

MPUC Docket No. E-6472-/M-05-1993
OAH Docket No. 12-2500-17260-2

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

In the Matter of the Petition of Excelsior Energy Inc.
and Its Wholly-Owned Subsidiary MEP-I, LLC For Approval of Terms and
Conditions For The Sale of Power From Its Innovative Energy Project Using
Clean Energy Technology Under Minn. Stat. § 216B.1694 and a
Determination That the Clean Energy Technology Is Or Is Likely To Be a
Least-Cost Alternative Under Minn. Stat. § 216B.1693

SUPPLEMENTAL TESTIMONY AND EXHIBITS OF
EXCELSIOR ENERGY INC.

JAMES A. SKURLA

JUNE 19, 2006

1 **EXCELSIOR ENERGY INC.**

2 **BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION**

3 **PREPARED SUPPLEMENTAL TESTIMONY OF**

4 **JAMES A. SKURLA**

5 **Q Please state your name, current employment position and business address.**

6 A My name is James A. Skurla. I am currently the Acting Director of the Bureau
7 of Business and Economic Research of the University of Minnesota Duluth's Labovitz
8 School of Business and Economics, 19 School of Business and Economics, University
9 of Minnesota Duluth, Duluth, Minnesota 55812-2496. My resume is attached as
10 Exhibit JAS-1 to this testimony.

11 **Q Please describe your educational and professional backgrounds.**

12 A I received my Bachelor of Arts Degree in Economics from the University of
13 Minnesota Duluth in 1975 and my Master of Arts in Economics, with a concentration in
14 Econometrics (Statistics), from the University of Wisconsin Milwaukee in 1977. In
15 May of 1992, I became a Certified Economic Development Finance Professional
16 through the National Development Council.

17 Since 1977, I have served at the University of Minnesota Duluth, initially as an
18 Instructor in the Department of Economics, then from 1983 to 1986 as the Assistant
19 Director of the Bureau of Business and Economic Research. From 1987 to 2004, I
20 served as Business Development Specialist, Natural Resources Research Institute
21 Business Group, at the Center for Economic Development of UMD. From 2003 to the
22 present, I have held the position as Acting Director of the Bureau of Business and
23 Economic Research in the Labovitz School.

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

2 A I am testifying on behalf of Excelsior Energy Inc.

3 Scope and Summary

4 **Q What is the scope of your testimony in this proceeding?**

5 A Included as Exhibit B, Volume I of Excelsior Energy Inc.'s original Petition in
6 this Proceeding, which was filed on December 27, 2005, is the Research Report which
7 our Bureau of Business and Economic Research prepared at the request of Excelsior
8 Energy entitled, *The Economic Impact of Constructing and Operating An Integrated
9 Gasification Combined-Cycle Power-Generation Facility on the Iron Range. See*
10 Exhibit TLO-2 to the Supplemental Testimony of Thomas L. Osteraas. I supervised the
11 entire project which culminated in the creation of that Research Report in September,
12 2005. Excelsior Energy engaged the Labovitz School Research Bureau to provide
13 detailed economic modeling of the anticipated impacts of the Mesaba One project on
14 job creation and economic stimulus, both on the seven-county Arrowhead Region,
15 which comprises most of the Iron Range, and in the State of Minnesota, generally. Our
16 study employed the economic modeling system, IMPLAN (which was created by the
17 Minnesota IMPLAN Group, Inc.), using as the original inputs for our modeling
18 Excelsior Energy's estimates of the values of Excelsior's direct expenditures on
19 construction and operation of the Mesaba One Project. As is reflected in our Research
20 Report, our modeling yielded estimates of the numbers of jobs which Mesaba One
21 would both directly and indirectly create on the Iron Range and statewide. In addition,
22 our modeling yielded estimates of the dollar value of economic activity which Mesaba
23 One would also generate on the Iron Range and statewide. I am available to answer any
24 questions related to that Research Report.

1 **Q Please briefly summarize the results of your study for Excelsior Energy.**

2 A Based on IMPLAN modeling, our general conclusions are that Mesaba One will
3 directly create a total of nearly 3,000 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 of the
5 IGCC Plant's operation. In addition, Mesaba One will create jobs indirectly, by
6 stimulating the commercial, government, service and residential industries to create an
7 additional 2,200 jobs statewide related to the construction of the plant, and another 360
8 permanent jobs statewide related to the operation of the plant.

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 Energy
12 provided us with estimates of \$1.04 billion in direct spending on construction of the
13 plant over a 42-month period. Based on those inputs, we anticipate that Mesaba One
14 will also generate economic activity indirectly, by inducing secondary spending across
15 the State of Minnesota of \$760 million related to expenditures on construction and
16 another \$90 million annually related to the plant's operations.

17 **Q Has any information respecting Excelsior's proposed IGCC Plant come to your**
18 **attention which differs from information on which you relied in preparing your**
19 **Research Report?**

20 A Yes. Since the time that Excelsior Energy provided us with inputs of anticipated
21 direct spending on construction of \$1.04 Billion, I understand that Excelsior has revised
22 several of the parameters which led it to arrive at those inputs. For one thing, the
23 anticipated net output of Mesaba One has changed from 530 MW to 603MW, which
24 increases the estimates of the overall capital costs of the Project. In addition, I

1 understand that Excelsior decided to allow design flexibility for the plant to use 100%
2 Powder River Basin coal. Further, since we completed our Research Report, the
3 anticipated price of commodities and labor have risen for all projects, including Mesaba
4 One. These circumstances have led Excelsior's engineering, procurement and
5 construction consortium and project engineers to revise upward their estimates of total
6 project costs. Those higher costs necessarily give rise to increased inputs for purposes
7 of our modeling, which in turn means the economic benefits of Mesaba One to the Iron
8 Range and statewide will be greater than forecast in our Research Report. Excelsior
9 Energy and the Labovitz School Research Bureau are now commencing the process of
10 updating our models accordingly, and we intend to submit those updated results later in
11 this proceeding.

12 **Q. Are there any parts of your Research Report that you would like to further**
13 **supplement or clarify at this time?**

14 **A.** I did note two minor typographical errors in the Report. At page 12 of our Research
15 Report, directly below Table 3a, there is a parenthetical that currently reads “(\$367
16 million to \$211 million)” which should actually read “(\$367 million to \$300 million).”
17 Also, on page 13, two lines below the heading “**Study Area 2: State of Minnesota,**”
18 there is a letter missing so that the words “In Tables 4 through c” should read “In Tables
19 4a through c.”

20 **Q. Does this conclude your prepared supplemental testimony?**

21 **A.** Yes.

EXHIBITS

EXHIBIT NO. ____ (JAS-1)

Resume

James A. Skurla

Acting Director
Business Development Specialist
Bureau of Business and Economic Research
19 School of Business and Economic
University of Minnesota Duluth
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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. Steinnes, 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