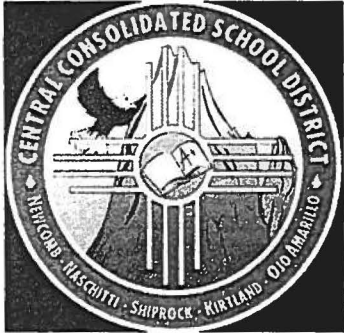
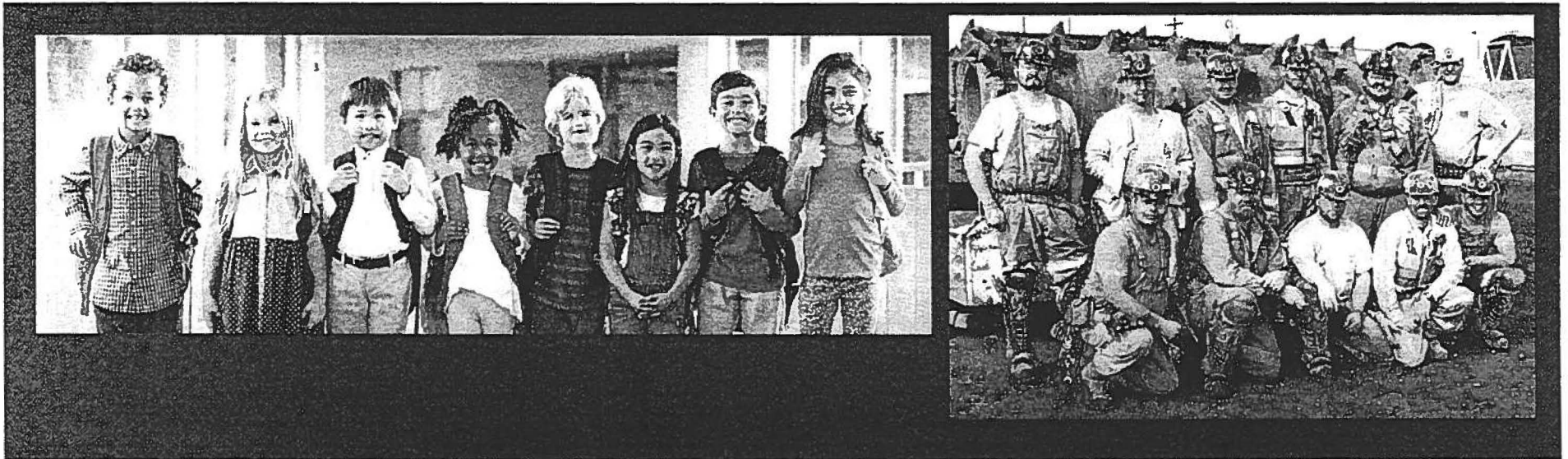


UNDERSTANDING THE IMPACTS RELATED TO THE SAN JUAN GENERATING STATION CLOSURE



Presentation to PSCOC Task Force
August 20, 2019



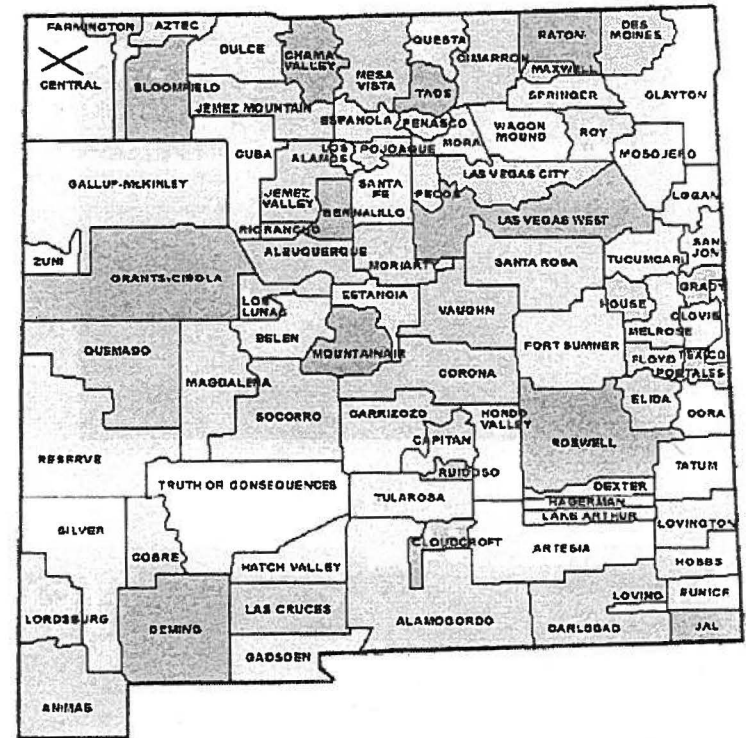
AGENDA ITEMS

- Central Consolidated School District Information
- San Juan Generating Station (SJGS)
- Public Service Company of New Mexico (PNM)
- Economic Impact Studies (2)
 - 1. Four Corners Economic Development
 - 2. EMSI
- Debt Capacity Analysis
 - RBC Capital Markets
- Conclusion



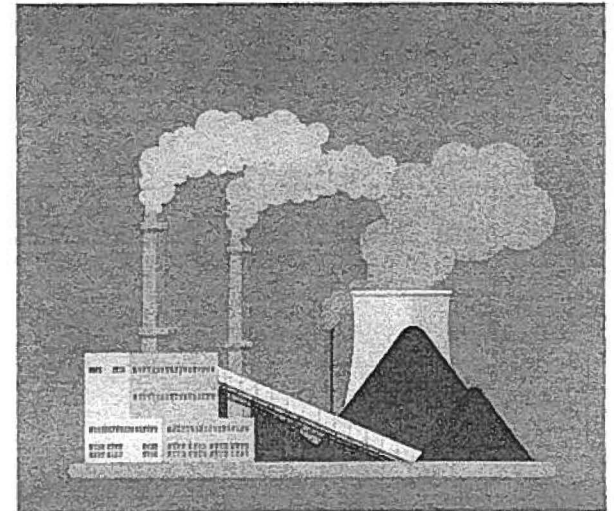
CENTRAL CONSOLIDATED SCHOOLS - INFORMATION

- The Central Consolidated School District is in the heart of the beautiful Four Corners region of San Juan County in the northwest corner of New Mexico. It borders Colorado to the north, Arizona to the west, and Utah to the northwest.
- The District, which serves approximately 6,000 students and 1200 Staff members, covers nearly 3,000 square miles.
- The District serves the communities of Kirtland, Ojo Amarillo, Newcomb, Naschitti, and Shiprock, New Mexico. There are eight elementary schools, three middle schools, three high schools, one early college high school, and one alternative high school, as well as the preschools.
- The District has two 798 seat performing arts centers: The Phil Thomas Performing Arts Center in Shiprock and the Brooks/Isham Performing Arts Center in Kirtland. It also operates the Dine Bi Community Library in Newcomb



SAN JUAN GENERATING STATION (SJGS)

- One of the biggest issues looming over San Juan County is the potential closure of the San Juan Generating Station in 2022 — about 20 years before the end of its useful life.
- The coal-fired generating station provides power to an estimated two million customers in the southwest United States through owners like PNM, Tucson Electric Power and the Farmington Electric Utility System.
- Prior to the announcement in 2017 that the San Juan Generating Station would close in 2022, the majority owner, the Public Service Company of New Mexico, had planned to keep units 1 and 4 open through 2053. The other two units closed in 2017.



PUBLIC SERVICE COMPANY OF NEW MEXICO (PNM)



- PNM was originally founded in 1917 as the Albuquerque Gas and Electric Company, but its roots can be traced to 1882 when electric and gas operations began in Albuquerque, New Mexico.

SJGS AND PNM

- In 2015 PNM enlisted the support of the San Juan County region to shut-down two of the original 4 units of SJGS and install over \$150 million in pollution control equipment and other improvements in the remaining 2 units with the understanding that the remaining two units would continue operating for decades;.As a result SJGS is now one of the most technologically, operationally sound, and cleanest coal-fired plants being retired in the Country
- PNM has stated in PRC documents that the useable life of SJGS could continue through 2053. Because PNM represented that the plant would continue to operate decades into the future, CCSD and San Juan College issued educational bonds valued at over \$40 million secured by property tax revenues generated primarily by SJGS and the San Juan Mine.

PNM STATEMENTS

- PNM has admitted publicly that if SJGS remained open beyond 2022, costs of stranded assets (which customers pay) would decrease and impacts to the San Juan County region would be minimized.
- PNM has admitted publicly that closure of SJGS will create a loss of jobs and will increase electric rates paid by its customers.

SAN JUAN COUNTY NM RESIDENTS

- A national survey asserts that New Mexico has one of the lowest monthly average electricity costs.
- Increased rates undermines our competitive edge in attracting business to our state and could ultimately cause an exodus of business from our state.
- If electric rates increase and businesses are impacted or leave the state, the state's budget and funding for education will be severely impacted

CENTRAL CONSOLIDATED RESIDENTS

- CCSD has already seen a decrease in about 300 students since 2017.
- CCSD will continue to see dramatic reductions in student population and will likely have to let go of staff and/or shutdown schools.
- Based on independent third-party review, the closure of SJGS and the Mine is anticipated to result in a loss of over \$53 million annually in state and local tax revenues AND over 1500 direct jobs, which support thousands of dependents. Many of these hard-working men and women will be forced to leave the state in order to support their families.
- Property tax rates will necessarily increase in affected communities and school districts.

ECONOMIC IMPACT STUDIES

1. Four Corners Economic Development (4CED)

- Primary Source Data provided by:
 - PNM
 - Westmoreland
 - San Juan County Assessor

2. Economic Modeling Specialists, Inc. (EMSI) - *Independent Third Party*

- Outcomes are based upon data supported by:
 - Bureau of Economic Analysis
 - Arizona Department of Administration
 - Colorado Department of Labor and Employment
 - New Mexico Department of Labor, Bureau of Economic Research & Analysis
 - Utah Department of Workforce Services

FOUR CORNERS ECONOMIC DEVELOPMENT (4CED) REPORT

- Excluded possible future effects on the local housing market
- PNM & Westmoreland provided actual non-attributable employee detail
 - Headcount
 - Salaries
 - Demographics by zip code
 - Average age data
 - Participation rate for employer sponsored healthcare
 - Actual royalty and tax information
 - Vendor spending by zip code for recent twelve month period

4CED RESULTS – BASE DATA

- Average Employee Salary \$86,000/year
- Average Employee Age 47 years old
- Average Years of Service 14 years
- Percentage of Workforce = Navajo 40%
- Percentage of employees covered by Employer Sponsored Healthcare 96%

4CED RESULTS – SAN JUAN COUNTY

- Lost Wages \$56.6 Million per year
- Lost Benefits \$20 Million annually
- Directly effects 1,600+ San Juan County residents
- Indirectly effects up to 5,000 residents

4CED RESULTS - SCHOOLS

- **Central Consolidated School District**
 - \$3.6 Million in property taxes
 - Pays 60-70% of the outstanding \$37M in Bonds
 - Up to \$1.5 Million in Student Funding
 - 91% Native American Students
 - 72% Students Financially Disadvantaged
- **Farmington Municipal Schools**
 - Up to \$1.7 Million in Student Funding
- **Aztec Schools**
 - Up to \$165,000 in Student Funding
- **Bloomfield Schools**
 - Up to \$77,000 in Student Funding
 - 100% Financially Disadvantaged

4CED RESULTS - MISCELLANEOUS TAX IMPACTS

- San Juan County Government
 - 10% of Total Property Taxes
 - \$3.8 Million per year Lost
 - Affects all departments and vital services

- \$1.9 Million in losses to Employee State Income Taxes

- San Juan Mine
 - \$6.5 Million in Severance, Conservation, Gross Proceeds, Resource Excise Tax
 - State Tax Loss - Closure of Mine will reduce statewide Coal Tax Revenues from \$16 M in FY14 to \$3M annually based upon the most recent full year of tax data from NM Tax & Rev

4CED RESULTS – OTHER LOSS

- Direct Suppliers of PNM
 - \$31.7 Million
- Scholarships
 - \$115,000 annually to San Juan College Students
- Workforce Development Training
 - \$300,000 per year
- United Way
 - \$150,000 average annual employee/employer giving

ECONOMIC MODELING SPECIALISTS, INC (EMSI) REPORT

- Conducted May 2017, Followed up March 2018
- Covered a six-county area in New Mexico, Colorado, Arizona & Utah
- Study reflected all four stacks (units) in operation at SJGS
 - 97% of San Juan Generating Station employees live in San Juan County
 - 92% of San Juan Mine employees live in San Juan County

EMSI RESULTS FROM MAY 2017

■ Annual Loss in Earnings	\$117,212,964
■ Total Jobs Lost	1,586 jobs
■ Decrease in taxes annually	\$ 53,051,723
■ Lost New Mexico taxes each year	\$ 20.8 million
■ Lost taxes annually locally	\$ 24 million

EMSI RESULTS FROM MARCH 2018

■ Annual Loss in Earnings	\$105,077,209
■ Total Jobs Lost	1,457 jobs
■ Decrease in taxes annually	\$ 49,866,589
■ Lost New Mexico taxes each year	\$ 19.9 million

RBC CAPITAL MARKETS – DEBT CAPACITY

- RBC Capital Markets was contacted by the Legislative Education Study Committee and asked to present on the potential financial impact to CCSD in regards to the SJGS closure.
- The following information was taken from that presentation.

RBC CAPITAL MARKETS – DEBT CAPACITY

- While Central Consolidated Schools has legal capacity to issue additional debt up to \$18 million in FY19, subject to voter authorization, the District would be limited to only \$4.2 million over the next 4 years without a potential impact to the tax rate.

- Two types of capacity:
 - Legal capacity which is limited to 6% of a school district's assessed valuation
 - Tax rate capacity which is the amount of additional debt that can be issued without an increase in the current tax rate

- If actual assessed property values are higher than projected, capacity could be higher without impacting the tax rate

- If actual assessed property values are lower than projected, capacity would be lower without impacting the tax rate

CONCLUSION