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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

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IN THE MATTER OF THE APPLICATION)
BY TRANSCANADA KEYSTONE PIPELINE,)
LP FOR A PERMIT UNDER THE SOUTH)
DAKOTA ENERGY CONVERSION AND)
TRANSMISSION FACILITIES ACT TO)
CONSTRUCT THE KEYSTONE XL)
PROJECT)

HP 09-001

**DIRECT TESTIMONY OF
TOM OSTER**

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

Answer: Tom Oster, 700 Governors Drive Pierre, SD 57502

2. Who do you work for and what is your position?

Answer: The State of South Dakota, Secretary of the Department of Education

3. Please state your professional qualifications.

Answer: BS in Secondary Education from Northern State University, MS in Secondary School Administration from NSU, EDS in School District Administration from the University of South Dakota. 25 years as a teacher and school administrator in South Dakota.

4. Do you have a resume?

Answer: Yes. A copy is attached to this as Exhibit A.

5. Have you reviewed the application which Keystone has filed with the South Dakota Public Utilities Commission seeking a siting permit for the Keystone Pipeline?

Answer: Yes.

6. Have you studied the portions on taxes?

Answer: Yes.

7. Will you please summarize the information in that part of the application?

Answer: Yes, with respect to school districts. Regardless of the resulting figures, the pipeline will be a large increase in the assessed valuations of property within each school district

46 it crosses. The increase can only be seen as a positive development for those districts, through an
47 increase in the tax base.

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8. What are the expected school tax effects of an increase in value?

51 Answer: Mill levies may be lowered by the districts, which will lower property taxes
52 through out the school district. Alternatively, school district tax revenue will increase, without an
53 increase in taxes to others. It is also possible that there may be any combination of the two
54 alternatives.

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9. Is there any downside to new taxable value coming to School Districts?

58 Answer: None of which I am aware.

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11. What are the expected effects if any on Special Education Funds?

62 Answer: Again, the district may choose to lower its levy or it can raise much more
63 revenue without raising taxes. There are statutory fund balance caps with penalties attached, so it
64 would be to the district's benefit to lower its local levy and reduce taxes paid if it generates more
65 money than it needs in special education.

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12. What are the expected effects on Capital Outlay Funds?

69 Answer: The effects are the same as in the answer for Special Education funds, with the
70 exception of the fund balance cap. There are tight restrictions as to how capital outlay funds may
71 be spent.

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13. Are there any expected effects on pension funds?

75 Answer: The district could increase their revenue in the pension fund without raising
76 taxes, or they could lower the levy which would lower taxes and at the same time the district
77 would maintain the same amount of revenue.

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14. Will there be any effects on South Dakota School Districts outside the pipeline corridor area? If so, what will they likely be?

81 Answer: Yes there will be positive effects for all school districts in the state. Anytime
82 the overall assessed valuation increases within the state, we see a decrease in the mill levy set at
83 the state level. When new value like this is created we all pay less in taxes.

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15. Are there expected effects on opt-outs?

88 Answer: Yes, in the event that a school district in the pipeline path would need to have
89 an opt out, the overall increase in valuation would cause the existing taxpayers to pay less to
90 fund the opt out. Because the pipeline is new valuation added to the district, the owners of the

91 pipeline would carry their share of the opt out burden, thus lowering the cost to existing
92 taxpayers.

93 **16. Do you have a position on the granting of a permit by the Commission for the**
94 **Keystone Pipeline Project?**

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96 Answer: I am in favor of the pipeline as it relates to the positive effect created by
97 significant increases to the assessed valuations and the resulting potential of lowering the
98 burden on existing taxpayers.

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100 **17. Does this conclude your testimony?**

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102 Answer: Yes it does.

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104 Dated this 1st day of September, 2009.

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Exhibit A

Thomas J. Oster Biography

Tom Oster graduated from Ethan High School in 1979. He received his bachelor's degree in secondary education in 1984 and his master's in education administration in 1990, both from Northern State University in Aberdeen. In 1996, he received his specialist degree in education administration from the University of South Dakota.

Tom taught social science at Frederick, S.D., from 1984 to 1991. He moved to Avon, S.D., in 1991, serving first as the secondary principal and athletic director through 1999, and then as the superintendent/elementary principal/athletic director through Nov. 13, 2008.

Throughout his career, Tom has coached multiple sports including basketball, track, golf and football. He was part of the coaching staff for the Avon Pirate football team that was State Champion in 2002, 2003, 2005 and 2008 and State Runner-Up in 2004. He was named the State Junior High Coach of the Year in All Sports for 2006.

Tom has been involved with and appointed to numerous boards, committees and task forces. He has served as the past president of the following: South Dakota Athletic Administrators Association, Mitchell Area Superintendents Association, Avon Lions Club, St. Michael's Hospital Board of Directors (Tyndall), and Brown County Commission (Aberdeen). He was on the State Aid Task Force for Education directed by Dr. Rick Melmer.

Tom and his wife, Lori, have three children: Tiffany, a graduate student at the University of South Dakota; Matt, a student at The University Center in Sioux Falls; and Adam, a senior at Avon High School.