

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

**IN THE MATTER OF THE APPLICATION BY TATANKA RIDGE WIND, LLC. FOR
A PERMIT FOR A WIND ENERGY FACILITY IN DEUEL COUNTY, SOUTH
DAKOTA, FOR TATANKA RIDGE WIND FARM**

SD PUC DOCKET EL19-026

**PRE-FILED DIRECT TESTIMONY OF ANNETTE STURGILL
ON BEHALF OF TATANKA RIDGE WIND, LLC.**

October 4, 2019

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1 **Q. Please state your name, employer, and business address for the record.**

2 A. Annette Sturgill, Avangrid Renewables, LLC, 1125 NW Couch Street, Suite 600,
3 Portland, Oregon, 97209.

4 **Q. What's your current position with the Applicant or its parent company?**

5 A. My position is Managing Director responsible for Credit Risk and Collateral
6 Management.

7 **Q. Briefly describe your professional experience.**

8 A. I have been with Avangrid Renewables, LLC for over 18 years, serving in the capacity of
9 a Risk Manager, with responsibilities including credit risk, collateral risk, and enterprise risk.
10 Prior to this, I worked in the banking industry in the roles of lending officer, credit analyst and
11 credit administrator.

12 **What's the purpose of your testimony?**

13 A. The purpose of my testimony is to support the applicant's request to guarantee the
14 financing of decommissioning the Tatanka Ridge Wind Farm with a parent guarantee from
15 Avangrid, Inc.

16 **Q. What's your experience with escrow accounts, letters of credit, surety bonds, and**
17 **parent guarantees relative to wind farms?**

18 A. My department is responsible for the issuance and administration of parent guarantees,
19 for coordinating the issuance and administration of letters of credit and surety bonds, and for
20 coordination and tracking of escrow accounts. In addition, we are involved in certain aspects of
21 the negotiation of these credit support instruments in conjunction with our legal and treasury
22 departments. This typically includes the amount of the credit support and also to provide
23 information about the financial condition of Avangrid, Inc. I have participated in the

development of the proposed parent guarantee for this project. Escrow arrangements are typically handled by a different department within the corporate structure. In my experience with the company, which has built over 6 GW of wind projects throughout the United States, we have always honored our contractual obligations and we would expect to honor our decommissioning obligations as they may arise.

Q. Do you have any sample documents to share with the commission?

A. I have attached the proposed form of parent guarantee for this project.

Q. Are you familiar with the ownership structure of this wind farm?

A. Yes. Tatanka Ridge Wind, LLC is a wholly owned subsidiary of Avangrid Renewables, LLC. Avangrid Renewables, LLC is a wholly owned subsidiary of Avangrid Renewables Holdings, Inc. Avangrid Renewables, Holdings, Inc. is a wholly owned subsidiary of Avangrid, Inc.

Q. You've provided a form of parent guarantee for consideration. How does this work?

A. A parent guarantee is a promise to pay in case the guaranteed subsidiary company fails to meet its obligations. In this case, Avangrid, Inc. is entering into an obligation to make payment in the event that Tatanka Ridge Wind LLC does not satisfy its decommissioning obligations.

Q. Why should the Commission accept a parent guarantee for this project?

A. Avangrid, Inc. is a utility holding company with substantial assets in the United States. Avangrid, Inc. has both regulated and unregulated operations. Avangrid, Inc. is listed on the New York Stock Exchange (AGR) and has a market capitalization \$16.1 billion as of September 30, 2019. As a publicly traded company, Avangrid, Inc. is regulated by the U.S. Securities and Exchange Commission. Financial results for the first half of 2019 included total assets of \$33.1 billion, revenues of \$3.2 billion and net income of \$321 million, as per the June 30, 2019 10-K

filing. The financial condition is frequently assessed and reviewed by analysts and rating agencies, including Standard & Poor's, Moody's Investors Service and Fitch Ratings. Standard & Poor's has assigned a corporate issuer rating of BBB+. Moody's Investors Service has assigned a corporate issuer rating of Baa1. Fitch Ratings has assigned a corporate issuer rating of BBB+. These ratings are two notches above the minimum investment grade level. I have attached the most recent rating agency reports for review.

Q. Have you offered the same form of parent guarantee to Deuel County?

A. Yes I am aware that we have. I understand that it was considered at a zoning board meeting in September and will be considered again at a Deuel County zoning board meeting on October 15.

Q. Would the project accept having two different forms of credit support for the same decommissioning costs?

A. We think it critical that the County and the Commission be satisfied with the same decommissioning credit support. The project should not have to guarantee the same cost twice for two different permitting jurisdictions. One guarantee for one potential cost is sufficient to address this potential situation.

Q. Do you have comments on the escrow account requirement previously ordered by the Commission?

A. Yes. There is risk and cost associated with that the escrow mechanism. The cost of holding an escrow account is much higher than the cost of a parent guarantee and an inefficient use of capital since the money would sit in an account for the life of the asset without the company being able to utilize the money for its various capital improvement projects throughout the United States. Further, there is no FDIC insurance for such an account above \$250,000,

which in this case would be the vast majority of the deposit amount. The parent guarantee would take effect immediately, provide full coverage immediately, and it will be from an investment grade corporate entity.

Q. Anything further?

A. No not at this time.

Dated this 4th day of October 2019.

/S/

Annette Sturgill