

1 (The following is an excerpt from the June 7th, 2021,
2 Commissioner Proceedings, Hughes County, South Dakota)

3 COMMISSIONER: Okay. Wind project update.

4 Thanks, Ben.

5 COMMISSIONER: Thank you.

6 COMMISSIONER: Come on in.

7 MR. WILLIS: Good afternoon. My name is Casey
8 Willis. I'm with ENGIE North America, so I'm the
9 project developer for a project that we have
10 partially in Hughes County, partially in Hyde County
11 called the North Bend Wind Project. So, first off,
12 I apologize for not being here before. Obviously,
13 there's been some limitations for a lot of folks in
14 the past 16 months or so. This is actually my
15 first authorized travel out here, so thank you for
16 allowing me to come in front of you.

17 Just to give you kind of an overview. We have
18 been working out here with the landowners since
19 about 2015 signing easements. It's usually the
20 start of how a wind project begins and develops is
21 we partner with some of the landowners to determine
22 if there's interest.

23 The project itself is located on about
24 40,000 acres of easements that have been signed
25 over time. This represents about 75 landowner

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1 groups. In that period of time, once we have a
2 significant period of easements signed, we've been
3 doing what I'd call baseline biological and
4 environmental studies over the past couple of years.
5 It was partially in conjunction with the adjacent
6 Triple H wind project, which is now operating, and
7 in addition to that, finalizing interconnect studies.

8 The interconnect studies are kind of the
9 significant milestone for any wind project. Here in
10 this area, it's the Southwest Power Pool where you
11 enter into the interconnection queue and they
12 evaluate the capacity on the system and what happens
13 when you inject wind power at a particular location,
14 what upgrades are needed, how does that factor in
15 with existing resources' demand, other energies that
16 have queue positions, so that process is fairly
17 technical and it goes through several iterations and
18 takes years to complete.

19 So we're now at a point where we know that
20 basically the queue position that we have, that it's
21 viable. In some instances, you can have a queue
22 position where you think it will work great, and,
23 unfortunately, it triggers eighty, a hundred million
24 dollars of upgrades that can't be absorbed by a
25 project. Project doesn't work in that location.

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1 In this instance, we think it does. Our queue
2 position is on a WAPA line. It's kind of on the
3 southeast side of the project that exists right
4 there. It's the Fort Thompson to Oahe 230-kilovolt
5 line.

6 As of the moment right now, we have not formally
7 signed a turbine supply agreement. Part of the
8 reason for that is we also have not signed a power
9 purchase agreement to sell power from the project,
10 nor have signed the balance of plan, which is who the
11 -- the construction contractor. Those are what I
12 would deem as, like, the key major contracts.
13 Generally, you try to sign them all at the same
14 time.

15 We're fairly confident this project will be very
16 competitive, similar to how Triple H was. And we've
17 been very competitive in submitting bids into
18 various proposals to sell power to different
19 entities, and we think we'll be successful at some
20 point in the not too distant future.

21 Right now, if everything aligns perfectly, we
22 would look to start construction in 2022. This
23 would obviously -- we obviously would need permits
24 in hand before, in order to do that.

25 So if everything worked out perfectly, we'd look

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1 at starting construction in early 2022 and attempt
2 to complete construction and have it be operating
3 by the end of 2022. That may not happen. It could
4 slip slightly, just depending on how things
5 progress out in terms of negotiations and selling
6 power.

7 So the second -- the map in here just shows the
8 general project boundary of how it sits across the
9 Hughes and Hyde County line. Right at the moment,
10 we kind of envision it split 50/50 between turbine
11 locations, and it shows the location that we're
12 interconnecting into.

13 In terms of the project size, what we're
14 targeting is a 200-megawatt project. This would be
15 considered kind of a moderate-sized project. In
16 comparison, the Triple H project is slightly bigger
17 at 250-megawatts.

18 The turbine model that we believe is the most
19 competitive here is the GE model. It's just
20 slightly different than the one that was used at
21 Triple H. It's just it happens that the turbine
22 manufacturers continually innovate the models they
23 offer and so this is basically like a slight upgrade.
24 It's the new model for the next -- you know, the
25 next year that they would deliver part -- or

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1 turbines for it.

2 So what we're looking at using is a G -- it's a
3 General Electric 2.82 127 machine. What that means
4 is that each turbine can generate up to 2.82
5 megawatts each, and the rotor on the turbine is
6 127 meters.

7 So based on that, what we're going to look to do
8 is prepare permit applications that would request a
9 total of 78 locations of which we would only build
10 71. That difference represents alternatives that are
11 within there. It gives us a little bit of
12 flexibility in the event that, as we do geotech
13 studies, that there's something from a soils
14 standpoint that would not work with one location, we
15 can supplement it out for another, but no more than
16 71 would be built.

17 So I mentioned that the size of the rotor is
18 127 meters. What that means is that at the
19 12 o'clock position, the turbine would be just
20 under 500 feet.

21 So for reference, the Triple H turbines out
22 there are 486 feet at tip height, so it's slightly
23 taller. From a broad perspective, these are
24 actually on the smaller size for wind turbines
25 these days. What we're finding is that the

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1 nameplate capacity of the turbine has been
2 increasing and the size of the turbines have been
3 larger with time.

4 The reason -- the reason we're able to use a
5 smaller turbine here is the higher consistent wind
6 speeds in that area that we found.

7 I'd mention again, the point of interconnect is
8 on the Fort Thompson to Oahe. We're currently
9 working with state lands on a location that WAPA
10 would own and build a switch arc right at that
11 location.

12 This project would not have an overhead
13 transmission line. What happens is that we'll build
14 this project's substation immediately adjacent to it.
15 All of the -- all of the turbines have been
16 collected at a 34.5 kilovolt level. What that means
17 is they're basically -- it's a lower voltage after
18 it's stepped up in the turbine. They're strung
19 together. And all of those lines are trenched and
20 in the ground so that they're not overhead.

21 And then this last video that I include in here
22 is -- it shows the usable turbine area. And the
23 reason I include this is that at the start of when I
24 started speaking, I mentioned 40,000 acres under an
25 easement. Oftentimes, there's an assumption that we

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1 can place turbines anywhere, and that doesn't --
2 that's not the case, really.

3 It's -- once you factor in those setbacks that we
4 would use as a company, or in this case, county
5 setbacks that have been adopted, it significantly
6 reduces the area where you can consider placing a
7 turbine.

8 So in this figure, it reduces it down by over --
9 almost 80 percent. 21 percent of the leased area we
10 can actually use and consider. After that, there's
11 even spacing aspects. We can't put turbines too
12 close to each other, perpendicular to the wind or
13 parallel to the wind, otherwise they wag each other
14 in terms of the performance, so there's a fairly
15 limited area where you can place the turbines.

16 So overall, this project would represent a
17 capital investment of about 250 to \$270 million.
18 The project is likely to create about six to eight
19 new full-time positions during operation.

20 This is lightly lower than a stand-alone project
21 and it's because the Triple H project employs -- I
22 don't know the exact figure. We'll call it 15 to 18
23 because it's the same turbine model. Because
24 they're in close proximity, we anticipate that
25 there would be some efficiencies there where we'd

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1 hire anywhere from six to eight, but that's just
2 kind of -- that's a best guess at this point.

3 During construction, we typically see about up to
4 400 people on-site at any one time -- excuse me. Up
5 to 400 people that are employed, 130 on-site at any
6 one time.

7 The property taxes in South Dakota are dictated
8 by state statute. It's based on the production from
9 the site itself. And also the nameplate capacity of
10 the project as a whole. And the reason -- I would
11 guess the reason for that is in certain years there's
12 a higher production and lower production, so by
13 including a calculation based on the size of the
14 project, it balances that out.

15 Our estimate, based on the annual production
16 over the life of the project, is that it will produce
17 just under a million dollars a year or about 29
18 million in taxes over the life of the project.
19 That's split out between the state, the counties,
20 and the school districts -- the school district
21 calculation.

22 The state would receive about 300,000 or 8.8 over
23 the 30-year life. The counties, roughly 337,000
24 annually, or about 10.1 million, and the school
25 district calculation tracks alongside of that.

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1 What we find -- and obviously this is going to
2 generate, you know, income for the local -- for the
3 residents that are participating. And we find that
4 there's a fair amount of indirect benefit that comes
5 with other local services that are used in
6 conjunction with the project operation as well as in
7 -- during construction itself.

8 So that's kind of a high-level overview of what
9 we're contemplating. And I am here for any
10 questions that you may have.

11 COMMISSIONER: Casey, I have a quick question
12 for you.

13 MR. WILLIS: Sure.

14 COMMISSIONER: I mean, we're hearing all the
15 positives and the dollars and everything. There was
16 a lot of questions back when we were setting the
17 setbacks about health and effects on wildlife. Have
18 you guys done any updated studies? I am assuming
19 that concerns you guys. Have you done any updated
20 studies on anything?

21 MR. WILLIS: So I'll touch on the health one.
22 That doesn't. The reason I say that is there's
23 fairly significant studies that I can provide you
24 that have documented that there is not health
25 effects caused by wind turbines. These are done

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1 and replicated in different countries, different
2 county agencies, different states. I can provide
3 you a list of those studies, but that's fairly
4 conclusive.

5 From the biological aspect, I mentioned that
6 we've done three years of studies. In large part --
7 you know, this particular area I don't find is
8 particularly sensitive, and a large part is because
9 there's a lot of tilled areas used in agricultural
10 production.

11 We don't find this from our studies in our
12 baseline work. And even what we found at Triple H,
13 which has a very similar kind of habitat dynamic,
14 that the impacts are fairly minimal.

15 COMMISSIONER: Okay. Do you have any other
16 questions?

17 COMMISSIONER: ENGIE, is it a U.S. company or is
18 it a foreign company?

19 MR. WILLIS: It's a French company.

20 COMMISSIONER: It's a French company.

21 MR. WILLIS: So it's a -- I should go beyond
22 that. It's a conglomerate that is Belgium and
23 French, and it has ties to building the Suez Canal,
24 but yet -- so my aspect, I work for ENGIE North
25 America and our headquarters are based in Houston.

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1 COMMISSIONER: Is there any U.S. companies that
2 puts up wind turbines?

3 MR. WILLIS: I'm sure the answer is yes, but you
4 get various players in the market. So I -- this
5 project itself -- this project itself, I worked for
6 the prior company called Infinity Renewables. We
7 were entirely a U.S.-based company. The difference
8 is is that our role at that time was develop and
9 de-risk a project, because the capital costs
10 associated with building it were -- far exceeded what
11 a small company can do.

12 There are a lot of companies that operate like
13 that. And then they partner with a larger partner
14 with a balance sheet they can build on and operate
15 it.

16 What ENGIE did is they bought out Infinity. I
17 came on as an employee along with 20 or 30 other
18 folks, so they're an owner-operator long-term and
19 always have been, but they brought in a group that
20 can develop as well. So that's a long way of me
21 saying, in some instances there are, like NextEra is
22 a Florida-based company that builds projects. They
23 have a project in Hyde County. There are probably
24 other ones, but there definitely are a lot of
25 European-owned utilities that have groups in the

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1 U.S. that owner-operate projects.

2 COMMISSIONER: I just know from past, you know,
3 experience, when you're dealing with an overseas
4 company, when it comes to money or problems, you're
5 toast. If you have to go to court on something,
6 they're gone.

7 I used to ship grain to China. I got paid before
8 it got to Seattle, you know, stuff like that. So if
9 there was ever an issue, you know, there was already
10 prior inspection. But, you know, I've seen foreign
11 companies come in, do projects. When it doesn't
12 work out, they either try to flip them or they
13 dissolve and you're left with damage. How can we be
14 sure that ENGIE won't be one of them?

15 MR. WILLIS: Right. So grain, you can pick up
16 and move, right? I can't pick up and move a project
17 once this is done. I'll give you the example of the
18 Triple H project, that is a \$300 million project
19 that is in the ground.

20 Let's assume ENGIE went bankrupt. There's power
21 purchase agreements with Wal-Mart and Boston
22 University that have significant value. They would
23 take -- someone would buy that project out of
24 bankruptcy -- Brett could probably speak to this a
25 bit better than I can -- it would own and operate the

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1 project because there's still significant value. In
2 terms of protecting the community, there's a
3 decommissioning bond and plan associated with that
4 project that is required by the Public Utilities
5 Commission to ensure that the infrastructure would be
6 removed in the event that an entity was not there.

7 I don't see that as an issue. That really hasn't
8 occurred. There's value in these projects. You
9 can't move them.

10 COMMISSIONER: So -- if it's okay, Chairman.
11 With that being said, you can't move them and the
12 life is 30 years, then what? Because what happens
13 that we're seeing right now, and it's been reported,
14 especially down south, is when these things have been
15 basically decommissioned, some of them are being cut
16 up and put in landfills where they take them. A lot
17 of them aren't being taken because the landfills
18 won't take them anymore because they don't -- they'll
19 never go away, what they're built from.

20 Number two is that when they sit there long
21 enough and it's time to get rid of them, the company
22 that originally started it is long gone and sold
23 again and sold to the third company that took the
24 last bit of money. Even though they had a bond
25 during the revenue days, the bond is now gone and

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1 they've bankrupted. And now there is nobody to
2 take it down, and the farmers or the landowners or
3 the counties or the state, which is what they're
4 fighting over right now, on how to handle this.

5 So, I mean, it's new territory for a lot of us,
6 and some of them are still being rebuilt and going.
7 But our concern is for the guy that says, Okay, now
8 what happens with ENGIE, because ENGIE does not keep
9 them, I'm understanding. They sell them as well.

10 MR. WILLIS: No.

11 COMMISSIONER: They've kept all their windmills
12 they've built? Every one so far?

13 MR. WILLIS: Correct. We're operators.

14 COMMISSIONER: When you say "operators" --

15 MR. WILLIS: We own and operate the projects.

16 We don't -- we don't --

17 COMMISSIONER: For how long?

18 MR. WILLIS: 30 -- the life of the project. I
19 mean, there could be circumstances where, as a
20 company farther down the line, that you're right, it
21 could be sold to a different entity.

22 COMMISSIONER: Are any of these entities owned
23 by a U.S. company?

24 MR. WILLIS: From my company -- from --

25 COMMISSIONER: Any of these windmill companies

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1 that you know out here right now.

2 MR. WILLIS: NextEra is a significant player in
3 the U.S. market. What are the projects in the south
4 that you're referencing?

5 COMMISSIONER: In Oklahoma right now.

6 MR. WILLIS: What's that?

7 COMMISSIONER: In Oklahoma. I can't give you a
8 name --

9 MR. WILLIS: Okay.

10 COMMISSIONER: -- right off the top of my head.

11 MR. WILLIS: The recycling aspect, no, that's a
12 significant issue that the industry is aware of.
13 It's something that we'd like to resolve, but, yeah,
14 there are some issues. It's not every part can be
15 recycled. That is absolutely the case. The blades,
16 in particular, are composite.

17 COMMISSIONER: Right. And they're dealing with
18 that in Sioux Falls right now. They're hauling them
19 as long as they're taking them, but even that, we're
20 told, is going to come to an end. So then what
21 happens to them?

22 MR. WILLIS: The aspect that I mentioned, again,
23 is --

24 COMMISSIONER: Because they'll never go away. I
25 mean, these things, what we're told, the carbon

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1 fibers will never disintegrate, ever.

2 MR. WILLIS: Right. The actual removal is
3 covered in the decommissioning plan as required by
4 the PUC during the life of the project. We're
5 required to fund it, so that ensures the removal of
6 it.

7 COMMISSIONER: As long as you still have
8 financial --

9 MR. WILLIS: Or anybody that owns it has to -- is
10 required to take on that commitment.

11 COMMISSIONER: As long as they have the financial
12 wherewithal to do it; correct?

13 MR. WILLIS: No. I mean, you want to explain the
14 bond better than I can?

15 MR. KOENECKE: Sure. The -- all the wind farms
16 that have been built since -- well, this
17 current bulge, since 2017 have been required to
18 escrow funds through a South Dakota bank to pay for
19 the decommissioning, so that builds up a cash balance
20 over time --

21 COMMISSIONER: So that will never go away?

22 MR. KOENECKE: -- so that goes along with the
23 project and can't be spent without authority of the
24 Public Utilities Commission.

25 COMMISSIONER: Why was there some states or even

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1 in different counties, why are they putting
2 moratoriums on building wind turbines here in the
3 last six months to a year? What's going on in them
4 areas?

5 MR. WILLIS: I don't know.

6 MR. KOENECKE: I'm not familiar with --

7 MR. WILLIS: Perception sometimes.

8 MR. KOENECKE: I would say one thing I know is
9 that there are some counties that haven't done the
10 hard work of putting their zoning and construction
11 ordinances in place. That -- I'm familiar with that,
12 I guess. But as far as other reasons, I couldn't
13 speak to what those are.

14 If a county hasn't prepared and hasn't done the
15 work and are not ready for it, and then they feel,
16 Oh, my gosh, there's an announcement, we've got to
17 react to that. I guess, I've seen that. But,
18 otherwise, I don't know about a moratorium that's
19 just been put in place. I couldn't speak to that.

20 COMMISSIONER: Do you have another one?

21 COMMISSIONER: Yes. On the WAPA line you said
22 you're going to be using, so am I understanding
23 correctly that the power that is generated from these
24 dams right now doesn't utilize the line fully today,
25 so there's room on that line for more power?

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1 MR. WILLIS: It depends on how the power flows
2 from that area. That's taken into account because
3 the power generated from dams, gas-fired power
4 plants, coal-powered --

5 COMMISSIONER: Let's just talk about WAPA here
6 with our dams.

7 MR. WILLIS: Right.

8 COMMISSIONER: Is this line empty then? It's
9 not used?

10 MR. WILLIS: It's not that it's empty. It's --
11 there's capacity to allow just additional generation,
12 so those dams would have been factored into the
13 analysis as the baseline.

14 COMMISSIONER: So when you say there's capacity
15 available, that's assuming that the dams are not
16 running or if they're running at full?

17 MR. WILLIS: I would imagine it's the latter.

18 COMMISSIONER: So if they're all running at full
19 capacity --

20 MR. WILLIS: Yes.

21 COMMISSIONER: -- there's still capacity on that
22 line for these?

23 MR. WILLIS: It doesn't necessarily mean it all
24 goes through that line. It can go to a variety of
25 locations. It depends on where the substations are.

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1 So the one that it interconnects to is the fairly
2 large one north of Fort Thompson.

3 COMMISSIONER: So let me ask you this, then: By
4 the wind turbines that are operating, if they're
5 operating, because they go on and off based upon the
6 wind.

7 MR. WILLIS: Right.

8 COMMISSIONER: Will they interfere with this dam,
9 mainly Oahe or Fort Thompson, would their power
10 source having to shut or go, they'll -- it never
11 effects when there are things awry, then?

12 MR. WILLIS: To my knowledge, no.

13 COMMISSIONER: Will all the power be dumped right
14 on just that WAPA line or it's going to go into other
15 lines as well.

16 MR. WILLIS: It kind of flows -- you don't direct
17 electrons. They go from a high to a low source,
18 right?

19 COMMISSIONER: Okay.

20 MR. WILLIS: They go to the load center. So they
21 would generally stay locally.

22 That said, there are -- you know, I mentioned --
23 I keep mentioning Triple H because it's an obvious
24 example. We had a power purchase contract with
25 Wal-Mart. We're not delivering electrons directly

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1 to Wal-Mart stores. It's -- you know, it's a paper
2 transaction --

3 COMMISSIONER: Right.

4 MR. WILLIS: -- that's tied to their corporate
5 incentives.

6 COMMISSIONER: Right.

7 MR. WILLIS: They fund, invest in renewables.
8 That's kind of how it works.

9 COMMISSIONER: Because who kind of controls most
10 of -- where do we buy our power from now? Who is
11 that big company?

12 COMMISSIONER: East River?

13 COMMISSIONER: No. Where do they get it from?

14 COMMISSIONER: Basin Electric.

15 COMMISSIONER: Basin Electric.

16 COMMISSIONER: Yep.

17 COMMISSIONER: So you'll be dumping a lot of this
18 into Basin Electric; right?

19 MR. WILLIS: No, it's the WAPA system. Triple H
20 is in the Basin system.

21 COMMISSIONER: Okay.

22 MR. WILLIS: It's all part of the Southwest Power
23 Pool as a whole, which is the regional transmission
24 authority that they all operate within.

25 COMMISSIONER: I mean, I've got to be honest with

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1 you, after watching Texas this year, it's kind of a
2 head-scratcher. You know, I don't know if we all
3 have enough pickups to power our houses if we get
4 pretty dependent on renewable energy.

5 MR. WILLIS: Yeah. So we recommend that -- that
6 was not caused -- what occurred in Texas, in terms
7 of the winter, was not completely caused by
8 renewables. And that's been --

9 COMMISSIONER: I agree.

10 MR. WILLIS: Right?

11 COMMISSIONER: They just got a little too
12 dependent and --

13 MR. WILLIS: No. Actually, it has to do with
14 winterization of energy resources as a whole. So
15 this was something that was flagged ten to fifteen
16 years ago in a prior freeze as a problem, and that
17 was what happened, to a lot of oil and gas facilities
18 as well. Certainly renewables went down.

19 We had projects in Texas as well. What happens
20 is that -- you know, in South Dakota we use winter
21 packages in the turbines because it's consistently
22 cold.

23 In Texas we don't typically do that. It's kind
24 of like taking a parka to Miami in the summer.
25 You're probably not going to need it.

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1 The same goes with a lot of the energy
2 productions facilities in Texas. There's other
3 aspects, too, ERCOT is really unique. It's an
4 isolated island. Texas is independent and always has
5 been. They can't pull any power from additional
6 areas to offset when generation goes down. That's
7 another component that was problematic as well.

8 COMMISSIONER: Thank you. Connie?

9 COMMISSIONER: Thank you, Mr. Chairman. I have
10 just a couple of questions, Casey. When we were
11 talking about our setbacks, were you the one that was
12 on the phone that time with us?

13 MR. WILLIS: I was, yes.

14 COMMISSIONER: Okay. Well, thank you for being
15 here. It's nice to put a face with a name.

16 MR. WILLIS: Yes.

17 COMMISSIONER: And I -- at that time I had a
18 question and asked about the residents, so I'd like
19 to kind of look at that map.

20 MR. WILLIS: Sure.

21 COMMISSIONER: Where we have all of these little
22 dots and -- so these are the -- these are people
23 where they're actually living on these little dots.
24 Is that --

25 MR. WILLIS: Yes.

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1 COMMISSIONER: -- what I'm seeing?

2 MR. WILLIS: They're occupied residents per the
3 county's description, yes.

4 COMMISSIONER: So when we were talking about
5 that, about -- my question back then was: How many
6 people are within this project area? And you didn't
7 have that answer.

8 MR. WILLIS: I still don't know that I have that
9 necessarily.

10 COMMISSIONER: Okay.

11 MR. WILLIS: I don't know the exact number. I am
12 going to guess, and I am only going to guess this
13 because I've seen our noise analysis --

14 COMMISSIONER: Okay.

15 MR. WILLIS: -- that will be coming with an
16 application. It's probably 50 homes, give or take.
17 If in 40 acres plus a half-mile boundary around that
18 40 -- excuse me 40,000 acres, so it's a fairly large
19 area. I want to say 50 to 60 homes.

20 COMMISSIONER: So what does it mean by -- so I'm
21 just looking at the map. Just, please, bear with me.
22 So what -- what does it mean by the proposed net
23 locations? What's those triangles?

24 MR. WILLIS: Those are -- so what we use are net
25 towers, which are essentially -- and this is what

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1 we've used to test the wind speeds at various levels.
2 It helps us to assess whether something is viable or
3 not. I've had projects that we put them up and wind
4 speed is not what we thought. Those are temporary.

5 COMMISSIONER: Okay.

6 MR. WILLIS: So they're placed out there.
7 There's probably five or six of them over significant
8 periods of time that are up right now. And that's
9 what we use to assess the wind speeds.

10 COMMISSIONER: Okay. So I just have a couple of
11 requests, if that's --

12 COMMISSIONER: Go ahead.

13 COMMISSIONER: Okay. So my questions are -- or
14 my request to you would be -- I'm a numbers person,
15 so my question would be: I'd like to know, could I
16 get a copy of your calculations of how you generated
17 971,000 a year for taxes?

18 MR. WILLIS: Yes.

19 COMMISSIONER: And how that was broke down
20 amongst the state, counties, and school districts?

21 MR. WILLIS: Yeah. I can do that to a certain
22 degree. What it does depend on is the net capacity
23 factor.

24 COMMISSIONER: Sure.

25 MR. WILLIS: That's a proprietary thing.

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1 COMMISSIONER: Okay.

2 MR. WILLIS: It's not something -- we use the
3 accurate one, but it's kind of -- it's not something
4 that's shared publicly, but that's what we base the
5 tax calculations on.

6 COMMISSIONER: I guess I don't understand.

7 MR. WILLIS: So it's -- it's kind of like asking
8 someone: How much is in your bank account? That's
9 the rough equivalent, so it's proprietary. It's what
10 we collect. It's based on the --

11 COMMISSIONER: You might be looking for more
12 capacity factor.

13 MR. WILLIS: Capacity factor is -- the net
14 capacity factor is the average wind production once
15 you factor in electrical losses.

16 COMMISSIONER: Yeah.

17 MR. WILLIS: So it's the 50 percent value. The
18 median, I should say. So in certain areas you hear
19 net capacity factor at 40 percent. So 40 percent of
20 the time it's produced -- it produces 40 percent of
21 the power over 365 days a year.

22 COMMISSIONER: Sure. Okay. So can you tell
23 me -- let's say it's 40 percent, whatever that
24 number is.

25 MR. WILLIS: Yeah.

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1 COMMISSIONER: Whatever that is, can you tell me
2 what the ones that are currently right there, like
3 they're right in here already; right? Are you
4 estimating those same numbers? You guys have -- you
5 own something real close to this; right?

6 MR. WILLIS: Right.

7 COMMISSIONER: Can you tell me what those actual
8 numbers are? And where I am trying to go with this
9 is: Are those numbers close to what this is -- what
10 those estimates are?

11 MR. WILLIS: But remember, they're variable.
12 So -- right? You're going to have some instances
13 where wind production is lower than expected.

14 COMMISSIONER: Yep.

15 MR. WILLIS: Net capacity is the 50 percent of
16 the median and sometimes it's higher, so it depends
17 on what the wind production was for a particular
18 year.

19 In terms of Triple H, we just started operating
20 within the first six months so we haven't paid the
21 taxes at least for the first year yet. I can tell
22 you what the estimates were. It's the same idea.
23 It's based on the net capacity factor, but it's no
24 different than, you know, the calculation -- I can
25 provide the calculations. It will have the average

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1 estimate, but it won't include the capacity factor.

2 COMMISSIONER: Okay. Great. Thanks. I'm
3 trying to debate whether to ask this next question.

4 COMMISSIONER: Go ahead.

5 COMMISSIONER: I guess I will. So here is my
6 last question: Is there federal funding tied to
7 this? How does that work? I'm just curious because
8 I'm a number person, so --

9 MR. WILLIS: No, that's fine.

10 COMMISSIONER: -- is it so much per tower? How
11 does that work?

12 MR. WILLIS: So it's called a production tax
13 credit. There's a tax credit.

14 COMMISSIONER: Okay.

15 MR. WILLIS: I think it's 2.1 -- I don't even
16 remember off the top of my head, but either -- it's
17 2.1 -- let me get back to you on the exact number --

18 COMMISSIONER: Okay.

19 MR. WILLIS: -- because it's variable. There's
20 an -- so essentially what happens is we have a tax
21 equity partner that will come in. Usually it's a
22 bank that has a tax liability. That's how it's
23 monetized essentially, the federal tax credit.

24 COMMISSIONER: Right. Okay. So dumb it down
25 for me.

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1 COMMISSIONER: We do that with housing all the
2 time. If you're going to build with housing
3 authority, whatever, you get a tax credit back when
4 you buy it, the banks do. So how I -- I think what
5 your question is is how do you do that with this?
6 How is that calculated out? I can get you to the
7 penny on -- South Dakota Housing is doing a tax
8 credit for a senior housing center. So I would
9 imagine the tax credit is handled the same way for
10 this; correct?

11 COMMISSIONER: It figures into the financing is,
12 I think -- my limited understanding of it is when
13 these guys put the project out for financing and go
14 through that process, that gets figured in at that
15 point is how I understand it.

16 MR. WILLIS: That is correct.

17 COMMISSIONER: I haven't done that kind of work
18 on that side of a transaction, but the financing is
19 where they take that out and turn that into -- it's
20 essentially financial reward or whatever you want to
21 say to the wind farm company. It figures into their
22 costs of doing business and their costs of
23 production, and all of those things, but that's where
24 it comes in at is in the financing part with the
25 bonds that are sold or however they choose to do it.

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1 COMMISSIONER: Does that make sense?

2 COMMISSIONER: Kind of. So -- okay. So you go
3 to a bank or you bond it. The turbine, the project
4 itself gets -- you borrow the money to borrow this
5 250 to 270 million to build the towers?

6 MR. WILLIS: It's not bonded, necessarily. This
7 gets a little outside of my background, so I
8 apologize for that. I'll try to give you a better
9 explanation when I come in.

10 COMMISSIONER: Okay.

11 MR. WILLIS: Essentially you have an entity.
12 It's not bonded, but you have an entity that has a
13 tax liability that wants to look to offset that, so
14 they're putting up -- they're contributing a portion
15 into the project, it's kind of a silent partner, to
16 utilize that tax credit for themselves.

17 COMMISSIONER: Okay.

18 COMMISSIONER: So instead of really going out
19 and borrowing funds at 7 percent, it may be down to
20 1.5, and that bank basically eats the rest for the
21 credit for that, and they get a credit or tax deal
22 for it. I can show you on a --

23 COMMISSIONER: Yeah, I -- okay.

24 COMMISSIONER: And I think that can all --

25 COMMISSIONER: And we can take this offside.

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1 I'm just curious how it works.

2 MR. WILLIS: I can get you a better explanation
3 from our finance folks better than I can explain it.

4 COMMISSIONER: Great. Thank you.

5 COMMISSIONER: Any more questions for Casey?
6 Tom? Melanie? Any more questions?

7 COMMISSIONER: One more thing. The health deal,
8 there's no health issues to any of the public here.
9 But do you have your people that sign up for it, do
10 they have to sign any paperwork saying that you're
11 held harmless of any health issues?

12 MR. WILLIS: I mean, I think there's hold
13 harmless language in most development easements that
14 I'm aware of. Yeah, we have those, for sure.

15 COMMISSIONER: So if there's no health issue,
16 there shouldn't really need to be a health --

17 MR. WILLIS: It's a common --

18 COMMISSIONER: -- held harmless.

19 MR. WILLIS: You're the lawyer here.

20 MR. KOENECKE: They're complex agreements and
21 they cover a number of things. And there's certainly
22 nothing in there that would hold us harmless from
23 negligence or criminal standpoint, but there are
24 things in there as far as you do agree to live with
25 some of the known effects as well and so --

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1 COMMISSIONER: What are they?

2 MR. WILLIS: Generally, noise.

3 MR. KOENECKE: Generally.

4 MR. WILLIS: And flicker.

5 MR. KOENECKE: Shadow flicker would be the two
6 that I can think of. If you're going to take the
7 money from hosting a turbine and be a part of the
8 project, you don't get to then be an opponent of the
9 project.

10 COMMISSIONER: You can't sue yourself basically.

11 MR. KOENECKE: That's kind of the general line
12 of thinking there, but certainly there's no exemption
13 from negligence or criminal matters or anything like
14 that.

15 COMMISSIONER: Any more questions? Okay.

16 Thanks, gentlemen, for your time.

17 MR. WILLIS: Thank you.

18 COMMISSIONER: Nice meeting you, too, by the way.

19 MR. WILLIS: Yeah.

20 COMMISSIONER: Appreciate you coming in.

21 MR. WILLIS: Yes. It's much nicer in person than
22 over the phone. Thank you.

23 (End of transcription)

24

25

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