

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION ) APPLICATION NO. OP-0003  
OF TRANSCANADA KEYSTONE )  
PIPELINE, LP FOR ROUTE APPROVAL )  
OF THE KEYSTONE XL PIPELINE )  
PROJECT PURSUANT TO THE MAJOR )  
OIL PIPELINE SITING ACT )

**REBUTTAL TESTIMONY OF**  
**ERNEST P. GOSS, PH.D.**

STATE OF NEBRASKA )  
) ss.  
COUNTY OF DOUGLAS )

**Q: Dr. Goss have you read the testimony of Michael O’Hara in support of Landowner Intervenors?**

A: Yes.

**Q: Do you agree with Dr. O’Hara that Keystone’s property tax obligations are easy to forecast after 2035 because they are zero?**

A: No.

**Q: Why do you disagree?**

A: Because Dr. O’Hara assumes there are no taxable improvements or upgrades to the pipeline or its related facilities after the pipeline is initially built. But in the event any qualifying improvements or upgrades are made to the pipeline or its facilities, then a new depreciation period will begin and new property taxes will be owed and paid by Keystone. Additionally, Keystone’s owned real estate will generate property tax obligations, and for example, Keystone owns the real property on which the pipeline pump stations will sit.

**Q: Why did you not include improvements or upgrades to the pipeline in your property tax forecast?**

A: I used conservative assumptions in the preparation of my report, which produced a conservative estimate. By conservative, I mean a lower economic value. But, saying definitively that after the initial construction and depreciation period that Keystone will pay zero property taxes is almost certainly not accurate.

**Q: Why did you not include the impact to the value of real estate owned by property owners through which the easement will cross?**

A: It is my understanding that under the Nebraska process the purchase terms of the easement, including the compensation for loss of yield, rent, or value (if that were to occur) are either negotiated between the landowner and Keystone, or they are part of a separate court proceeding and are beyond the scope of my analysis.

**Q: Do you have a view on Dr. O'Hara's testimony regarding the impact upon local government agencies during construction?**

A: Yes, I believe it is overstated. While there will be significant economic activity and employment during construction, the workforce will move with the work and it is unlikely, for example, that the school districts will see increases in expenses that are not greatly outweighed by the tax revenue (if there are increases at all). I believe any impact on public services will be small, and actually approach zero. In my estimated impacts, I assumed that between 90 percent and 93 percent of the Keystone construction jobs in Nebraska will go to non-Nebraskans that are temporary Nebraska residents who will return to their home state upon completion of the Nebraska portion of the pipeline.

**Q: Did you read Dr. O'Hara's testimony regarding the possible impacts to utility service providers in the State of Nebraska?**

A: Yes.

**Q: Do you have a view on the impacts to utility service providers of the Keystone XL pipeline?**

A: Yes. One of the significant positive economic impacts to the utilities along the Preferred Route is the purchase of electricity from public power companies serving the portions of Nebraska along the Preferred Route. Many of the public power companies have excess capacity and the purchases will be a benefit to those electricity providers as well as Nebraska retail electricity customers.

**Q: Any other views of the Project's impacts to the expenses of local governments which Dr. O'Hara raises in paragraph 54 of his report?**

A: Yes. As it relates to paragraph 54, I am aware that Keystone regularly enters into haul-route agreements with countries, which generally require Keystone to repair (or pay for repairs to) roads that it damages. Plus, Keystone has committed to comply with the Oil Pipeline Reclamation Act. Dr. O'Hara's concerns, although very general, are likely covered by Keystone's commitments.

**Q: Dr. Goss, how do you respond to Dr. O'Hara's criticism that you failed to account for tax "incentives" which may be applicable to the project?**

A: I did not account for those incentives because there is no evidence that Keystone will receive federal, state, and/or local tax incentives for the construction of its facilities. Also, if federal incentives existed, they would not impact the tax impact to the State of Nebraska or the counties along the Preferred Route. In fact, in my judgment, it is very unlikely that the State of Nebraska, or local government units, will provide tax incentives or subsidies to TransCanada to support the Keystone pipeline project.

63 **Q: How do you respond to Dr. O’Hara’s criticism that the depreciation period for the**  
64 **pipeline and its facilities should be 20 years instead of 15 years?**

65 A: If 20 years were to be applied instead of 15 years for the period of depreciation, then  
66 the economic impact will be greater to the State of the Nebraska and the counties along  
67 the Preferred Route. In this case, I opted for the depreciation period producing the most  
68 conservative, or smallest, economic impact.

69 **Q: Do you have a response to Dr. O’Hara’s criticism of the discount rate used in your**  
70 **study?**

71 A: I am confident of the discount rate used in my analyses based upon my decades of  
72 experience in economics, finance and business valuation.

73 **Q: Do you have a response to Dr. O’Hara’s criticism that you provide no reason why**  
74 **the pipeline is a tourist attraction or attraction to visitors?**

75 A: Yes. I did not identify tourism benefits. But I did identify economic benefits from  
76 business visitors to the State and greater Keystone purchases within Nebraska resulting  
77 from the Keystone XL Pipeline. During pipeline operations, I expect TransCanada  
78 employees, contractors, and vendors to visit the areas through which the pipeline  
79 passes. During their visits, they will purchase locally thus, benefiting the local areas.

80 **Q: Do you have a response to Dr. O’Hara’s criticism that you failed to account for**  
81 **secondary social consequences in your report?**

82 A: My report studied the impacts to Nebraska and the counties along the Preferred Route.  
83 This included local economic impacts, tax payments, and employment. In preparation  
84 of my report, I evaluated and relied upon, among other documents, the socio-economic  
85 study in section 3.10 of the Final Supplemental Environmental Impact Statement,

which also addressed local economic impacts, tax payments, and employment. The examples in Dr. O'Hara's testimony of a "larger criminal element" or an increase of "arrests for alcohol related offenses" are speculation of individual misconduct, and Dr. O'Hara merely states they "may" occur. I believe such conjecture would be overly speculative for my analysis.

**Q: Do you have a response to Dr. O'Hara's critique of Table 3-1?**

A: Yes. Table 3.1 is correct. Dr. O'Hara's confusion is resolved by consulting Table 3.2, which provides jobs per year estimates.

**Q: Have you read the testimony of Shaun Sweeny?**

A: Yes.

**Q: Do you have a response to the conclusion of the Cornell study that the "Employment Potential from KXL is Little to None: Decision should be based on other factors"?**

A: Yes. That conclusion is clearly inaccurate in Nebraska. The construction jobs created are explained, in detail, in my report. In addition to those jobs, the simple fact that Keystone will pay counties along the Preferred Route more than \$200 million in property taxes will support and/or create a significant number of local government jobs (which incidentally will lessen the burden on the taxpayers in those counties) and spillover jobs in related industries for the 12 impacted Nebraska counties. Furthermore, Keystone will be required to maintain operating personnel for the pipeline, and Keystone will also have personnel for repairs and maintenance, both of which will support job creation in Nebraska.

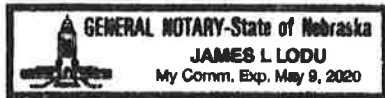
**Q: What about the Cornell Study criticism that Keystone's estimates are for Canada and United States, and therefore, overstate the United States expenditures?**

A: My report was based upon Nebraska specific cost projections, so that critique does not apply.



Ernest P. Goss, Ph.D.

Subscribed and sworn to before me this 17<sup>th</sup> day of July, 2017.



Notary Public