

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 HP22-001

PRE-FILED DIRECT TESTIMONY OF JIM SEURER
ON BEHALF OF GLACIAL LAKES ENERGY, LLC

June 16, 2023

EXHIBIT #EP2

1 **Q: Please state your name and business address for the record.**

2 **A:** My name is Jim Seurer and I am CEO of Glacial Lakes Energy (GLE) 301 20th Ave. SE in
3 Watertown, SD 57201.

4 **Q. Do you have testimony you would like to present the Commission in this docket.**

5 **A.** Yes.

6 **Q. Can you provide the Commission with information regarding your background.**

7 **A.** I am originally from Hoven and graduated with a Bachelor of Science degree from Northern
8 State University in December 1986. After a short stint in Pierre working for the State of South
9 Dakota, I moved to Colorado working in the credit union industry. In 2005, I moved back to
10 South Dakota taking a position as Chief Financial Officer for South Dakota Soybean Processors in
11 Volga. In 2007, I came to GLE for the same position and was later promoted to Chief Executive
12 Officer, a position I've held since October 2008. I hold an inactive CPA license issued by the
13 State of Colorado.

14 **Q. Can you provide the Commission with information regarding GLE.**

15 **A.** Glacial Lakes Energy, LLC is a wholly owned subsidiary of Glacial Lakes Corn Processors (GLCP), a
16 cooperative owned by 4,200 shareholders, 90% of which have South Dakota address. The
17 cooperative was founded in 2002 for the sole purpose to provide its shareholders a better
18 market for their corn production.

19 Glacial Lakes Corn Processors owns 4 plants located in Watertown, Huron, Aberdeen, and Mina,
20 about 12 miles west of Aberdeen. Annually, these plants combine to buy 125 million bushels of
21 corn and produce 360 million gallons of ethanol every year or 1.0 million gallons of ethanol
22 every day. We employ 190 team members with a highly competitive compensation and benefits
23 package averaging more than \$70,000 (prior to benefits) per year. Our rippling economic

24 impact, which benefits both rural and city areas alike, employs thousands more either directly or
25 indirectly in the ethanol industry or those who work in SD agriculture.

26 In our company's short 20-year lifespan, we have generated and returned \$330 million to our
27 shareholder-investors with \$63 million of that in the past year alone. These dividend payments
28 are circulated back into the communities where our shareholders live and throughout the state
29 of South Dakota in general. This industry is doing exactly what our founders had envisioned 20
30 years ago when they put their hard-earned dollars at risk to create a more robust market
31 demand for locally grown crops. I have attached hereto and incorporate into my testimony as
32 Exhibit 1 an estimate of the economic impact that we have on our trade area(s). Its noteworthy
33 that these are GLE-only statistics that would be duplicated around the state where other
34 ethanol production facilities exist.

35 **Q. Why are you supporting the permit application of Summit Carbon Solutions in this**
36 **Docket?**

37 **A.** The movement toward a greener environment is occurring all around us and it will
38 continue whether we like it or not. Our industry and agriculture, in general, is at a crossroads
39 because lower carbon initiatives are being required/demanded by major markets. If we fail to
40 lower our carbon footprint, we will see lucrative markets dry up and/or be served by
41 replacement or competing products. Last year, electric vehicles ("EVs") represented 6% of all
42 automobiles sold in the US and this trend will continue. Gasoline demand has peaked and is
43 headed downward and that spells trouble for ethanol demand. We cannot ignore these market
44 trends that are taking hold so quickly.

45 We remain optimistic if we can achieve a net zero carbon footprint, we'll have a chance to
46 survive. To do this, we need to lower our carbon intensity (CI) score. These CO2 sequestration
47 projects will slice our CI score in half and extend our ability to serve the lucrative markets which

48 are demanding a greener product. A lower CI score provides flexibility to our commodity-based
49 business model and anyone involved in commodity marketing understands that flexibility equals
50 better margins which produces better returns.

51 **Q. What else is GLE doing in this space?**

52 **A.** Our quest to lower our CI score does not end with this project. The GLE Board of Directors and
53 management team has approved two additional projects costing more than \$25.0 million for the
54 Mina production facility alone to help us achieve a “net zero” status. We are currently
55 evaluating other CI reduction projects for each of our other three plants. However, all of the
56 projects we are reviewing would lower our score by only a fraction of the amount of the CO
57 sequestration project. We, along with others in our industry, will each spend tens of millions of
58 dollars to clear the net zero hurdle spurring additional economic benefit and ensuring a return
59 for our shareholders and a presence in the local marketplace.

60 **Q. What happens to GLE if the Summit Carbon Project does not go forward?**

61 **A.** We could ignore all of this and hope it goes away or assume other markets will fill the void but
62 that would be extremely short sighted given the global movement that is occurring here. We
63 will not only miss out on better markets, but we will likely be tax, penalized, and regulated out
64 of existence because of our higher CI score. In other words, we view the current 45Q and 45Z
65 tax credits provided by the Inflation Reduction Act, the “carrot” versus the “stick” that will come
66 later.

67 Looking out into the future, whether we produce ethanol or jet fuel or chemicals for renewable
68 plastics, a lower CI score will be imperative. The current movement toward greener and more
69 environmentally friendly manufacturing is not going away, it will continue for generations to
70 come and the ethanol industry must adapt to survive. There are few business models or

71 agricultural methods that can ignore the marketplace and remain relevant. We are no
72 exception.

73 **Q. Is there anything else you would like the Commission to consider?**

74 **A.** Yes, I've attached to my testimony as Exhibit 2 the testimony of the Board Chairman for GLC,
75 Mark Schmidt, given earlier this year before a committee of the South Dakota legislature. I
76 would like to adopt and incorporate this testimony today in my prefiled testimony in this
77 docket.

78 And lastly, on behalf of the 4,200 shareholders at GLCP and our employee teams, thank you for
79 your attention and your consideration

Introduction

The economic impact of Glacial Lakes Energy (“GLE”) isn’t just about jobs. Rather, it’s more about adding higher value to an agricultural commodity (corn) that, otherwise, would be shipped out of state where that value-add opportunity is captured elsewhere or not at all. Collectively, the GLE four-plant footprint consisting of production facilities in Aberdeen, Huron, Mina, and Watertown employs approximately 190 persons and the economic opportunity these four plants generate for agriculture and main street businesses far exceeds the benefit of these jobs. Of course, this economic impact is not just exclusive to GLE, it is repeated throughout South Dakota where other ethanol companies operate. The following summary outlines a few of the areas that are impacted.

Ethanol’s Economic Impact in South Dakota (2012)

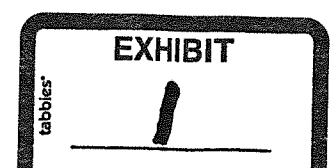
A study titled, “The Economic Impact of the Ethanol Industry on the South Dakota Economy in 2012” (“Study”), was conducted in 2012 by Drs. Gary Taylor and Lisa Elliot both of whom are Assistant Professors of Economics at South Dakota State University (<http://sdethanol.com/wp-content/uploads/2015/01/The-Economic-Impact-of-the-Ethanol-Industry-on-the-South-Dakota-Economy.pdf>). The Study indicates a direct and indirect economic impact of approximately \$3.8 billion from the state’s production of over 1.0 billion gallons of ethanol. On a pro-rata basis, that would suggest an economic benefit of approximately \$3.80 for each gallon of production. Back then, GLE’s current footprint in Watertown, Mina, Aberdeen and Huron would have accounted for approximately 285 million gallons or 28.5% of the total ethanol production. This would suggest that GLE’s share of the economic benefit would be approximately \$1.1 billion of the \$3.8 billion total. A further dissection of that figure would be assigned as follows (based upon production volumes listed in the Study):

- Aberdeen & Mina (combined) = \$581 million;
- Watertown = \$380 million;
- Huron = \$122 million;

The Study is ten years old. Since that time, GLE’s production volumes have significantly increased, production costs have risen, and efficiency and technologies have substantially improved. Therefore, it’s likely that GLE’s economic impact has exponentially grown from the estimated \$1.1 billion derived from the Study. Case in point, GLE’s aggregate production across its four plants was 356 million gallons as of its most recent fiscal year (August 31, 2021) compared to the 285 million gallons in the Study, for an aggregate growth rate of 25%. Also, GLE has invested tens of millions in new technology and capital projects to increase efficiencies and diversify revenue. For example, GLE realized \$3.9 million in annual corn oil revenue as of August 31, 2012 while that same revenue source as of August 31, 2021 was \$41.8 million.

Corn - Local Basis

The average local corn basis, also known as the difference between the local market price and the market price posted on the Chicago Board of Trade (CBOT), has increased substantially during the period in which the ethanol industry has grown and matured. Since the local corn basis is typically a negative value, this has put hundreds of millions of dollars in corn producer’s pockets who spend it on South Dakota’s main streets. Using the averages from GLE’s primary draw areas around Watertown & Aberdeen from 2000 (before the industry was built) compared to 2022, there has been an increase of



approximately \$0.40 per bushel in the average local corn basis during the past twenty years. Given that, each year, GLE purchases approximately 125 million bushels or 15-20% of the state's annual corn production of approximately 750 million bushels, this equates to an annual benefit of \$50.0 million in additional cash in circulation in the communities in which GLE operates. Since the local corn basis generally trends consistently throughout the state, this benefit is duplicated around the entire state of South Dakota.

Land Values

The ethanol industry has undoubtedly created a higher demand for locally grown corn. Producers have responded by adopting more advanced precision planting and growing strategies to grow more bushels on each acre in production, in essence, increasing the efficiency of each acre. As a result, the statewide per-acre value of non-irrigated cropland has increased by an average annual rate of 8.1% annually since 1991 (source SDSU Extension website). If that increase is segregated to the ethanol industry growth years (for example, since 2005), the per-acre values are even higher. Again, the ethanol industry has, without a doubt, created a higher demand for corn which has led to an increase in wealth of South Dakota landowners.

Appendix II. Historical Data on Agricultural Land Values and Cash Rental Rates by land use by region, SD, 1991-2020 (appendix table 2 and 3)

Appendix Table 2. Average reported value and annual percentage change in value of South Dakota agricultural land by type of land by region, February, 1991-2020.

Type of Land	South-east	East Central	North-east	North Central	Central	South Central	South-west	North-west	STATE
Nonirrigated Cropland*	dollars per acre								
Average value, 2020	\$5,388	\$5,433	\$4,597	\$3,370	\$3,502	\$1,901	\$1,027	\$1,318	\$3,638
Average value, 2019	\$5,648	\$5,400	\$4,606	\$3,447	\$3,496	\$1,937	\$1,188	\$1,408	\$3,747
Average value, 2018	\$6,361	\$6,237	\$4,546	\$3,534	\$3,347	\$2,125	\$1,207	\$1,369	\$3,937
Average value, 2017	\$5,569	\$6,700	\$4,654	\$4,030	\$3,291	\$2,203	\$1,427	\$1,142	\$3,903
Average value, 2016	\$5,653	\$6,116	\$4,613	\$4,177	\$3,843	\$2,168	\$1,264	\$1,187	\$4,094
Average value, 2015	\$5,887	\$6,329	\$5,066	\$4,275	\$3,895	\$2,283	\$1,347	\$1,193	\$4,265
Average value, 2014	\$6,331	\$7,114	\$5,291	\$4,614	\$3,953	\$2,087	\$820	\$870	\$4,478
Average value, 2013	\$5,903	\$6,828	\$4,843	\$4,562	\$3,580	\$1,994	\$900	\$792	\$4,249
Average value, 2012	\$4,817	\$4,734	\$3,369	\$3,026	\$2,946	\$1,348	\$677	\$496	\$3,084
Average value, 2011	\$3,402	\$4,024	\$2,918	\$2,301	\$1,866	\$1,115	\$625	\$483	\$2,389
Average value, 2010	\$2,841	\$3,291	\$2,560	\$1,945	\$1,644	\$967	\$560	\$474	\$2,030
Average value, 2009	\$2,741	\$3,155	\$2,305	\$1,673	\$1,577	\$1,007	\$696	\$428	\$1,900
Average value, 2008	\$2,510	\$2,894	\$2,076	\$1,532	\$1,450	\$904	\$502	\$399	\$1,733
Average value, 2007	\$1,999	\$2,244	\$1,762	\$1,187	\$1,086	\$702	\$426	\$367	\$1,375
Average value, 2006	\$1,817	\$1,914	\$1,448	\$1,088	\$986	\$612	\$387	\$342	\$1,211
Average value, 2005	\$1,556	\$1,659	\$1,255	\$967	\$871	\$568	\$383	\$316	\$1,064
Average value, 2004	\$1,316	\$1,346	\$973	\$822	\$705	\$541	\$318	\$294	\$882
Average value, 2003	\$1,156	\$1,040	\$793	\$716	\$631	\$443	\$290	\$281	\$743
Average value, 2002	\$1,057	\$1,019	\$691	\$665	\$524	\$445	\$311	\$244	\$684
Average value, 2001	\$1,023	\$911	\$652	\$592	\$456	\$423	\$245	\$223	\$628
Average value, 2000	\$910	\$786	\$620	\$520	\$436	\$417	\$248	\$208	\$567
Average value, 1999	\$866	\$756	\$565	\$488	\$435	\$402	\$246	\$202	\$534
Average value, 1998	\$903	\$728	\$564	\$452	\$434	\$399	\$241	\$200	\$534
Average value, 1997	\$777	\$699	\$535	\$412	\$386	\$348	\$217	\$188	\$486
Average value, 1996	\$751	\$613	\$514	\$372	\$371	\$317	\$214	\$191	\$455
Average value, 1995	\$732	\$555	\$522	\$353	\$332	\$326	\$237	\$185	\$437
Average value, 1994	\$661	\$590	\$488	\$382	\$331	\$289	\$218	\$169	\$426
Average value, 1993	\$655	\$595	\$497	\$326	\$305	\$302	\$197	\$163	\$412
Average value, 1992	\$616	\$574	\$460	\$342	\$300	\$287	\$196	\$167	\$400
Average value, 1991	\$623	\$554	\$450	\$294	\$300	\$272	\$185	\$153	\$384
Av annual % change 19/91	7.7%	8.2%	8.3%	8.8%	8.8%	6.9%	6.1%	7.7%	8.1%
Annual % change 20/19	-11.2%	-13.4%	1.3%	-2.5%	4.5%	-8.8%	-1.6%	2.8%	-2.9%

Shareholder Returns

Glacial Lakes Corn Processors ("GLCP"), the cooperative which owns 100% of all four GLE production plants, has approximately 4,200 shareholders scattered across the US with the higher concentrations of

investors in eastern South Dakota. Every shareholder has one vote regardless of ownership level and, as a result, there are no majority shareholders, only those with differing levels of investment. Investors are corn producers, retirees, and “main street” business owners whose livelihood depends on agriculture and the returns the ethanol industry can generate.

Since 2003, GLCP has paid out nearly \$330 million in cash dividends derived from operating profits. Early on, the industry received direct financial support from state and federal sources in the form of per-gallon production incentives, however, that support has long expired and is no longer being received. These dollars are sent out to shareholders who make major purchases or, in some other way, spend the money in ways that boost local economies and the economic health of the entire state as well. The heaviest concentrations of share ownership reside in the following counties (in ranking order): Codington, Hamlin, Clark, Minnehaha, Spink, Brookings, Brown, Kingsbury, Deuel, Hutchinson, Beadle, and Faulk. In fact, just short of 80% of the shares are owned within the aforementioned counties so when cash distributions are made, these counties benefit most.

State & Local Taxes

With a production facility in Beadle, Brown, Codington, and Edmunds County each, GLE pays annual property taxes of approximately \$850,000-\$900,000 to those counties. In addition, since a majority of the goods and services necessary to the production of ethanol are taxed under SD sales and excise tax rules, another estimated \$4.0-\$5.0 million in annual sales and excise taxes are paid. It should be noted that this figure does NOT include any sales and excise taxes paid on large capital projects.

Employment

Admittedly, GLE” employee numbers are not as robust as some employers, however, the jobs are stable, well paying positions. The annual payroll (wages) of GLE for its four plant footprint is approximately \$13.0 million for 190 positions which is an average of nearly \$70,000 per year per position (before benefits) across all positions.

Capital Projects

Production agriculture and agricultural processing are very capital intensive industries. Generally when projects are evaluated, the GLE Board and management team are contemplating the spend of not thousands but millions of dollars for a particular capital project. In GLE’s short 20 year history, excluding the expansion of the Watertown plant in 2007, the addition of the Mina plant in 2008, and the purchase of the Huron and Aberdeen plants in 2019, approximately \$130.0 million has been spent in capital projects across the four plants.

My name is Mark Schmidt, from Gary, SD. I am the Chairman of the Board of Directors for Glacial Lakes Energy in Watertown, SD. Thank you for allowing us to be here today.

I'd like to introduce our board of directors who are present with me today.

Troy Mudgett – Clark, SD

Brent Gabler – Faulkton, SD

Terry Schmidt – Watertown, SD

Steve Birkholtz – Willow Lake, SD

Todd Jongeling – Estelline, SD

Noel Pond – Ipswich, SD

Jeff Schmidt – Sioux Falls, SD

Richard Wiarda – Castlewood, SD

History of GLE

Glacial Lakes Corn Processors is the parent company of Glacial Lakes Energy and was founded in 2000.

We are proud to say that GLCP is the only ethanol plant in the State of South Dakota that is solely owned by shareholders – 4,200 of them to be exact. Most of our membership resides in South Dakota and the majority are producers. We do have members who are also main street investors, retired folks, and just about all walks of life.

Our membership is organized as one membership – one vote.

These producers deliver their corn to our four plant locations including Aberdeen, Mina, Huron, and Watertown all located in South Dakota.

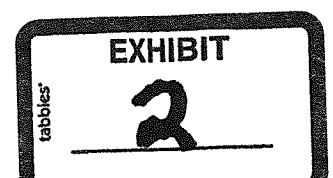
Our Watertown location is the corporate office and the original plant which became operational in 2002.

Our Mina location became operational in 2006.

In 2019, we purchased two additional facilities – Huron and Aberdeen.

Combined, we produce over 360 million gallons of renewable ethanol made from 125 million bushels of corn bought from local shareholders and patrons. We also produce 1.1 million tons of distiller grains and 55,000 tons of corn oil.

What we do at GLE is not small by any means.



Since 2003, GLCP has returned to our shareholders nearly \$330 million in cash dividends from our operating profits. This money is spent locally at the implement dealerships, local stores, deposited in local banks, and such.

Our heaviest concentration of shareholders in South Dakota, by county, are Codington, Hamlin, Clark, Minnehaha, Spink, Brookings, Brown, Kingsbury, Deuel, Hutchinson, Beadle, and Faulk. In fact, 80% of our shares are owned by members in these counties.

Our dividend history not only benefits our shareholders – but it benefits our communities. It's been said a \$1 spent will turn over as much as 10 times in a community. As you can see, that is a huge financial impact to communities all over South Dakota.

Corn Basis - When GLCP was formed back in 2000, the local corn basis was negative 80 to 90 cents under per bushel. Today, GLCP in Watertown is posting an even basis on corn.

My point is that South Dakota ethanol plants, like GLE, not only provide a return on investment to shareholders, but also provide increased revenue for producers and the communities we reside in – across the state. The SD ethanol industry supports 5,300 jobs, contributes \$590 million to South Dakota's GDP annually, and purchases 50%-60% of the corn grown in South Dakota.

Prior to the development and maturity of the ethanol industry, our corn that was grown within the state was exported out of the state primarily by the BNSF Railroad to the Pacific Northwest market.

Today the ethanol industry utilizes approximately 50-60% of the corn grown in the State to produce ethanol. The co-products of distiller grains are used as a feed ingredient as well as being exported to other parts of the United States and exported globally.

We also produce corn oil as a third product. The corn oil we produce is used in the renewable diesel industry as a drop in fuel for diesel engine.

Presently, GLE combined, provides approximately 200 jobs to individuals in the four communities we reside. These employees and their families are living and contributing to our communities, enrolled in our school systems, and having an impact on their communities.

In 2012, a study conducted by Dr. Lisa Elliot and Dr. Gary Taylor who were both Assistant Professors at SD State University in Brookings indicated a direct and indirect economic impact of approximately \$3.8 billion dollars from the states production of over 1.0 billion gallons of production of ethanol. That would suggest an economic impact of approximately \$3.80 per gallon of ethanol provided or an economic impact of approximately \$11.00 for every bushel of corn ground to make ethanol.

As I stated earlier, today, GLE produces approximately 360 million gallons of ethanol, 1.1 million tons of distiller grains and 55,000 tons of corn oil.

Regardless of if you believe in global warming or not, our national government and population is pushing for carbon reduction. According to Geoff Cooper from the Renewable Fuels Association, the Inflation Reduction Act is probably the single largest commitment to biofuels from Congress since 2007.

And it's not only the ethanol industry who is looking to reduce their CI score – there are many other businesses such as the fertilizer industry that are looking at projects like this. These businesses will relocate near the carbon capture pipeline as a means to reduce their carbon score as well.

Like it or not, carbon capture is going to be a way of the future. We are seeing our nation move for lower carbon solution in other ways such as electric vehicles, solar and wind power, just to name a few.

Summit Carbon Solutions is proposing a carbon pipeline that will harvest the CO₂ from 30 plus ethanol plants in the Midwest, including our four locations at Glacial Lakes Energy.

The new pipeline will have a positive impact on Glacial Lakes Energy as well as the entire State of South Dakota's ethanol industry by reducing our carbon footprint by approximately 50%.

This, along with internal projects that we are doing or have planned at GLE, will give us the ability to potentially market at a zero-carbon ethanol fuel score in the future. This is huge for GLE and our shareholders as we will be able to reach markets, we have not been able to in the past.

With the electric vehicle being the newest fad, it's eating away heavily as the combustible engine. If the fad continues, ethanol plants will be left high and dry

without markets we can access. Right now, we can not access the low carbon markets because our carbon footprint is too high. These markets include California, Oregon, Washington, and Canada.

We anticipate other states to follow this trend and require ethanol of a lower carbon score. We can not get to that lower score or access those markets without a substantial change to our carbon footprint. Carbon capture is the most viable way to do this.

This is why this project is so important to GLE. Without access to these markets, we will slowly lose market share. This will affect profits, our ability to post a competitive corn bid, and potentially be the demise of the ethanol industry.

There is no one single project that we know of currently, that can assist ethanol plants such as GLE with lowering our score to stay competitive besides Carbon capture.

We at GLE also know that producers/farmers are our livelihood, and we need to keep South Dakota Ag alive and thriving. We expect our farming community to be treated fairly and are doing our best to ensure that happens.

The time has come that we must act appropriately to keep the ethanol industry vibrant which in turn will keep the ag communities we live in thriving. We need carbon capturing in order to stay a viable industry. There is no question about it.

Not only do we need carbon capturing, but so do other businesses such as the fertilizer industry. We will see businesses move near the pipeline to take advantage of the opportunity to reduce their carbon footprint and like GLE, keep their industry viable. South Dakota industries needs the carbon pipeline – it's not just about agriculture it's about all industrial businesses.

We are proud to be a locally owned South Dakota Cooperative. We are proud to be able to purchase 125 million bushels of corn each year from corn grown in our neighbors back yards and at a very competitive price.

Our communities know the impact the ethanol industry has on their businesses through sales tax, good paying jobs, kids enrolled at our local school, patronage at local shops and more. South Dakota needs the ethanol industry.

As I stated previously, not only do we need carbon capturing, but so do other businesses such as the fertilizer industry. We will see businesses move near the

pipeline to take advantage of the opportunity to reduce their carbon footprint and like GLE, keep their industry viable. South Dakota industries needs the carbon pipeline – it's not just about agriculture it's about all industrial businesses.

Should House Bill 1133 pass into law, this could be the nail in the coffin to the South Dakota ethanol industry. This bill will essentially kill the carbon capture project and ethanol plants like GLE will loose market access which will cause a hardship we will not be able to recover from.

Keep South Dakota ethanol and agriculture alive and thriving – please vote no on House Bill 1133.

Thank you for your time today. Do you have any questions for me?