

WAHPETON ECONOMIC DEVELOPMENT

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Testimony of JANE P. PRIEBE, DIRECTOR

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Madam Chair, members of the interim Economic Impact Committee, good morning, my name is Jane Priebe and I am the Economic Development Director for the City of Wahpeton. I'm here today to talk about natural gas capacity for communities already served by this resource and how extending pipeline and increasing volume are essential for business growth long term.

Let me start first with a success story. In 2008 we had a growing business along the highway 13 corridor and existing businesses that could improve their bottom line if another energy source were available. The plan would be to extend the pipeline from the Wal-Mart area located within the city limits and travel just over 3 miles out along Hwy 13 corridor to serve Wil-Rich, GIANTS Snacks, and other businesses along the route.

To fund the project, Great Plains would require an upfront cash contribution from the proposed firm customers [smaller businesses]. This could be a combination of contributions from the 10 firm customers that have expressed interest in this project and/or contributions from other sources.

In addition to contributions from the firm customers, Great Plains requested an upfront contribution from GIANTS and Wil-Rich, the two companies who would be served under the Interruptible Gas Service sales rate. Total construction cost for the 3 miles was estimated at \$434,410 with an additional \$122,646 in taxes. [\$557,056]

By securing the upfront contributions, letters of credit and a \$100,000 guarantee, Great Plains was able to provide service at the PSC authorized applicable rate schedules plus an additional surcharge of 50 cents to \$1 per MCF for the firm and interruptible customers. This equates to a 5 year buy down of the project based on estimated volumes. [I believe this was paid sooner] Once met, the surcharge was suspended and the customers would pay natural gas service rates equivalent to other Wahpeton customers.

This proposal only worked if all of the customers commit to conversions to natural gas. The initial numbers were based on volumes and usage for future roasting at GIANTS which also meant added employment.

The point of this example is to show that while it worked to extend the pipe 3 miles by working together, we have since then had to turn away much larger users because of the cost in bringing in bigger pipe to our city, a cost which is now anywhere from \$500,000 to \$1 million per mile. And while we believe natural gas prices will remain favorable, not everyone will convert or ‘sign on’ for new growth.

We appreciate that the committee is looking into ways to assist communities with development efforts by offsetting infrastructure costs. More needs to be done. Right now I have a potential anchor user that needs natural gas service way beyond what MDU can serve at the moment. We have engaged in discussions with the anchor and they have agreed to pay their fair share, but not foot the entire bill to bring in more gas. My fear is we will once again lose a project to insufficient gas supply. The current model works on a small scale but on a large scale we are at a competitive disadvantage with our neighbor states. This is where the gap lies.

We look forward to working with this committee to identify any incentives or financing tools that can assist us in our development efforts to close the gap and help make us more competitive with our neighboring states. Your work on this subject is vital. Access to natural gas very often becomes a deal-breaker, limiting our ability to attract new business and helping our existing businesses to expand.