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February 28, 2024

By ePUC

Ms. Holly Anderson, Clerk
Vermont Public Utility Commission
112 State Street
Montpelier, VT 05620-2701

Re: Case No. 23-2700-PET – Deerfield Wind Project
Letter of Credit Adjustment Report

Dear Ms. Anderson,

Deerfield Wind, LLC's ("DW") hereby files the first three-year report regarding adjustments to its Letter of Credit ("LC"), pursuant to Conditions 19.c. and 19.d. of DW's Amended Certificate of Public Good ("CPG") issued in Case No. 23-2700-PET.

The annual adjustment to DW's LC is described further below. Upon reviewing prior amendments to the LC in preparation for this filing, DW became aware of two errors in its prior LC filings. First, it appears that a letter of credit adjustment was inadvertently not made in 2021. In addition, it has come to our attention that prior adjustments to the LC were made using a different inflation index than the methodology proscribed in the DW CPG, which resulted in an over-collateralization of DW's prior LCs. Specifically, prior adjustments to the DW LC were based on the net positive change in the U.S. Bureau of Labor Statistics' "Other Heavy Construction" index of the Producer Price Index, instead of the U.S. Bureau of Labor Statistics' Northeast Urban Consumer Price Index as required by DW's original and amended CPG. This latter error was made because DW's Special Use Permit from the U.S. Forest Service requires DW to adjust the estimated cost of decommissioning annually based on the "Other Heavy Construction" index, which was inadvertently used to adjust the LC issued pursuant to DW's CPG. This resulted in a higher inflation-adjusted decommissioning estimate than if the Northeast Urban Consumer Price Index had been used, meaning the LC for DW has been overcollateralized compared to the PUC-required approach since 2018. As part of this filing, DW is proposing to adjust the LC going forward to use the appropriate methodology under its CPG and PUC Rule 5.904(B)(5).

A table showing the calculations under each methodology and the resulting over-collateralization since 2018 is provided below:

Initial Decommissioning Cost: $2,048,000.00 (2017)			
Year	Actual LC Balance Based on Heavy Construction Index (as filed with and held by PUC annually through 2023)	LC Balance if calculated using Northeast Urban Consumer Index per CPG/Rule 5.904(B)(5)	Percent Overcollateralized
2018	$2,125,983.68	$2,122,223.42	0.18%
2019	$2,220,678.00	$2,158,802.11	3%
2020	$2,296,805.08	$2,200,654.00	4%
2021	*$2,320,942.88*	*$2,231,544.48*	**Increase not filed, but still overcollateralized by 2.84%**
2022	$2,597,023.68	$2,363,211.51	9%
2023	$3,014,329.21	$2,507,613.94	17%
2024	$3,036,108.94	$2,572,658.10	N/A

DW acknowledges and takes responsibility for not filing a 2021 adjustment to the LC. However, based on the summary above, DW notes that the amount in the LC throughout 2021 was more than the amount that would otherwise have been required under the correct adjustment methodology. Thus, at no point was the LC below the value required by the CPG. DW has taken steps internally to ensure compliance with the three-year filing deadlines for adjustments to the LC going forward.

To correct for the underlying calculation error, DW has asked the LC issuer, Santander Bank, N.A., to reset the LC amount for 2024 to $2,572,658 using the Northeast Urban Consumer Price Index, and Santander Bank will send the updated LC by mail directly to the Commission.

In the brief interim, the current LC remains overcollateralized and active at the 2023 LC adjustment value of $3,014,329. DW will use the Northeast Urban Consumer Price Index going forward for LC adjustments, which will be summarized in the required three-year report.

Thank you in advance for your consideration of this matter and please contact me should you have any questions.

Sincerely,

Geoffrey H. Hand Esq.
SRH Law PLLC