BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

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HP 22-002

IN THE MATTER OF THE APPLICATION
OF NAVIGATOR HEARTLAND
GREENWAY, LLC FOR A PERMIT UNDER
THE SOUTH DAKOTA ENERGY
CONVERSION AND TRANSMISSION
FACILITIES ACT TO CONSTRUCT THE
HEARTLAND GREENWAY PIPELINE IN
SOUTH DAKOTA,

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**AMENDED DIRECT
TESTIMONY OF
JONATHON MULLER**

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1.   Please state your name and address for the record.

Answer: My name is Jonathon Muller. My business address is 5401 Welker Ave., Des

Moines, IA 50312. I am the President of Muller Consulting.

2.   Please state your position with Navigator and provide a description of your

responsibilities.

Answer: I am not employed by Navigator, but contracted with Navigator to estimate the

economic impact of the Pipeline on the states where it will be built.

3.   Please describe your educational and professional background.

Answer: I graduated with a BS in Economics from the University of Iowa in 1991. I was

employed as a tax analyst, revenue forecaster, and regional economist for Iowa General

Assembly from 1993 to 1998. I was then employed as a public policy research analyst, regional

economist, and business developer for trade associations through 2008. I formed and operated a

school finance consulting firm through 2020, including producing enrollment forecasts and

actuarial studies estimating cost of post-employment benefits. I have performed regional

economic studies for various industries including insurance, utilities, and casinos. My full

Curriculum Vitae is provided as Exhibit A, and a more extensive discussion of my experience is

found in the report on the economic impact study I have performed regarding the Navigator

Heartland Greenway project as described below.

4.   Have you previously submitted testimony in this proceeding in South Dakota?

Answer: No.

5.   Please state the subject of your testimony and identify the sections of the

Application that has been filed with the South Dakota Public Utilities Commission for

which you are responsible.

Answer: I will address the economic impact of the construction and operation of the

Pipeline on the South Dakota economy, based on a study I performed to estimate the economic

impact of the Pipeline. The full report of the Study is attached as Exhibit B.   My testimony

relates to the following sections of the Application:

Section 7.2—Employment

Section 7.3--Taxes

6.   What are the economic impacts of the Pipeline that your Study estimated?

Answer: Muller Consulting examined the direct and dynamic (indirect/induced) impact

of the NHG Pipeline on the regional economies of each of the five states through which the

pipeline runs, disaggregated by the construction impacts, ongoing operations and maintenance,

and the net impact on landowners/farmers. The study provided estimates of the impact on

employment, population, economic output, personal income, and state and local taxes.

7.   What does the Study estimate will be the economic impact of the construction of the

Pipeline in the State of South Dakota?

Answer: The study assumed an initial capital investment in South Dakota pipeline

counties of $142 million in pipeline construction and $37 million in capture facilities. Study

results suggest total dynamic peak employment in 2024 of 1,020 jobs, and average employment

during the 4-year construction period of 430 jobs. Average annualized wages during this period

for the project are estimated to be $54,300. Total dynamic economic output is estimated to be

$202 million in the peak year.

8.   What does the Study estimate will be the economic impact of the ongoing operations

and maintenance of the Pipeline in the State of South Dakota?

Answer: Ongoing operations and maintenance cost is expected to be approximately $5.9

million per year in South Dakota, employing 10 people at an average wage of $68,300. Total

dynamic employment and economic output associated with the post-construction period are

expected to yield 20 jobs and $9.7 million.

9.   What does the Study estimate will be the fiscal impact for local governments in the

state of South Dakota as a result of construction and operation of the Pipeline?

Answer: The Study reported estimated property taxes to state and local governments (or

Payment in Lieu of Taxes if the Pipeline is not assessed real property taxes) of $3.0 million

annually, based on the net acquisition cost of the Pipeline project multiplied times an average

effective tax rate of 1.36%. Amounts for each county were assumed to be allocated in proportion

to mile of pipeline. Actual property taxes assessed by the South Dakota Department of Revenue

under SDCL Chapter 10-37 may vary. The State of South Dakota is expected to receive

approximately $3.6 million from sales/gross receipts taxes and other fees/taxes in 2024, the peak

year of construction. Post-construction, that amount will decline to $1.4 million per year by 2030.

10.   Please describe how the Study was conducted.

Answer: The Study was conducted by using NHG data for investment and operations budgets with South Dakota counties' investment occurring from 2023 to 2026 and additional investment occurring in other years in 4 other states. Some inputs were estimated independently, such as the various inputs into the impact on landowners (i.e. Commodity prices, average yields, acres in rights-of-way, and annual crop damage). Modeling was disaggregated by type of investment, then output was apportioned across sub-regions based proportionally on investment shares or Pipeline mile shares, depending on which variable was more suitable. The sub-regions of Pipeline counties were then summed with the impacts in the respective states' non-Pipeline areas to estimate total impact by state. More detail is provided about the model itself and the Study's configuration in the Report, at pages 10-14.

11.   Did you use a model to help determine the economic impacts of the construction and operation of the Pipeline? If so, please describe the model.

Answer: The REMI Model (Regional Economic Models, Inc.) was used to estimate the economic impacts of the Pipeline project investment and ongoing operations. The REMI model is a dynamic forecasting and policy analysis tool that incorporates various facets of econometric models and input-output models, and is generally described as a computable general equilibrium model. The Study used 7 regions to describe the areas impacted by the investment. One of those regions included the South Dakota counties through which the Pipeline would run, and another one of the regions modeled the rest of the State of South Dakota, which also gains some

economic activity from investment outside these regions. More detail is provided about the model itself and the Study's configuration in the Report, at pages 10-14.

12. Does this conclude your prepared direct testimony?

Answer: Yes, it does.

Dated this 25th day of May, 2023.

       /s/Jonathon Muller

       Jonathon Muller