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Comments from LIUNA Minnesota & North Dakota

October 16, 2020

Mr. Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101

RE:

In the Matter of an Inquiry into Utility Investments that May Assist in Minnesota's Economic Recovery from the COVID-19 Pandemic
Docket No. E,G999/CI-20-492

In the Matter of Xcel Energy's Petition for Approval of Electric Vehicle Programs as part of its COVID-19 Pandemic Economic Recovery Investments
Docket No. E002/M-20-745

In the Matter of a Proposal by Northern States Power Company dba Xcel Energy for Authorization to Recover Costs for Investments that May Assist in Minnesota's Economic Recovery from the COVID-19 Pandemic
Docket No. E,G-002/M-20-716

Dear Mr. Seuffert,

LIUNA Minnesota & North Dakota represents 12,000 unionized construction workers statewide including many employed in the energy industry. We greatly appreciate the opportunity to offer comments on the Public Utility Commission's economic recovery docket and the proposal that have been filed by Minnesota's regulated energy utilities.

We want to begin by thanking the Commission for launching this initiative, which we believe has the potential to mitigate the worst effects of a deepening recession. We also want to thank Minnesota's regulated utilities for bringing forward innovative proposals that promise to deliver significant ratepayer benefits, accelerate efforts to halt climate change, and create economic opportunity for struggling workers and communities.

The Commission has long recognized that the creation of high-quality local jobs is an important benefit of energy infrastructure investments in utility resource planning as well as permitting. But this is the first time the Commission has solicited proposals with the express purpose of creating jobs and generating economic activity. It is a different approach, but one that we believe is fully justified by the extraordinary circumstances in which we find ourselves -- in the midst of

a pandemic and facing a recession that could be as severe and prolonged as the Great Recession if not worse.

Regulated utilities have responded to the Commission's call with a long list of projects that could help spur job growth and economic recovery from the coronavirus pandemic by accelerating both routine maintenance and the deployment of technologies that provide significant environmental benefits -- from renewable energy generation to advanced metering to electric vehicle charging to hydrogen production.

Xcel Energy's portfolio alone could directly create an estimated 5,000 jobs in Minnesota over the near term, along with 8,200 in induced job growth.[1] The nearly $3 billion proposed investments would also help expedite Minnesota's clean energy goals, by reducing CO2 emissions by nearly 500,000 tons.[2] And Xcel is not alone in rising to the challenge of proposing innovative projects that could help assist Minnesota's recovery from a COVID-induced recession.

For example, Minnesota Power has proposed new solar additions with the Syvlan and Duluth Solar Projects. CenterPoint has put forward an innovative Renewable Hydrogen Pilot project and news investments in Renewable Natural Gas. Otter Tail Power Company, Dakota Electric Association and others have all advanced proposals designed to help spur job creation.

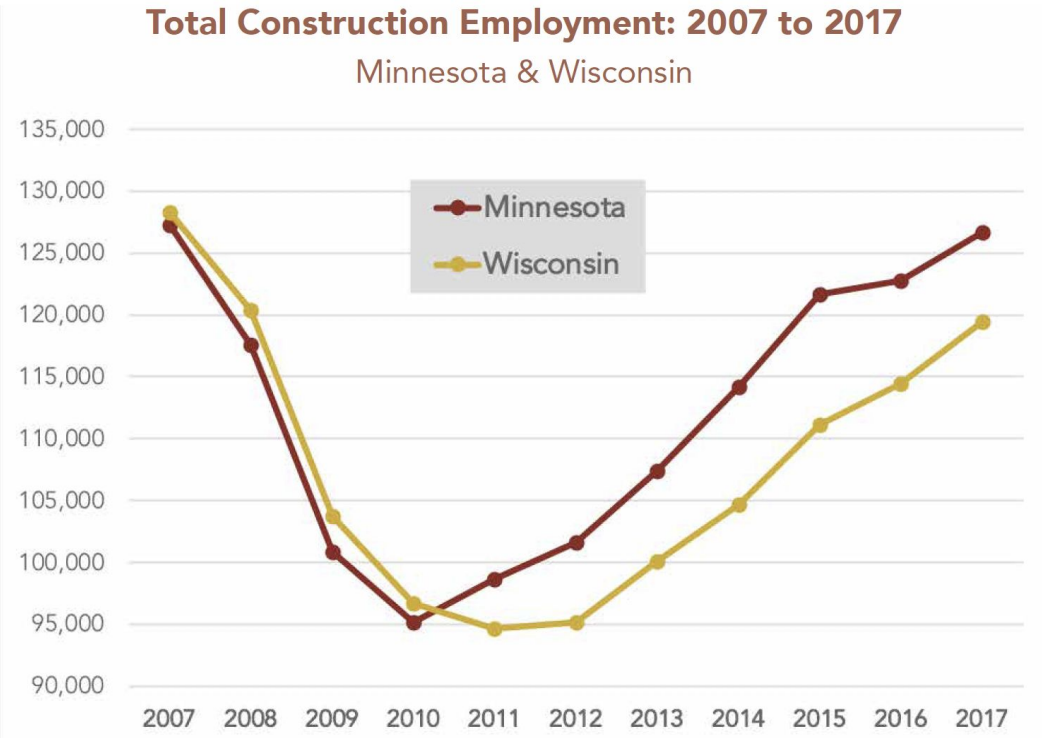
These projects could provide opportunity to thousands of Minnesotans, including members of LIUNA and other construction trades who face a construction employment cliff, but also for Minnesotans looking to start new energy careers, whether it's on a wind repower project in Southwest Minnesota, replacing an obsolete gas distribution line in the Twin Cities, or installing solar panels in Brainerd.

The following are key recommendations that we would make to the Commission for its consideration:

- Target time frame: The positive macroeconomic and employment impacts of energy infrastructure investments should be maximized by targeting the 2021-2025 timeframe with a heavy emphasis on 2021-2023. Our experience in the last recession shows that significant job losses in construction occurred 12 to 18 months after the recession began, with unemployment peaking roughly two and a half years in. Recovery investments would ideally begin creating jobs in early 2021 and peak in 2022 or 2023, although they could be needed and beneficial anytime between now and the end of 2025. This means that projects must be sufficiently "shovel-ready" and the process must be timely enough to begin creating jobs in 2021 and peak before the end of 2023.

[1] Xcel Energy COVID relief proposals, June 17, 2020, Available in eDockets: https://www.edockets.state.mn.us/EFiling/edockets/searchDocuments.do?method=showPoup&documentId={40E8C372-0000-C413-BA40-3470FDE8E3A8}&documentTitle=20206-164070-01

[2] Ibid.



- Job access, quality, and transparency: When job impacts are being considered, the greatest weight should be given to proposals that offer high-quality job and career opportunities for local workers that are subject to verification through a transparent reporting mechanism (see discussion of Labor Statistics Reporting below). Jobs that provide substandard wages and benefits, fail to provide career pathways, are filled by non-local workers, or are cannot be verified may not deliver anticipated socioeconomic benefits. Enhanced Labor Statistics Reporting could ensure both transparency and better outcomes for workers and communities.

- Support for a balanced portfolio of projects that comprehensively advances ratepayer, economic, and other public interest goals. We commend the Commission for seeking proposals that not only deliver system and economic benefits, but also support progress on energy, environmental and equity goals. We believe that the Commission can maximize the overall public benefits delivered through this docket by viewing the investments holistically in terms of the positive characteristics of each utility's proposed portfolio and the overall docket. The proposals before the Commission vary greatly with some delivering more progress on jobs than for the environment, or more progress for equity than for jobs. Taken together, however, these proposals offer opportunities for significant progress in each area. We would also encourage the Commission proposals that create few immediate jobs but could help to address structure challenges, including both technological innovations such as hydrogen pilots and equity investments in local economic and workforce development.

The High Cost of Inaction

Minnesotans are hurting and the economic pain could get much worse before it gets better. The coronavirus pandemic and resulting global and national slowdown has pushed Minnesota into an economic crisis. The statewide unemployment rate is up from 2.9% in March 2020 to 6.0% in September 2020, and that's not the whole story. The unemployment rate dropped from 7.4% in August to 6.0% in September, but largely due to "people dropping out of the labor force rather than moving in employment."[3]

Due to the nature of the pandemic and the need for substantial restrictions on bars, restaurants and hotels in order to slow the spread of the virus, these industries were hit first and hardest. Unemployment claims in the accommodation and food services industry are up a staggering 853% over 2019. Fortunately, the Federal government's response to the initial layoffs helped ease the pain and reduce the toll on the economy by providing significant supplemental unemployment benefits that provided a lifeline for many workers and their families. Unfortunately, the program has expired, leaving unemployed Minnesotans in difficult circumstances, especially those immigrant workers that were excluded from eligibility.

The pandemic has devastated industries in every corner of the state. Governor Walz's decision to designate construction as an essential industry allowed many construction workers to remain employed, but construction unemployment claims are nonetheless up 155% over 2019 levels.[4] We expect to see the number of unemployed construction workers grow rapidly heading into the 2021 season, as contractors complete work on projects approved before the pandemic hit.

The construction economy was relatively stable during the early months of the pandemic, which helped in turn to stabilize the state's economy as construction workers earned and spent their paychecks, maintained their privately-funded family health coverage, and were the source for net contributions to the state's overtaxed unemployment insurance fund. Unfortunately, we now see comparatively little work in the project pipeline for coming years, especially in private building markets where dozens of projects have been put on hold or canceled entirely.

Construction workers who helped to keep the economy moving early in the pandemic alongside other frontline workers in grocery stores and hospitals and grocery stores are hitting unemployment rolls with no supplemental benefits to cushion the fall. And they could also be in for years of high unemployment if the last recession provides any indication.

Extended unemployment, whether in construction or other industries, can have devastating long term consequences. Economic recessions lead to socioeconomic "scarring" in a number of important ways. The longer the recession the worse the scarring.

According to research conducted during the last Great Recession from the Economic Policy Institute, the scarring produced by recessionary periods have "long-lasting damage to

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[3] Minnesota Department of Employment and Economic Development, "State and National Employment and Unemployment: Current Data," October 2020, available here: https://mn.gov/deed/data/current-econ-highlights/state-national-employment.jsp

[4] All data via MN DEED, available here: https://apps.deed.state.mn.us/lmi/ui/Results.aspx

individuals' economic situations and the economy more broadly."[5] Extended unemployment produced by a recessionary period can have lasting individual, generational and social effects.

For the individual experiencing extended unemployment, future job prospects are hindered with long-term gaps in their professional development, while long-term opportunities to build equity via homeownership or save money for retirement are hindered by extended unemployment. For example, Farber (2005) finds that extended job separation can be costly.[6] Those that lose work or face extended unemployment from a full-time position during a recession are in a much worse position to re-secure full-time work once the recession is over.

One of the most troubling long-term effects of an extended recession are intergenerational. For example, extended unemployment and economic hardship experienced by parents can reduce educational attainment by their children.[7] There is a substantial body of research detailing the relationship between employment status and early childhood education.[8]

Because educational attainment and academic success at early development periods are heavily influenced by parental engagement, "factors that reduce families' resources will impact the level and quality of education available to their children. For example, [researchers have found] a direct effect of family income on math and reading test scores."[9] The mutually reinforcing patterns of extended unemployment or joblessness and harmful multigenerational impacts on educational achievement are two examples of the socioeconomic scarring produced by recessions.

There is overwhelming evidence of the severe socioeconomic impacts of a recession for all workers especially workers of color. There is reason to believe that we are only beginning to see the severe consequences of the COVID 19 pandemic for construction workers, which points to troubling waters ahead for the industry and our members.

The good news is that we have a roadmap to uplift, empower and employ construction workers. Robust economic investment in our critical infrastructure at both the state and federal level during the last recession led Minnesota to a faster and more robust recovery than Wisconsin. Swift state action paired with smart investments helped minimize the impacts of the last recession, while creating pathways of opportunity for both unemployment construction workers and for new entrants into the industry. We have the opportunity to not only recreate that success,

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[5] Irons, John. 2009. "Economic Scaring: The long-term impacts of the recession." *Economic Policy Institute*. Available here: https://www.epi.org/publication/bp243/.

[6] Farber, Henry S. 2005. "What Do We Know about Job Loss in the United States? Evidence from the Displaced Workers Survey, 1984-2004." Working paper #498, *Princeton University*. Available here: http://www.irs.princeton.edu/pubs/pdfs/498.pdf.

[7] Ibid.

[8] E.g. Heckman 2006 and Heckman & Masterov 2007:

Heckman, J. J. 2006. "Skill formation and the economics of investing in disadvantaged children." *Science*. Vol. 312, No. 5782.

Heckman, J. J. and D. V. Masterov. 2007. "The Productivity Argument for Investing in Young Children." *National Bureau of Economic Research*, Working Paper No. W13016. Cambridge, Mass.: NBER.

[9] Farber 2005.

but to fuel a faster recovery through approval of accelerated energy investment by Minnesota utilities.

The Socioeconomic Benefits of Infrastructure Investment and Economic Stimulus

The recovery of Minnesota's construction industry from the last Great Recession far outpaced the national average and that of neighboring Wisconsin. In 2007, Wisconsin's construction industry employed 1,026 more workers than Minnesota's. Both states experienced similar declines in employment during the Great Recession. Between 2010 and 2011, however, construction employment began to rebound in Minnesota, while the decline continued in Wisconsin.[10]

Minnesota's construction industry not only recovered much faster than Wisconsin and the nation in general, but pay for Minnesota construction workers grew much faster in Minnesota than in Wisconsin. For example, "During the entire period from 2007 to 2017, average annual pay in Minnesota grew 43% faster than in Wisconsin and the construction pay gap between the two states had increased to $5,304 annually—$1,654 greater than in 2007."[11]

A faster recovery and higher pay contributed to the strength of Minnesota's overall economic recovery compared to Wisconsin. Family-supporting wages means workers have additional discretionary spending - money they spend in local economies that stimulus economic growth.

A faster recovery and higher wages led to billions in additional wages earned and millions of dollars in additional tax payments. Researchers at North Star Policy Institute concluded that the neighboring states' divergent outcomes could be explained in significant part by the contrast between Minnesota's approach, which focused on economic stimulus and infrastructure investment; and Wisconsin's strategy which relied heavily on tax and budget cuts.[12]

Minnesota's investment program included significant outlays for construction of educational facilities, entertainment venues, and public transit infrastructure. State capital investments were often paired with Federal American Recovery and Reinvestment Act of 2009 funds, which injected $787 billion into the national economy.[13] Construction of the CapX transmission line, which also took place during this period, also assisted in the recovery effort.

Wisconsin, by contrast, pulled back public investments, reduced taxes and downsized public services, including road, transit, and state facilities construction projects.[14] Van Wychen and Franco (2018) argue that the cumulative impact of these contrasting policy decisions - a path of

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[10] Van Wychen, Jeff and Lucas Franco. 2018. "Divergent Recoveries: An Analysis of Construction Industry Employment in Minnesota and Wisconsin." *North Star Policy Institute*. Available here: http://northstarpolicy.org/wp-content/uploads/2018/07/Divergent-Recoveries-July-2018-Web.pdf.
[11] Ibid, pg. 9.
[12] Ibid
[13] BBC News. 2009. "US Congress passes stimulus plan," *BBC News*. Available here: http://news.bbc.co.uk/2/hi/business/7889897.stm.
[14] Van Wychen and Franco 2018.

robust investment in infrastructure versus austerity - helps to explain why Minnesota recovered so much faster than Wisconsin.

Other researchers have found similar results. A 2017 study by Josh Bivens finds that investment in infrastructure during a recessionary period is one of the most effective policy tools available to help spur economic recovery.[15] Not only do investments in infrastructure generate immediate jobs, but these investments tend to have the greatest jobs multiplier. Drawing on his own analysis and additional research, especially Zandi (2011), he compares the output multiplier of different types of fiscal policy interventions.[16] He refers to these multipliers as the relative "bang for the buck of different forms of investment.

For the purpose of our comments, the most important finding is that infrastructure investment has approximately a 1.57 multiplier effect meaning for every dollar invested in infrastructure, there is a net impact of $1.57 in GDP. Investing in infrastructure has a much greater impact than austerity measures designed to stimulate business and individual spending by reducing costs.

Energy investments of the sort proposed in this docket are one of the most effective means of spurring job creation and economic recovery from a recessionary period, but not all forms of investment are equal. Various studies of the 2009 American Recovery and Reinvestment Act (ARRA) "found that clean energy was the most cost-effective type of spending for job creation."[17] For example, Pollen and Garrett-Peltier (2011) detail significant direct, indirect and induced job creation as a result of investments in clean energy infrastructure during the Great Recession.[18]

This is a good time for utilities to invest in modernizing energy infrastructure. Relative to other organizations, utilities tend to have better access to capital and are well positioned to help stabilize Minnesota's economy during a recessionary period. We have an opportunity to invest in innovative technologies that have potential to reduce costs, improve service, and eliminate externalities over the long run. At the same time, new or expedited investments will help spur job creation and economic growth for Minnesotans.

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[15] Bivens, Josh. 2019. "The potential macroeconomic benefits from increasing infrastructure investment." *Economic Policy Institute*. Available here: https://www.epi.org/publication/the-potential-macroeconomic-benefits-from-increasing-infrastructure-investment/.
[16] Zandi, Mark. 2010. "U.S. Macro Outlook: Compromise Boosts Stimulus." *Economy.com (Moody's Analytics)*.
[17] Myers, Amanda and Energy Innovation. 2020. "Utilities Are Better Suited To Handle Covid Uncertainties - Why That's Good News For Clean Energy." *Forbes*. Available here: https://www.forbes.com/sites/energyinnovation/2020/07/07/utilities-are-better-suited-to-handle-covid--uncertainties--why-thats-good-news-for-clean-energy/#324430da2ce3.
[18] Pollin, Robert and Heidi Garrett-Peltier. 2011. "The U.S. Employment Effects of Military and Domestic Spending Priorities: 2011." *Political Economy Research Institute: University of Massachusetts Amherst.* Available here: https://www.peri.umass.edu/fileadmin/pdf/published_study/PERI_military_spending_2011.pdf.

Providing transparency in job creation through economic recovery investment

Labor Statistics Reports should be required to quantify job creation and ensure that proposed recovery investments support local workers and economies

Owners of large energy generation projects facilities permitted by the Commission are regularly required to file quarterly reports on the employment of local and non-local construction workers as a condition of receiving a Site Permit. The Commission's recent adoption of a Labor Statistics Reporting requirement has already shed light on the extent to which local and non-local workforce has been employed to build large renewable energy projects, as well as the factors do and don't influence local hiring patterns. Even more important, however, the reporting requirement has contributed to better outcomes by drawing the attention of project owners and the public to gaps between job creation expectations and realities.

We recommend that the Commission require utilities to file similar reports, where feasible, for construction and maintenance projects that have been proposed in the Utility Recovery docket, as well as projects filed in separate dockets for which economic recovery has been advanced as a rationale for Commission approval. We believe that such transparency is critically important in order to reassure customers that promised employment and economic benefits will be delivered, and to hold utilities accountable if such benefits fail to materialize. A well-tailored Labor Statistics Reporting requirement has the potential to produce better information *and* more beneficial projects without imposing substantial burdens on utilities, their partners, or the Commission.

We do not expect that such a reporting requirement will be prudent in all cases, however. It is unclear, for example, if it is feasible or desirable to mandate such reporting for rebate-driven efficiency programs where the administrative burden might outweigh the value of the information. But we would strongly encourage the Commission to give the greatest weight to anticipated local employment and economic benefits that can be verified. If utilities want full credit for creating local jobs, they should be willing to provide the evidence to the greatest extent feasible.

We do not see any barrier to requiring such reports for work hours associated with utilities' direct workforce or the employees of their contractors and subcontractors. Likewise, we know that work contracted by independent power producers pursuant to power purchase agreements can easily be tracked by project owners that currently do so to meet site permit conditions. We would propose that Labor Statistics Reports be required for all such construction and maintenance projects unless the utility can demonstrate that the requirement would be unduly burdensome. We would further propose that the Commission and utilities consider what other

proposed investments be subject to similar requirements in order to allow these projects to get full credit for their projected economic impacts.

Simple enhancements to Labor Statistics Reports could further the public interest and purposes of economic recovery investments by making the process more transparent and accountable

We further recommend that the Commission consider adoption of enhanced Labor Statistics Reporting standards to better support comprehensive evaluation of the anticipated and actual socioeconomic benefits of investments proposed in this docket or related dockets where economic recovery is a factor. Labor Statistics Reports currently provide data on use of local workforce, which is a critical factor for determining the socioeconomic impact of energy projects. But the reports could be enhanced to provide information on several other factors that are directly relevant to the Commission's consideration of economic recovery impacts. As we have seen with local hiring on renewable energy projects, we believe that enhanced reporting could produce both better data and better outcomes for customers and the state as a whole.

The first relevant factor that could be tracked through Labor Statistics Reports for purposes of the current docket is job quality. The socioeconomic impacts of a job that pays middle-class wages, provides comprehensive family health care and retirement benefits, and offers opportunities for training and career advancement can exceed those created by a relatively low-wage, no-benefit job by a factor of five or more. For this reason, simply counting jobs or work hours will likely produce a misleading picture of a project's socioeconomic impacts, especially when comparing diverse investments that involve different types of jobs.

Investments by Minnesota's regulated energy utilities have often, but not always, created high-quality, family-supporting jobs. Some of the proposals in this docket include measures such as a preference for use of union labor in bidding or a commitment to payment of prevailing wages that are well-suited to maximize socioeconomic benefits while increasing the likelihood that projects are built safely and well. These protections are especially important in areas such as renewable energy construction where labor standards have been uneven.

The Commission could better assess the socioeconomic impact of proposed recovery investments, and hold utilities accountable for delivering promised results by requiring that Labor Statistics Reports indicate whether or not hours worked on construction and maintenance projects were paid at or above applicable prevailing or union wage and benefit rate. Such a standard could be administered simply, and without disclosing personal or trade-secret information, by having employers (utilities, contractors, subcontractors) certify or not certify, as appropriate, that given work hours were paid at an applicable collectively-bargained or state-determined prevailing wage rate. The resulting data would provide a clearer picture of both where utility investments are creating high-quality jobs and the economic benefits of such jobs.

The second relevant factor that should be tracked through Labor Statistics Reports for purposes of the current docket is support for career opportunities and workforce development through the use of registered apprenticeship programs. Tens of thousands of working Minnesotans have entered family-supporting careers through participation in registered apprenticeship programs upon which the state's construction and utility industries have long relied to produce a skilled, safe and efficient trades workforce. Today, registered apprenticeship programs are supporting critical efforts to increase participation of women, people of color, veterans, and other underrepresented groups in that workforce.

The creation of job opportunities for registered apprentices would be beneficial under any economic circumstances, but is especially so during an economic downturn. In periods of high construction employment, it becomes much harder for programs to admit new candidates, and current apprentices often have difficulty securing enough work hours to meet program requirements and graduate as journey workers.

By including apprentice work hours in Labor Statistics Reports for economic recovery projects, the Commission can get a more accurate picture of how these projects contribute to career and workforce development, which can have significant socioeconomic benefits over the long term. Construction and utility employers that utilize registered apprentices are already required to work with apprenticeship programs to track work hours, and there is no obvious reason why this data could not also be provided to the Commission via utilities.

The third potentially relevant factor that could be tracked through Labor Statistics Reports is efforts to increase diversity within the energy workforce. The Commission has not specifically identified advancing workforce diversity as an objective of recovery investments. But the Commission has identified workforce diversity as a priority in other settings, including the Commission's role as the convenor of the Energy Utility Diversity Group, which issued a legislatively-mandated report which describes current efforts, identifies challenges, and suggests potential solutions. Like the other factors listed above, employment of women, veterans, people of color, and other underrepresented groups on recovery projects could be tracked under the proposed Labor Statistics Reporting framework.