

BEFORE THE SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

DOCKET NO. EL18-003

**IN THE MATTER OF THE APPLICATION BY DAKOTA RANGE I, LLC AND DAKOTA RANGE
II, LLC FOR A PERMIT OF A WIND ENERGY FACILITY IN GRANT COUNTY AND
CODINGTON COUNTY, SOUTH DAKOTA, FOR THE DAKOTA RANGE WIND PROJECT**

**Surrebuttal Testimony of David Lawrence
On Behalf of the Staff of the South Dakota Public Utilities Commission
June 8, 2018**

1 **Q: State your name.**

2 A: My name is David Lawrence.

3

4 **Q: Did you provide Direct Testimony in the Docket on May 4, 2018?**

5 A: Yes.

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7 **Q: Did you conduct any further market research since your Direct Testimony on May 4,**
8 **2018?**

9 A: Yes. In response to Mr. MaRous' direct testimony indicating there was only one sale
10 in South Dakota near a wind project, I performed research in Brookings County to identify
11 sales that have been influenced by a wind tower, turbine or wind project. My preliminary
12 research identified thirteen arm's length transfers in the proximity of a wind tower. Of
13 these thirteen sales, six sales were rural residential properties, and seven sales were
14 agricultural properties. With the time requirements of my direct testimony, hearings and
15 preliminary research, I was not able to investigate and verify the Brookings sales research
16 before the filing deadline. Since submission of my Direct Testimony, I have taken the
17 opportunity to study the Brookings sales research. A summary of the research is found in
18 the addendum of my testimony, identified as Exhibit 1.

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1 **Q: Can you briefly describe the scope of work that was applied to the Brookings County**
2 **sales?**

3 A: Due to time constraints of the June 12, 2018 hearing, I was not able to perform a
4 complete case-by-case analysis for the thirteen sales identified. I did prioritize the
5 residential sales BK1, BK2, BK3, BK4, BK5 and BK7. For these sales I performed a site
6 inspection, interview analysis, and a sales analysis. The remaining sales were analyzed
7 with site inspections and interviews. I set out on May 23, 2018 to begin my field research
8 and inspect each property with particular emphasis on examining the proximity of a wind
9 tower and how the tower proximity relationship can influence rural properties.
10 Inspections were done from the public roadway for sales BK1, BK2.5, BK6, BK7, BK9, BK10,
11 BK11 and BK12. In five cases the property owner was present, and I was able to complete
12 an on-site inspection with sales BK2, BK3, BK4, BK5, and BK8. I did not have time to drive
13 to Jerauld County, and relied on high resolution aerial images for sale JD13 and a
14 telephone participant interview. In addition to the BK sales, I visited several rural
15 residential and agricultural properties in the market area influenced by a wind tower.
16 These inspections allowed me to evaluate the influences a wind tower can have on the
17 different property types in the market area of Brookings County. After completing the
18 field work, the next step was to interview as many of the participants in the transaction
19 as possible. I knew a buyer's name and address, and/or a broker involved with the
20 transaction from preliminary research I accomplished at the beginning of May. Given the
21 name and address, I was able to search for phone numbers. Unfortunately, finding a
22 working phone number for participants is becoming more difficult, but I was able to talk

1 with about twenty participants by phone or in person. The objective of the interview
2 analysis was to verify terms of the sale and to inquire whether the sale and/or subsequent
3 use of the property were in any way affected by the proximity of a wind tower. A set of
4 scripted questions were asked in such a manner that no bias or preconceived notions
5 were projected during the interview. Based on the recorded legal documents, site
6 inspections, and information gathered, a detailed description of BK1, BK2, BK3, BK4, BK5
7 and BK7 was developed for the sales analysis. The next step was to develop data on
8 property sales that were similar in time, location and property type to each of the BK
9 sales, but not in proximity to a wind tower. The methodology of the analysis is similar to
10 the sales comparison approach in the appraisal process. To identify this research, I used
11 the Brookings County MLS, Beacon and aerial images to confirm that each comparable
12 sale was unaffected by a wind tower, turbine or wind project. Then each of these sales
13 were summarized in terms of physical characteristics and qualitatively analyzed for
14 differences. The uninfluenced sales were compared to the BK influenced sale for analysis.
15 The final step was to analyze the information collected for each transaction and draw
16 conclusions with respect to the effect, if any, of the proximity of the wind tower on the
17 transaction or on use of the property. The summary of BK1, BK2, BK3, BK4, BK5 and BK7
18 can be found in Exhibit 1. As mentioned previously, I did not have sufficient time to
19 complete a thorough analysis with each of the thirteen individual sales. My scope of work
20 did not include: 1) a sales analysis for sales BK6, BK8, BK9, BK10, BK11, BK12 and JD13; 2)
21 a site visit for JD13; 3) a review of the chain of title for each property ownership since
22 the project first became operational; 4) a site visit and additional verification for the

1 comparable sales identified with MLS; 5) an analysis of the history of the wind project(s)
2 in Brookings County, such as installation date, tower characteristics, project capacity,
3 project construction, operational history etc. and 6) supplemental research in the other
4 thirteen South Dakota counties with operating wind projects.

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6 **Q: What are the results of your additional market research?**

7 A: The results of the market research are provided in the addendum and identified as
8 Exhibit 1. The research is presented in the following order:

- 9 1. Transaction Summary Table -- sales BK1, BK2, BK3, BK4, BK5, and BK7
- 10 2. Transaction Summary Table -- sales BK6, BK8, BK9, BK10, BK11, BK12 & JD13
- 11 3. Interview Summary Table
- 12 4. Individual Sales Analysis -- sales BK1, BK2, BK3, BK4, BK5 & BK7

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14 **Q: What are your general conclusions about the research you completed?**

15 A: Based on my research within the Brookings County market, the evidence supports the
16 presumption there have been no adverse effects on the selling price of rural residential
17 properties in proximity to a wind tower, turbine or wind project. However, the interview
18 and site analysis support the presumption that proximity to a wind tower could influence
19 the property owner's bundles of rights, such as the right to quiet enjoyment. Given the
20 responses from market participants, there is a relationship between the distance from a
21 turbine and the effects on value perceived by individual property owners who live in
22 proximity to wind towers. Wind tower noise is the number one reason cited by market
23 participants for a perceived impact on value; however, the sales data suggests otherwise.
24 More specifically, the Brookings County research for rural residential properties suggests:

25 1) there was no discernible adverse impact on the selling prices in Brookings County that

1 could be supported for sales BK1, BK2, BK3, BK4, BK5 and BK7; 2) Interviews with buyers
2 of properties near wind towers were unanimous to report the proximity of the wind tower
3 did not influence the price they paid; 3) In six of six rural residential sales, the market
4 data was consistent, even though the site inspection observed influences of noise and
5 view obstructions within the property boundaries.

6 Although I did not complete a sales analysis for the agricultural sales, the research
7 supports the presumption there have been no adverse effects on the selling price of
8 agricultural properties in proximity to and within the boundaries of the property with a
9 wind tower. During the interview process, participants of agricultural properties were
10 consistent to report the price paid was not affected by a wind tower and in some cases
11 reported a stronger price per acre when the wind payments transferred with the
12 property. The most common issues farmers cited about wind towers is the limitation of
13 aerial spraying, poor reclamation, and compaction issues after the installation of the
14 towers, possible yield loss due to the inability to plant straight rows and the difficulties
15 associated with working around the towers during planting and harvest. Without
16 comparison of the sales evidence with the interview evidence, the agricultural analysis is
17 determined to be inconclusive; however, all agricultural participants were consistent to
18 report there was no adverse effect to the price paid because of the presence of a wind
19 tower. The summary of my research is limited to Brookings County and supported by
20 analyzing six rural residential sales, seven agricultural sales, and twenty market
21 participant interviews.

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1 **Q: What is your response to the research and analysis completed for the Brookings**
2 **County?**

3 A: I would caution the commissioners or any reader of my testimony that the above
4 research is only a small representation of 1 of 14 counties in South Dakota where there is
5 an operating wind project. With an assignment of this nature, I would typically have a
6 multi-county or tri-state research area with a sales population of at least fifteen sales for
7 a case-by-case analysis (per property type) with participant interviews of more than
8 thirty. While the research is consistent with the NBNL study and Mr. Marous' research, a
9 pool of six rural residential and seven agricultural sales is a limited population upon which
10 to base conclusive results. Brookings County represents only seven percent of the study
11 area that is available in South Dakota for research of the impacts of wind projects on real
12 property values. Nevertheless, the research reported in my testimony provides a useful
13 starting point from which to consider the facts of a particular situation, and does not rule
14 out that an individual property could be adversely impacted from the presence of a wind
15 tower, turbine, or wind project.

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17 **Q: Mr. Mauersberg attaches the Brookings County 2015 Property Value Survey to his**
18 **Rebuttal Testimony (Exhibit 1), and Mr. MaRous concurs with the study in his**
19 **testimony. Do you agree with the methodology and results of the study?**

20 A: No, I do not agree. I have read the Brookings County 2015 Property Value Survey
21 developed by Prevailing Winds, LLC and the results of the study could be misleading.
22 Moreover, 1) it does not follow the accepted appraisal methodology for a study of this

1 type; 2) the data was developed by Prevailing Winds, LLC, who is an advocate for wind
2 energy in South Dakota. The purpose of a study of this nature is to promote and maintain
3 a high level of public trust in the development and reporting of such results. There is no
4 way to ascertain if the assignment was developed with impartiality, objectivity, and
5 independence. Personal interests and bias surround the author of the study; 3) As
6 previously discussed in my Direct Testimony on page thirteen, assessment value is not
7 market value. Assessment value can be higher or lower than market value. I have
8 difficulty understanding the correlation in using assessment value trends to measure the
9 impacts on market value from a wind project. Mass appraisal techniques are used for
10 assessing thousands of properties in the county for taxation, not determining if an
11 individual property shows a negative or positive influence from an externality such as a
12 wind tower.

13

14 **Q: Does this conclude your testimony?**

15 A: Yes.