the school districts that will not receive  
18 tax revenue during the construction period, when many of these schools will receive  
19 substantial tax benefits over the lifetime of the Project.

20 **Q. Mr. Lowenstein claims that your testimony regarding the tax benefits to Randolph**  
21 **County is misleading because you do not discuss the taxing jurisdictions that receive**  
22 **little or no tax benefit (pages 14-16), and because every single taxing district does**

1 **not benefit, the Project is not a benefit to Missourians (pages 17-19). Why did you**  
2 **choose to omit this information, and do you agree with his conclusions?**

3 A. Mr. Lowenstein's assertion is bizarre and illogical. His argument is like me telling a  
4 homeowner that their property taxes are going to fund their local fire district, but are not  
5 going to fund any of the other fire districts in the county, and therefore are not beneficial.  
6 I totally disagree with Mr. Lowenstein's conclusion.

7 If Mr. Lowenstein's conclusion had merit, then all new construction would not be  
8 seen as beneficial to Missourians. This is just not my experience. The school districts I  
9 have spoken with welcome the funds provided from new construction and see these  
10 dollars as an incredibly valuable part of their budgets. I never suggested (nor has Grain  
11 Belt Express, to my knowledge) that every single taxing district in the eight-county  
12 region would benefit from the Project, but again, that is not the point. Mr. Lowenstein  
13 concludes the \$720,000 in annual property tax is somehow not a benefit to Randolph  
14 County because there are taxing districts far from the line that will not collect tax  
15 revenue. At the same time, he states on page 15 of his testimony that if these revenues are  
16 shared with distant districts, like schools, it is also not a benefit because the payments are  
17 diluted. You just can't win with Mr. Lowenstein. The reality is that \$720,000 is a  
18 tremendous benefit to Randolph County, and exceeds the assessed value of all  
19 agricultural land in the county.

20 **Q. Does that conclude your testimony?**

21 A. Yes.

