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EVA'S DECOMMISSIONING ESTIMATE FOR THE GREEN RIVER WIND FARM PHASE I

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EXECUTIVE SUMMARY

Energy Ventures Analysis, Inc. (EVA) was asked to review the **Green River Wind Farm Phase 1 Decommissioning Plan** that had been prepared for the applicant by Sargent & Lundy Consulting (S&LC) that explains RMT Energy's decommissioning estimate. If this plan was found to be unrealistic, EVA was to prepare an independent decommissioning cost estimate that would more closely approximate current decommissioning cost.

Our review found that the S&LC/RMT Energy report was unrealistic that resulted in vastly underestimating current decommissioning cost by more than \$19 million. The Green River Phase 1 project as proposed represents a very large future financial risk to return this site to pre-project conditions. These decommissioning costs should continue to change in the future as scrap market values change, construction labor costs escalate and local disposal costs rise with increased regulation and reduced remaining landfill capacity. EVA recommends that these future decommissioning financial and market risks should be assigned to the project developer and not to the local community through issuance of a project performance bond for a pre-described decommissioning scope of work defined by the local zoning board and issued by a highly rated bonding company.

A brief description of our major findings are described below and documented in this report.

The **Green River Wind Farm Phase 1 Decommissioning Plan** prepared by S&LC is merely a narrative supporting RMT Energy's 4/30/2012 demolition cost estimate (Appendix A). S&LC provided no independent engineering cost estimates but merely compares it to select other wind farm constructor's decommissioning estimates. RMT Energy is a wind farm constructor (Appendix B), but has no listed experience in decommissioning, demolition, disposal or salvage activities. The cost to take down the nacelle, hub and towers are likely to be known to wind farm constructors and are unchallenged and used in EVA's own estimate. However, the RMT Energy 4/30/2012 estimate uses undocumented cost estimates, provides unrealistic salvage values, not available in Lee or Whiteside County, and assumes a very limited scope of work (e.g. no demo of access road or buried power lines). The applicant's decommissioning report does not even include the metal recovery sizing costs, debris loading costs and Lee County landfill disposal cost fees for foundation concrete, blade disposal, non-metal disposal or realistic values for foundation removal, road or foundation land reclamation. There is no disclosed explanation for the values prepared by RMT Energy or divulged by S&LC.

As such, the applicant's **Green River Wind Farm Phase 1 Decommissioning Plan** is inappropriate for financial or governmental decision-making. An independent decommissioning cost estimate was therefore required.

To develop its independent decommissioning cost estimate, EVA conducted a site-specific and comprehensive cost estimate that was based on current local scrap prices (Dixon Iron and Metal in Dixon, IL as well as Cimco Recycling Ottawa in Ottawa, IL); Lee County landfill dumping fees, used transformer values from ELSCO Transformers of Cincinnati, OH¹. Local aggregate firms were contacted to determine if the removed used road gravel had salvage value². No surveyed firm was interested in the used road gravel.

¹ Elasco Transformers was not interested in purchasing either the wind turbine transformers or the master primary transformer (MPT) as their voltages, size were unique and had little resale value. This meant they had to be scrapped.

² St. Mary's Cement of Dixon, IL, Prairie Material-Aggregate Yard 112 of Dixon, IL; Rock River Ready Mix of Dixon, IL; and quarry operator Northwestern Illinois Construction Company

The 2012 R.S. Means Building Construction Cost Data 70th Annual Edition was used to estimate various other decommissioning costs including cost of preparing wind turbine components, loading the metal or non-metal material for landfilling, cost to disassemble components for disposal or scrap, foundation removal, backfill and landscaping. As for used gravel disposal, both landfill disposal and local stockpiling were evaluated.

The EVA cost estimate is provided in five tables as listed below:

- Table 1. Decommissioning Cost Known to Wind Turbine Contractors and Items With Insufficient Details to Make Independent Demolition Estimates
 - Estimate: \$7,658,150

- Table 2. Estimate of Net Metal Scrap Value
 - Net Back: (\$2,482,592)

- Table 3. EVA's Estimate of Non-Metal Disposal Cost
 - Estimate: \$815,721

- Table 4. Foundation Removal and Foundation Land Reclamation
 - Estimate: \$10,995,843

- Table 5. Road Removal and Road Land Reclamation
 - Estimate: \$2,512,200 in a local surface stockpile of about 20 acres (likely)
or \$8,968,900 if used gravel is forced to use the Lee County Landfill (unlikely)

The amount of scrap (280 tons steel) and access road length (128,000 ft.) mentioned in the Sargent and Lundy Consulting and RMT Energy decommissioning report was used for this cost estimate. The local board should recognize that these estimates may change with the selection of turbines and completion of detailed project designs.

Below is a comparison of the Sargent and Lundy and RTM Energy demolition cost analysis and EVA's independent analysis. It shows EVA's analysis has an estimated demolition liability of the RMT Energy demolition estimate of \$20,202,079 for EVA vs. \$174,550 for RMT Energy.

Comparison of RMT Energy Sargent & Lundy vs. EVA's Demolition Cost Analysis

	RMT/Energy Demolition Cost Estimate as Reviewed and Commented by Sargent & Lundy (See Appendix A)	EVA's Independent Analysis Based on Local Salvage and Landfill Cost and R.S. Means Cost Estimates for Demolition Cost (See Tables 1 to 5)
Total Demolition Cost Less Road Removal and Road Land Reclamation	\$10,367,750	\$19,469,714 (see Tables 1, 3 and 4)
Net Salvage Value of Metals and Transformers	(\$10,119,200)	(\$2,482,592) (see Table 2)
Net Total Cost for Demolition Less Road Removal and Road Land Reclamation	\$174,550	\$16,987,122
Road Removal and Road Land Reclamation	Assumed to be not required as landowners would likely keep roads.	\$2,512,200 (see Table 5)
Estimate 3 County Liability at Current Prices	\$174,550	\$19,499,322
Lee County Ratioed Estimated Liability 59 or 87 turbines or 67.8% at Current Prices	\$111,345	\$13,223,678

As shown, the potential financial liability to return the site to pre-project levels is estimated to exceed \$19 million at current prices. In the future, this financial liability will change as scrap market values change, construction labor costs escalate and local disposal costs rise with increased regulation and reduced remaining landfill capacity. EVA recommends that these future decommissioning financial and market risks should be assigned to the project developer and not to the local community. Given future costs may change, the only assured approach is through issuance of a project performance bond for a pre-described decommissioning scope of work defined by the local zoning board and issued by a highly rated bonding company. This will shift all future cost risk changes to a third party and not the local community.

RECOMMENDATIONS

1. A performance bond should be obtained for the complete and full demolition of all aspects of the Green River Wind Farm Phase I and updated annually. A bond company will require the facility to be designed with "as built" drawings and will do or require detailed analysis by the owner or by the bonding company themselves before the bonding company risk their bond money.
2. If a performance bond is not obtained, a \$25 million demolition bond which includes a +25% contingency should be obtained and escalated and renewed annually for the entire project and divided by ratio to the three counties involved. The cost of the bond will be priced at the bond company's perceived risk each year in negotiation with Green River Wind Farm Phase I.
3. If any road removal is not to be done, the owner should commit themselves or any subsequent owner, that removal and/or maintenance of the road will be at their or the subsequent owners cost with no governmental cost and aid.
4. If any single wind turbine has not generated saleable electricity in a 12 month period and is not repaired and used to generate saleable electricity in the subsequent 12 months, it should be decommissioned in this second 12 month period. This is to prevent partial decay of the wind farm and the postponement of decommissioning of the entire wind farm. If this clause is not included, the wind farm could keep one of 87 wind turbines running to delay full decommissioning.