BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE APPLICATION BY DEUEL HARVEST WIND ENERGY LLC
FOR ENERGY FACILITY PERMITS OF A WIND ENERGY FACILITY AND A
345-KV TRANSMISSION LINE IN DEUEL COUNTY, SOUTH DAKOTA FOR THE
DEUEL HARVEST NORTH WIND FARM

SD PUC DOCKET EL18-___

PRE-FILED DIRECT TESTIMONY OF MICHAEL MAROUS
ON BEHALF OF DEUEL HARVEST WIND ENERGY LLC

November 30, 2018
I. INTRODUCTION AND QUALIFICATIONS

Q. Please state your name, employer, and business address.
A. My name is Michael MaRous. I am the owner and president of MaRous & Company. My business address is 300 South Northwest Highway, Suite 204, Park Ridge, Illinois 60068.

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

During my career, I have appraised a variety of types of real estate located in more than 25 states and reflecting a total value in excess of $15 billion. I have done a substantial amount of work on energy-related projects, including wind farm projects such as the Prevailing Wind Park Energy Facility in Bon Homme County, Hutchinson County, and Charles Mix County, the Dakota Range Wind Project in Codington County and Grant County, and the Crocker Wind Farm in Clark County, all in South Dakota; and a number of other wind farm projects in Illinois, Iowa, and Minnesota. More information on my background is set forth in my statement of qualifications, which is at the end of the November 28, 2018 Market Impact Analysis (“Market Analysis”) for the Deuel Harvest North Wind Farm (“Project”) included as Appendix W of the Application.

II. OVERVIEW

Q. What is your role in the Project?
A. I was retained by Deuel Harvest Wind Energy LLC (“Deuel Harvest”) to prepare an independent market analysis of the potential impact, if any, the Project would have on the value of the properties in the general area of the Project in Deuel County
(“Project area”). Specifically, the analysis addressed the question of whether market data indicates that the Project will have an effect on the value of residential properties and/or agricultural land in proximity to the proposed wind turbines. The result of my work is the Market Analysis.

Q. What is the purpose of your Direct Testimony?
A. The purpose of my testimony, and specifically the Market Analysis, is to provide information with respect to the potential impact, if any, of the Project’s wind turbines on the value of rural residential and agricultural property.

Q. Please identify the sections of the Application that your testimony supports.
A. My testimony supports the following sections of the Application:
  • Section 20.1.2.3: Property Value Impacts.
  • Appendix W: Market Impact Analysis.

Q. What exhibits are attached to your Direct Testimony?
A. I am sponsoring the following exhibit:
  • Exhibit 1: Surrebuttal Testimony of David Lawrence on Behalf of the Staff of the South Dakota Public Utilities Commission, In re 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, Docket No. EL18-003, (June 8, 2018).

III. MARKET ANALYSIS FOR DEUEL HARVEST NORTH WIND FARM

Q. Please briefly describe your Market Analysis.
A. The Market Analysis in Appendix W of the Application shows the work that I did to study the question of whether there will be property value impacts if the Project is constructed as proposed. The Market Analysis explains background information about the Project and the Project area. It then examines, describes, and analyzes
available data regarding the interactions, if any, between wind turbines and property values in South Dakota and similar locales. The Market Analysis also includes references to peer-reviewed literature that explored the same issue, although in different places.¹ Finally, the Market Analysis presents my conclusions.

Q. Have you performed similar studies in the past?
A. Yes. I have completed market analyses in connection with wind farm projects on several occasions. The most relevant work that I have done was the market analyses I did recently for three other wind farm projects in South Dakota. Those analyses were filed with the South Dakota Public Utilities Commission (“Commission”) in Docket Nos. EL18-026 (“Prevailing Wind Park”), EL18-003 (“Dakota Range”), and EL17-055 (“Crocker”), respectively.

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

For additional discussion of the relevant literature, see pages 53-54 of the Market Analysis.
Q. Have other professionals researched whether wind turbines impact property values in South Dakota?

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

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

A. To familiarize myself with the Project, I reviewed documents relating to the proposed Project, including the Application filed in this matter and engineering information. I reviewed the proposed layout and turbine models in the Application and the applicable regulations and Deuel County Zoning Ordinance.

In addition, although I am generally familiar with the current market for real estate toward eastern South Dakota, I needed to further develop my knowledge of the current market in and around the Project area. To do that, I researched property values and market conditions through a variety of methods (e.g., interviews with market participants, survey of assessors, public records, and online research). I also visited the Project area on October 4-5, 2017 and again on October 8-9, 2018. It is also worth noting that the recent work I did in the Commission’s dockets for the Prevailing Wind Park, Dakota Range, and Crocker wind farm projects helped to inform my knowledge of issues relevant to my Market Analysis in this proceeding.

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

A. The Market Analysis brings together several different data sources and ways of evaluating the potential valuation impacts of wind turbines on properties. As detailed further in the Market Analysis, I evaluated the footprint of the Project, as well as the surrounding area, and reviewed rural residential and agricultural
property sales data and market information for Deuel County and other counties in
South Dakota in which wind farms are located. I considered that information, as
well as information from assessors in several South Dakota counties that are home
to active wind farms. I also considered the economic impact on the larger
community by the approval of the use as proposed. In addition to analyzing South
Dakota-specific information, I considered and re-examined my prior analyses for
wind projects in similar areas of Minnesota, Iowa, and Illinois. Finally, I also
considered the work done by Mr. Lawrence in the Dakota Range proceeding,
attached as Exhibit 1, and relevant peer-reviewed literature. More detail regarding
the information I researched and considered, and the analyses that I performed, is
set forth in the Market Analysis.

Q. The matched pairs analysis in the Market Analysis contains many of the
same sales that you used in your market analyses submitted in the Dakota
Range and Prevailing Wind Park proceedings. Why is that?

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

In addition, in connection with preparing the Market Analysis, we continued
searching for additional good sales and other relevant information. I have
continued to research available agricultural land and residential transactions in the Deuel County and South Dakota markets, including through interviews with market participants and data sources such as Beacon. For example, the land sales analyzed in the Market Analysis were located specifically in connection with the Market Analysis and Project area.

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

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

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

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

A. Yes. My conclusions are consistent with my conclusions in other market analyses I have performed, including those filed in the Commission’s proceedings for Prevailing Wind Park, Dakota Range, and Crocker, respectively. My conclusions are also consistent with the work of Mr. Lawrence, the Commission’s prior findings, information from assessors and market participants in South Dakota and elsewhere, and the findings of widely-accepted, large-scale peer-reviewed studies.
Q. You describe your conclusions as consistent with the work of Mr. Lawrence on behalf of Commission Staff in the Dakota Range proceeding. What do you mean by that?

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

(1) “the evidence supports the presumption there have been no adverse effects on the selling price of rural residential properties in proximity to a wind tower, turbine or wind project,” Exhibit 1 at 5; and

(2) “the research supports the presumption there have been no adverse effects on the selling price of agricultural properties in proximity to and within the boundaries of the property with a wind tower.” Exhibit 1 at 6.

Mr. Lawrence’s work also helped to demonstrate that allegations that the values of rural residential properties within the viewshed of a wind project are negatively affected are not supported by the data. The Rural Residential Transaction Summary Table at Exhibit 1 to Mr. Lawrence’s testimony (which is attached as Exhibit 1 to my testimony) showed that seeing and/or hearing wind turbines does not reduce nearby properties’ values:
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 1 at 5-6. I have not located any market data that would support the opposite conclusion.

IV. CONCLUSION

Q. Do you have any concluding remarks?

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

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<th>Property Type</th>
<th>Physical Evidence of Effects</th>
<th>Interview Evidence of Effects</th>
<th>Sales Evidence of Effects</th>
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<th>Overall Conclusion</th>
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**Turbiners were not in operation during the site visit of BK5. Winds light and variable.**
market evidence to support a conclusion that proximity to wind turbines negatively affects proximate rural residential or agricultural property values.

Q. Does this conclude your Direct Testimony?
A. Yes.

Dated this 30th day of November, 2018.

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Michael MaRous

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