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ECONOMIC DIVERSIFICATION OPPORTUNITIES

Presented by Mike Eisenfeld, SJCA Farmington Office, Energy and Climate Program Manager at July 26, 2018 Interim Meeting Water and Natural Resources Committee, New Mexico Legislature, San Juan County Economic Development and Diversification Panel.

The Era of Coal is Ending

While coal has provided more stable employment than the boom and bust cycles of oil and gas, the era of coal mining and electric generation is ending.

- Two units at San Juan Generating Station (SJGS) closed last year, and Public Service Company of New Mexico (PNM) has announced that it will eliminate coal entirely from its generation mix by 2031. Because of high costs, PNM plans to retire the remaining two units of San Juan Generating Station in 2022 when the existing coal supply agreement for the plant expires, and exit its ownership fraction of Four Corners Power Plant. Tucson Electric Power, another owner of SJGS, also plans to exit in 2022.
- Three of five units at Four Corners Power Plant were retired in 2013 and the remaining two units could be retired in 2031, ten years sooner than anticipated.
- At the San Juan Mine, the effects of SJGS coal unit retirements are already visible, as employment has now dropped below 300 and coal production has been cut nearly in half.

Renewable Energy Sources are the Path Forward

Renewable energy sources including solar, wind and battery storage are already outcompeting both coal and natural gas in the Southwest just on the basis of cost alone.

- In New Mexico, PNM's coal-generated power costs approximately 7.4 cents per kilowatt-hour, but our state can access solar, storage and wind power prices that are far lower. In 2015, PNM received approval for solar plants sited in New Mexico that was more than three cents less per kilowatt-hour than coal.
- Throughout the Southwest today, the cost of replacement power from new renewables (solar and wind together) is in the 2-3 cents per kilowatt-hour range, cheaper than most existing generation. The evidence is already here that combining renewables with battery storage can do the job and is most economical.

- Carbon-capture technologies cannot economically compete. Shrinking global demand and high transportation costs make coal exports from our region unfeasible.

The State and PNM Need to Lead Diversification

The State of New Mexico and PNM need to set the course towards a diversified economic future for northwest New Mexico.

- Give the communities certainty and set firm closure dates. PNM and Westmoreland should hold community meetings to discuss transition steps for workers, decommissioning and site restoration.
- Commit to site renewable energy and storage projects in San Juan County and follow the example set by Xcel in Colorado where it is saving \$215 million by retiring 660 megawatts of coal generation in Pueblo County, and instead will build 525 megawatts of solar across three locations, as well as 225 megawatts of storage in the same county. Overall, Xcel will invest \$2.5 billion in new generation across eight rural Colorado counties.
- PNM could readily site 230 megawatts on existing infrastructure at the San Juan Generating Station and San Juan Mine site, and employ retrained coal plant and mine workers. The Four Corners hub is also the prime location for a commercial scale energy storage facility to facilitate the sale and transmission of power from renewable projects across our region.
- Soften the blow to workers by creating a transition fund of at least a \$20 million, paid by SJGS owners, for workforce job placement, training and transition, as well as site cleanup and remediation. The fund should provide for input and guidance from workers and the community.
- Replace lost property taxes (\$5.1 million) for the state, county, and schools through new investments in renewable energy generation facilities. A transition fund can help bridge gaps in the tax base.
- Emphasize the opportunities for economic diversification in our region that extend beyond solar and wind to health care, tourism, outdoor recreation, and expanded food production (See July 2018 O'Donnell report titled Economic Opportunities in the Four Corners Area).
- Maintain New Mexico legislature and Public Regulation Commission oversight over closure decisions for San Juan Generating Station.
- Recognition that economic diversification in Four Corners is necessary with or without coal closures. Work through NW NM Council of Governments to reach consensus on economic diversification planning and implementation.