

**MPUC Docket No. E-6472/GS-06-668**  
**OAH Docket No. 12-2500-17512-2**

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BEFORE THE  
MINNESOTA OFFICE OF ADMINISTRATIVE HEARINGS  
100 Washington Square, Suite 1700  
Minneapolis, Minnesota 55401-2138

FOR THE  
MINNESOTA PUBLIC UTILITIES COMMISSION  
127 7th Place East, Suite 350  
St. Paul, Minnesota 55101-2147

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In the Matter of a Joint LEPGP Site Permit,  
HVTL Route Permit and Pipeline (Partial Exemption)  
Route Permit Application for the Mesaba Energy Project

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**PREPARED DIRECT TESTIMONY AND EXHIBITS OF**  
**EXCELSIOR ENERGY INC., MEP-I LLC, AND MEP-II LLC**

**JAMES A. SKURLA**

**JANUARY 16, 2007**

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1 **Q On whose behalf are you testifying?**

2 A I am testifying on behalf of MEP-I LLC, MEP-II LLC, and Excelsior Energy  
3 Inc. (collectively “Excelsior”), the developers of the Mesaba Energy Project  
4 (the “Project”).

5 Scope and Summary

6 **Q What is the purpose of your testimony in this proceeding?**

7 A The purpose of my testimony is to sponsor portions of Excelsior’s Joint  
8 Application and Environmental Supplement. In particular, I am sponsoring the  
9 following sections:

10 **Joint Application**

11 Section 6.1 (Regional, Social, and Economic Impacts)

12 **Environmental Supplement**

13 Sections 3.14.2 (Temporary and Permanent Workers)

14 Section 3.14.3 (Availability of Labor)

15 Section 3.14.4 (Economic Benefits),

16 Appendix 1 (2005 University of Minnesota Duluth Research Report)

17 Appendix 1 consists of a research report that the Bureau prepared at the request  
18 of Excelsior Energy in September of 2005 entitled, *The Economic Impact of*  
19 *Constructing and Operating An Integrated Gasification Combined-Cycle Power-*  
20 *Generation Facility on the Iron Range* (the “2005 Report”). The 2005 Report describes  
21 the detailed economic modeling performed by the Bureau, under my supervision, of the  
22 anticipated impacts of Mesaba One on job creation and economic stimulus, both on the  
23 seven-county Arrowhead Region, which comprises most of the Iron Range, and in the

1 State of Minnesota generally. The assumptions and quantitative results of the 2005  
2 Report are described in Section 6.1.10 (Project Economic Benefits) of the Joint  
3 Application and Section 3.14.4 (Economic Development Benefits) of the Environmental  
4 Supplement.

5 Subsequently, Excelsior engaged the Bureau to update the 2005 Report, based  
6 on changes in plant design and other new information. Excelsior also engaged the  
7 Bureau to create an appendix listing the economic effects of Mesaba Two. I supervised  
8 these efforts, which culminated in the creation of a Research Report in October of 2006,  
9 entitled *The Economic Impact of Constructing and Operating An Integrated*  
10 *Gasification Combined-Cycle Power-Generation Facility on the Iron Range, UPDATE*  
11 *2006: Mesaba One Impacts* (the “2006 Update”). The 2006 Update is attached as  
12 Exhibit \_\_\_\_ (JAS-2) to my testimony. I am available to answer questions related to the  
13 2005 Report and the 2006 Update.

14 Qualitative Discussion of Socioeconomic Characteristics of the Arrowhead Region

15 **Q Please summarize the regional demographics in Minnesota’s Arrowhead. Could**  
16 **the location of the Mesaba Project result in environmental injustice?**

17 A Racially, the population in the region is virtually homogenous, with Caucasians  
18 comprising nearly 95%. The largest minority concentrations in the region are in central  
19 Duluth and on tribal reservations relatively distant from either the West Range or East  
20 Range site locations. Economically, while the overall poverty rate is higher than the  
21 state average, there do not appear to be any substantial concentrations of extreme  
22 poverty. Therefore, the location of the IGCC Power Station on either the West Range

1 or East Range site location will not have a disparate impact on a racial minority or low-  
2 income group of residents.

3 **Q Is unemployment more prevalent in the Arrowhead Region than elsewhere in the**  
4 **state?**

5 A Yes. Since 1980, the official unemployment rate in the Arrowhead Region has  
6 been consistently about 2% higher than the state average. The historically higher  
7 unemployment in the region may indicate that any new industrial capacity in the area is  
8 likely to not only attract new residents, but also provide long-term employment to the  
9 currently unemployed skilled labor in the area. Under these circumstances, the Project  
10 would have a positive impact on reducing the unemployment rate.

11 Quantitative Economic Modeling Results

12 **Q Please summarize briefly the methodology employed by the Bureau to quantify the**  
13 **economic development benefits of the Project.**

14 A As in the original 2005 Report, the 2006 Update employed the economic  
15 modeling system, IMPLAN (which was created by the Minnesota IMPLAN Group,  
16 Inc.), using as the original inputs for our modeling Excelsior's updated estimates of the  
17 values of Excelsior's direct expenditures on construction and operation of Mesaba One.  
18 As is reflected in our 2006 Update, our modeling yielded estimates of the number of  
19 jobs that Mesaba One would both directly and indirectly create on the Iron Range and  
20 statewide, and the dollar value of economic activity which Mesaba One would generate  
21 on the Iron Range and statewide.

1 **Q Please briefly summarize the results of Exhibit \_\_\_ (JAS-2), the 2006 Update.**

2 A Based on IMPLAN modeling, our general conclusions are that Mesaba One will  
3 directly create a total of nearly 1,555 construction jobs on the Iron Range in the peak  
4 year of construction, and more than 100 jobs on the Iron Range in a typical year during  
5 its operation. In addition, Mesaba One is expected to indirectly create an additional  
6 2,633 jobs statewide related to the construction of the plant, by stimulating the  
7 commercial, government, service and residential industries, and another 167 permanent  
8 jobs statewide related to the plant's operation.

9 With respect to economic stimulus, IMPLAN modeling reflects that Mesaba  
10 One's construction and operations expenditures will both directly and indirectly  
11 generate spending on the Iron Range and throughout the state. Excelsior provided us  
12 with estimates of \$1.6 billion in direct spending on construction of the plant over a 45-  
13 month period. Based on those inputs, we anticipate that Mesaba One will also generate  
14 economic activity indirectly, by inducing secondary spending across the State of  
15 Minnesota of \$2.2 billion related to expenditures on construction and another \$570  
16 million annually related to the plant's operations.

17 **Q Why do these results differ from those described in the 2005 Report and**  
18 **summarized in Section 6.1.10 of the Joint Application and Section 3.14.4 of the**  
19 **Environmental Supplement?**

20 A The 2005 Report incorporated Excelsior's estimates of the direct expenditures  
21 on construction and operation of a 531 MW IGCC Power Station as inputs for the  
22 IMPLAN model runs. The "2006 Update" incorporates the increased overall capital  
23 costs associated with 606 MW (instead of 531 MW) of anticipated net output from

1 Mesaba One, as well as increases in global commodity prices since the 2005 report into  
2 the IMPLAN model. The increases in capital and operating expenditure estimates  
3 provided by Excelsior are responsible for the overall increase in economic development  
4 benefits demonstrated by the 2006 Update modeling effort.

5 Conclusion

6 **Q Does this conclude your testimony?**

7 A Yes.

# **EXHIBITS**

**EXHIBIT \_\_\_\_ (JAS-1)**

**James A. Skurla**  
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Business Development Specialist  
Bureau of Business and Economic Research  
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**EDUCATION:**

Bachelor of Arts (cum laude), Economics, University of Minnesota, Duluth,  
1975

Master of Arts, Economics, University of Wisconsin, Milwaukee, Concentration:  
Econometrics (Statistics), 1977

Certification: Leadership Duluth Program – Duluth Chamber of Commerce (May 1995);

Certified Economic Development Finance Professional - The National Development Council  
(May 1992)

**POSITIONS HELD:**

Business Development Specialist, Natural Resources Research Institute Business Group,  
Center for Economic Development, University of Minnesota, Duluth, 1987-2004

Acting Director, Bureau of Business and Economic Research, Labovitz School of Business  
and Economics, University of Minnesota Duluth, 2003-present

Adjunct Instructor, Management Department, College of St. Scholastica, Duluth, Minnesota,  
Winter 1990

Assistant Director, Bureau of Business and Economic Research, University of Minnesota-  
Duluth Nov. 1983-Dec. 1986

Instructor, Department of Economics, University of Minnesota-Duluth, 1977-1983

Supervisor and Researcher, Bureau of Business and Economic Research, University of  
Minnesota-Duluth, Summer 1981

Market Researcher, Jenos, Inc., Duluth, Minnesota, Summer 1980

Teaching Assistant, Department of Economics, University of Wisconsin-Milwaukee, 1976-  
1977

Research Assistant, Department of Economics, University of Minnesota-Duluth, 1973-1975

**TEACHING EXPERIENCE:**

Principles of Economics: Macro; Principles of Economics: Micro; Statistical Methods;  
Introduction to Economics

Areas of Concentration: Econometrics, Urban Economics, Public Finance

**PROFESSIONAL MEMBERSHIPS:**

Product Development Management Association

Omicron Delta Epsilon

**SELECTED PUBLICATIONS:**

Skurla, James, with David Doorn, et al., 2006. Economic Impacts of PolyMet's NorthMet Project and Other Industrial Projects of Minnesota's East Range Communities, Bureau of Business and Economics, University of Minnesota Duluth.

Skurla, James, et al. 2006. Duluth Farmer's Market Survey and Business Plan, Bureau of Business and Economics, University of Minnesota Duluth.

Skurla, James, with David Doorn, et al., 2005. The Economic Impact of Constructing and Operating An Integrated Gasification Combined-Cycle Power-Generation Facility On The Iron Range, for Excelsior Energy, Bureau of Business and Economics, University of Minnesota Duluth.

Skurla, James, with Richard Lichty et al., 2004. Duluth Area Economic Development Enterprise Network System Analysis, for Minnesota Department of Employment and Economic Development, Bureau of Business and Economics, University of Minnesota Duluth.

Skurla, James, et al. 2005. Grand Marais Harbor Expansion Impact, Bureau of Business and Economics, University of Minnesota Duluth.

Skurla, James, et al. 2005. Grand Portage Alternative Energy Impact, Bureau of Business and Economics, University of Minnesota Duluth.

Skurla, James, et al. 2004. Iron Range Racetrack Impact Analysis UPDATE 2004, Bureau of Business and Economics, University of Minnesota Duluth.

Skurla, James, et al. 2004. Under, Over, and Mis-Matched Skills Employment in Northeast Minnesota 2004, Bureau of Business and Economics, University of Minnesota Duluth.

Skurla, James, et al. 2004. Report on Survey Findings: Developing On-line LSBE Course Offerings, Bureau of Business and Economics, University of Minnesota Duluth.

Skurla, James, et al. 2004. East Central Minnesota: Social and Economic Trends and Implications, forestry Analysis, Bureau of Business and Economics, University of Minnesota Duluth.

Skurla, James, et al. 2003. Mesaba Metals, LLC Impact Study, Bureau of Business and Economics, University of Minnesota Duluth.

Skurla, James, et al. 2003. Tax Revenue Impacts and Marketing Northern Minnesota's Iron Trail, Bureau of Business and Economics, University of Minnesota Duluth.

Anderson, Curt, James Skurla, et al. 2003. BWCAW Land Valuation Report, Bureau of Business and Economics, University of Minnesota Duluth.

Lichty, Richard, James Skurla, et al. 2002. Forestry Bottleneck Analysis, Bureau of Business and Economics, University of Minnesota Duluth.

Lichty, Richard, James Skurla, et al. 2003. Trail Based Winter Sports Survey, Cook County, Lichty, Richard, James Skurla, et al. MN Resident Survey: Technical Report (BBER); Cook County Winter Trail-based Visitor Study (Sea Grant), Bureau of Business and Economics, University of Minnesota Duluth.

Lichty, Richard, and James Skurla. 2002. Rapids Power Impact. Bureau of Business and Economics, University of Minnesota Duluth.

Lichty, Richard, and James Skurla. 2001. Koochiching County, Minnesota Labor force Assessment 2001. Bureau of Business and Economics, University of Minnesota Duluth.

Lichty, Richard, and James Skurla. 2001. Northeast Minnesota Labor force Assessment 2001. Bureau of Business and Economics, University of Minnesota Duluth.

#### **GRANTS:**

[2001 to present, see BBER grant activity as Acting Director, Bureau of Business and Economic Research (BBER) Labovitz School of Business and Economics, University of Minnesota Duluth.]

Evaluation of Recirculating Aquaculture Systems, \$230,000 Grant Sponsored by The Legislative Commission on Minnesota Resources (with Ying Q. Ji, et al.). September 1997.

Evaluation of The Proposal To Transfer The Coleraine Minerals Research Laboratory To The University of Minnesota (with K. Knudsen, et. al.), December 1992.

Aquaculture Development and Education for Minnesota, \$200,000 Grant Sponsored by The Legislative Commission on Minnesota Resources (with A. Kapuscinski, et al.). July 1992.

Economic and Technological Development for The Crayfish Industry in Minnesota, \$83,297 Grant Sponsored by The Greater Minnesota Corporation (with M. McDonald and C. Richards).

Feasibility Study On Rough Fish Marketing and Processing in Minnesota, \$4,500 Grant Sponsored by Agricultural Utilization Research Institute (with C. Vollmers).

- Economic, Technological, and Ecological Feasibility for The Development of A Crayfish Industry in Rural Minnesota, (with M. McDonald, P. Devore), \$28,000 Grant From The Greater Minnesota Corporation. Natural Resources Research Institute Technological Report, November 1989.
- Predicting The Economics of A Walleye Aquaculture Operation Using Bioenergetics Models (with M. McDonald). World Aquaculture, Vol. 19(4), December 1988 (P. 74-75).
- Marketing and Culturing Walleye in Minnesota: A Progress Report (with T. Van Hale and M. McDonald). Center for Economic Development Report, March 1988.
- Consumer Preference Survey of Health Food Store Customers, \$5,000 Grant From Northwest Minnesota Initiative Fund. Center for Economic Development Report, November 1987.
- Feasibility Study on Long-Term Management Options for Used Oil in Minnesota, Final Report To The Minnesota Waste Management Board (with G. Shull, M. Barnes, V. Leak, M. Rouse, T. Van Hale). Natural Resources Research Institute Technical Report 87/1, October 1987.
- The Feasibility for Marketing and Culturing Walleyes in Minnesota (with T. Van Hale). Center for Economic Development Report, August 1987.
- A Profile of The Minnesota Angler (with P. Dalton and M. Larson). Minnesota Academy of Science Journal, Vol. 52, No. 3, Spring 1987 (P. 21-25).
- A Descriptive Report on The Fresh and Frozen Broccoli Market and A Simulation of Yields, Cost and Profitability of Broccoli Production (with M. Larson). Natural Resources Research Institute Technical Report, January 1987.
- Bait Leech Market Assessment, Report #1, Minnesota Fishing Survey Results (with P. Dalton, W. Jesswein, M. Larson). Natural Resources Research Institute General Report 86-02, June 1986.
- Bait Leech Market Assessment, Report #2, Profile of The Minnesota Fishing Survey Respondents and Their Use of Bait Leeches (with P. Dalton, W. Jesswein, M. Larson). Natural Resources Research Institute General Report 86-03, August 1986.
- Bait Leech Market Assessment, Report #3, The Market for Bait Leeches in Minnesota and Selected Other States (with P. Dalton, W. Jesswein, M. Larson). Natural Resources Research Institute General Report 86-04, August 1986.
- Asparagus, Broccoli, and Cauliflower in Minnesota: A Survey of Farms, Acreage, and Marketing (with G. Edes). Natural Resources Research Institute General Report 86-01, 1986.
- Subsidizing Natural Resource Economic Development: A Cost-Benefit Approach (with D. Steinnnes, et al.). SBE Working Paper No. 85-2, UMD BBER, 1985.



Estimating the Short-term Demand for Biomass as an Energy Source in Lower Great Lakes  
(with J. Peterson, et al.). SBE Working Paper No. 84-16, UMD BBER, 1984.

Strategic Planning of Economic Development Based on an Analysis of Extent and Pattern of  
Importance (R. Lichty, et al.) SBE Working Paper No. 84-7.

West End Market Analysis (with J. Peterson, et al.). SBE Working Paper No. 81-18, UMD  
Bureau of Business and Economic Research, 1981.

Statistical Analysis of the Masters of Business Administration at the University of  
Minnesota, Duluth, Summer 1979.

#### **PRESENTATIONS:**

2006 Economic Outlook, Duluth Rotary, February 2, 2006, and podcast RSS feed URL:  
<http://blog.lib.umn.edu/jjacobs1/umdlbsberesearchbureau/atom.xml>, March 2006.

Grand Marais Harbor Expansion: Economic Impact, Three Scenarios, Department of Natural  
Resources, Grand Marais, MN, September 28, 2005.

Economic Status Report, Duluth, Leadership Duluth, with Matt Schoeppner, December 14,  
2005.

Challenges of a Small Bureau, Association for University Business and Economic Research,  
AUBER, Las Vegas, NV October 2004.

BWCA Land Valuation, with Curt Anderson, MN Legislature, January 17, 2003

Mesaba Metals Copper and Nickel Mining in Northeast Minnesota. Mesaba Metals,  
September 23, 2003

Spirit Mountain Impact, Spirit Mountain Recreation Area, November 2003

Arrowhead Growth Alliance, Enterprise Network Systems Analysis, with Rick Lichty and  
MN DEED, December 9, 2004.

Economics of Raising Walleyes in an Intensive Pond Culture . Minnesota Aquaculture  
Workshop, Alexandria, MN, July 1991.

Markets for Minnesota Crayfish, Baitfish, and Walleyes . Minnesota Aquaculture Workshop,  
St Paul, MN, December 1990.

Predicting the Economics of a Walleye Aquaculture Operation Using Bioenergetic Models  
(with M. McDonald). Aquaculture International Congress and Exposition, Vancouver,  
BC, September 1988.

A Profile of the Minnesota Angler (with W. Jesswein, P. Dalton, and M. Larson). Minnesota  
Academy of Science, St Paul, MN, May 1986.

Utilizing Data Banks as a Coordinating Factor for Regional Planning (with W. Jesswein and R. Lichty). Minnesota Academy of Science, St Paul, MN, April 1978.

**COMMITTEES:**

Duluth Workforce Council, 2001 to present  
Labovitz School Outreach Committee, 2004 to present  
Leadership Duluth, 1992 to present  
St. Ann's Residence, Board of Directors, 2005 to present

# **EXHIBIT \_\_\_\_ (JAS-2)**