

Exhibit No.: 300;
Issues: Background on MLA;
Tax Assessment of Grain Belt Facilities;
Miscellaneous Documents
Witness: Louis Donald Lowenstein
Type of Exhibit: Rebuttal
Sponsoring Party: MO Landowners
Alliance
Case No.: EA-2016-0358
Date Testimony Prepared: January, 2017

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. EA-2016-0358

REBUTTAL TESTIMONY OF
LOUIS DONALD LOWENSTEIN
ON BEHALF OF
MISSOURI LANDOWNERS ALLIANCE

January 24, 2017

TABLE OF CONTENTS

I. BACKGROUND ON MISSOURI LANDOWNERS ALLIANCE	3
II. TAX ASSESSMENT OF GRAIN BELT PROJECT	7
III. MISCELLANEOUS DOCUMENTS	33

1 **Q. Please state your name.**

2 A. Louis Donald Lowenstein.

3 **Q. On whose behalf are you testifying?**

4 A. I am testifying on behalf of the Missouri Landowners Alliance (MLA).

5 **Q. Do you have any affiliation with the MLA?**

6 A. Yes, I am its president, and one the four members of its board of directors.

7 **Q. What subjects are you addressing in this testimony?**

8 A. I will cover three general topics: background information on the MLA; the
9 methods by which the Grain Belt Express Project (Project) would be assessed in Missouri
10 for tax purposes; and at the request of our attorney, I will offer several documents into
11 evidence.

12 **I. BACKGROUND ON MISSOURI LANDOWNERS ALLIANCE**

13 **Q. Please briefly describe the Missouri Landowners Alliance.**

14 A. The MLA is a Missouri non-profit corporation, organized in March of 2014
15 for the primary purpose of opposing the transmission Project being proposed by Grain
16 Belt Express Clean Line, LLC. (GBE)

17 **Q. How did the MLA begin?**

18 A. The MLA grew out of a grass-roots movement which had been working
19 against the Project for several months before we incorporated.

20 **Q. What were the main objectives of the MLA originally in 2014?**

21 A. The MLA had two main objectives. The first objective was to recruit
22 members who oppose, for varying reasons, the Project. The second objective was to raise
23 money for the purpose of funding a legal defense.

1 **Q. What are the main objectives of the MLA now?**

2 A. The same as in 2014.

3 **Q. Does the MLA have any paid positions?**

4 A. No. All work done by the MLA board of directors and its members has been
5 on a voluntary, non-paid basis. Furthermore, our attorney is also working on this case on
6 a pro bono basis.

7 **Q. What are the requirements for joining the MLA?**

8 A. Submit a membership agreement using a paper form or online at our website.
9 (www.missourilandownersalliance.org)

10 **Q. In addition to your website, what other methods were successful in**
11 **recruiting members?**

12 A. The MLA has also received a tremendous amount of support in the way of
13 newspaper and television coverage, which usually resulted in new memberships.

14 **Q. Did any organizations help you recruit new members?**

15 A. Yes. We received support from the Missouri Farm Bureau, the Illinois Farm
16 Bureau and the Missouri Cattlemen's Association. We also were helped in this regard by
17 Block Grain Belt Express Missouri.

18 **Q. When did the first member join the MLA?**

19 A. The first membership was recorded on February 28, 2014.

20 **Q. Are you still getting new members to join?**

21 A. Yes. The most recent new member joined on December 27, 2016.

22 **Q. How many MLA members do you currently have?**

23 A. As of January 1st, 2017 there are 1,202 members.

1 **Q. Are all MLA members individuals?**

2 A. No. Of the 1,202 members, 1,176 are individuals and 26 are businesses.

3 **Q. Do you have the support from any particular state-wide organizations?**

4 A. Yes, we do. The list includes Illinois Farm Bureau, Missouri Farm Bureau,
5 Missouri Cattlemen's Association, Missouri Corn Growers Association, Missouri
6 Dairyman's Association and Missouri Sheep Producers.

7 **Q. Let's shift the questioning from the MLA membership to the MLA fund-**
8 **raising. Were members required to donate to join?**

9 A. No. Donations were optional.

10 **Q. Why did the MLA need donations?**

11 A. All donations were procured in anticipation of the legal and administration
12 costs which the MLA expected to incur in opposing the proposed Project. The board of
13 directors decided then and now to set our goal high and build the most compelling case
14 we could on behalf of our members.

15 **Q. Who were the donors?**

16 A. The MLA is willing to represent all Missouri landowners, including those on
17 the Project's structures which traverse Missouri counties (Line) from St. Joseph Missouri
18 to Hannibal Missouri and Missouri landowners not on the Line. Donations came from a
19 cross section of these members.

20 **Q. How many donation transactions were received by the MLA?**

21 A. As of December 27, 2016 we recorded 393 donation transactions.

22 **Q. What was the largest donation?**

23 A. Our largest donation was \$5,000.

1 **Q. How many donations were \$1,000 or more?**

2 A. We received 56 donations that were \$1,000 or more.

3 **Q. What was the smallest donation?**

4 A. Our smallest donation was \$1.

5 **Q. Are donations still coming in?**

6 A. Absolutely. The most recent donation was made on December 27, 2016.

7 **Q. What was the most "typical" donation amount?**

8 A. Most donations were between \$100 and \$250.

9 **Q. Are there adequate audit trails of each and every donation?**

10 A. Yes. We have very strong internal and access controls in place to ensure the
11 safekeeping of Alliance funds.

12 **Q. What will happen to any funds which remain with the MLA after this
13 case and any related proceedings are concluded?**

14 A. Under our Articles of Incorporation, we are required to donate any such funds
15 to the American Red Cross.

16 **Q. Was the MLA successful in their first opposition of the Grain Belt
17 Express Line?**

18 A. Yes. The Missouri Public Service Commission (MoPSC) denied the first
19 application.

20 **Q. What was the MLA dollar investment in that first effort?**

21 A. Over \$85,000.

22 **Q. Why are you testifying again?**

1 A. GBE has submitted another application to the MoPSC for a Certificate of
2 Convenience and Necessity (CCN). The MLA is pledged to continue its opposition to any
3 and all applications for a CNN on behalf of the Project.

4 **Q. This is a strong commitment from the MLA. What are the main**
5 **objections by the MLA to the Project?**

6 A. There are several. The MoPSC commissioners heard many of these concerns
7 at recent public meetings across the state.

8 **Q. Does that complete your testimony on the MLA and its fund raising**
9 **activity?**

10 A. Yes, it does.

11 II. TAX ASSESSMENT OF GRAIN BELT

12 **Q. Please briefly describe your educational background as it relates to this**
13 **next topic.**

14 A. I received a Bachelor's degree in Accounting from the University of
15 Massachusetts in 1982. I've been a licensed CPA since 1983.

16 **Q. What has been your work experience since graduating from college?**

17 A. My professional career began in 1982 at Arthur Young and Company,
18 Chicago IL. I worked as a computer auditor assisting in performing audits of very large
19 corporations. Much of my responsibility was programming large computer systems. I
20 then worked for one year at the Signature Group in Schaumburg IL. In 1986 I moved to
21 Missouri and founded Lowenstein and Associates, PC. I still own and operate this
22 business.

23 **Q. What is the primary business of Lowenstein and Associates, PC?**

1 A. Lowenstein and Associates, PC is a licensed CPA firm. We develop and
2 deploy accounting software solutions and provide consulting services to 100's of banks
3 and credit unions all across the United States.

4 **Q. When did you receive your CPA license?**

5 A. Originally I was certified in Illinois on September 15, 1983, certificate
6 #35887. I was certified in Missouri on April 23, 1990, certificate #14296.

7 **Q. Do you have any significant experience related to how the Project would
8 be assessed for tax purposes?**

9 A. No, I am not claiming to be an expert in that field, and will not be rendering
10 any opinion here as a tax expert. My purpose is to present factual information to the
11 Commission on this subject, based on the research I have done on the issue.

12 **Q. Do you have any practical experience related to school taxes?**

13 A. Yes. I served as a member of the Cameron R1 school board for nine years. I
14 was the only CPA on the board. The board, district and patrons looked to me for
15 strategic direction in managing the district's sources and expenditures of funds.

16 **Q. Were you personally involved in effecting tax dollars to your district?**

17 A. Yes. We ultimately had three successful campaigns while I served which
18 raised our operating levy and raised capital improvement money. All of these were
19 approved by voters.

20 **Q. How did you get voters to agree on a tax levy increase?**

21 A. It wasn't easy and our requests didn't always pass. Each request was judged
22 by the voting public whether they saw merit in it or not. This is the Show-Me state. If

1 the voters were not clearly shown that they could trust the district with these new tax
2 payments they would not support the request.

3 **Q. What prompted these levy requests?**

4 A. When I was first elected to the board, the district was in dire straits financially
5 and had very low reserves. In order to raise our revenues, the board asked for an
6 operating fund levy increase of \$0.45.

7 **Q. Did the voters approve the levy increase?**

8 A. The request got defeated soundly. We lowered next the request to \$0.40 and
9 placed it on the ballot again.

10 **Q. Did the voters approve that levy increase?**

11 A. No. It lost by an even larger margin.

12 **Q. What did you conclude from this experience?**

13 A. At that point I realized it was not about the money at all. The voters distrusted
14 the district because of past events and were reluctant to trust them now or in the near
15 future. I realized that's why they failed.

16 **Q. How did you get the voters to finally change their minds?**

17 A. We knew we had to earn the trust of the voters in order to pass a levy increase.
18 Through an extensive public awareness campaign we educated our patrons on what our
19 current needs were. Community focus groups were developed which helped define the
20 district's visions. The board built action plans to fulfill those visions. Voters saw benefit
21 in those visions for their children, grandchildren and local communities.

22 **Q. What happened next?**

1 A. We raised the request to \$1.00 and put it on the ballot again. This time it
2 passed. I then realized the central issue wasn't about the amount of the request. The
3 central issue was the trust behind the request. Once we gained their trust, they approved
4 the levy increase.

5 **Q. How is this relevant to your testimony?**

6 A. Many of those voters are the same citizens who came to the recent public
7 meetings. They care most about their children, grandchildren, farms, local communities
8 and themselves. These citizens need to be shown how the Project how will affect these
9 aspects of their lives both now and in the future. If they trusted GBE there would be a
10 better chance they would support the Project.

11 **Q. Do you think all citizens trust GBE?**

12 A. No. In light of the opposition in attendance at those meetings, it's clear to me
13 many, if not most of these local citizens do not trust GBE. They don't see long term
14 benefits from the Project for their children, grandchildren, farms, local communities or
15 themselves.

16 **Q. Did you review the testimony of John Richard Tregnago, the assessor in**
17 **Randolph County, MO?**

18 A. Yes.

19 **Q. Do you have any observations to submit to the Commission regarding**
20 **that testimony?**

21 A. Yes. I have two observations.

22 **Q. What is your first observation?**

1 A. I think Mr. Tregengo’s assessment of the benefit to school districts and other
2 county taxing jurisdictions is misleading because the facts are materially understated.

3 **Q. What is your second observation?**

4 A. I believe his overall discussion is short sighted because it does not address the
5 tax revenues generated by the Project after it goes into service. Nor does it address the
6 long term net tax benefits or losses. Therefore I regard most of his testimony as having
7 little significance to an overall assessment of the longer term tax benefits to Missourians.

8 **Q. Can you elaborate on your first point that Mr. Tregnago’s testimony is**
9 **misleading and materially understates the facts?**

10 A. Basically, I believe that he spoke in generalizations which might leave the
11 reader to see a much brighter prospect than actually exists for tax revenue benefits to
12 Randolph and the other seven counties on the line. He omitted a discussion of which
13 taxing jurisdictions receive little or no tax benefit.

14 **Q. Let’s discuss the school taxes first. How will property taxes from the line**
15 **be allocated to a school district?**

16 A. The district’s tax levy rate, approved by voters, will be applied to GBE’s
17 assessed value and that value is prorated and distributed accordingly.

18 **Q. Who determines the Project’s assessed value in Missouri?**

19 A. During the construction phase the local assessor, based upon cost figures
20 supplied by GBE, or CWIP. This is referred to as the cost approach to assessments.
21 Once the Line is energized assessments will be determined by MSTC.

22 **Q. What is CWIP?**

1 A. The term "CWIP" means "Construction Work in Process" and is defined as
2 the total of the balances of work orders for plant, road and equipment including
3 expenditures on research, development and demonstration projects for construction of
4 facilities.

5 **Q. How will MSTC assess the value of the line once it is energized?**

6 A. According to approved procedures based upon laws and statutes in effect in a
7 given year. This process is very complex. This process is all about, "What are the laws
8 that apply and what do those laws require?" The laws guide MSTC in determining the
9 true market value of a company. That's it in a nutshell.

10 **Q. What are these various methods used today by MSTC?**

11 A. The valuation methods include methods such as outlined in Schedules LDL-1
12 and LDL-2. But there are other factors that go into their determination of a company's
13 value. The tax Commission will essentially perform an appraisal of a company to
14 determine the company's true market value. Ultimately, the value of GBE as a company
15 as decided by the MSTC each year in the future will determine the tax revenue received
16 each year by each county in Missouri after the line is in service.

17 **Q. How does this translate into local assessment values used for property tax
18 calculations?**

19 A. Once the company's value is determined, the commercial, real and personal
20 property values will be broken out and these assessed values will be supplied by MSTC
21 to the local county clerks.

22 **Q. Explain in laymen's terms, what are the basic factors that affect the final
23 value of GBE for tax purposes, as used by the state tax Commission?**

1 A. The valuation looks at the overall company’s financial performance and the
2 marketplace and environment in which they operate. MSTC will review GBE’s financial
3 and operational data. Components of this review might include income from operations,
4 their capitalization structure, industry strength, industry trends and other external factors
5 based upon all data that is available to MSTC.

6 **Q. What type of industry trends could affect the value of a company?**

7 A. There are companies with substantial investments telecommunications
8 telephone land lines. The industry is moving away from land lines to cellular. This
9 technology and trend could affect the value of those companies with these types of older
10 investments. In another example, a change in future tax credit laws for this industry
11 could have an effect on future research and development and expansion within the
12 industry. It’s hard to speculate what trends exactly will affect GBE’s value in the future.

13 **Q. What external factors affect the value of a company?**

14 A. Here are some examples. If a pipeline is transporting anhydrous ammonia and
15 we have an unusually wet or dry farming year, there could be an effect on that company’s
16 value. The protests against the Keystone Pipeline could have an effect on that company’s
17 value today and in the future outcome. When the BP oil spill happened, that might have
18 had an effect on that company’s value. Future elections that bring new governors, law
19 makers and lobbyists can change the laws that MSTC follows. This may result in
20 unforeseen changes in the tax assessment process used by MSTC. There are also
21 imaginable and unimaginable positive external factors. We simply can’t know what they
22 will be over the life of the Project.

23 **Q. How is the easement land classified today?**

1 A. Agricultural.

2 **Q. Which procedure did Mr. Tregnago use in his illustration to determine**
3 **the Project's value?**

4 A. The cost approach which is based upon the value of CWIP on GBE's books,
5 as reported.

6 **Q. How many school districts in Randolph County are there?**

7 A. According to Schedule LDL-13 page 3, Randolph County has eight school
8 districts.

9 **Q. If a district's jurisdiction is crossed by the line will they receive tax**
10 **revenue from both the construction period and after the Line is activated?**

11 A. Yes. The only difference between the construction period and the post-
12 construction period to these jurisdictions is whether the assessment is performed locally
13 or by MSTC.

14 **Q. Must a school district have part of the line in its taxing jurisdiction to**
15 **receive tax dollars during the construction period?**

16 A. Yes.

17 **Q. What if the line does not traverse a particular district's taxing**
18 **jurisdiction during construction?**

19 A. Those districts will not receive any specific property tax dollars attributable
20 to the Line during construction.

21 **Q. Will those jurisdictions benefit after the line is energized?**

22 A. Yes. The total property taxes paid on the line will be allocated to all school
23 districts in a county. However, since all districts receive part of the line's tax revenue

1 after it's energized, the proportionate share to those on the line will be diluted after the
2 line is energized.

3 **Q. Which school districts in Randolph County will receive property tax**
4 **dollars from GBE during construction, and state the number of miles the Project**
5 **covers in those districts?**

6 A. According to Schedule LDL-13 Page 3, four of the eight districts will receive
7 tax benefits during the construction period. This schedule shows that only Renick R-V
8 (8.87 miles), Higbee R-VIII (2.41 miles), Westran R-I (8.80 miles) and Moberly (0.49
9 miles) districts are on the Project's path.

10 **Q. Which school districts in Randolph County will not receive property tax**
11 **dollars during construction due to zero miles of the Project in their district?**

12 A. According to Schedule LDL-13 Page 3, four of the eight districts will not
13 receive tax benefits. This schedule shows that Sturgeon R-V, Chariton/Salisbury R-IV,
14 Macon County R-I and Northeast Randolph County R-IV districts are in Randolph
15 County but not on the Project's path.

16 **Q. Is Randolph County unique in that it has school districts that won't**
17 **benefit from the Line's property tax assessments during construction?**

18 A. No. In Clinton County for example, there are nine school districts. Three
19 districts will receive tax revenue during construction; Cameron R-I (1.88 miles), Lathrop
20 R-II (6.58 miles) and Clinton County R-III (8.90 miles). The other six will receive \$0.00
21 from assessments made during construction.

22 **Q. Can you extrapolate these school district jurisdiction facts across all eight**
23 **counties the Project will cross?**

1 A. Schedule LDL-13 shows a breakout of school districts by county on Pages
2 1, 2 and 3. There are 63 school districts in 8 counties along the Line. The majority of
3 them (33) will not receive any tax benefit from the Line during construction. Most of the
4 benefit goes to only 2 counties with over 12 miles on the Line; Paris R-II School District
5 in Monroe County (20.30) and Ralls Co R-II School District in Ralls County (27.68).
6 The remaining 28 receive smaller if not negligible benefit with 11 districts having 6 to 12
7 miles and the final 17 have less than 6 miles.

8 **Q. GBE continually has promoted the tax benefits during construction**
9 **period. Do you agree with the perception that the Line benefits all school districts**
10 **on or near the Line during the construction period?**

11 A. No. There are 63 districts on or near the Line in the 8 counties. Of these, 63
12 only 2 (3%) receive a substantial benefit, 11 (17%) receive a modest benefit and 17
13 (30%) receive a negligible benefit. Over half of the districts in these counties (52%) will
14 receive \$0.00 benefit from the Line property taxes during construction.

15 **Q. Why do you think GBE has only promoted the tax benefits for the**
16 **construction period and the 1st year after the line is energized?**

17 A. During construction their assessment is based upon estimates of CWIP which
18 they supply. It is safe to promote this since they control it. But, I'm not sure why they
19 promote tax estimates during the first year the line is in service or beyond. GBE's
20 financial and operational data along with other relevant data will be available to MSTC
21 after the line is energized. The MSTC approved process will be used in the first
22 assessment after the line is energized. This review will use any and all data available in
23 order to determine the true market value of GBE every year after the line is energized.

1 There will be financial and operational data available at that time and MSTC will use it.
2 Since this data is not available today it is impossible to predict the future value of GBE in
3 any year after the line is energized, and therefore, it is impossible to predict future
4 property taxes to the counties after the line is energized.

5 **Q. In Schedule LDL-7, in his response to RT10, Mr. Tregnago states that it**
6 **was his understanding that several other taxing jurisdictions will receive tax**
7 **benefits. Do all of the other jurisdictions in a county receive tax dollars during the**
8 **construction period?**

9 A. No. Only those jurisdictions that are on the line will receive tax revenue from
10 the GBE after the line is energized.

11 **Q. Do all of the other jurisdictions in a county receive tax dollars after the**
12 **line is energized?**

13 A. No. Only those jurisdictions that are on the line will receive tax revenue from
14 the GBE.

15 **Q. Can you provide a quick summary of how many of these “other”**
16 **jurisdictions will receive benefit?**

17 A. Schedule LDL-6 shows that all countywide jurisdictions will receive some
18 benefit for their total miles. In 2015 the Clinton Countywide assessment rate was
19 \$0.9678 per \$100 assessed value. Schedule LDL-14 shows its General Fund levy was
20 0.2482 per \$100 assessed value. Assuming Mr. Tregnago is correct that the cost of the
21 Line will be \$2,000,000 per jurisdiction mile, the Clinton Countywide property tax would
22 be based upon 20.24 miles, resulting in a maximum increase of only \$32,150 to the
23 county’s General Fund from the Project.

1 **Q. Did GBE come up with the same calculation in LDL-6 Page 10?**

2 A. No. They show a lower amount of \$28,360. They must have used a different
3 levy amount. That shows just how variable tax calculations can be.

4 **Q. Why did you say maximum increase?**

5 A. The example uses a CWIP value of \$2,000,000 per mile. That equates to tax
6 revenue of \$32,150. In reality, each assessment made during the CWIP period, by nature,
7 is based upon a partially complete Project. If the Project is only 50% complete when the
8 first tax assessment is made, only 50% of the costs have actually been incurred, therefore
9 the increase to the county's General Fund from the Project would be only \$16,075 that
10 year.

11 **Q. If construction began on January 2, 2018, when would the county's**
12 **General Fund receive that first payment of \$16,075 in your example?**

13 A. Almost two years after the beginning of construction. Assessment would
14 occur on January 1st, 2019 and the tax would be due and payable December 31, 2019.

15 **Q. What are the "other taxing" jurisdictions that are not countywide?**

16 A. Schedule LDL-13 shows beginning on Page 4 that 183 non countywide
17 groups are broken into five other categories, MUNICIPALITY, SPECIAL, TOWNSHIP,
18 ROAD and Other Political Subdivisions Not Listed. In the 8 counties, there are 57
19 Municipalities, 69 Special districts, 47 Township, 7 Road districts and 3 political
20 subdivisions.

21 **Q. Which of these will not receive benefits?**

22 A. 100% (57) of the municipalities, 56% (39) of the special districts, 72% (34)
23 of the townships and 100% (7) of the road districts. Overall, 75% (137) of all of these

1 non-countywide taxing jurisdictions in the eight counties along the Line receive no tax
2 benefit from the Project during construction or after the line is energized.

3 **Q. Help me with the math. How many non-countywide jurisdictions will**
4 **receive benefits?**

5 A. Of the 183 jurisdictions, 25% (46) which will benefit to a varying degree,
6 depending upon miles.

7 **Q. In light of these facts about school districts and other special county**
8 **jurisdictions receiving \$0.00 or negligible tax revenue, do you see these tax revenues**
9 **as being a benefit to all Missourians?**

10 A. No. Much of the Line's property tax benefits will go only to a minority of
11 taxing jurisdictions in the eight counties. I would conclude that overall, most of the
12 taxing jurisdictions in counties on or near the Line will not materially benefit.

13 **Q. Can you elaborate on your second observation, that Mr. Tregnago's**
14 **testimony is shortsighted and therefore has little significance to an overall**
15 **assessment of the tax benefits to Missourians?**

16 A. He only spoke about property taxes to be received during the CWIP period;
17 i.e., the few years while the line is under construction. Absent from his testimony was a
18 discussion of long term tax revenue calculations. He also neglected to include
19 discussions of negative property tax effects that could appear should the Line be erected.

20 **Q. How many years do you think Mr. Tregnago's assessment discussion will**
21 **be applicable?**

22 A. Most likely one year. Maybe two years.

23 **Q. Based upon what?**

1 A. In response to our data request G.61, Schedule LDL-12, GBE estimated that it
2 would take 22 months to construct and activate the Line. Suppose construction starts on
3 January 2nd 2018. The first local assessment will be made on January 1st, 2019. If the
4 Line is activated before January 1st, 2020, the local assessment will only apply once. If
5 the Line is activated in 2020, the process described by Mr. Tregnago will apply a second
6 and final time.

7 **Q. What happens once the Line is completed and energized?**

8 A. As stated in Mr. Tregnago’s testimony, Page 3, Line 3, at that point the Line
9 will be state assessed.

10 **Q. How often will MSTC perform their valuation of GBE?**

11 A. Annually. Their valuation will be given to each local county cleak and be
12 used as a basis for the local county tax assessment.

13 **Q. How long will the current MSTC valuation approved methods be used?**

14 A. As long as that is what the law says. During the life of this line, governors
15 will change, law makers will change and the presence of new lobbyists might work to
16 change the laws followed by MSTC. Also, the composition of MoPSC itself will change.
17 It is impossible to predict these uncertainties and their effects. Ten years from now the
18 approved process may change which could result in more uncertainty with either more or
19 less property taxes to the counties. The only thing for sure is MSTC will follow the then
20 current approved processes and the laws that affect their valuation.

21 **Q. What is on Schedule LDL-8?**

1 A. As shown at my Schedule LDL-8, GBE estimates a 40 year useful life. This
2 schedule presents an estimate of property taxes to Missouri over the next 40 years after
3 the Line becomes activated.

4 **Q. What method did GBE use during the active phase of the Line for**
5 **property tax forecasts on Schedule LDL-8?**

6 A. The Cost Approach, which is solely based upon CWIP minus depreciation
7 over 40 years. Incidentally, by using this model the tax to Missouri counties diminished
8 each year and was \$0.00 in year 40.

9 **Q. Earlier you stated that the CWIP cost approach is not used after the line**
10 **becomes energized. Why did GBE choose that method in their spreadsheet**
11 **projections?**

12 A. I don't know. I do know that their analysis of property tax revenues in the
13 future is not valid because it is not based upon the approved method used by MSTC to
14 value companies which in turn determines a company's assessed value.

15 **Q. Do you think GBE's discussion and promotion of tax benefits in the**
16 **manner shown reflects a reliable indicator of the future?**

17 A. No. Let's draw an analogy to NFL football. During the pre-season sometimes
18 things look different than they actually are. Events during the pre-season don't really
19 matter that much once the regular season begins. GBE's tax benefit promotion is pre-
20 season promotion usually reserved for talk show fodder. They are only focused on games
21 that are materially meaningless. The Project's regular season begins when the line is
22 energized. Presumably it lasts 40 years or longer. I hope that the commission focuses far

1 beyond the GBE pre-season schedule and begins looking realistically at GBE's playoff
2 possibilities down the road.

3 **Q. Since the majority of the calculations over the life of the line are based**
4 **upon MSTC's valuation, how relevant is \$2,000,000 per mile of Project construction**
5 **costs to future year tax calculations?**

6 A. Not relevant in and of itself. MSTC does not value assets. They will value
7 GBE itself as a whole and determine the overall allocation of that value to Missouri. The
8 value of the Line will of course be considered in the review and be included in their
9 breakout of commercial property. But, in the end, MSTC will make its valuation based
10 upon their review of GBE's company's data that is available.

11 **Q. Can you show how the value of a company affects the assessment of**
12 **property in a county in Missouri?**

13 A. The TransCanada Keystone Pipeline owns 21.64 miles of pipeline in Clinton
14 County. The Platte Pipe Line Company, LLC owns 21.35 miles of pipeline in Clinton
15 County, essentially the same pipeline distance traversing the same land. Schedule LDL-
16 15 on Page 1 shows that in 2016 Clinton County's assessed value for Keystone was
17 \$12,170,510 and Platte's assessed value was \$1,329,420. The reason for Keystone's
18 assessed value being almost 10 times that of Platte's value is due to the overall value of
19 Keystone compared to the overall value of Platte. The assessed value has no direct
20 correlation to the cost to build the Line itself.

21 **Q. If GBE sells the Line in the future, what will be the effect on tax revenues**
22 **to the local counties?**

1 A. The effect cannot be determined until MSTC values the new company. If the
2 new owners' value is higher than the old owners' value, then more tax revenue to the
3 county. If the reverse is true, then less tax revenue will flow to the county from that point
4 forward.

5 **Q. Please illustrate this in laymen terms.**

6 A. As stated previously the MSTC true market value of the Keystone Pipeline is
7 significantly higher than their valuation of Platte Pipeline true market value. Tax
8 assessments of Keystone's property in a county will create more tax revenue than tax
9 assessments of the same type of Platte's property in a county.

10 **Q. How is this relevant?**

11 A. Suppose a particular segment of the Keystone pipeline line is sold in "as is"
12 condition from Keystone to Platte. Previously the true market value, tax assessment and
13 resultant property taxes were based upon the value of Keystone. After the pipeline is sold,
14 the tax assessment and resultant property taxes will change dramatically. On January 1st
15 of the first year after the sale, the assessment by MSTC will be based upon the much
16 lower true market value of Platte which will result in much lower tax revenues for the
17 counties. This concept applies to electric lines, pipelines and telecommunication lines in
18 Missouri.

19 **Q. Let's shift gears here to your second observation. You said earlier that**
20 **Mr. Tregnago's testimony was shortsighted because it neglected to discuss negative**
21 **property tax effects that could appear should the Line be erected. What did you**
22 **mean by that?**

1 A. At Page 4 Line 18 of his testimony he stated, “This is a big deal for Randolph
2 County.” While it may be a big deal for Randolph County in his eyes, I contend that’s
3 not the case for all counties along the Line.

4 **Q. Why?**

5 A. His testimony appeared to assume that more tax revenue from the Project
6 automatically correlates into a material increase in net tax for Missouri counties. I think
7 it would be irresponsible to not consider the negative tax influences the Project could
8 potentially have on a county’s tax base. Once the positive and negative effects can be
9 evaluated hand in hand, it’s possible to determine the net tax effect. Only then can the
10 commission make an informed decision on whether there is net tax benefit to Missourians
11 from the Project or not.

12 **Q. What do you mean by net tax benefit or loss?**

13 A. If the Project is built there will be some negative consequence to new
14 economic development and new home construction on or near the line. The line will be
15 here and visible for a long time. It’s therefore critical to analyze the increase in tax
16 revenue from the line against the decrease in tax revenue from these lost opportunities.
17 Subtracting the losses from the taxes paid by GBE reflect the net tax benefit to the
18 county.

19 **Q. Won’t GBE bring an increase in tax revenue to the counties?**

20 A. Yes. But, the presence of this line above ground will restrict or inhibit some
21 economic growth in that tax base resulting in tax losses.

22 **Q. What types of negative property tax effects are you referring to?**

1 A. Primarily, lost commercial, real and personal property taxes and lost economic
2 development tax revenue on or near the Project.

3 **Q. What types of examples can you provide of these lost real estate property**
4 **tax opportunities?**

5 A. There are many. Some are due to losing existing family farms, others from a
6 loss of new home construction and more are due to existing home devaluations.

7 **Q. How can the Project create lost tax revenue opportunities due to losing**
8 **family farms?**

9 A. The commissioners heard at the Cameron public meeting testimony stating
10 when family farms are split by some types of easements, future generations seem to
11 become more reluctant to build new homes on the family homestead.

12 **Q. What's the consequence of this?**

13 A. New long term predictable real estate tax streams, family farm preservation
14 and increased local community spending become jeopardized. Furthermore, when the
15 100 year old farmstead (which could be a Missouri Century Farm) is finally bulldozed to
16 the ground the entire parcel will probably be taxed perpetually at the lower agriculture tax
17 rate.

18 **Q. How can the Project create lost opportunities in new home construction?**

19 A. Many people choose to buy smaller tracts of land in rural areas for the purpose
20 of building a new home out in the country. Many of these homes are higher end homes
21 and many are located within an hour from larger population centers. Future homeowners
22 might be leery of building an expensive home near the Project.

23 **Q. What's the tax consequence of this?**

1 A. For these homes that don't get built the lost opportunity for future property tax
2 revenues is also a big deal. This is especially true in areas where home values are
3 increasing. But there is a farther reaching effect. If these new homes had been built, they
4 would be accompanied by local construction jobs, new supporters of local businesses and
5 schools and increases in the value of other properties in the vicinity.

6 **Q. How could tax revenue from existing homes in the county be lower if the**
7 **Project is built and activated?**

8 A. Home devaluation near the transmission lines is addressed in the testimony
9 from Kurt C. Kielisch. His testimony shows that homes on or near the Line suffer a loss
10 in market value.

11 **Q. What's the tax consequence of this?**

12 A. If and when these homes are sold at sub-market prices, the new future tax
13 revenues on that home will be based upon the new lower purchase price. Ultimately a
14 new market of discounted homes on or near the Project will be created. This creates a
15 ripple of lower future tax revenues and lower investment in new construction in this
16 depressed market area.

17 **Q. Did the Commissioners hear other testimony supporting this claim?**

18 A. Yes, at the Buchanan County local public hearing. John James, Mid-
19 Buchanan School Superintendant stated, "Last quarter from June to September the
20 property values in this district went up \$500,000. They always go up. If this caused that
21 trend to reverse, the money I lose in property taxes will by far offset the money I will
22 gain in railroad and utility money. So there really is no big windfall for having it go
23 through my district."

1 **Q. Please state examples of lost economic development opportunities that**
2 **would result on or near the Project.**

3 A. Agri-tourism is a rapidly growing industry in Missouri and other states.
4 Schedules LDL-9 from the Missouri Department of Agriculture and MU, LDL-10 from
5 the Richmond Daily News and LDL-11 from a national conference in KC on agri-toursim
6 all support this claim.

7 **Q. What is Agri-tourism?**

8 A. It is an industry which encompasses many types of enterprises including, but
9 not limited to wineries, bed and breakfast facilities, wedding and banquet facilities, sale
10 of farm raised produce and livestock, farmer’s markets, food buying co-ops, U-Pick fruits
11 and berries, mail order food, petting zoos, autumn apple and pumpkin festivals, leasing of
12 hunting and fishing rights, trap and skeet shooting facilities, sportsmen clubs, law
13 enforcement training facilities, excellent restaurants and maintaining organic certified
14 production farms, to name a few.

15 **Q. How would Agri-tourism be affected on or near the Project?**

16 A. All of these enterprises would likely shy away from building a new Agri-
17 tourism business and facility on or near the Project. Also, it most likely would have an
18 adverse effect on some existing Agri-tourism businesses on or near the Project.

19 **Q. Why?**

20 A. Because the presence of that Line would go against the very essence of what
21 Agri-tourism is all about.

22 **Q. What is that essence?**

1 A. Creating a connection between urban customers and rural providers of goods
2 and services based upon trust. This connection is bolstered by the consumer's
3 understanding of the production methods and the provider's environment and location.
4 These customers are curious about husbandry practices. They are also concerned about
5 the presence of GMO's, antibiotics, and unnatural environmental factors that have an
6 adverse effect on their food supply.

7 **Q. Do you have personal experience in Agri-tourism?**

8 A. Yes. I've sold grass-fed and grass-finished freezer beef to individual
9 customers and fine restaurants for over 25 years.

10 **Q. What is freezer beef?**

11 A. We take animals to a local butcher who custom processes the carcass
12 according to customer specifications. Then, the customers put the beef in their freezer at
13 home.

14 **Q. Where do most of your customers live?**

15 A. Excluding my immediate family almost all of them live in the Kansas City
16 area.

17 **Q. Have any of your customers ever driven to your farm to see how their
18 beef is raised?**

19 A. Yes.

20 **Q. Why?**

21 A. The reasons vary. Some had never been on a beef ranch before and were
22 curious. Others wanted to select their steers personally. The restaurant chefs wanted a

1 story to tell with their offering of local fare. Some simply wanted a destination for a
2 weekend drive.

3 **Q. Have you had other face to face interaction with your customers which is**
4 **unique to your Agri-business experience?**

5 A. Yes. Sometimes customers meet me at the butcher shop. After a tour of the
6 facilities they witness and participate in the processing of the beef carcass. It's very
7 educational. Some customers have even brought their kids with them and made the visit
8 a field trip.

9 **Q. How do these customers participate?**

10 A. As the beef gets cut and wrapped, customers personally apply an ink stamp to
11 each of their packages which identifies that particular cut of beef. They seem to really
12 enjoy this experience.

13 **Q. Is this practice customary among beef producers?**

14 A. No. I'm not aware of any others who offer this hands-on experience. This
15 illustrates there are no hard fast rules or "customary" ways to do things. This is an
16 industry that is new and explosive and responds well to creative approaches to delivering
17 Agri-business goods and services.

18 **Q. What are the tax revenue consequences if new Agri-tourism businesses**
19 **stay away from the Project or existing ones are adversely affected by the Project?**

20 A. Lost commercial, real and personal property taxes. Furthermore, lost
21 opportunities have a trickle effect. There will also be a loss in sales tax from sales of
22 goods and services, lost construction and lost business for suppliers. Beyond the lost tax

1 opportunities one must also consider lost opportunities for permanent jobs and lost new
2 support of the local community and its schools.

3 **Q. Where in Missouri is Agri-tourism occurring?**

4 A. All over. There are many owner operator Agri-tourism businesses in the
5 triangle between St. Joseph, Macon and Columbia I'm personally aware of. I've been to
6 many and know of many more. Several have made substantial investments in their
7 businesses. It seems that closer proximity to an urban area and having access to the
8 internet is a huge benefit for rural Missourians to be in contact with urban customers.

9 **Q. How is the internet a benefit?**

10 A. Large scale Agri-tourism was not possible before the internet. Rural Missouri
11 is slowly but surely becoming connected to the internet. These improvements have
12 opened up huge marketing opportunities that before did not exist due to geographic
13 barriers. The internet is finally becoming a reality to rural Missouri. This gives rural
14 Missourians easier access to urban markets.

15 **Q. How long will these property owners on or near the Project be at a
16 disadvantage in this explosive industry?**

17 A. As long as the Project's structures can be seen. Probably for decades.

18 **Q. Can you or anyone quantify these lost opportunities?**

19 A. Not easily. It would only be a vague estimate based upon many unknowns,
20 similar to the vague estimates of forecasting future property taxes from the Project.

21 **Q. If the Project is not built, are there other options available to counties for
22 replacing this lost revenue opportunity?**

1 A. Sure. I understand that most county budgets are always looking for more
2 money. And, there are ways to increase their net revenues. To start with, I would
3 suggest trying to find ways for the county and the voters to work together, similar to how
4 the Cameron school board and its patrons worked together.

5 **Q. How can they work together?**

6 A. Local levies and sales taxes can be increased if approved by the voters.
7 Perhaps if the county promoted rural economic development and pledged to work with all
8 of the residents on future private generation and transmission project decisions, in
9 exchange, the voters might support increases in levies or sales taxes. The county
10 commissioners don't know what their constituents are willing to do until they ask. There
11 has to be a search to find middle ground. Selling out to a controversial solution without a
12 clear long term understanding of the benefits and costs is a disservice to the citizens of
13 the county.

14 **Q. Have any counties sided with the citizens by banning private generation
15 or transmission projects?**

16 A. Yes. Recently Clinton County did. Nearby DeKalb County was not zoned
17 and a private out-of-state wind company bought land and built over 90 wind turbines a
18 few miles west of Cameron from US 36 to the north. The MoPSC Commissioners most
19 likely saw these wind turbines on their drive from Cameron to the Buchanan County
20 public hearing. They are truly an eyesore, especially at night. Clinton County passed
21 legislation that stopped that development dead in its tracks at the DeKalb-Clinton County
22 line.

1 **Q. Why would GBE only discuss taxes with the public in the context of the**
2 **construction period and the first year of operation and not in the future?**

3 A. Today, it is impossible to predict the future assessment values local counties
4 will use for future tax streams. I must assume that GBE knew this. In order to paint a
5 more favorable perception of the Project's tax benefits to Missouri, I believe they chose
6 to promote a misleading message by only promoting benefits from the short construction
7 period. They supplied their own cost estimates for CWIP and crafted an appealing
8 message using some seemingly large numbers.

9 **Q. What message did citizens initially hear from that message?**

10 A. GBE's message lead many people to believe the benefits they promoted were
11 large amounts and perpetual.

12 **Q. What if GBE told the rest of the tax story covering the life of the line?**

13 A. Telling the whole story provides no benefit to GBE's promotion and message.
14 It's easy for me to see why there was no mention.

15 **Q. What is a well reasoned approach to sorting out these pros and cons?**

16 A. In order to fairly assess the net tax benefit the Project brings to Missourians
17 over the next 40 years, an analysis must be made which considers any and all of the
18 positive and negative consequences that likely could occur if the Project is built or not
19 built. Discussions about tax benefits should only occur after that analysis is complete and
20 the results become available.

21 **Q. Does that complete your testimony on the issue of the taxation of the**
22 **Project?**

23 A. Yes, it does.

1 **III. MISCELLANEOUS DOCUMENTS**

2 **Q. Turning then to the last major topic of your testimony, please describe**
3 **what is shown at your Schedule LDL-3.**

4 A. Schedule LDL-3 consists of the documents which Grain Belt cited in the last
5 case as their authorization from the County Commissions in the eight counties where the
6 Line will be built to construct the Line over the public roads of those counties. I am told
7 that this authorization is issued under Section 229.100 of the Missouri statutes, and is
8 sometimes referred to as a franchise.

9 **Q. Please describe what is shown at Schedule LDL-4.**

10 A. The franchises at Schedule LDL-3 were issued in 2012. Schedule LDL-4
11 consists of documents issued by five of the eight County Commissions after they issued
12 the franchises back in 2012. As shown by these documents, those five County
13 Commissions have apparently changed their view about Grain Belt since the franchises
14 were first issued.

15 **Q. How did you obtain the documents shown at Schedule LDL-4?**

16 A. I personally contacted the five County Commissions, and asked for the
17 certified copies of the documents shown in that Schedule (with one exception). The
18 documents in Schedule LDL-4 are true and accurate copies of what they sent to me in
19 return. The one exception is the last document in that Schedule, which was sent directly
20 from the Caldwell County Commission to our attorney.

21 **Q. Please describe what is shown at Schedule LDL-5.**

1 A. Schedule LDL-5 consists of documents concerning eleven organizations we
2 are aware of which complained of being listed as a supporter of GBE. There may of
3 course be more that we have no knowledge. of.

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

5 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

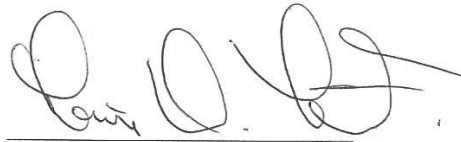
In the Matter of the Application of Grain Belt Express)
 Grain Belt LLC for a Certificate of Convenience and)
 Necessity Authorizing it to Construct, Own, Operate,)
 Control, Manage, and Maintain a High Voltage, Direct) Case No. EA-2016-0358
 Current Transmission Line and an Associated Converter)
 Station Providing an interconnection on the Maywood-)
 Montgomery 345 kV Transmission Line)

AFFIDAVIT OF LOUIS DONALD LOWENSTEIN

STATE OF MISSOURI)
) SS
 COUNTY OF CLINTON)

Louis Donald Lowenstein, being first duly sworn on his oath states:

1. My name is Louis Donald Lowenstein.
2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony, submitted on behalf of the Missouri Landowners Alliance.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein asked are true and accurate to the best of my knowledge, information and belief, and that the documents in the attached Schedules truly and accurately represent what they purport to represent.



Louis Donald Lowenstein

Subscribed and sworn before me this 13th day of January, 2017.

Molly M. Miles
 Notary Public

