

**MINUTES
of the
FIRST MEETING
of the
ECONOMIC AND RURAL DEVELOPMENT
AND TELECOMMUNICATIONS COMMITTEE**

**June 17, 2005
State Capitol, Room 322
Santa Fe**

The organizational meeting of the Economic and Rural Development and Telecommunications Committee for the 2005 interim was called to order by Senator Bernadette M. Sanchez, chair, on Friday, June 17, 2005, at 10:10 a.m. in Room 322 of the State Capitol in Santa Fe.

Present

Sen. Bernadette M. Sanchez, Chair
Rep. Mary Helen Garcia, Vice Chair
Rep. Hector H. Balderas
Rep. Daniel R. Foley
Sen. Clinton D. Harden, Jr.
Sen. Carroll H. Leavell
Sen. Richard C. Martinez
Rep. Kathy A. McCoy
Rep. Andy Nunez
Sen. William E. Sharer

Advisory Members

Rep. William "Ed" Boykin
Rep. Ernest H. Chavez
Sen. Dianna J. Duran
Sen. Phil A. Griego
Rep. Ted Hobbs
Rep. Al Park
Sen. Lidio G. Rainaldi
Rep. Debbie A. Rodella
Rep. Nick L. Salazar
Rep. Richard D. Vigil

Staff

Lisa Barsumian
Gordon Meeks
Larry Matlock

Guests

The guest list is in the meeting file.

Absent

Rep. Jose A. Campos
Sen. Mary Jane M. Garcia
Rep. Dianne Miller Hamilton
Rep. Patricia A. Lundstrom
Sen. John Pinto
Sen. Leonard Tsosie

Sen. Ben D. Altamirano
Rep. John A. Heaton
Sen. Stuart Ingle
Sen. Timothy Z. Jennings
Sen. Steven P. Neville
Rep. Harriet I. Ruiz
Sen. John C. Ryan

Copies of all handouts and written testimony are in the meeting file.

Discussion of Proposed Interim Work Plan

Senator Bernadette M. Sanchez, committee chair, explained the proposed interim committee work plan. There was discussion about changing the meeting dates and locations, but no changes were approved. The proposed work plan was adopted on a motion by Senator Martinez that was seconded by Representative Garcia.

Presentation on Desert Rock Energy Project

Mr. Dick Minzer made a presentation on the proposed Desert Rock Energy Project. The project will involve construction of a 1,500 megawatt (two 750 megawatt units) electrical power generating plant on the Navajo Nation approximately 30 miles southwest of Farmington. Sithe Global Power, Mr. Minzer's client, was selected by the Dine Power Authority of the Navajo Nation Council to develop, finance, construct and operate a coal-fired generating plant. There are ample coal reserves on the Navajo Nation to supply the proposed plant. The project, including the power plant and coal mine, represents a \$2 billion investment.

Mr. Minzer's main reason for coming before the committee was to explain that the project will not be economically viable without tax relief from either the Navajo Nation or the state, or both. The overall tax burden on the project must be reduced and could involve a combination of tax relief provided by the Navajo Nation and the state. The possessory interest tax levied by the Navajo Nation is the largest tax expense facing the project and Sithe is hoping to receive some relief from that tax. However, the Navajo Nation has indicated that if it provides tax relief, it expects the state to provide tax relief also. New Mexico taxes to which the project would be subject include the compensating tax, gross receipts tax, corporate income tax and property tax. The amount of tax relief offered by the Navajo Nation will determine the amount of other tax relief needed; therefore, he was not in a position to request specific state tax relief at this time.

In response to questions from committee members, Mr. Minzer explained that the electricity generated by the proposed plant is likely to be sold to utilities in the southwest that might also acquire an ownership interest in the plant. Construction of the plant would take between four and six years using an average of 1,000 workers annually. Navajos would be given first preference for jobs and New Mexicans would be hired where possible. The plant will use 80 percent less water than the existing, older plants in the area and the water would be provided from Navajo Nation resources. Additional transmission lines will have to be built to transmit electricity generated by the second 750 megawatt unit.

Senator Griego stated that he hopes Sithe would be willing to work with New Mexico colleges to train New Mexicans to provide skilled personnel for the plant.

Other Business

Representative Garcia asked that the following items be considered for agendas for future meetings:

- 1) an update on the X-prize competition;
- 2) recycling of computer equipment. She supports creation of a recycling trust fund;
- 3) an update by the Public Regulation Commission on the Qwest A-4 issue; and
- 4) an update from the United States Department of Agriculture on the availability of rural

development investment funds.

Representative Hobbs requested an update on Eclipse activities. Senator Griego requested an update on workforce development in rural communities, especially in northern New Mexico. Senator Sanchez expressed interest in learning about land grant communities pursuing trade with Cuba. Representative Foley expressed interest in hearing from the State Investment Council about how much investment is being made in New Mexico versus out of state.

Adjournment

Senator Sanchez adjourned the meeting at 12:00 noon.