

**South Dakota Public Utilities Commission  
Tatanka Ridge Wind Project, LLC  
Docket EL 19-026  
Response to Staff's Second Data Request**

**Date: August 16, 2019**

**Data Request:**

2-6) Refer to Page 24 of the Application. The Applicant states it anticipates the life span of the Project to be approximately 40 years. Please provide the basis and supporting documentation for a 40-year useful life for the Project.

**Response:**

2-6) Tatanka Ridge Wind LLC's wind leases have 30 year operational timelines with two 5 year extensions. This accounts for a turbine replacement at year 20 and results in a project lifespan of approximately 40 years.

**Response Prepared by:** Jesse Bermel

**South Dakota Public Utilities Commission  
Tatanka Ridge Wind Project, LLC  
Docket EL 19-026  
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**Date: August 16, 2019**

**Data Request:**

2-16) Refer to Page 124 of the Application. Please explain why the Company proposes to re-evaluate the decommissioning costs after the first year of operation.

**Response:**

2-16) Tatanka Ridge Wind will re-evaluate decommissioning costs after the first year because we will have as-builts at that time.

**Response Prepared by:** Mark Mullen

**South Dakota Public Utilities Commission  
Tatanka Ridge Wind Project, LLC  
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**Data Request:**

2-22) Refer to Page 4 of Appendix Q, Decommissioning Plan, attached to the Application. The Applicant stated that it “will dismantle and remove all towers, turbine generators, transformers, overhead and underground cables, foundations, buildings, and ancillary equipment to a depth of 42 inches unless landowner agreements specify a greater depth.”

Refer to the direct testimony of Jesse Bermel, Page 6, lines 84 – 85. Mr. Bermel states “At the end of commercial operation, Tatanka will be responsible for removing wind facilities and the turbine foundations to a depth of four feet below grade.”

Does the Applicant commit to a decommissioning removal depth of 3 ½ or 4 feet? If the Applicant proposes a decommissioning removal depth of 3 ½ feet, please provide support for using that depth as a reasonable standard for decommissioning.

**Response:**

2-22) Turbine foundations will be removed to a depth of 4 feet below grade, as the applicant has committed to landowners. All other facilities will be removed to a depth of 3 ½ feet. Removal of facilities to 3 ½ feet provides sufficient clearance to allow for normal agricultural activities.

**Response Prepared by:** Mark Mullen

**South Dakota Public Utilities Commission  
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**Data Request:**

2-23) Refer to Page 124 of the Application. The Applicant stated that it “will re-evaluate the decommissioning costs after the first year of operation, then every 10 years following.”

Refer to the direct testimony of Jesse Bermel, lines 88 – 91. Mr. Bermel states “because of the uncertainties surrounding future decommissioning costs and salvage values, Tatanka will review and update the cost estimate of decommissioning and restoration for the Project every five years after Project commissioning pursuant to State Law Requirements.”

a) Please provide the “State Law Requirement” Mr. Bermel referred to in his testimony. Mr. Bermel misspoke and will clarify at hearing. The application controls, and Mr. Bermel's testimony will conform to the application.

b) Please clarify how often the Applicant proposes to re-evaluate decommissioning costs. Applicant proposes to reevaluate decommissioning costs on a schedule as found in the application. After one year and every ten years thereafter.

**Response Prepared by:** Jesse Bermel

**South Dakota Public Utilities Commission  
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**Date: August 16, 2019**

**Data Request:**

2-24) Refer to Page 124 of the Application. The Applicant stated that it “is responsible for implementing the Decommissioning Plan and will commit to a Letter of Credit for financial assurance adequate to pay the entire cost of the decommissioning process.”

Refer to Page 10 of Appendix Q, Decommissioning Plan, attached to the Application. The Applicant stated that it “will commit to a parent guarantee for financial assurance adequate to pay the entire cost of the decommissioning process.”

Refer to the direct testimony of Jesse Bermel, lines 96 – 97. Mr. Bermel states “Tatanka proposes to cover the cost of the decommissioning through a parent guarantee or letter of credit.”

a) Please clarify which financial assurance option the Applicant is proposing.

Applicant is proposing that the same financial assurance for both Deuel County and the PUC. Deuel County commissioners and zoning officials indicated an interest in a parent guarantee. Applicant prefers that vehicle as well.

b) Please provide a detailed proposal, including, but not limited, the proposed agreement, of the option selected in (a).

See attached draft agreement.

c) Please provide all relevant cost information associated with the financial assurance option selected in (a).

We are unaware of a cost at this time other than in the event the guarantee were executed. If we are made aware of a cost, we will advise.

d) Does the Applicant intend on submitting supplemental testimony to address the concerns raised by the Commissioners regarding a Letter of Credit or Parent Guarantee during the evidentiary hearing for the Triple H Wind Farm, Docket EL19-007?

We do.

**Response Prepared by:** Jesse Bermel, Mark Bastach, Mandy Bohnenblust

## GUARANTY OF GUARANTOR

THIS GUARANTY, dated as of September 1, 2019, is issued by Avangrid, Inc., a New York corporation, ("Guarantor") in favor of Deuel County, South Dakota a political subdivision of the State of South Dakota ("Guaranteed Party"). Tatanka Ridge Wind, LLC, a Delaware limited liability company, ("Obligor") is an indirect wholly owned subsidiary of Guarantor.

### RECITALS

A. Obligor has filed and Guaranteed Party has accepted a decommissioning plan for the future decommissioning of Tatanka Ridge Wind, LLC, dated as of \_\_\_\_\_, 20\_\_ (the "Agreement").

B. This Guaranty is delivered to Guaranteed Party by Guarantor pursuant to the Agreement.

### AGREEMENT

#### 1. Guaranty.

A. Guaranty of Obligations Under the Agreement. For value received, Guarantor hereby absolutely, unconditionally and irrevocably, subject to the express terms hereof, guarantees the payment when due of all payment obligations, whether now in existence or hereafter arising, by Obligor to Guaranteed Party pursuant to the Agreement (the "Obligations"). This Guaranty is one of payment and not of collection and shall apply regardless of whether recovery of all such Obligations may be or become discharged or uncollectible in any bankruptcy, insolvency or other similar proceeding, or otherwise unenforceable.

B. Maximum Guaranteed Amount. Notwithstanding anything to the contrary herein, Guarantor's aggregate obligation to Guaranteed Party hereunder is limited to Five Million U.S. Dollars (\$5,000,000.00) (the "Maximum Guaranteed Amount") (it being understood for purposes of calculating the Maximum Guaranteed Amount of Guarantor hereunder that any payment by Guarantor either directly or indirectly to the Guaranteed Party, pursuant to a demand made upon Guarantor by Guaranteed Party or otherwise made by Guarantor pursuant to its obligations under this Guaranty including any indemnification obligations, shall reduce Guarantor's maximum aggregate liability hereunder on a dollar-for-dollar basis), including costs and expenses incurred by Guaranteed Party in enforcing this Guaranty, and shall not either individually or in the aggregate be greater or different in character or extent than the obligations of Obligor to Guaranteed Party under the terms of the Agreement. IN NO EVENT SHALL GUARANTOR BE SUBJECT TO ANY CONSEQUENTIAL, EXEMPLARY, EQUITABLE, LOSS OF PROFITS, PUNITIVE, TORT OR OTHER SIMILAR DAMAGES.

2. Payment; Currency. All sums payable by Guarantor hereunder shall be made in freely transferable and immediately available funds and shall be made in the currency in which the Obligations were due. If Obligor fails to pay any Obligation when due, the Guarantor will pay that Obligation directly to Guaranteed Party within twenty (20) days after written notice to Guarantor by Guaranteed Party. The written notice shall provide a reasonable description of the amount of the Obligation and explanation of why such amount is due.

3. Waiver of Defenses. Except as set forth above, Guarantor hereby waives notice of acceptance of this Guaranty and of the Obligations and any action taken with regard thereto, and waives presentment, demand for payment, protest, notice of dishonor or non-payment of the Obligations, suit, or the taking of and failing to take other action by Guaranteed Party against Obligor, Guarantor or others and waives any defense of a surety. Without limitation, Guaranteed Party may at any time and from time to time without notice to or consent of Guarantor and without impairing or releasing the obligations of Guarantor hereunder: (a) make any change to the terms of the Obligations; (b) take or fail to take any action of any kind in respect of any security for the Obligations; (c) exercise or refrain from exercising any rights against Obligor or others in respect of the Obligations or (d) compromise or subordinate the Obligations, including any security therefor. Notwithstanding the foregoing, Guarantor shall be entitled to assert rights, setoffs, counterclaims and other defenses which Obligor may have to performance of any of the Obligations and also shall be entitled to assert rights, setoffs, counterclaims and other defenses that the Guarantor may have against the Guaranteed party, other than defenses based upon lack of authority of Obligor to enter into and/or perform its obligations under the Agreement or any insolvency, bankruptcy, reorganization, arrangement, composition, liquidation, dissolution or similar proceeding with respect to Obligor.

4. Term. This Guaranty shall continue in full force and effect until [Insert term or whether it automatically expires upon final payment]. Guarantor further agrees that this Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of any Obligation is rescinded or must otherwise be restored or returned due to bankruptcy or insolvency laws or otherwise. Guaranteed party shall return this original executed document to Guarantor within twenty (20) days of termination of this Guaranty.

5. Subrogation. Until all Obligations are indefeasibly performed in full, but subject to Section 6 hereof, Guarantor hereby waives all rights of subrogation, reimbursement, contribution and indemnity from Obligor with respect to this Guaranty and any collateral held therefor, and Guarantor hereby subordinates all rights under any debts owing from Obligor to Guarantor, whether now existing or hereafter arising, to the prior payment of the Obligations.

6. Expenses. Whether or not legal action is instituted, Guarantor agrees to reimburse Guaranteed Party on written demand for all reasonable attorneys' fees and all other reasonable costs and expenses incurred by Guaranteed Party in enforcing its rights under this Guaranty. Notwithstanding the foregoing, the Guarantor shall have no

obligation to pay any such costs or expenses if, in any action or proceeding brought by Guaranteed Party giving rise to a demand for payment of such costs or expenses, it is finally adjudicated that the Guarantor is not liable to make payment under Section 2 hereof.

7. Assignment. Guarantor may not assign its rights or delegate its obligations under this Guaranty in whole or part without written consent of Guaranteed Party, *provided, however*, that Guarantor may assign its rights and delegate its obligations under this Guaranty without the consent of Guaranteed Party if (a) such assignment and delegation is pursuant to the assignment and delegation of all of Guarantor's rights and obligations hereunder, in whatever form Guarantor determines may be appropriate, to a partnership, limited liability company, corporation, trust or other organization in whatever form that succeeds to all or substantially all of Guarantor's assets and business and that assumes such obligations by contract, operation of law or otherwise, *provided*, such entity has an Investment Grade Rating by either Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc. ("S&P") or (b) such assignment and delegation is made to an entity within the Iberdrola S.A. group of companies that has an Investment Grade Rating by either Moody's or S&P. For purposes of this Section 7, "Investment Grade Rating" means a minimum credit rating for senior unsecured debt or corporate credit rating of BBB- by S&P or Baa3 by Moody's. Upon any such delegation and assumption of obligations and, if required, the written consent of Guaranteed Party (which consent shall not be unreasonably withheld, conditioned or delayed), Guarantor shall be relieved of and fully discharged from all obligations hereunder, whether such obligations arose before or after such delegation and assumption.

8. Non-Waiver. The failure of Guaranteed Party to enforce any provisions of this Guaranty at any time or for any period of time shall not be construed to be a waiver of any such provision or the right thereafter to enforce same. All remedies of Guaranteed Party under this Guaranty shall be cumulative and shall be in addition to any other remedy now or hereafter existing at law or in equity. The terms and provisions hereof may not be waived, altered, modified or amended except in a writing executed by Guarantor and Guaranteed Party.

9. Entire Agreement. This Guaranty and the Agreement are the entire and only agreements between Guarantor and Guaranteed Party with respect to the guaranty of the Obligations of Obligor by Guarantor. All agreements or undertakings heretofore or contemporaneously made, which are not set forth herein, are superseded hereby.

10. Notice. Any demand for payment, notice, request, instruction, correspondence or other document to be given hereunder by Guarantor or by Guaranteed Party shall be in writing and shall be deemed received (a) if given personally, when received, (b) if mailed by certified mail (postage prepaid and return receipt requested), five days after deposit in the U.S. mails, (c) if given by facsimile, when transmitted with confirmed transmission or (d) if given via overnight express courier service, when received or personally delivered, in each case with charges prepaid and addressed as



follows (or such other address as either Guarantor or Guaranteed Party shall specify in a notice delivered to the other in accordance with this Section):

If to Guarantor:

Avangrid, Inc.  
% Avangrid Renewables, LLC  
1125 NW Couch, Suite 700  
Portland, OR 97209  
Attn: Credit Manager

If to Guaranteed Party:

Deuel County, South Dakota  
408 4th Street West  
Clear Lake, SD 57501  
Attn: Zoning Officer

11. Counterparts. This Guaranty may be executed in counterparts, each of which when executed and delivered shall constitute one and the same instrument.

12. Governing Law. This Guaranty shall be governed by and construed in accordance with the laws of the state of New York without giving effect to principles of conflicts of law.

13. Further Assurances. Guarantor shall cause to be promptly and duly taken, executed and acknowledged and delivered, such further documents and instruments as Guaranteed Party may from time to time reasonably request in order to carry out the intent and purposes of this Guaranty.

14. Limitation on Liability. Except as specifically provided in this Guaranty, Guaranteed Party shall have no claim, remedy or right to proceed against Guarantor or against any past, present or future stockholder, partner, member, director or officer thereof for the payment of any of the Obligations, as the case may be, or any claim arising out of any agreement, certificate, representation, covenant or warranty made by Obligor in the Agreement.

***[SIGNATURE PAGE FOLLOWS]***

IN WITNESS WHEREOF, the Guarantor has executed and delivered this Guaranty as of the date first set forth above.

**AVANGRID, Inc.,  
a New York corporation**

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

Acknowledged and agreed:

**Deuel County, South Dakota,  
a political subdivision of the State of South Dakota**

By: \_\_\_\_\_  
Name:  
Title:

**South Dakota Public Utilities Commission  
Tatanka Ridge Wind Project, LLC  
Docket EL 19-026  
Response to Staff's Second Data Request**

**Date: August 16, 2019**

**Data Request:**

2-25) Refer to Appendix Q to the Application. Per Appendix Q to the Application, the estimated cost of decommissioning per turbine in current dollars is \$89,090, assuming salvage and no resale.

- a) Please provide the estimated cost of decommissioning per turbine in current dollars, assuming no salvage and no resale.
- b) Please provide the estimated cost of decommissioning per turbine in 2050 dollars, assuming salvage and no resale. Please provide and explain the assumptions and calculations to determine the 2050 estimate.
- c) Please provide the estimated cost of decommissioning per turbine in 2050 dollars, assuming no salvage and no resale. Please provide and explain the assumptions and calculations to determine the 2050 estimate

**Response:**

2-25a) As shown in Table 4 of Appendix Q, total decommissioning expenses are estimated to be \$9,083,000, not considering salvage or resale. This equates to an estimated decommissioning cost of \$162,196 per turbine.

2-25b) We have not performed this calculation due to volatility of several markets, construction, energy and labor.

2-25c) We have not performed this calculation due to volatility of several markets, construction, energy and labor.

**Response Prepared by:** Mark Mullen

**South Dakota Public Utilities Commission  
Tatanka Ridge Wind Project, LLC  
Docket EL 19-026  
Supplemental Response to Staff's Second Data Request**

**Date: September 19, 2019**

**Data Request:**

2-25)

- b) Please provide the estimated cost of decommissioning per turbine in 2050 dollars, assuming salvage and no resale. Please provide and explain the assumptions and calculations to determine the 2050 estimate.

The estimated cost of decommissioning is \$164,601 per turbine in 2050 dollars, assuming salvage and no resale. This was calculated using an assumed inflation rate of 2.0% a year, per the Federal Open Market Committee inflation projections "PCE Inflation-Longer Run". See attachment.

- c) Please provide the estimated cost of decommissioning per turbine in 2050 dollars, assuming no salvage and no resale. Please provide and explain the assumptions and calculations to determine the 2050 estimate.

The estimated cost of decommissioning is \$299,672 per turbine in 2050 dollars, assuming no salvage and no resale. This was calculated using an assumed inflation rate of 2.0% a year, per the Federal Open Market Committee inflation projections "PCE Inflation-Longer Run". See attachment.

**Response Prepared by: Mark Mullen**



9/12/2019

Mark Mullen  
Avangrid Renewables  
1125 NW Couch St.,  
Suite 700  
Portland, OR 97209

**Re: Tatanka Decommissioning 2050 Pricing**

Dear Mark Mullen:

Barr Engineering’s (Barr) “Wind Project Decommissioning Plan – Tatanka Ridge Wind Project – May 2019” describes the Tatanka Wind Project components, impacts and feasibility of decommissioning of the Project at the end of its useful life. The report, based on the design completed at the time, includes a cost estimate of decommissioning activities expected to be needed to return the site to approximate preconstruction conditions. Table 1 below, from the referenced Decommissioning Plan represents the estimated decommissioning costs.

**Table 1 Net Decommissioning Summary**

Item	Cost
<b>Decommissioning expenses</b>	<b>\$9,083,000</b>
Potential revenue - salvage value of turbine components and recoverable materials	(\$4,093,980)
<b>Net Decommissioning Cost</b>	<b>\$4,989,020</b>
<b>Per Turbine Decommissioning Cost (based on 56 turbines)</b>	<b>\$89,090</b>

These costs were not scaled nor accounted for inflation of future cost at the end life of the project. These costs are calculated to be in 2019 dollars.

**2050 Pricing**

It’s not possible to account for dynamic changes in the construction, energy or labor markets thirty years from now, but one can assume an inflation factor. An inflation rate of 2.0% a year, per the Federal Open Market Committee inflation projections “PCE Inflation-Longer Run”, was used to convert potential future costs of the decommissioning of the Tatanka Wind Project into 2050 dollars. (Table 2)

Sincerely,

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Joel Bahma, P.E.

Table 2 Decommissioning per Turbine in 2050 Dollars

Year	Inflation*	Includes Salvage, No Resale	No Salvage, No Resale
2019		\$ 89,090	\$ 162,196
2020	2%	\$ 90,871	\$ 165,440
2021	2%	\$ 92,689	\$ 168,749
2022	2%	\$ 94,543	\$ 172,124
2023	2%	\$ 96,433	\$ 175,567
2024	2%	\$ 98,362	\$ 179,078
2025	2%	\$ 100,329	\$ 182,660
2026	2%	\$ 102,336	\$ 186,313
2027	2%	\$ 104,383	\$ 190,039
2028	2%	\$ 106,470	\$ 193,840
2029	2%	\$ 108,600	\$ 197,717
2030	2%	\$ 110,772	\$ 201,671
2031	2%	\$ 112,987	\$ 205,704
2032	2%	\$ 115,247	\$ 209,818
2033	2%	\$ 117,552	\$ 214,015
2034	2%	\$ 119,903	\$ 218,295
2035	2%	\$ 122,301	\$ 222,661
2036	2%	\$ 124,747	\$ 227,114
2037	2%	\$ 127,242	\$ 231,656
2038	2%	\$ 129,787	\$ 236,290
2039	2%	\$ 132,383	\$ 241,015
2040	2%	\$ 135,030	\$ 245,836
2041	2%	\$ 137,731	\$ 250,752
2042	2%	\$ 140,485	\$ 255,767
2043	2%	\$ 143,295	\$ 260,883
2044	2%	\$ 146,161	\$ 266,100
2045	2%	\$ 149,084	\$ 271,422
2046	2%	\$ 152,066	\$ 276,851
2047	2%	\$ 155,107	\$ 282,388
2048	2%	\$ 158,209	\$ 288,036
2049	2%	\$ 161,374	\$ 293,796
2050	2%	\$ <b>164,601</b>	\$ <b>299,672</b>

\*Board of Governors of the Federal Reserve System (2019, June 19). *FOMC Projections materials, accessible version*. Retrieved from <https://www.federalreserve.gov/monetarypolicy/fomcprojtabl20190619.htm>

**South Dakota Public Utilities Commission  
Tatanka Ridge Wind Project, LLC  
Docket EL 19-026  
Response to Staff's Third Data Request**

**Date: September 6, 2019**

**Data Request:**

3-11) Refer to the Applicant's response to Commission Staff Data Requests 2-16.

a) Please explain how the as-builts could materially change the project decommissioning estimates provided to the Commission in the Application.

b) Please explain why it is necessary to adjust the decommissioning cost estimate and associated financial assurance after year 1 to address any immaterial cost changes rather than waiting until after year 5 or 10.

**Response:**

3-11

a) Based on previous experience from other wind plant projects, it is not anticipated that using the as-built configuration of the facility will materially change the decommissioning estimates.

3-11

b) It is not necessary to adjust the decommissioning estimate and associated financial assurance after year 1 to address immaterial cost changes. The applicant is open to waiting until after year 5 or 10 to adjust the estimate.

**Response Prepared by:**

Mark Mullen