

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

**IN THE MATTER OF THE APPLICATION BY DAKOTA RANGE III, LLC
FOR A PERMIT OF A WIND ENERGY FACILITY AND A 345-KV TRANSMISSION
LINE IN GRANT AND ROBERTS COUNTIES, SOUTH DAKOTA**

SD PUC DOCKET EL18-046

**PRE-FILED SUPPLEMENTAL DIRECT TESTIMONY OF MICHAEL MAROUS
ON BEHALF OF DAKOTA RANGE III, LLC**

January 4, 2019

1 **I. INTRODUCTION**

2

3 **Q. Please state your name.**

4 A. My name is Michael MaRous. I am the owner and president of MaRous &
5 Company. My business address is 300 South Northwest Highway, Suite 204, Park
6 Ridge, Illinois 60068.

7

8 **Q. Briefly describe your educational and professional background.**

9 A. I graduated from the University of Illinois at Urbana-Champaign with a B.S. in Urban
10 Land Economics and began my career working with a Chicago real estate appraisal
11 and consulting firm. I founded MaRous & Company in 1980. I have a South Dakota
12 State Certified General Appraisal License, No. 1467CG.

13

14 During my career, I have appraised a variety of types of real estate located in more
15 than 25 states and reflecting a total value in excess of \$15 billion. I have done a
16 substantial amount of work on energy-related projects, including wind farm projects
17 such as the Deuel Harvest North Wind Farm in Deuel County, the Prevailing Wind
18 Park Energy Facility in Bon Homme County, Hutchinson County, and Charles Mix
19 County, the Dakota Range I and II Wind Project in Codington County and Grant
20 County, and the Crocker Wind Farm in Clark County. I have also done a substantial
21 amount of work on a number of other wind farm projects in Illinois, Iowa, and
22 Minnesota. More information on my background is set forth in my statement of
23 qualifications, which is at the end of the January 4, 2019 Market Impact Analysis
24 ("Market Analysis") for the Dakota Range III Wind Farm ("Project"), which is included
25 as Exhibit A9-1 to my testimony.

26

27 **Q. Did you provide Direct Testimony in this docket on October 26, 2018?**

28 A. No.

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30 **Q. What is your role in the Project?**

31 A. I was retained by Dakota Range III, LLC (“Dakota Range III”) to prepare an
32 independent market analysis of the potential impact, if any, the Project would have
33 on the value of the properties in the general area of the Project in Grant and Roberts
34 Counties (“Project area”). The result of my work is the Market Analysis that I began
35 preparing in the fall of 2018.

36

37 **Q. Have any concerns regarding property values been raised in the docket?**

38 No. It is my understanding that no concerns regarding property values were raised
39 at the public input hearing or in public comments submitted in this docket to date.
40 Since my Market Analysis has already been completed, Dakota Range III asked that
41 I provide testimony to make the results of my analysis available to the Commission.

42

43 **Q. What exhibits are attached to your Supplemental Direct Testimony?**

44 A. The following exhibits are attached to my Supplemental Direct Testimony:

- 45 • Exhibit A9-1: Market Analysis.
- 46 • Exhibit A9-2: Surrebuttal Testimony of David Lawrence on Behalf of the Staff
47 of the South Dakota Public Utilities Commission, In re the Matter of the
48 Application by Dakota Range I, LLC and Dakota Range II, LLC for a Permit of
49 a Wind Energy Facility in Grant County and Codington County, South Dakota,
50 for the Dakota Range Wind Project, Docket No. EL18-003 (June 8, 2018).

51

52 **II. MARKET ANALYSIS FOR DAKOTA RANGE III WIND FARM**

53

54 **Q. Please briefly describe your Market Analysis.**

55 A. The Market Analysis shows the work that I did to study the question of whether there
56 will be property value impacts if the Project is constructed as proposed. The Market
57 Analysis explains background information about the Project and the Project area. It
58 then examines, describes, and analyzes available data regarding the interactions, if
59 any, between wind turbines and property values in South Dakota and similar locales.
60 The Market Analysis also includes references to peer-reviewed literature that

61 explored the same issue, although in different places.¹ Finally, the Market Analysis
62 presents my conclusions.

63

64 **Q. Have you performed similar studies in the past?**

65 A. Yes. I have completed market analyses in connection with wind farm projects on
66 several occasions. The most relevant work that I have done was the market
67 analyses I did recently for four other wind farm projects in South Dakota. Those
68 analyses were filed with the South Dakota Public Utilities Commission
69 (“Commission”) in Docket Nos. EL-053 (“Deuel Harvest North”), EL18-026
70 (“Prevailing Wind Park”), EL18-003 (“Dakota Range I and II”), and EL17-055
71 (“Crocker”), respectively.

72

¹ Some of the widely-accepted, large-scale, peer-reviewed literature that I considered and find particularly informative are the following:

- Brian Guerin, Jason Moore, Jamie Stata, and Scott Bradfield (2012). Impact of Industrial Wind Turbines on Residential Property Assessment in Ontario: 2012 Assessment Base Year Study. Municipal Property Assessment Corporation.
- Jason Moore, Jamie Stata, and Scott Bradfield (2016). Impact of Industrial Wind Turbines on Residential Property Assessment in Ontario: 2016 Assessment Base Year Study. Municipal Property Assessment Corporation.
- Corey Lang and James Opaluch (2013). Effects of Wind Turbines on Property Values in Rhode Island. Environmental and Natural Resource Economics, University of Rhode Island.
- Richard J. Vyn and Ryan M. McCullough (2013). The Effects of Wind Turbines on Property Values in Ontario: Does Public Perception Match Empirical Evidence? University of Guelph, Canada.
- Carol Atkinson-Palombo and Ben Hoen (2014). Relationship between Wind Turbines and Residential Property Values in Massachusetts. University of Connecticut and Lawrence Berkeley National Laboratory.

For additional discussion of the relevant literature, see pages 53-54 of the Market Analysis.

73 **Q. Have other appraisal professionals researched whether wind turbines impact**
74 **property values in South Dakota?**

75 A. To my knowledge, the only other appraisal professional who has studied this issue is
76 Mr. David Lawrence, an appraiser who testified on behalf of the Commission Staff in
77 the Crocker and Dakota Range I and II proceedings. There are not, to my
78 knowledge, any peer-reviewed studies that deal specifically with South Dakota
79 properties. The large-scale peer-reviewed studies that have been done evaluated
80 properties outside of South Dakota.

81
82 **Q. Getting back to your Market Analysis for this Project, please briefly explain**
83 **what you did to familiarize yourself with the Project.**

84 A. To familiarize myself with the Project, I reviewed documents relating to the proposed
85 Project, including the Application filed in this matter and engineering information. I
86 reviewed the proposed layout and turbine models in the Application. I also reviewed
87 applicable regulations, the Grant County Zoning Ordinance, and the Roberts County
88 Zoning Ordinance.

89
90 In addition, although I am generally familiar with the current market for real estate
91 toward eastern South Dakota, I needed to further develop my knowledge of the
92 current market in and around the Project area. To do that, I researched property
93 values and market conditions through a variety of methods (e.g., interviews with
94 market participants, survey of assessors, public records research, and online
95 research). I also visited the Project area on February 18-19, 2018 and again on
96 October 8-9, 2018. It is also worth noting that the recent work I did in the
97 Commission's dockets for the Deuel Harvest North, Prevailing Wind Park, Dakota
98 Range I and II, and Crocker wind farm projects helped to inform my knowledge of
99 issues relevant to my Market Analysis in this proceeding.

100
101 **Q. Please generally describe the work that is detailed in the Market Analysis.**

102 A. The Market Analysis brings together several different data sources and ways of
103 evaluating the potential valuation impacts of wind turbines on properties. As detailed

104 further in the Market Analysis, I evaluated the footprint of the Project, as well as the
105 surrounding area, and reviewed rural residential and agricultural property sales data
106 and market information for Grant and Roberts Counties and other counties in South
107 Dakota in which wind farms are located. I considered that information, as well as
108 information from assessors in several South Dakota counties that are home to active
109 wind farms. I also considered the economic impact on the larger community by the
110 approval of the use as proposed. In addition to analyzing South Dakota-specific
111 information, I considered and re-examined my prior analyses for wind projects in
112 comparable areas of Minnesota, Iowa, and Illinois. Finally, I also considered the
113 work done by Mr. Lawrence in the Dakota Range I and II proceeding, attached as
114 Exhibit A9-2, and relevant peer-reviewed literature. More detail regarding the
115 information I researched and considered, and the analyses that I performed, is set
116 forth in the Market Analysis.

117

118 **Q. The matched pairs analysis in the Market Analysis contains many of the same**
119 **sales that you used in your market analyses submitted in the Deuel Harvest**
120 **North, Dakota Range I and II, and Prevailing Wind Park proceedings. Why is**
121 **that?**

122 A. The credibility of my analysis depends on having quality market data that is
123 appropriate for consideration. For example, matched pair analyses require what we
124 call “good sales,” or sales that are appropriate for study and comparison. To do the
125 analysis, we need the available good sales to include some that are in proximity to
126 wind farms and some that are not in proximity to wind farms. It can be difficult to
127 locate these sales, because, for a variety of reasons, properties in rural areas such
128 as the Project area do not sell often and, when they do, the sales may not be
129 considered for fair market value. That said, we located sufficient good sales to
130 perform our analyses in connection with the prior Commission proceedings noted
131 above and the information provided by Mr. Lawrence on behalf of Commission Staff
132 was useful as well. For this Market Analysis, we also used additional, relevant
133 matched pairs from outside of South Dakota to inform the analysis.

134

135 In addition, in connection with preparing the Market Analysis, I continued searching
136 for additional good sales and other relevant information. I also have continued to
137 research available agricultural land and residential transactions in the Roberts
138 County, Grant County, and broader South Dakota markets, including through
139 interviews with market participants and data sources such as Beacon. For example,
140 the land sales analyzed in the Market Analysis were identified and selected
141 specifically in connection with the Market Analysis and Project area.

142
143 In addition, I have continued to monitor development of wind projects in eastern and
144 central South Dakota to seek information and/or sales that could show any impact
145 on property values due to wind development. Moreover, I am continually monitoring
146 the available scholarly literature and professional journals and publications regarding
147 impacts of wind farms on property values. The recent literature that I have reviewed
148 is consistent with my analysis as well.

149

150 **Q. What were your conclusions about the impact that the Project, if constructed,**
151 **would have on property values?**

152 A. As detailed in the Market Analysis, there is no market evidence to support a
153 conclusion that proximity to the proposed wind turbines would negatively affect rural
154 residential property or agricultural property values. Further, I concluded that the
155 value of properties with wind leases may be increased.

156

157 **Q. Are your conclusions consistent with your prior work and the work of others?**

158 A. Yes. My conclusions are consistent with my conclusions in other market analyses I
159 have performed, including those filed in the Commission's proceedings for Deuel
160 Harvest North, Prevailing Wind Park, Dakota Range I and II, and Crocker,
161 respectively. My conclusions are also consistent with the work of Mr. Lawrence, the
162 Commission's prior findings, information from assessors and market participants in
163 South Dakota and elsewhere, and the findings of widely-accepted, large-scale peer-
164 reviewed studies.

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166 **Q. You describe your conclusions as consistent with the work of Mr. Lawrence**
167 **on behalf of Commission Staff in the Dakota Range I and II proceeding.**
168 **What do you mean by that?**

169 A. Mr. Lawrence's research led him to conclude that, based on the evidence and
170 research he had conducted,

171 (1) "the evidence supports the presumption there have been no adverse
172 effects on the selling price of rural residential properties in proximity to a
173 wind tower, turbine or wind project," Exhibit A9-2 at 5; and

174 (2) "the research supports the presumption there have been no adverse
175 effects on the selling price of agricultural properties in proximity to and
176 within the boundaries of the property with a wind tower." Exhibit A9-2 at 6.

177
178 Mr. Lawrence's work also helped to demonstrate that allegations that the values of
179 rural residential properties within the viewshed of a wind project are negatively
180 affected are not supported by the data. The Rural Residential Transaction Summary
181 Table at Exhibit 1 to Mr. Lawrence's testimony (which is attached as Exhibit A9-2 to
182 my testimony) showed a lack of market evidence that seeing and/or hearing wind
183 turbines does not reduce nearby properties' values:

Rural Residential Transaction Summary Table						
Transaction Reference	Property Type	Physical Evidence of Effects	Interview Evidence of Effects	Sales Evidence of Effects	Consistency of Sale Evidence with Interview Evidence	Overall Conclusion
BK1	Rural Residential	Yes	None	None	Consistent	No measurable effects
BK2	Rural Residential	Yes	None	None	Consistent	No measurable effects
BK3	Rural Residential	Yes	None	None	Consistent	No measurable effects
BK4	Rural Residential	Yes	None	None	Consistent	No measurable effects
BK5	Rural Residential	*None*	None	None	Consistent	No measurable effects
BK7	Rural Residential	Yes	None	None	Consistent	No measurable effects

**Turbines were not in operation during the site visit of BK5. Winds light and variable. **

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Likewise, Mr. Lawrence’s work on agricultural properties suggests that the value of properties proximate to wind farms is not decreased and that the value of properties that host turbines is likely increased. See Exhibit A9-2 at 5-6. I have not located any market data that would support the opposite conclusion.

191 **III. CONCLUSION**

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193 **Q. Do you have any concluding remarks?**

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A. Yes. Having studied the potential impacts of wind farm projects on properties in South Dakota and across the Midwest, the data consistently shows that property values are not negatively impacted by proximate wind farm projects. As set forth above and in my Market Analysis, sales data, interviews with market participants, real estate professionals and assessors, peer-reviewed literature, and testimony on behalf of Commission Staff all consistently support my opinion that there is no

200 market evidence to support a conclusion that proximity to wind turbines negatively
201 affects proximate rural residential or agricultural property values.

202

203 Dated this 4th day of January, 2019.

204

205



206

207 Michael MaRous

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