

**Before the North Dakota Public Service Commission**

**Laborers District Council of Minnesota and North Dakota  
(LIUNA Minnesota & North Dakota)**

**Northern Divide Wind Energy Center - Burke County**

**Case Nos. PU-19-376 and 19-377**

**Testimony of Lucas Franco, PhD**

**on behalf of LIUNA Minnesota & North Dakota**

**April 15, 2020**

***Exhibit I-1***

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**Exhibit I-1 - Pre-filed testimony - Luco Franco**

Laborers District Council Minnesota and North Dakota

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Laborers District Council Minnesota and North Dakota

Q. Please state your name, the name of your employer, and your business address:

- A. My name is Lucas Franco. I currently serve as the Research Manager for LIUNA Minnesota & North Dakota, an affiliate of the Laborers International Union of North America, on behalf of my employer, the LIUNA Great Lakes Organizing Committee. My organization represents more than 12,000 skilled construction laborers engaged in the construction of building, civil, and energy infrastructure projects across Minnesota and North Dakota. My business address is 81 East Little Canada Road, St. Paul, Minnesota 55117.

Q. Please describe your qualifications:

- A. For the past two years, I have managed LIUNA's strategic research in Minnesota and North Dakota, and I have conducted research for the organization on a wide range of energy infrastructure projects, including analysis of the socioeconomic impacts of gas and oil pipelines and wind and solar energy installations.

Prior to accepting my current position with LIUNA, I spent seven years at the University of Minnesota completing a PhD in Political Science. My primary fields of interest were comparative industrial relations and comparative politics. I focused on the changing landscape of American and Scandinavian employment relations with a particular focus on the impact of nonstandard forms of labor, such as independent contracting and subcontracting, on the working conditions of low-wage workers.

I have conducted quantitative and qualitative research on questions of the political economy of international trade, the impact of nonstandard labor models on workers, the politics of immigration, and the socioeconomic impacts of energy infrastructure. I have completed extensive training in both quantitative and qualitative research methods through my PhD program at the University of Minnesota and through a Masters program at the University of Oslo, Norway.

I have authored and participated in the development of numerous published reports on topics ranging from employment conditions in the hotel industry to the socioeconomic impact of wind farm development.

Q. What is the purpose of your testimony?

- A. First, I will summarize the findings of a research analysis that my colleague, Kevin Pranis and I produced to explore the likely socioeconomic impact of reliance on a local and non-local workforce to build the Northern Divide Wind Energy Center project.

Second, I will discuss the feasibility of building Northern Divide Wind Energy Center and similar large wind projects in North Dakota using a construction workforce that consists of a majority local workforce.

Third, I will discuss the potential consequences of the approval of wind energy projects that employ few local construction workers to local workers, communities and the industry as a whole.

Fourth, I will discuss actions that the North Dakota Public Service Commission could take, consistent with its legal authority and the public interest, to maximize local benefits and minimize negative socioeconomic impacts of Northern Divide Wind Energy Center and similar wind energy projects.

Q. Please describe the analysis that you and Mr. Pranis produced on the potential economic impact of construction hiring on the proposed Northern Divide Wind Energy Center project and explain the major findings of your analysis?

- A. Mr. Kevin Pranis, our organization's Marketing Manager, and I undertook an analysis of the potential construction employment and associated economic impacts of the Northern Divide Wind Energy Center. We replicated a methodology that I developed with researchers from the North Star Policy Institute (NSPI) to examine the employment impacts of wind energy development in Minnesota. Our findings from the Northern Divide Wind Energy Center analysis are as follows:

First, we found that a project such as Northern Divide Wind Energy Center that employs local workers can positively impact local residents and communities by generating career opportunities and injecting tens of millions of dollars in construction payrolls into the local economy. We project that building such a facility with a 70% local construction workforce would create 140 jobs for local workers and generate more than \$14 million in local economic activity directly associated with construction payrolls.

Wind energy projects have the potential to create high-quality job opportunities for both experienced construction workers and new entrants to the industry. Our research indicates that North Dakota construction workers employed on wind energy construction projects will earn approximately \$55,000 in wages, roughly \$13,600 in health benefits and approximately \$13,600 in retirement benefits.

We find that the average local worker employed on a wind energy project can be expected to contribute roughly \$54,300 in direct local spending over the short term, after deducting taxes and savings and adding spending associated with health coverage. The same worker could contribute an additional \$13,600 over the long term as retirement savings are converted into retirement income. After applying a local spending multiplier,

we expect each such job to generate nearly \$94,000 in short-term economic activity and over \$117,000 when retirement benefits are included.

Second, we found that employment of local construction workers to build a project like Northern Divide Wind Energy Center can be expected to deliver significant socioeconomic benefits compared to the employment of non-local workers. We find that the typical local worker employed on a wind farm can be expected to contribute over three times more than a non-local worker in terms of local spending (\$54,300 vs. \$15,600), and their contribution can be four times greater over the long term (\$68,000 vs. \$15,600).

When this incremental difference is applied to a project similar to Northern Divide Wind Energy Center, we find utilization of a largely local workforce (50% to 70% local) is associated with roughly \$5.4 million in incremental short-term economic activity compared to utilization of a largely non-local workforce (10% to 30% local) -- a figure that grows to \$7.2 million over the long term as retirement savings become retirement income.

Third, we found that thousands of local residents could benefit from new construction career opportunities created by a large energy project such as Northern Divide Wind Energy Center. Our research identified more than 10,000 workers employed in retail, accommodations, and food service jobs that pay an average of \$9 to \$15 per hour and may offer few, if any, fringe benefits. Additionally, there are thousands of workers seeking job opportunities as a result of the COVID-19 crisis.

Like large pipeline projects, wind energy can create opportunities for new entrants to the construction industry. These projects do so directly in the form of entry-level jobs on a project, and indirectly, by attracting local workers from other sectors of the construction industry whose positions must be backfilled. These opportunities are only generated, however, to the extent that contractors employ local rather than non-local construction workforce.

The construction of large energy facilities such as the proposed Northern Divide Wind Energy Center can offer unique opportunities for current construction workers to advance their careers and for new workforce to get a foot in the door. Wind and other large energy projects create jobs with skill and experience requirements ranging from a small number of entry-level positions that can be filled by men and women with no background in the industry who are willing to show up on time, work hard, and follow directions; to positions that can be filled by men and women with some experience working on building or highway projects; to positions that can only be filled by men and women who have extensive wind industry experience.

Q. Do you conclude that it is feasible for a project such as Northern Divide Wind Energy Center to be built using a largely local workforce? And if so, what is the basis for your conclusion?

- A. We are confident that Northern Divide Wind Energy Center can be built using local workers because our members have participated in construction of similar projects where locals made up a majority of the workforce. We also know from past experience with other large energy projects, including the Dakota Access Pipeline, that our union and our brothers and sisters in other crafts are capable of recruiting and training local workers to fill positions that do not require extensive industry experience.

Sunflower Wind in Hebron, North Dakota, is a good example of a project that showcased the ability of local workers to deliver a safe and successful wind energy project. Sunflower is just one of several projects that have relied on a local workforce.

LIUNA has a roster of skilled local construction workers, including members with wind industry experience. The same is true of unions that represent Operating Engineers, Iron Workers, Millwrights, Electricians. In addition to current membership, our organizations have a proven ability to recruit new workforce and to deliver state-of-the-art classroom and hands-on training to both new members and current members learning specialized skills ranging from concrete placement to the operating and rigging of the heavy cranes used to install wind turbines. There are also thousands of nonunion construction workers in North Dakota who would likely welcome the opportunity to work on a project like Northern Divide Wind Energy Center.

Northern Divide Wind Energy Center can draw from a pool of experienced construction workers in Northwest North Dakota, including construction workers that have lost employment due to the COVID-19 crisis. Work on a wind energy project like the North Divide Wind Energy Center can also provide critical family-supporting employment opportunities during periods of low oil prices. We have seen NextEra and Blattner step up to the plate with announced goals to employ 60% local workforce on projects in Southeast and Southwest Minnesota and believe the same could be done in North Dakota.

Q. Why is the employment of a local workforce on wind energy construction projects a concern for your organization and your members, and why should it be a concern for the Commission?

- A. Our organization is concerned about employment of local workers on wind energy projects for two key reasons. First, we believe that outsourcing construction of wind energy jobs undercuts benefits to North Dakota residents causing local workers to miss out on good family-supporting jobs and local communities to miss out on millions in socioeconomic investment. Second, we believe that a reliance on non-local workers undercuts community support for wind energy development. Finally, we are confident that the project developer can work with their EPC contractor to employ a majority local

workforce because we've seen projects like Sunflower Wind successfully employ a majority local workforce. Unfortunately, this commitment to local communities is not always the case. In a 2019 investigation, we found that local workers accounted for fewer than 20 percent of wind energy construction jobs on large wind projects under construction in 2018.

This reliance on non-local labor represents more than just a missed opportunity. We are in the midst of transmission capacity crunch across the upper Midwest. It is unlikely that all of the proposed projects in North Dakota will be about to move forward given this limited transmission capacity, as well as the limited investor capital available to finance projects. Under these conditions, approval of one project can "crowd out" other projects that must compete for customers, financing or transmission (see Exhibit I-5 for an example of how crowd-out could affect assessment of project viability by potential renewable energy investors).

Approving a project with limited local employment not only has short-term negative impacts by undercutting the socioeconomic benefits of the project, but it can end up hurting local workers and communities down the road by crowding out better projects that could have delivered many more jobs and much greater economic stimulus. Additionally, we are worried that the approval of projects that create few local jobs could undermine public support for wind energy development and confidence in the permitting process.

Q. What can the North Dakota Public Service Commission do, consistent with its legal authority, to maximize the local benefits and minimize unintended consequences of wind energy development?

- A. North Dakota Administrative Code Title 69, Article 6, Chapter 68 authorizes the Public Service Commission to give preference in permitting decisions to projects that can be expected to maximize associated benefits, specifically including the training and employment of local workers. The Commission is further authorized under Chapter 68 to condition the issue of a permit, in proper cases, on the adoption of policies and practices that the Commission finds necessary to maximize such benefits. We believe that the Commission can and should exercise its authority to encourage greater use of local labor where feasible, and to provide more transparency with respect to the employment impacts of wind energy development.

First, the Commission can consider the extent to which the project can be expected to create high-quality employment and training opportunities for local workers based on the evidence in the record, potentially including any local construction hiring commitments made by the applicant as well as evidence concerning past hiring practices on projects built by the applicant and its affiliates, or by contractors selected or under consideration to build the facility. The Commission can further weigh the project's anticipated local

employment and training benefits against any negative impacts that could occur if the project “crowds out” competing development opportunities.

Second, the Commission can require successful applicants for wind energy facilities to submit regular reports during construction on the employment of local and non-local workforce in order to better inform future Commission decisions and provide greater public transparency regarding the degree to which promised benefits of wind energy development actually materialize and are made available to local residents. Large wind energy developers often make big promises about hiring local workers, but often fail to live up to their commitments. Without transparency, it is difficult to hold them accountable to their promises. Public transparency through workforce reporting is an effective mechanism for accountability.

LIUNA Minnesota & North Dakota requested a legal opinion on the Commission's legal authority in these matters from Derrick Braaten, a Bismarck-based attorney who has practiced before the Commission and has extensive experience in regulatory matters. Mr. Braaten's letter concludes that the recommended steps fall clearly within the Commission's legal authority, and we believe that they could strengthen public confidence in the development and permitting of wind energy facilities. Mr. Braaten's letter is included as Exhibit I-4.

Q. Have any neighboring states taken similar steps to maximize the local employment benefits and increase transparency in wind energy development?

- A. Minnesota's Public Utilities Commission has recently taken action in both areas. In late 2018, Minnesota's Commission began requiring successful applicants for permits to build or retrofit wind energy facilities to submit quarterly reports on the number of Full-Time Equivalent workers (FTE) or hours worked by local workers -- including both Minnesota residents and residents of neighboring states living within 150 miles of the project -- and non-local workers.

Minnesota's Commission recognized that it made little sense to require collection of detailed information on environmental impacts, but no information on how many local residents were eventually employed on projects that promised to create hundreds of new construction jobs. Permits have been issued for three wind energy construction projects since the Commission began requiring local hire reporting, including one that is currently under construction and another that is expected to commence construction later this year.

In December of 2018, Minnesota's Commission also made employment of local construction workers an explicit consideration in a case where the Commission referred applications for a Certificate of Need and Site Permit to contested case hearings based on concerns over expected reliance of non-local construction labor. The proposed

project was subsequently sold to another different developer and is expected to create many more employment opportunities for local workers.

Minnesota's Commission took these actions under its broad mandate under Certificate of Need and Site Permitting statutes and rules to consider societal impacts, including the promotion of sustainable development and efficient use of resources, as well as its general authority to impose reasonable conditions based on the evidence in the record. North Dakota's rules provide an even more explicit legal foundation for local hire consideration and reporting than Minnesota's.

Q. How have the steps taken in Minnesota impacted the development process and the employment of local workers on wind energy construction projects?

- A. There are many factors at play, but we have seen tangible progress in the use of local labor on Minnesota wind energy projects, and there is no question that the Commission's actions and attention to the issue have played a major role. During the 2017 and 2018 construction seasons, we estimate based on field observations and information filed with the Minnesota Public Utilities Commission that fewer than 20 percent of construction jobs on large Minnesota wind energy projects were filled by local workers. In 2019, by contrast, we estimate that well over half of construction jobs on large wind energy projects were filled by workers from Minnesota and neighboring states. We expect local workers to make up the majority of Minnesota's wind construction workforce in 2020 and 2021 based on commitments and statements made by developers, including NextEra. Further, public dialogue over renewable energy development in Minnesota have changed from conversations that were almost entirely driven by environmental concerns to conversations that include impacts on workers and the job impacts.

On the other hand, we have seen no evidence that Minnesota's decisions to elevate the importance of local jobs and require local hire reporting have had any negative impacts on the industry or the pace of development. Minnesota is experiencing record levels of wind energy development and construction heading into 2020, and attention to local employment benefits has helped increase local support for projects such as Tenaska's Nobles 2 Wind near Worthington, Minnesota, which we expected to employ roughly 150 local workers. No wind energy developer has contested Minnesota's reporting requirement. Finally, in the one case where a developer withdrew from a project whose local job impact was disputed, the project was immediately acquired by another developer with a better local hiring track record.

Q. Would the proposed local hire reporting condition impose an undue burden on wind energy developers or their construction contractors?

- A. No. The wind energy construction industry is well-equipped to provide data on the employment of local and non-local construction labor with little or no difficulty. Wind

energy projects are routinely built by a small handful of large and sophisticated national contractors. These contractors are capable of tracking hours worked on projects at a much higher level of detail than would be required by the proposed reporting condition.

Further, the existence of a similar reporting requirement in a neighboring state with substantial wind energy development all but ensures that likely bidders for Northern Divide Wind Energy Center Wind and other North Dakota wind energy projects will be willing and able to provide such reports. NextEra and Blattner Energy have already built one project covered by Minnesota's new reporting requirement (Lake Benton II Repower), and NextEra is currently seeking permits to build at least two more.

Q. Does your organization advocate for the Commission to require the hiring of workers on wind energy projects or to deny permits for wind energy projects based solely on anticipated job impacts?

A. No. While the Commission might have legal authority under North Dakota Administrative Code Title 69, Article 6, Chapter 68 to establish local hiring requirements or deny applications based solely on job impacts, we would not recommend that the Commission do so. We merely urge the Commission to weigh the evidence in the record regarding an applicant's local hiring commitments and past practices as the Commission considers the totality of the project's environmental and socioeconomic impacts, which obviously extend far beyond construction employment. We advocate consideration of local construction employment impacts as an important factor among many, not as a stand-alone basis to approve or deny a permit.

Q. Does this conclude your testimony?

A. Yes