

In 2019, New Mexico enacted the Energy Transition Act, or ETA to set a net zero carbon resource goal for New Mexico investor-owned utilities by 2045. The legislation also created funds meant to provide economic development, workforce training, and tribal relief to those affected by the closure of the San Juan Generating station. Three years after the historic legislation, the majority of the \$20 million set aside to ease the transition from fossil fuels to a clean energy economy remains unspent, replacement jobs have been scarce, and a cohesive strategy for helping the region remains unclear.

**DATE:** July 18, 2023

**PURPOSE OF HEARING:**  
Energy Transition Fund status

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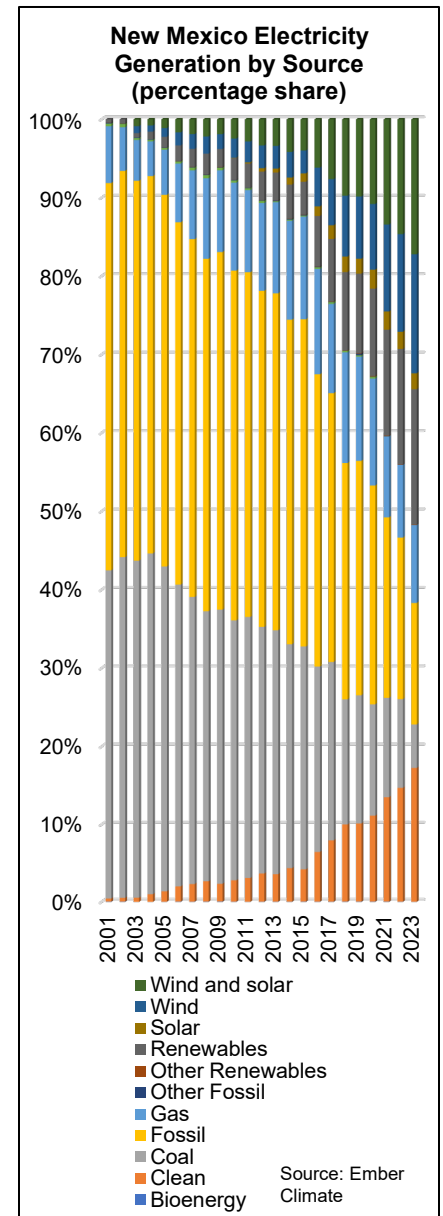
## Energy Transition Act Background

The 2019 Energy Transition Act sets a statewide renewable energy standard of 50 percent by 2030 for New Mexico investor-owned utilities and rural electric cooperatives in addition to setting zero-carbon resources standards for investor-owned utilities by 2045 and rural electric cooperatives by 2050. According to Ember Climate, the share of New Mexico’s electricity generated from fossil fuels was 34 percent in April, a record low. Electricity generation from coal has declined the most, down to just 1.6 percent of total electricity generation in April 2023, a significant decrease from 27.8 percent in April of last year.

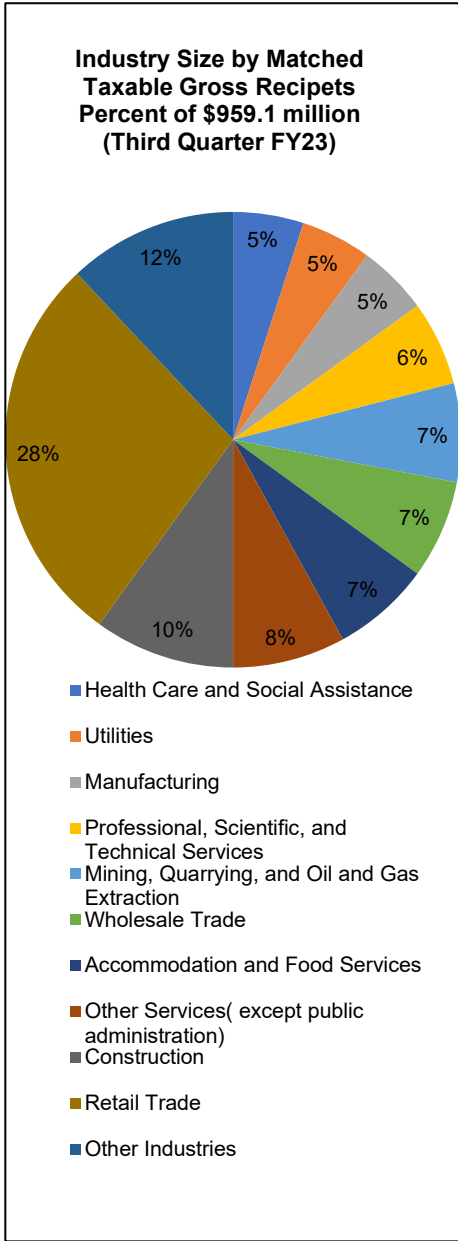
The ETA creates three funds – managed by the Indian Affairs Department (IAD), the Economic Development Department (EDD), and the Department of Workforce Solutions (WSD) to be used to assist communities affected by the transition, funded through transition bonds issued by qualifying utilities.

The original language of the ETA provided that workers were eligible to receive displaced worker funds if they’d been laid off within the previous 12 months. Initial layoffs began in 2020, two years before the Public Service Company of New Mexico (PNM) would officially shutter the plant and make funds available, rendering any worker laid off in 2020 or 2021 ineligible. House Bill 449 of the 2023 regular legislative session, signed by the governor in April, eliminated that requirement, and workers began receiving the first round of relief funds in early July.

The extent of economic loss in San Juan County throughout the three years it’s taken to distribute the funds is unclear. The Department of Workforce Solutions conducted a voluntary survey of affected workers in October 2022 and found that only 8 percent of those laid off from the generating station had secured new employment, and 28 percent of respondents indicated they either intended to relocate or weren’t sure they would remain in the region. Additionally, 60 percent of workers expressed interest in job training programs if the costs were covered.



## ETA Relief Funds and San Juan County



Source: Economic Development Department County Profile

When the Public Service Company of New Mexico (PNM) closed the San Juan Generating Station, funding from transition bonds amounted to approximately \$1.8 million to the Indian Affairs Department fund, \$5.9 million to the Economic Development Fund, and \$12 million to the Department of Workforce Solutions fund, all subject to legislative appropriation. The city of Farmington, which held a 5 percent ownership stake in the generating plant, has lost approximately \$70 million in the closure, in addition to the loss of approximately 450 jobs and a key power source for the region. The city also had plans to repurpose the facility, but will not be able to do so, as PNM ordered the site be demolished.

During the 2023 regular legislative session, the Legislature appropriated the total available ETA funds to each department. The Legislature included contingency language that \$5 million each from the ETA funds at Economic Development and Workforce Solutions departments be used for San Juan County, which the governor vetoed.

**Economic Development Fund.** The \$5.9 million in the Economic Development Department ETA fund shall be administered for economic development opportunities “unrelated to fossil fuel development or use.” The Economic Development Department created the Energy Transition Act Committee (ETAC) in compliance with the statute to consult with tribal and community entities to determine how to spend the funds. Though the committee has held three public meetings, it has not met since November 2022. As of July 10, 2023, no plan to spend the funds has been published. The committee has discussed using the funds for job training, similar to the existing job training incentive program at the department.

**Workforce Solutions Department Displaced Worker Fund.** As of July 8<sup>th</sup>, 2023, the New Mexico Department of Workforce Solutions provided approximately 350 direct payments to displaced workers from the displaced worker fund. The payments totaled just over \$7 million (approximately \$20 thousand per person) and approximately 90 percent of the funds are to San Juan County residents, according to the department.

In March 2023 the Department of Workforce Solutions published a Displaced Worker Plan which clearly set out the department’s plan to provide direct benefits from operating funds to displaced workers from three major employers that laid off employees as a direct result of the San Juan Generating Station closure: Public Service Co. of New Mexico (PNM), Westmoreland Coal, and the Waterflow, NM, location of AIMS Companies. The plan also details possible workforce development and training programs, but outside of job-seeking assistance, those programs have not begun in San Juan County.

**Indian Affairs Fund.** The Energy Transition Act significantly affected nearby tribal communities. The closure of the San Juan generating station, a decision that was made by PNM prior to the enactment of the Energy Transition Act, resulted in many members of the Navajo Nation losing crucial jobs, which, largely, have still not been replaced. However, the plant heavily contributed to water and air pollution of indigenous land, which many tribal advocates argue has caused serious health issues for residents.

The Indian Affairs Department notes that a part of its direct engagement plan is to visit every chapter within the affected communities of the closure for input on how

the \$1.8 million should be spent. Some proposals have been to invest in agricultural economic development or use funds to hire Navajo workers to build solar generating systems. The Economic Development Department and Workforce Solutions Department should work closely with IAD to ensure that transition-related economic development initiatives and workforce training programs also provide appropriate assistance to tribal communities affected by the ETA.

## Other Development Opportunities

The Census Bureau reports the median household income in San Juan County is \$47.8 thousand, 12 percent less than the statewide median of \$54 thousand. A June economic summary of San Juan County produced by the Economic Development Department notes a \$1.88 million (or 17.6 percent) year-over-year increase in Gross Receipts Tax revenue collections in San Juan County.

According to Four Corners Economic Development, the primary industries in San Juan County include outdoor recreation, energy production, agriculture, higher education, manufacturing, retail and medical. The San Juan County Film Office, in coordination with the Four Corners Film Office and state film office actively advertises the region’s unique landscape to filmmakers. The region is also investing in creating a film studio.

San Juan County has also endorsed a proposal to build a new rail line between San Juan County and the Burlington Northern Santa De (BNSF) which runs between Chicago and Los Angeles. The county secured \$2 million from the federal BUILD program in 2019 to conduct a feasibility study for the project, where team members will analyze alternative routes, potential economic impact, and environmental impact. Proponents of the proposal note that about 40 percent of US freight is shipped by rail, and although rail still uses fossil fuels, it is less emissions-heavy than other modes of land transportation, like trucks. The BUILD program selected the project for its potential improvement of local infrastructure conditions and ability to facilitate economic growth.

