

House Memorial 72 Escalante Generating Station Initiative

A public-private collaborative for economic growth



What is HM 72?

- One **small step** for New Mexico in replacing \$133 million in yearly payroll for northwest New Mexico.
- One **giant leap** for saving 500 jobs in Cibola and McKinley Counties.

The Big Questions

- State: How does New Mexico capture the \$3.75 to \$4.30 billion in potential coal revenue?
- Region: How does NWNM replace \$1.3 billion in payroll over the next decade?
- Local: How do you replace 500 quality jobs in our local communities?



Purpose of HM72

- HM 72 seeks to:
 - Sustain **Escalante Generating Station** [TriState Generating & Transmission Association; Prewitt, NM]
 - **Diversify** economies for Cibola & McKinley County
 - Capitalize on skill-sets of **existing workforce**
 - Capitalize on **existing infrastructure assets**
 - Capitalize on bi-county regional **public-private partnership**

- HM 72 will result in a report analyzing:
 - **Best practices** of cluster developments in other states
 - **Workforce development** and retooling strategies
 - Expanding industrial **growth sectors**
 - **Tech research** opportunities
 - Opportunities for **public-private partnerships** and **new investments**



HM 72: Who's Working on it?

Tech Working Group

- Escalante Generating Station
- Continental Divide Electric Cooperative
- Cibola Communities Economic Development Foundation
- Greater Gallup Economic Development Corporation
- Northwest New Mexico Council of Governments
- NM Economic Development Department
- NM Energy Minerals and Natural Resources Department
- NM Department of Workforce Solutions
- TriState Generation & Transmission





Escalante Generating Station

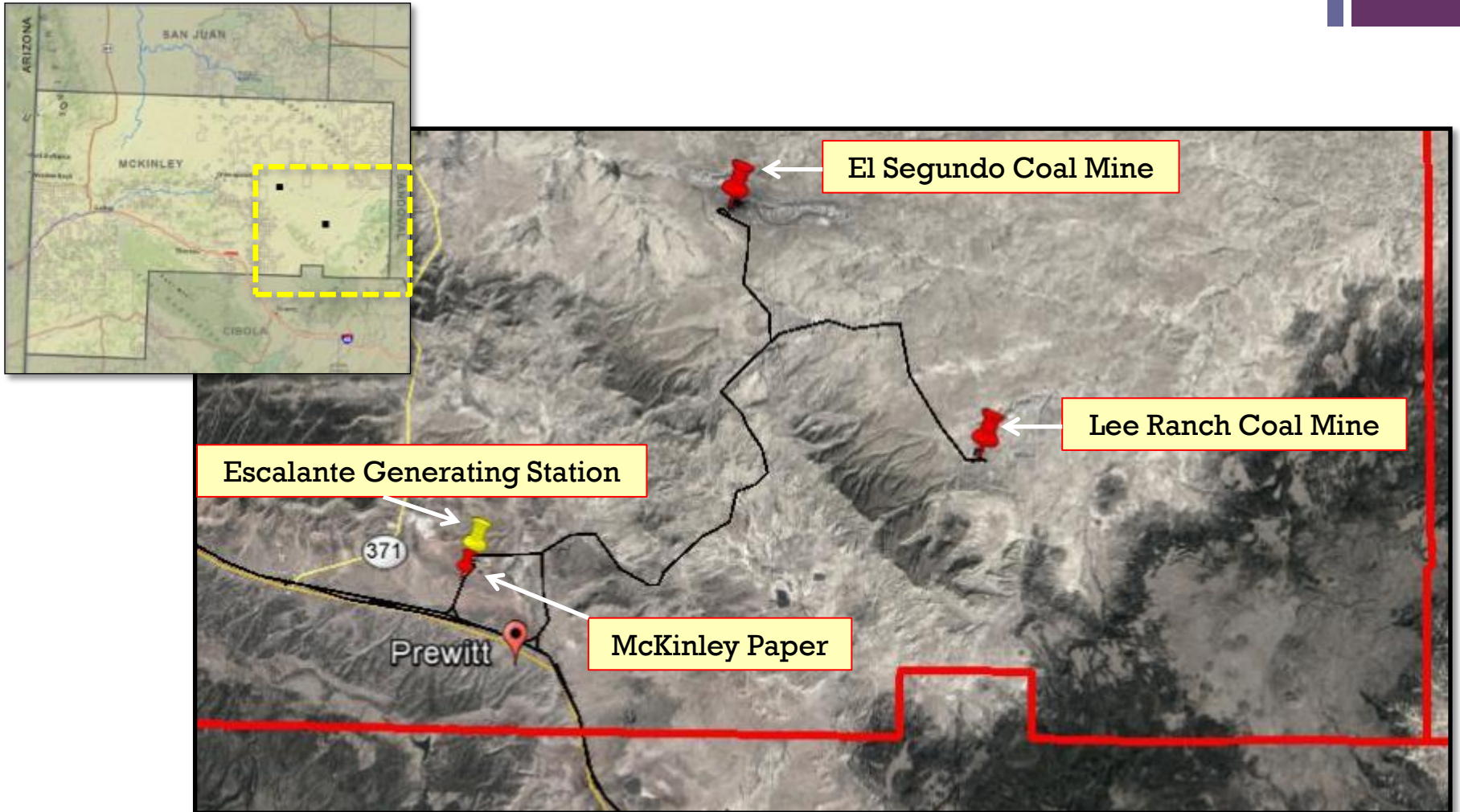
Capacity: 250 MW Location: Prewitt, NM

- 119 employees
- \$14.2M in payroll and benefits
- \$76,000 – average salary (not incl. benefits)
- \$1.4M in annual property taxes
- \$95.8M in local spending – operation purchases, maintenance services, capital equipment, spare parts, and purchasing coal and limestone for plant.
- Sells steam, water, and electricity to McKinley Paper Company manufacturing facility



Prewitt Industrial Cluster

Prewitt, NM





Prewitt Industrial Cluster

*Good paying jobs for New Mexicans
living in Cibola & McKinley County
[20% loss from 2015 to 2017]*

| BUSINESS | 2015/2016 | 2017 | Difference |
|---|------------------|-------------|-------------------|
| Escalante Generating Station | 119 | 117 | -2 |
| McKinley Paper <i>(formerly Bio-Pappel McKinley)</i> | 130 | 129 | -1 |
| Peabody Energy—El Segundo Mine | 349 | 240 | -109 |
| Peabody Energy—Lee Ranch Coal Mine* | N/A | N/A | N/A |
| TOTAL | 598 | 486 | -112 |

* Not Operational

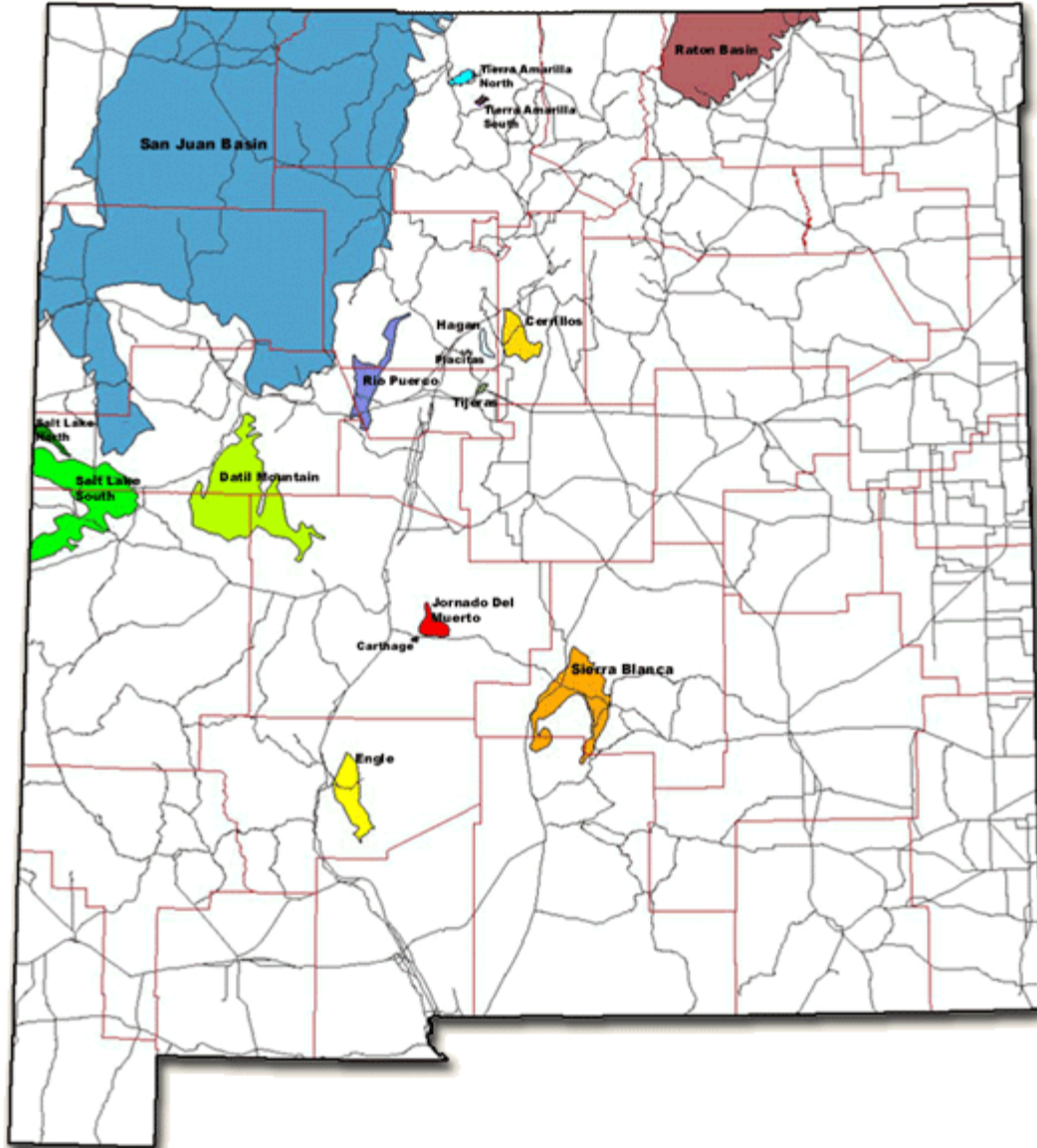


Is there coal in New Mexico?

- Yes. The demonstrated coal reserve base in New Mexico is **4.65 billion tons**, or about 1% of the national reserve
- Over a dozen coal fields in New Mexico
- 9 permitted coal mines in New Mexico.
- 4 mines are producing as of 2012:
Lee Ranch ** El Segundo ** Navajo ** San Juan Underground
- Right now, all of the state's production comes from the **San Juan Basin** (includes McKinley County)



New Mexico Coal Fields



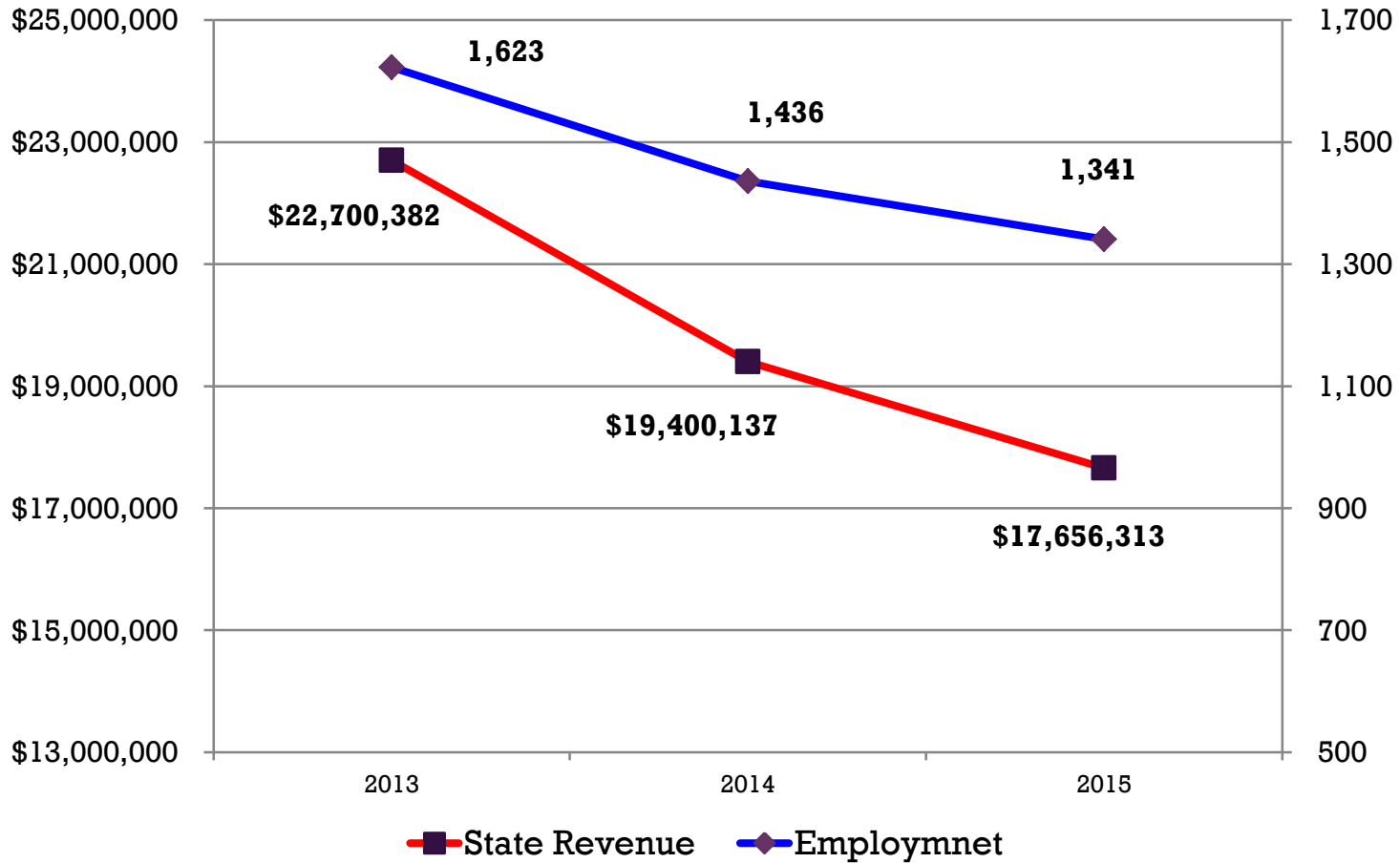


Is coal a valuable commodity?

- Yes. Coal was the 2nd most valuable mineral commodity mined in New Mexico in 2015.
- Over **19 million tons** of coal was produced from New Mexico coal mines, with a production value exceeding \$690,000,000.
- The mines employ over **1,300** people with an annual payroll of over **\$130,000,000**.
- Coal production generates **\$17,656,313** in state revenue.
- **State revenue** from coal is more than double that of the next highest commodity.



Jobs and State Revenue from coal



+ What is the POWER Initiative?

■ **Federal Response:**

“POWER”: integrated, multi-agency investment of federal economic and workforce development resources in communities negatively impacted by changes in the coal economy.

■ **Transition Planning & Action:**

Northwest New Mexico received the first 2 POWER grants awarded west of the Mississippi by the US Economic Development Administration :

- **NWNMCOG** - \$327,300 for an economic assessment of the coal-dependent Four Corners region, with recommendations on strategy
- **San Juan College** - \$1,400,000 for re-tooling training equipment for energy occupations and re-training dislocated workers

■ ***The Four Corners Future Forum:***

Inaugural working conference held in Farmington, November 1 & 2, 2017

- 140 in attendance from all 4 states and from federal & state agencies
- Report forthcoming
- Regional consortium being formed; working groups in motion

+ 4 Corners POWER Report

by Highland Economics & Catalyst Environmental Solutions

Strategies to Mitigate Loss of Industry

- Workforce Development
- Enhance Quality of Life
- Shared Vision—Local & Regional Networks & Partnerships
- Regional Branding Initiatives
- Support Energy Sector Businesses
- Target Investments to Diversify

Best Practices in Coal-Impacted Regions

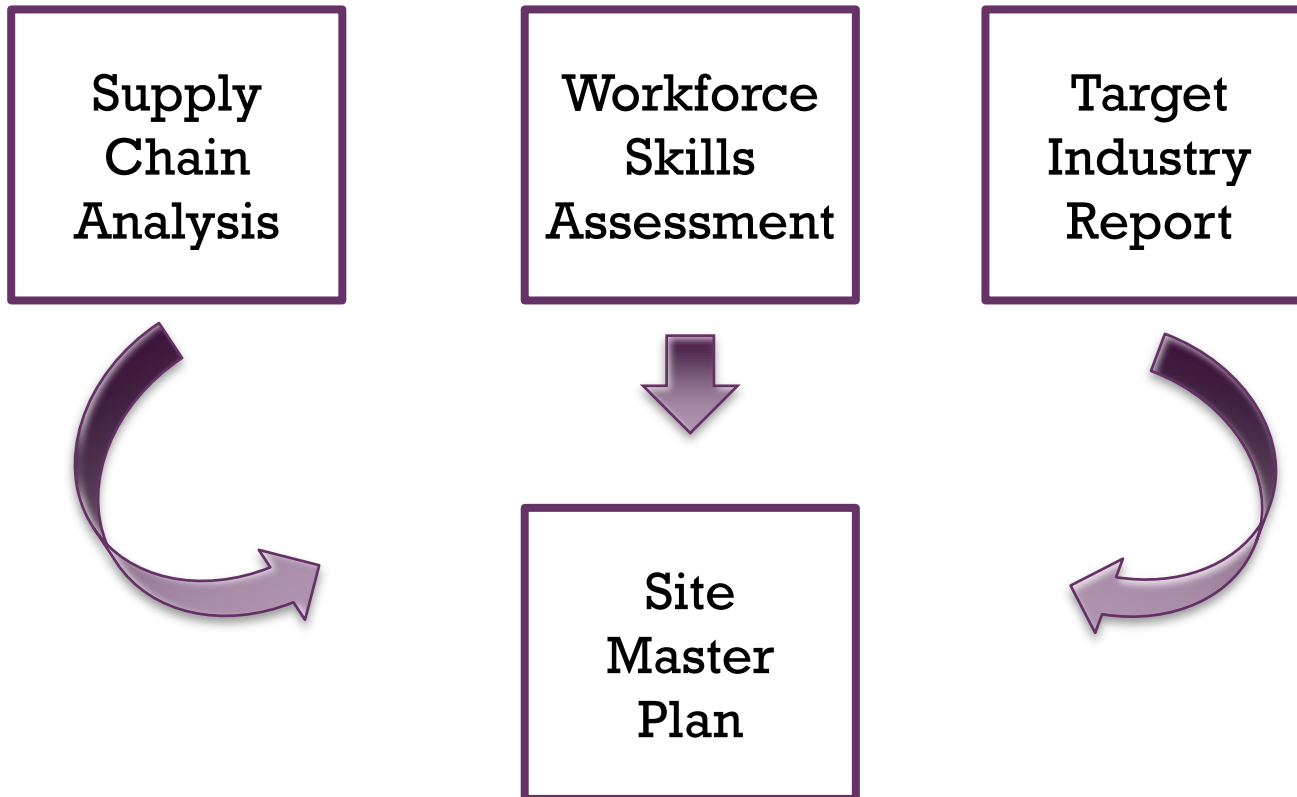
- Invest in Entrepreneurship
- Invest in high-quality Education & Health of the populace
- Invest in critical Infrastructure
- Leverage the Region's Natural & Cultural Heritage Assets
- Build Capacity & Skills of Emerging Generation Leaders



Coal – Dashboard Overview

| | | |
|----------|---|---|
| NATIONAL | Coal production is decreasing | |
| STATE | Relative to the U.S. coal production is decreasing faster in NM | |
| NWNM | <u>12%</u> jobs in the region tied to Energy Sector | <u>\$133,473,803</u> 2015 annual payroll for coal mining only |

+ HM 72 Study: Bringing it all together





Timeline to date

- 1 • **Mar. 2015** – U.S. EDA launches Coal POWER Initiative
- 2 • **Oct. 2015** – NWNMCOG receives regional POWER grant from EDA
- 3 • **Dec. 2015** – Greater Gallup EDC BR&E visits – Red Flag Warning
- 4 • **June 2016** – El Segundo Coal Mine announces layoffs
- 5 • **Feb. 2017** – POWER report complete
- 6 • **March 2017** – **HM72 is adopted by 56-0 vote**
- 7 • **April 2017** – Kick off meeting of HM72 tech group
- 8 • **May 2017** – Strategic planning session of HM72 tech group
- 9 • **Aug. 2017** – Cibola & McKinley County secure NMFA planning grants
- 10 • **Oct. 2017** – CCEDF begins preliminary WorkKeys Assessment



Status of HM 72 Work

- **\$100,000 in planning grant funds secured**
(NMFA Local Government Planning Fund)
 - \$50,000 – Cibola County
 - \$50,000 – McKinley County

- **Identified opportunities for research collaborative**
 - New Mexico Tech
 - Department of Energy

- **Mobilized state resources to launch WorkKeys Skills Assessment**
 - Escalante Generating Station & McKinley Paper Company tentatively approved for Assessment

+ Cibola County / NMFA grant

- **WORKFORCE ASSESSMENT:** Identify & document available workforce skill-sets
- **SUPPLY-CHAIN ANALYSIS:** Identify complementary businesses for recruitment

McKinley County / NMFA grant

- **TARGET INDUSTRY ANALYSIS:** Identify compatible industries for recruitment
- **MASTER SITE PLAN:** Identify location for business siting



Next Steps

- 1 • **Dec. 2017** – Advertise RFP for Scope of Work
- 2 • **Jan. 2017** – Secure contracts with Consultant(s)
- 3 • **Jan. 2018** – Community outreach
- 4 • **Feb. 2018** – WorkKeys Assessment begins
- 5 • **Mar. 2018** – Community outreach
- 6 • **Apr. 2018** – Draft Report Due
- 7 • **Jun. 2018** – Final Report Due
- 8 • **Jul. 2018** – **Present Final Report**



What does HM 72 accomplish?

- Recognizes of Escalante Generating Station as economic base employer for Cibola and McKinley County
- Recognizes of Escalante Generating Station as anchor for Prewitt Industrial Cluster
- Recognizes of Prewitt Industrial Cluster as key pillar for economies of Cibola and McKinley County
- Supports for proactive Local-Region-State leadership based on public-private partnership
- Integrates federal and state efforts for maximum efficiency
- Incorporates best practices, drawing on economic development and community planning principles



Current Request

**Extend or renew
House Memorial 72**



Questions?