

**Katie Hatt testimony at PUC Hearing on Bitter Root Wind Project,
June 28, 2018, Canby Elementary School, Canby MN
Additional details added July 18, 2018**

Your Honor, Interested Parties and Community Members, thank you for the opportunity to provide testimony here tonight.

My name is Katie Hatt, and I am the Executive Director of the North Star Policy Institute. My business address is 175 Aurora Avenue, Saint Paul, MN 55103. We are a nonpartisan nonprofit public policy think tank. North Star produces original research and analysis about local and state level policy issues on topics including budget and fiscal policy, infrastructure, education and jobs. We advance policy research and recommendations to help working people get ahead, to ensure everyone succeeds in Minnesota's changing economy, and to advocate for smart investments in public services and infrastructure that create healthy and connected communities and high quality jobs.

As Executive Director, I oversee all operations and program activities, including our research projects. I have twelve years of professional experience in public policy and research roles in state, regional and county government, and as a consultant to nonprofit infrastructure and public health campaigns.

Tonight I am providing information about the local economic impacts of Minnesota wind farms. Specifically, I will be sharing highlights from:

- **Catching the Wind**, a new research report published by NSPI this month that assesses the impact of local and non-local hiring on wind construction in Southern Minnesota, analyzing seven projects now in the permitting or pre-construction phases; and
- **A Tale of Two Wind Farms**, an analysis that compares Bitter Root to nearby Blazing Star in terms of each project's anticipated impacts on construction employment and related economic activity.

Copies of both reports are available here tonight or on our website.

Among the highlights of our findings:

First, construction employment accounts for a significant portion of the economic benefits associated with new wind energy projects – and there is a significant difference if local workers comprise a majority of the workforce on a wind farm project.

A typical 150 Megawatt (mW) project creates 134-150 jobs and \$11.8 million to \$14 million in construction payrolls (including wages, per diems and fringe benefits.)

Local workers will typically spend 95% of their income in the region where they live, whereas non-local workers will spend their per-diem (typically \$100/day or \$15,600 over the course of a six-month construction season) and take most of their earnings back home.

If a project uses 50-70% local workers, the economic impact is estimated to be \$14 million to \$16 million. On a project where local workers comprise only 10 or 20% percent.

As was mentioned earlier tonight, the proposed Bitter Root project will pay \$690,000 in production taxes, and by our estimate, \$1 million in annual lease payments to land owners. For context: If only 10-20% local workforce is employed vs. a 50-70% local workforce, this would equal seven or more years of lease payments and nearly ten years of production taxes.

Second, local economic benefits are far greater when projects employ local workers.

When jobs are filled by local residents, jobs generate millions of dollars in direct spending and millions more in induced economic activity. What is induced economic activity? It includes things like workers buying groceries at local stores that employ local workers, buying home insurance, a car, and paying property taxes. When jobs are filled by non-local residents, benefits are much smaller – less than one third of what a local resident spends – \$15,600 vs. \$53,180. When retirement benefits are factored in, residents who fill construction jobs on wind projects spend four times more. (\$67,140)

Third, wind projects vary widely in terms of local employment and associated benefits.

The company building Blazing Star Wind typically employs 70% local workforce, resulting in \$8.4 million in direct local spending and nearly \$18 million in total economic activity.

We would expect a far lower level of local hiring on this project based on our review of past RES projects, perhaps closer to 10%. This would result in less than \$3 million in direct local spending and \$5.4 million in total economic activity.

From an economic perspective, isn't a project like this beneficial even if it only creates a single local job?

Not necessarily, this depends on two factors:

First, what impact will the project have on other wind energy development?

NSPI did an informal survey of wind projects in the area and we estimate a half dozen of them have been proposed in the area. Further research indicates there are three additional announced projects in western and southwestern Minnesota for a total of nine proposed projects with cumulative capacity of 2,027 megawatts. Adding the six projects in the permitting or pre-construction phases increases these figures to fourteen projects and estimated capacity of 2,686 megawatts. (See Attachment A for details).

It's unlikely that all of the proposed projects will be able to move forward given limited transmission capacity and demand for energy, as well as limited investors and prospective capital to finance projects. In effect, if Bitter Root moves forward, it could be at the expense of a competing project that would deliver greater local hiring commitments and local economic impacts.

If competing projects are equivalent to Bitter Root in commitments to local hiring, there's no impact, but if Bitter Root displaces a nearby project that would have put more locals to work, the result could be a loss of construction jobs and associated economic activity. Additionally, given that the Bitter Root project has no power of purchase agreement in place, it could dampen interest by investors in subsequent projects who would question the demand for further expansion of wind energy facilities and exercise greater caution in committing to finance future projects. As noted in the letter submitted by ULLICO, investors carefully consider local power supply and demand and competition for access to transmission when weighing where to make potential investments.

Based on past experience, we expect to be Bitter Root to provide fewer local employment and economic benefits than the typical wind energy projects, so local workers and businesses may be better off if the project doesn't go forward and potentially hinder the feasibility of a subsequent project or projects with stronger commitments to local hiring.

Second, what impact will the project have on other local businesses and the local economy?

We don't have enough information, but it's a cause for concern based on the record and a preliminary research scan.

Many wind developments take place in areas where adverse effects on local business are minimal. However, public comments from area residents suggest that this project may be different due to the strong local tourist economy. Impacts on the local tourist economy that could result from the project's design and placement of turbines need to be taken into account.

A comparison of Yellow Medicine County to other nearby wind counties and the state as a whole using U.S. Census Quarterly Workforce Indicators (QWI) data shows that Yellow Medicine County is about **twice** as reliant on hospitality and leisure employment (15%) than peer counties (7-8%) and a significantly higher share of local employment than the state as a whole (9%). See attachment B for additional detail.

It's also important to note that Yellow Medicine County is less reliant on agriculture-related employment than its neighbors. In Lincoln and Pipestone counties agriculture accounts for 8% and 10% of total employment respectively. In Yellow Medicine County, the share is just 3%. So while in Lincoln and Pipestone agriculture-related jobs significantly outnumber hospitality and leisure, YMC has **five times more** people employed in hospitality and leisure vs. agriculture.

The resort economy centered at nearby Lake Cochrane attracts a largely affluent population of tourists, seasonal visitors and year-round residents. According to current real estate data, properties in the Lake Cochrane area are valued at \$200,000 to \$500,000. These are visitors and residents who bring significant disposable income and are valued customers at local businesses in Canby and elsewhere in Yellow Medicine County. If this project has a detrimental effect on the attractiveness of this area, it stands to have a potentially crippling effect on small retail and service businesses that requires further research to fully understand.

In closing, hiring local construction workers would boost the economy in a region of the state that has lagged the rest of the state in construction job creation. Minnesota's wind energy economy is booming. In just six years the share of our state's total power that comes from wind energy has grown from 14% to 18% and is poised to grow further in the years ahead.

Expanding wind energy in Minnesota brings a significant opportunity to invest in Minnesota workers and family-supporting construction jobs – for laborers, operating engineers, iron workers and electricians. These jobs in turn will support Main Street businesses, additional jobs, and economic growth here in Yellow Medicine County and in communities throughout Southern Minnesota.

Thank you for your time.