

# South Dakota Wind Partners

*More than 600 residents invest in seven 1.5 MW turbines*

**Owner:** South Dakota Wind Partners, LLC

**Operator:** Basin Electric Power Cooperative

**Where:** Jerauld County, SD

**Commissioned:** Construction, Oct. 7, 2010; commissioned Feb. 27, 2011; operational, Feb. 28, 2011

**Number of turbines:** 7

**Capacity:** 1.5 MW each; total of 10.5 MW added to the 101 turbines Basin Electric built through its Prairie Wind subsidiary.

**Cost of completed project:** \$21.5 million

**Financing:**  
Federal (1603 grant): \$6,709,500  
Note/Debt: \$10,968,158  
Share/Equity: \$5,795,000

**Electricity Goes To:**  
Prairie Winds Collection System for distribution to the WAPA system in Wessington Springs, SD.

**Estimated Annual Wind Speed:**  
18.9 mph

**Estimated Annual Production:**  
Nearly 44,000 MWh or about 3,700 average U.S. homes a year.

Convincing rural South Dakotans to invest in the wind wasn't a problem. Finding a business model for a community-owned sustainable energy project that would benefit rural economies, however, was a different story.

"We asked [potential investors], 'Do you believe the wind is going to blow in South Dakota?' and 'Do you believe people are going to need electricity?' We made it simple," said Jim Headley, a South Dakota rancher and Central Electric Cooperative board member. "If you don't believe these things, you don't want to deal with us."

South Dakota Wind Partners, a limited liability company, formed in January 2010 in order to build a locally owned wind project near White Lake, SD. Taking advantage of economies of scale, SDWP "piggy backed" seven 1.5 megawatt (MW) turbines onto the nearby Crow Lake Wind project, a plan that includes 100 wind turbines built by North Dakota-based Basin Electric Power Cooperative under its subsidiary, PrairieWinds SD 1, Inc. Another turbine is owned by Mitchell Technical Institute of Mitchell, SD, which uses the turbine as part of training purposes in the school's wind turbine technology program. The total capacity of the 108 wind turbines is 162 megawatts (MW).

The SDWP undertaking is the largest wind project owned solely by a cooperative in the United States, and is the first community-owned wind investment partnership with more than 600 investors from South Dakota. It has a nameplate capacity of 10.5 MW, producing 43,933 MWH between April 2011 and March 2012 – a capacity factor of 47.8%.

East River Electric Cooperative of Madison, S.D., a principal owner of Basin Electric, introduced the concept behind SDWP in the fall of 2009. East River's history of serving rural communities through a cooperative model spurred an interest in bringing a locally owned, sustainable wind project to the state. It hired a consulting company, Val-Add Service Corp, which specializes in assisting new entities to generate business and was active in the state's ethanol development. East River then approached Basin with the idea of building a separate, locally owned wind project adjacent to PrairieWinds' planned wind facility.

A deal was struck. The project includes a Power Purchase Agreement in which PrairieWinds agreed to purchase the electricity produced by the seven SDWP turbines for 20 years. The purchase price was at 4.3 cents/kWh and will escalate at 1.5% annually. If SDWP decides to do so, it may take advantage of a Mutual Option Agreement that will require PrairieWinds to purchase the SDWP turbines at a fair market value after six years of operation. SDWP may also sell its shares at a fair market value after six years of operation.

East River, South Dakota Corn Utilization Council, South Dakota Farm Bureau, and South Dakota Farmers Union each gave \$20,000 for the start-up costs of SDWP. A com-



bination of equity, debt, and grant financing paid for the costs, including construction. More than \$16 million was raised after SDWP hosted 27 investor meetings between Aug. 2 and Sept. 27, 2010. These meetings were open only to South Dakota residents.

"Keep in mind, this was at a time when the economy was at its worse," said East River Electric General Manager Jeffrey Nelson. "We thought, 'Let's start [holding investor meetings] in the area around Crow Lake,' then, in concentric circles. Once we got to the second or third meeting, people were driving from 200 miles away."

Investors were offered three types of investments, designated as "Class A," "Class B," and "Class C," investments. Each type of investment consisted of a specified number of equity shares that differed from class to class, which was necessary to avoid becoming a public reporting company. The average investment per member was \$27,000, with a minimum of \$15,000 required. All notes will mature on Aug. 31, 2017.

Besides willing local investors, a crucial aspect of the project's success was its ability to take advantage of a cash grant that was part of The American Recovery and Reinvestment Act of 2009. The Section 1603 tax grant paid for 30% of the capital cost, or \$6.7 million. The total SDWP funding was nearly \$11 million of debt and \$12.5 million for equity, which includes the \$6.7 million from the federal grant. The final construction costs were \$21.5 million, which was \$1.69 million under budget.

Though the project is now complete, replicating this plan would be problematic without the Section 1603 tax grant. It is no longer available to projects with construction dates that began after Dec. 31, 2011.

Local residents and investors, however, are glad they seized the opportunity. "It's gone so much better than anyone could have guessed," said Jim Headley, a South Dakota rancher and owner of land that was leased to PrairieWinds. "People thought, 'Wind, is free. It's environmentally friendly.' And, the driving thing for most people was the return on the money, to be honest. It was a feel-good thing and the interest was good, so it was a good fit."

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