

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

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

HP24-001

DIRECT TESTIMONY OF

WALTER BONES, TURNER COUNTY, SD

ON BEHALF OF

SUMMIT CARBON SOLUTIONS, LLC

EXHIBIT #

December 13, 2024

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

2 A. My name is Walter Bones (formally known as Walter I. Bones III). My address is 46036
3 268th Street, Chancellor, SD 57015.

4 **Q. What is your occupation?**

5 A. I am a retired Turner County farmer, retired from our farming partnership at the end of
6 2021.

7 **Q. Please briefly describe your operation.**

8 A. I was born and raised on a multigenerational diversified family farm homesteaded by my
9 great grandfather, John Bones, in 1879. I farmed full-time after graduating from Iowa State
10 University in 1974 with an animal science degree. In 1985, my three brothers, two brothers-in-
11 law, and myself started Hexad Farms, a general partnership, that was to be the operating entity
12 for our family corporation, Bones Hereford Ranch. For the last 25 years, the Hexad partners
13 were just my two brothers Jim and Steve, one brother-in-law Lyle VanHove, and myself. We
14 have been joined by my three nephews, Jim's son Matt, Steve's son Dan, and Lyle's son Mike.
15 They will be our farm's fifth generation.

16 We raise corn and soybeans and have a beef cowherd. We are part owners of the Turner
17 County Dairy, background the replacement heifers in our feedlot for the Dairy, have a Channel
18 seed dealership, collaborate with a couple neighbors on some rented farm ground, and do some
19 custom farm work.

20 I retired from Hexad Farms at the end of 2021. I serve as the president of Bones
21 Hereford Ranch, Inc., our family's land holding company.

22 **Q. Please describe your affiliation with Summit, Dakota Ethanol, and Glacial Lakes**
23 **Energy?**

1 A. I was an original shareholder of Glacial Lakes Energy and still have those shares. Hexad
2 Farms was an original shareholder/investor in Dakota Ethanol in Wentworth, SD, and in Glacial
3 Lakes Energy. They still own those original shares.

4 **Q. What is the basis for your testimony?**

5 A. I support Summit's CO₂ pipeline application, as I believe this project will enhance the
6 future opportunities and the long-term viability of our local ethanol plants which will guarantee a
7 profitable corn market for my nephews and their children if they would choose to be our farm's
8 6th generation. I also plan to testify that the Summit project is good for farmers, ethanol plants,
9 our local communities, and South Dakota in general. This is not about me ... I am retired. This
10 is about the young farmers and their opportunities.

11 **Q. Why is the Summit project necessary for you/your neighbors/South
12 Dakota/Ethanol?**

13 A. Our corn price, or basis, is set by three ethanol plants within 30 miles of our farm. If they
14 cannot market their ethanol as a low carbon/high value fuel, that will take \$2.40 per bushel out of
15 our local corn value chain (the low carbon fuel standard premium and the 45Q tax credits will
16 add \$0.80 to each gallon of ethanol and, at 3 gallons of ethanol per bushel of corn, that is equal
17 to \$2.40).

18 Not all of that will reach the farmer, but a high profit fuel equals a higher demand for
19 corn which equals a lower basis (if any at all). Also, if a farmer is vested in an ethanol plant
20 (some SD ethanol plants are 95% farmer owned), their annual dividends are projected to double.
21 The vested farmer's value will also appreciate. Every corn farmer in South Dakota will benefit,
22 but those vested in their ethanol plants will get an added benefit.

1 The additional corn price or benefit comes to each corn farmer at no financial risk.
2 Unlike an early investment in an emerging ethanol industry where our investment was at risk,
3 Summit is paying landowners for the pipeline easements and installing all the necessary
4 equipment at the ethanol plants at no charge.

5 Corn farmers surround our local communities and eastern South Dakota. It is a well-
6 known fact that, if our farmers are profitable, they, in turn, spend more at our local businesses
7 which are then more profitable. A direct correlation that is undeniable.

8 A higher corn price benefits every corn farmer, large or small. When a business (corn
9 farmer) is competing in a commodity market (like corn), size and scale is usually a huge
10 advantage. A higher corn price helps level out that playing field.

11 **Q. What does Summit mean to you in terms of opportunities to grow your operation?**

12 A. Expansion, facility upgrades, equipment updates, technology updates, home and living
13 additions for our families all come from what is left after the expenses are paid. Upgrades and
14 expansions come out of profits.

15 We, like many others I am sure, will be using our easement payments to pay down some
16 long-term loans which will improve our working capital position and lower our interest costs.

17 **Q. What context is missing from the concerns stated by others?**

18 A. I believe that you can always find what you look for ... another phrase for that is
19 confirmational bias. Being on the farm every day, we get blinders on, which shields us from the
20 outside world. If you polled South Dakotans, my guess is an overwhelming majority would not
21 think carbon is a major contributor to global temperature change, but we would be in a definite
22 minority domestically and on the world stage. That being said, those beliefs held by so many are

1 creating some amazing marketing opportunities for ethanol. The low carbon world is all around
2 us and here to stay.

3 I also think that this whole pipeline / SB 201 / RL 21 debate has tragically gotten caught
4 up in an unfortunate and unfair struggle centered around more about a political ideology (in bed
5 with a stanch anti-ethanol crowd) resulting in a total disregard for our state's #1 industry.

6 **Q. What fears do you have if the project is not completed?**

7 A. I fear that South Dakota will be on an island. The western Iowa and Nebraska plants will
8 develop the existing pipeline running across Nebraska and into Wyoming. The North Dakota
9 ethanol plants will find a way to get their CO₂ to the western part of their state. Our ethanol
10 plants will be left with trying to market high carbon, low value ethanol. I fear that would mean a
11 lower corn price offered to our local farmers and may result in trucking our corn out of state to
12 get a better price.

13 I also fear that it may limit other value-added projects from locating in South Dakota and
14 limiting the expansion of our existing ethanol plants. There are a lot of uses for very pure CO₂
15 and, with a connecting infrastructure in place, it would be easy for a variety of industries to
16 locate along the main pipeline. I think our South Dakota ethanol plants will survive, but not
17 thrive.

18 **Q. Has your county acted against the project?**

19 A. No, at least not yet. Turner County has been a very pro-value-added agriculture county.
20 We had one of our best ag supporters retire from the Commission after 32 years of service, so we
21 will see who replaces him. Minnehaha County has enacted some new setbacks, however.

22 **Q. How do you feel about that? How do you feel about other counties which have tried
23 to stop the project?**

1 A. I served on the Minnehaha County Planning and Zoning Board for 10 years, and I feel
2 that some of these counties have overstepped their authority. Only the PUC has the authority to
3 issue the permit to Summit. What really troubles me is a seismic shift in setback policy ... we
4 always based our setbacks on the distance from structures (homes, schools, etc.), and now some
5 setbacks are being set off property boundaries. For example, there may not even be a dwelling or
6 structure next to my property, but I may still have to be 330 feet from my neighbor's property
7 line. That would mean along a quarter section fence line, my neighbor has more say in what I
8 can do on 20 acres of my property than I do.

9 Also, I do not know of any other pipeline traversing South Dakota that operates under
10 setbacks or ordinances set by any county. Not sure why this pipeline is being treated
11 differently??

12 **Q. Do you have safety concerns about the Summit project?**

13 A. No. The spur from the NuGen ethanol plant in Marion is projected to run 300 yards north
14 of my home. We asked our land agent Annette to provide us with more information on the
15 construction and safety aspects of the project. She was able to bring the project engineer and one
16 of his top safety professionals to our next meeting. That cleared up any safety and construction
17 concerns that we had.

18 **Q. Is your ground part of the Summit project?**

19 A. Yes. We have land that is on the projected route in both Turner and Minnehaha Counties.
20 Turner County – approximately 1.25 miles. Minnehaha County – approximately 0.5 miles (route
21 not finalized yet)

22 **Q. How was your easement experience? Were you fairly treated and compensated?**

1 A. We have not signed an easement agreement yet. We granted access for the surveys.
2 Summit sent us an offer on some of the tracts. We have submitted counteroffers and have not
3 heard back. On two tracts, we are still working on the routing.

4 We have found Annette, our land agent, to be very knowledgeable, transparent, and
5 pleasant to work with.

6 The survey process went well. The surveyors were professional, respectful, courteous,
7 and called almost too many times in advance to notify us of their visits.

8 **Q. Does your ground currently have other easements?**

9 A. Yes. A natural gas pipeline which supplies the NuGen ethanol plant in Marion, a major
10 fiber optic cable running parallel to SD Hwy 42 west of Sioux Falls, and numerous telephone
11 and residential fiber optic lines that are mostly in the road rights of way.

12 **Q. What has been your overall experience with easements, both Summit and others?**

13 A. If done correctly, we have seen very little impact to the productivity of our fields. For
14 example, our black dirt (topsoil) layer is very thin but an extremely important part of our land's
15 productivity. The condition of that topsoil is the legacy our generation leaves to the generation
16 following us. So, if done correctly, the topsoil layer would be taken off first, set aside, and then
17 the clay. Once the pipe is installed, the process should be reversed. The clay soil should be put
18 back first and the "black" topsoil last.

19 We are still negotiating the terms of the Summit easements, so it may be too early for a
20 final comment. So far, the process has been transparent, informative, respectful, and
21 constructive.

22 **Q. Does this conclude your testimony?**

23 A. Yes.

1 Dated this 5th day of November, 2024.

2

3 /s/ Walter Bones

4 Walter Bones