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3. FINANCIAL RESPONSIBILITY
40 CFR 146.85

PRATT ENERGY CARBON CAPTURE UTILIZATION AND STORAGE #1 (PECCUS-1) PROJECT

Facility Information

Facility Name:	Pratt Energy CCUS #1 (PECCUS-1)
Facility Operator:	Pratt Energy, LLC (Pratt)
Facility Contact:	David Mog, Plant Manager
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Project Location:	Pratt, Pratt County, Kansas
	37°41'17.07"N, 98°42'47.72"W

Pursuant to 40 CFR 146.85, Pratt has prepared this Financial Responsibility document which describes the cost of covering emergency response, corrective action (if required), post-injection monitoring, well plugging and abandonment, and site closure activities that will be conducted as part of its Pratt Energy Carbon Capture Utilization and Storage #1 (PECCUS-1) project. This document also describes Pratt's approach to securing the adequate and appropriate financial instruments required to cover the expenses outlined herein.

3.1. Company Background

Pratt Energy, LLC, located at 10333 NE 30th Street, in Pratt, Kansas operates a 60.5 million gallon per year fuel grade (denatured) ethanol manufacturing facility located in Pratt, Kansas. We have maintained consistent operations since commissioning in September 2013, providing ~38 full time, well-paying jobs in our rural community and we play a crucial role in supporting our local agricultural economy. Utilizing a dry mill process, incoming corn and grain sorghum are finely milled, then undergo fermentation and distillation processes, creating denatured ethanol along with biogenic carbon dioxide and other coproducts. As we strive to incorporate our PECCUS-1 seamlessly into our operations, we remain focused on our commitment to safe operating practices and safeguarding our local community.

3.2. Financial Assurance Overview

Pratt has developed this financial assurance document considering the overall geologic and logistical risk profile of the project. Here are some high-level takeaways from site characterization and project development activities that define the risk profile of the project:

- Reservoir rocks at PECCUS-1 have proven reservoir quality as evidenced by surrounding oil and gas activities. Together, the two reservoir zones contribute to 700 feet of

injectable reservoir which can store approximately 670,000 metric tons of CO_2 per square mile (calculated on a P50 basis using DOE/NETL's CO2SCREEN tool).

- The primary confining unit of PECCUS-1, the Wabaunsee Group, is a 443 feet thick layer that has an average effective porosity of 2% and permeability in the microdarcy and nanodarcy scale. The low permeability and the absence of reactive minerals provides effective sealing characteristics to prevent vertical migration of CO_2 into overlying formations.
- The lack of faults and existing wellbores in the project area of review (AoR), and lack of strong natural seismicity in southern Kansas makes CO_2 migration into USDW highly unlikely.
- Landowners in the project area have been amenable to project discussion and several landowners have entered into option agreements with Pratt which greatly reduces land access-related risks.
- All project wells were designed using safety factors consistent with rigorous industry standards and construction materials that are compatible with CO_2.

3.3. Estimated Costs

Pratt, in consultation with subsurface experts, has developed the anticipated costs for implementing the following activities under the PECCUS-1 project:

- Corrective action of existing penetrations
- Converting the injection well into a deep monitoring well after injection ceases
- Post-injection site care
- Site closure including plugging and abandonment of all project wells
- Emergency and remedial response

Costs were determined using the basis described below.

Corrective Action

Two legacy wellbores were identified within the AoR that penetrate the storage complex as noted in Section 2.4.1 of the *AoR and Corrective Action Plan*. Pratt assumes the wells need corrective action and utilized a third-party well expert to estimate the cost of re-entering each well, logging for mechanical integrity, and installing cement plugs across the confining layers. Corrective action on each well is estimated to cost $451,000. Pratt will re-enter the first and the closest legacy wellbore prior to injection and remediate it to minimize risk of fluid leakage in or along the wellbore. The second wellbore is located close to the edge of the area of review (AoR) which is defined by the CO_2 plume area. Pratt will periodically monitor the CO_2 plume during and after injection as outlined in the Testing and Monitoring Plan. If Pratt determines that the CO_2 plume and the project AoR is progressing as currently estimated, Pratt will implement corrective action in the second legacy wellbore after five (5) years of injection. Current

computational models suggest the AoR reached the second legacy wellbore after nine (9) years from start of injection at PE IW 1.

Injection Well Conversion

In lieu of plugging the injection well immediately after injection ceases, Pratt plans to convert the injection well into a deep, in-zone monitoring well in order to supplement a deep in-zone and an above-zone monitoring well.

Post-Injection Site Care and Site Closure

Post-injection site care costs including the cost of post-injection phase testing and monitoring activities as outlined in Section 9,4 of the *Post-Injection Site Care and Site Closure Plan*. Pratt is requesting a post-injection period of 10 years following the cessation of injection as current evidence suggests CO_2 plume stabilizes and reservoir pressure within AoR falls well below threshold pressure within this period (see Section 9.2 and Section 9.3 of the *Post-Injection Site Care and Site Closure Plan*). Therefore, costs for post-injection site care noted in this document correspond to the 10-year post-injection period. Site closure costs were estimated to include well plugging and abandonment as well as site reclamation for all deep project wells.

Emergency and Remedial Response

Emergency and remedial response cost was estimated to respond and remediate an unmitigated leak from the injection well. Key cost items in this process include: (1) isolating the leak and leakage area, (2) killing the injection well, (3) drilling a relief well to extract brine and relieve reservoir pressure, (4) plugging the leaky injection well to UIC Class VI standards, (4) safely disposing of any produced fluids, (5), and (6) plugging relief well to UIC Class VI standards, and (7) additional groundwater sampling for monitoring and compliance to UIC permit conditions.

All costs were estimated and presented in 2023 dollars. Insurance limits will be adjusted as necessary based on market and inflation adjustments, as well as geological developments to ensure adequate coverage of the risks.

Table 3-1. Financial Responsibility Estimation for PECCUS-1.

Cost Item	Estimated Cost (2023 dollars)	Financial Instrument
Corrective Action	$902,000	Self-insurance
Injection Well Plugging/Conversion	$100,000	Self-insurance
Post-Injection Site Care	$5,483,112	Self-insurance
Site Closure and Project Well Plugging	$1,809,965	Self-insurance
Emergency and Remedial Response	$7,405,739	Third-party insurance

The costs estimated in **Table 3-1** were developed by Pratt in consultation with third-party subsurface consultants. These values may change during the course of the PECCUS-1 project. If there are significant changes in the estimated costs that could arise from new project data and/or operating conditions, Pratt will reevaluate the value of the financial instruments, and any adjustment will be submitted to the EPA Region 7 UIC Program Director for approval.

3.4. Financial Instruments

Pratt plans to utilize two key financial instruments to cover activities listed in **Table 3-1** namely self-insurance and third-party insurance. Pratt will provide requisite documentation establishing coverage for both these instruments to the EPA Region 7 UIC Program Director prior to obtaining approval for construction of the PE IW 1 well.

Self-insurance

Pratt plans to cover the cost of corrective action of legacy wellbores, injection well conversion, post-injection site care, project well plugging, and site closure through self-insurance. The limit of this coverage will be no less than $8.3 million. Pursuant to U.S. EPA's UIC Program Class VI Financial Responsibility Guidance[1], Pratt's Chief Financial Officer (CFO) will submit the following documents to U.S. EPA Region 7 UIC Program Director:

1. A letter from Pratt's CFO establishing Pratt or Pratt's corporate parent passing the financial test that follows template VI in Appendix B of U.S. EPA's UIC Program Class VI Financial Responsibility Guidance[1]. The letter will explicitly address financial strength requirements set forth in 40 CFR 146.85(a)(6)(v)
2. A copy of an independent certified public accountant's report on examination of the Pratt's or Pratt's corporate parent's financial statements for the latest completed fiscal year.
3. A special report from Pratt's or Pratt's corporate parent's independent certified public accountant to Pratt or Pratt's corporate parent stating that:
    a. The certified public accountant has compared the data upon which the letter from Pratt's CFO specifies as having been derived from the independently audited, year-end financial statements for the latest fiscal year, with the amounts in such financial statements; and
    b. The certified public accountant followed Generally Accepted Accounting Principles (GAAP).

In the event Pratt cannot provide an independent auditor's opinion, Pratt will provide a copy of the most recent SEC 10-K report and FERC Form 2 report to Region 7 UIC Program Director.

Third-Party Insurance

[1] U.S. Environmental Protection Agency, 2011. UIC Program Class VI Financial Responsibility Guidance. Published July 2011.

Pratt will utilize a third-party insurance instrument to cover the cost of any emergency and remedial response activities throughout the life of the geologic sequestration project. The insurance policy will seek to cover no less than $8,073,239 in emergency response actions. Policy coverage will be periodically reassessed and adjusted to account for inflation that could increase the cost of materials and services to implement emergency response actions. Policy value will also factor lowering or exacerbation of subsurface risks based on additional data acquired prior to, during, and after CO_2 injection. Insurance policy will cover the PE IW 1 injection well and comply with financial responsibility requirements set forth in 40 CFR 146.85(a)(6)(vii). Insurance policy for PECCUS-1 will also explicitly cover activities listed in 40 CFR 146.94 (b).

3.5. Liability and Cost Updates

Pratt will assume the financial responsibility and liability for the costs listed in **Table 3-1** until the end of PISC and site closure. During the active life of the PECCUS-1 project, Pratt will periodically reassess the costs listed in **Table 3-1**. In the event that circumstances occur resulting in changes to the PECCUS-1 project and consequent amendments to relevant project plans are approved by the Region VII UIC Director, Pratt will revise the cost estimates for financial responsibility. Applicable PECCUS-1 project plans include:

- AoR and Corrective Action Plan
- Injection Well Plugging and Abandonment Plan
- Testing and Monitoring Plan
- Post-Injection Site Care and Site Closure Plan
- Emergency and Remedial Response Plan