

**MINUTES  
of the  
THIRD MEETING  
of the  
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**August 31-September 1, 2017  
Cimarron High School  
165 N. Collison Avenue  
Cimarron**

The third meeting of the Economic and Rural Development Committee was called to order by Senator Benny Shendo, Jr., chair, on August 31, 2017 at 9:15 a.m. at Cimarron High School in Cimarron.

**Present**

Sen. Benny Shendo, Jr., Chair  
Rep. Debbie A. Rodella, Vice Chair (9/1)  
Rep. Rebecca Dow  
Sen. Ron Griggs  
Rep. Rick Little (8/31)  
Rep. Patricia A. Lundstrom  
Sen. Richard C. Martinez (8/31)  
Rep. Matthew McQueen  
Rep. Jane E. Powdrell-Culbert (8/31)  
Rep. Nathan P. Small  
Rep. Candie G. Sweetser

**Advisory Members**

Rep. Eliseo Lee Alcon  
Rep. Kelly K. Fajardo (8/31)  
Rep. Joanne J. Ferrary (8/31)  
Rep. Bealquin Bill Gomez  
Sen. Elizabeth "Liz" Stefanics (9/1)  
Sen. Bill Tallman

**Absent**

Sen. Jacob R. Candelaria  
Rep. Tim D. Lewis  
Sen. Michael Padilla  
Sen. John Pinto  
Sen. Pat Woods  
  
Rep. Gail Armstrong  
Rep. Alonzo Baldonado  
Sen. Craig W. Brandt  
Sen. William F. Burt  
Rep. George Dodge, Jr.  
Rep. David M. Gallegos  
Rep. Yvette Herrell  
Rep. D. Wonda Johnson  
Sen. Carroll H. Leavell  
Rep. Sarah Maestas Barnes  
Rep. Rod Montoya  
Sen. Mark Moores  
Sen. Mary Kay Papen  
Rep. William "Bill" R. Rehm  
Rep. Patricia Roybal Caballero  
Rep. Angelica Rubio

Rep. Patricio Ruiloba  
Rep. Nick L. Salazar  
Sen. William E. Sharer  
Sen. James E. Smith  
Rep. Linda M. Trujillo  
Rep. Bob Wooley  
Rep. Monica Youngblood

(Attendance dates are noted for members not present for the entire meeting.)

**Staff**

Shawna Casebier, Staff Attorney, Legislative Council Service (LCS)  
Celia Ludi, Staff Attorney, LCS  
Rebecca Griego, Staff, LCS

**Guests**

The guest list is in the meeting file.

**Handouts**

Handouts and other written testimony are in the meeting file.

**Thursday, August 31**

**Call to Order — Introductions**

Senator Shendo called the meeting to order and welcomed members of the committee and guests to the meeting. Committee members introduced themselves.

**Welcome**

Matthew Gonzales, immediate past village administrator and current Cimarron Municipal School District (CMSD) board member, welcomed the committee to Cimarron. He explained that there have been some recent changes in village administration; that the village had been behind on its audits but is now current; that there are some new staff; and that he expects that progress will continue. He introduced Adan Estrada, superintendent, CMSD, and Tammy Dunn, director, Moreno Valley High School in Angel Fire.

Mr. Estrada welcomed the committee to Cimarron High School and provided some information about the CMSD: the school district serves 477 students in a district spanning 1,400 square miles, with schools in Cimarron, Eagle Nest and Angel Fire; and some students ride a bus for as long as one and one-half hours each way.

Three years ago, the CMSD received \$350,000 in emergency supplemental funding to keep the doors open, Mr. Estrada said, but by ensuring accuracy in student reporting, prioritizing the budget based on student needs and cutting costs that did not support student achievement, the

district was able to regain local control in one year and sustain the CMSD with only the funding provided through the state equalization distribution formula since then. Above-the-line funding has allowed the CMSD to recruit and retain staff, including a school social worker and an interventionist, hire additional classroom teachers and provide early interventions for students in the pre-kindergarten program. The CMSD has also taken over providing bus services, thus saving money on the bus contract with Durham Bus Services, a company based in Los Angeles, and providing jobs for eight bus drivers and a mechanic.

The CMSD developed a facilities master plan in 2013 that identified existing resources and needs, and a \$7 million bond was passed in 2015 to implement the plan.

Over the years, Mr. Estrada said, the CMSD has implemented a number of innovative education initiatives, such as, since 1974, following an 8:00 a.m. to 4:00 p.m. four-day-a-week schedule to reduce commute time and allow students time to participate in extracurricular activities in other parts of the state without losing academic instruction time. The CMSD has also developed a wide variety of extracurricular programs. Mr. Estrada also noted that, that morning, Secretary-Designate of Public Education Christopher Ruskowski and the "Straight A Express" arrived at Eagle Nest Elementary Middle School to congratulate Jody Martinez, the lead teacher and acting principal, for being selected to the Secretary's Teacher Advisory Committee. The Straight A Express also recognized the elementary school for its third school report card grade of "A" and the middle school for earning a school report card grade of "B", jumping two letter grades from previous years. Mr. Estrada observed that although small schools are often criticized because they are expensive to run, resulting in efforts to consolidate districts and cut programs when budgets get tight, students in smaller schools often require fewer interventions to help them graduate from high school ready for college and careers.

Ms. Dunn agreed that small schools in rural areas often are better for students than many larger districts, and she ascribed some of that result to strong community support, noting that Angel Fire has never rejected a school bond.

Questions, comments and discussion from committee members included:

- school rating criteria;
- implementation of the four-day-week school schedule;
- challenges faced by small rural schools, including challenges recruiting teachers due to a general shortage of teachers, low teacher pay and the difficulty of finding housing; declining enrollment due to declining community population; and a lack of funding for facilities;
- the connection between extracurricular student activities and community enhancement; and
- funding for teachers to engage in school-related trips and excursions on holidays and weekends.

## **Tourism and Ranching: Economic Development in Cimarron**

Mark Anderson, director of program, High Adventure Department, Philmont Scout Ranch and Training Center (Philmont), referred to his handout and provided a history and overview of Philmont and the various programs offered. Philmont has a substantial economic impact on the Cimarron area, hosting more than 80 conferences every summer, which results in about 400 Boy Scouts and their families arriving or leaving daily throughout the season. After June 17, when the summer program is in full swing, an average of 6,000 people are camped out across 250,000 acres every day. Philmont hosted 21,000 participants in the summer of 2016, with over 8,000 scouts and family members arriving by Amtrak in Raton. Mr. Anderson discussed the conservation work that is required of the Boy Scouts while they are at the ranch, highlighting the ranch's sustainable forestry projects, in addition to the ranch functioning as a working cattle ranch and as a site for extensive horse-riding training. Mr. Anderson also said that the ranch is preparing for the National Scouting Museum to be relocated to the ranch in the near future.

Questions, comments and discussion from committee members included:

- the impact that the discontinuation of Amtrak at Raton would have on the community;
- the ranch's conservation model and history of its pure bison herd; and
- the tax status of the ranch.

## **Supporting In-State Industries with Government Procurement**

Tim Keller, state auditor, and Sarita Nair, chief government accountability officer and general counsel, Office of the State Auditor (OSA), presented the OSA's "Report on State and Local Government Contracting, FY15 and FY16, August 2017". Auditor Keller said that the central question is, "How much of state contract money goes out of state?". In fiscal year (FY) 2015 and FY 2016, state and local governments reported over \$6.5 billion in contracts for goods and services. State agencies made up 52 percent of the contracts, schools held 13 percent, municipalities held 12 percent and regional education cooperatives, higher education and hospitals and hospital districts held the remainder of the contracts. The OSA found that, overall, state and local governments spent 68 percent of contract dollars with companies located within the state, but when construction, architecture and engineering, and insurance and benefits contracts were removed from the total contracts, the in-state contract percentage dropped to 49 percent. The majority of contract procurements statewide were competitive and resulted in 71 percent of contract dollars going to in-state vendors; however, only 10 percent of emergency procurements went to in-state vendors. Emergency or sole-source procurements may allow major contracts to go out of state, Auditor Keller said, because no notice is required so local companies do not know about the contract and therefore cannot bid on it.

Changing the procurement system to encourage local buying would have a huge impact on local businesses for no more money because it would be cheaper and easier to buy locally than to subsidize out-of-state businesses, Auditor Keller noted. The report includes, on page 17, a number of best practices and pilot programs occurring across the state and the nation. In

particular, the OSA recommends the following actions to improve the retention of contract money in New Mexico:

- agencies should establish institution-wide local purchasing goals and identify in-state and out-of-state purchases;
- reliance on emergency and sole-source procurements should be reduced; and
- minimum numbers of local employees or graduates of local educational institutions should be established to be used on projects in New Mexico.

On questioning, emergency and sole-source procurements were discussed. An unintended long-term effect of an emergency or sole-source procurement may be that the vendor becomes the permanent provider of the product. For example, information technology systems installed on an emergency or sole-source basis are often incompatible with systems offered by other vendors for the same purpose, and once installed, are prohibitively expensive in both money and workflow disruption. Another issue is that sometimes agency personnel responsible for procurement misunderstand the requirements for emergency or sole-source procurement, and because there is inconsistent or inadequate oversight of the procurement processes, improper procurements are completed. The OSA does not have oversight authority, Auditor Keller said, and may "test" but not audit procurements. One reason that agencies may avoid the competitive process is that it is time-consuming — it takes an average of six months to complete. While emergency procurement was enacted to allow exceptions to the procurement process for true emergencies, often agencies are using emergency procurement due to a failure to plan for future procurement needs. Streamlining the competitive process would give agencies an incentive to use the competitive process.

Additional questions, comments and discussion from committee members included:

- loopholes and carve-outs in the Procurement Code;
- the effect of agency training and staffing levels on the use of sole-source and emergency procurement;
- preferences for New Mexico businesses and small businesses;
- implementation of a contractor database to provide notification regarding upcoming contracts; and
- including an analysis of agency procurement in agency budget adjustment requests.

### **Approval of Minutes**

The committee approved the minutes from the July 26-27, 2017 meeting without objection.

### **Deploying Broadband in Rural New Mexico**

Paul Briesch, vice president and general manager, Baca Valley Telephone Company, Inc. (BVTC), and its subsidiary, Sierra Communications, Inc., referring to his handout, summarized the companies' current status and history. The BVTC currently serves 525 customers across

approximately 2,600 square miles in Union and Colfax counties with fiber optic cable. The company has 31 employees with an annual payroll of nearly \$1.4 million. In addition to local telephone and cellular service and internet access, the companies operate a 24/7 Network Operations Center to respond to customer service calls. Sierra Communications provides de-regulated services, including security systems and fiber cable for schools in Raton and Cimarron. Obstacles the companies face in expanding broadband access include financing; construction costs; the ability to obtain right-of-way permits from multiple federal, state and private landowners in the service area; the cost of obtaining environmental and archaeological surveys; and weather. Continued access to the New Mexico Universal Service Fund, a multi-million-dollar fund created pursuant to the provisions of the Rural Telecommunications Act of New Mexico, is critical to the ability of the companies to improve and expand services.

Questions, comments and discussion from committee members included:

- federal standards for broadband speeds;
- construction costs; and
- access to the internet in community centers and offices.

### **Colfax County Aquifer Mapping and Its Importance to Economic Development**

Bill Sauble, chair, Colfax County Commission, introduced Kate Ziegler, Ph.D., Zeigler Geologic Consulting, and Boe Lopez, mayor pro tem of the Town of Springer and chair of the Colfax Soil and Water Conservation District. Referring to his handout, Mr. Sauble explained that future economic development depends on a sustainable source of water. In 2016, Senate Bill 64 and House Bill 254, which would have provided a General Fund appropriation to conduct a hydrogeological study of and map the ground water aquifers underlying Colfax, Harding, Mora and Union counties to determine ground water capacity for future planning, were introduced but did not pass. The project would have measured static water levels in existing wells and gathered geologic information, water chemistry and water age data to allow producers and communities to identify resources for future development and to identify those areas that should not see further development. The legislation will be re-introduced in 2018, and Mr. Sauble requested that legislators support it.

Dr. Ziegler, referring to her handout, described the Northeastern New Mexico Four County Groundwater Initiative, a regional ground water monitoring study begun in 2015 to determine ground water resources for Union, Colfax, Mora and Harding counties. She noted that southern Quay County has developed a similar project. The study brings together data from multiple smaller-scale projects to understand the larger regional ground water picture. Financial support for the projects has come from the soil and water conservation districts in several counties, the Soil and Water Conservation Commission, individual counties, ranches and farms, El Llano Estacado Resource Conservation and Development Council and the High Plains Grasslands Alliance. She added that the majority of wells in Mora County are not recharging; the survey will determine whether that is also the case in Colfax, Harding and Union counties.

A motion was made, seconded and duly passed that the state engineer be requested to provide all relevant information from the four counties to the ground water mapping project.

On questioning, Mr. Sauble affirmed that the Village of Maxwell in Colfax County received an appropriation to drill a deep well to augment its water supply, which is currently entirely surface water. A study to determine the best location for the well needs to be performed, Mr. Sauble said, and drilling is expected to occur in spring 2018. Dr. Ziegler explained that the geology in the region is complicated and deep wells take a long time to recharge.

### **Health Care Development in Colfax County**

Kaycee Sandoval, business operations manager, South Central Colfax County Special Hospital District (SCCCSHD), referring to her handout, informed the committee that the SCCCSHD was formed in 1986 with the help of Presbyterian Healthcare Services of Albuquerque to expand health care services in the south-central region of Colfax County. The SCCCSHD is now a self-managed organization with no management affiliation. It covers 2,800 square miles with a population of 3,200 and includes the Maxwell, Springer and Cimarron school districts. The SCCCSHD offers health care services through the Colfax General Long Term Care facility in Springer, the Colfax General Laboratory in Springer, the Moreno Valley Healthcare Clinic in Angel Fire and the Cimarron Healthcare Clinic. The majority of residents of these communities receive health care through these facilities, with referrals to specialists in Santa Fe and Albuquerque.

Nate Lay, chief of medical services, Philmont, described the activities of the all-volunteer, 24/7 Cimarron Community Ambulance service. He said that the ambulance service answered 210 calls in 2016, with an average time per volunteer per call time of three hours. One-third of calls came from Cimarron, one-third from Philmont and one-third from other areas. The ambulance service was founded in 1979 by volunteers who raised funds to build the first ambulance barn; over the next several years, they built additional bays and a classroom. The existing ambulance barns are not large enough for modern ambulances and have other structural problems, including water damage from leaks and flooding, gas leaks, wind damage and limited storage space.

Eric Martinez, president, Eric Martinez Government Relations LLC, explained that the SCCCSHD is seeking funding of \$1,350,000 to construct and furnish a Cimarron Healthcare Clinic ambulance facility on approximately five acres of land donated for the purpose in 2015 by the Colfax Healthcare Foundation, a 501(c)(3) organization formed to promote public health in rural Colfax County and to raise funds and awareness to improve public facilities operated by the SCCCSHD. The proposed facility will offer expanded health care services and adequate ambulance storage facilities. The proposed facility has a mix of funding sources, including a one-mill levy, but needs a grant from the state to bring the project to completion.

On questioning by the committee, Mr. Lay said that usually the ambulance transports patients to the Miners' Colfax Medical Center in Raton, but sometimes it transports patients to

other hospitals, depending on the patient's needs. Ms. Sandoval stated that the health care facilities do not use the University of New Mexico Hospital telemedicine program, but the ambulance service does.

### **Rural Health Care Access and Health Care As a Job Recruitment Tool**

Mike Wallace, director of special projects, DaVita Medical Group (DaVita), referring to his handout, said that DaVita operates in eight states, employs 1,923 physicians, contracts with 13,309 physicians and specialists and has 200 affiliated hospitals to serve 1.8 million patients. DaVita is the only New Mexico-based "accountable care organization". It uses a "value-based arrangement", in which the health care provider receives a per-member-per-month flat payment from DaVita to provide care for a designated population; if the provider's costs are greater than the amount of the payment, the provider loses money, and if the provider's costs are lower than the amount of the payment, the provider comes out ahead. DaVita also sets savings and quality standards, and if the provider meets the standards, the savings are split between the provider and DaVita. The higher number of Medicaid patients in New Mexico than nationwide, 43 percent versus 23 percent, has a direct impact on the administrative allocation and physician compensation. The low rates of Medicaid reimbursement coupled with the higher number of Medicaid patients make it difficult for DaVita to recruit physicians to its networks.

Jeff Dye, president and chief executive officer, New Mexico Hospital Association, referring to a handout, said that hospitals statewide have an \$8.8 billion economic impact and employ 69,000 people in full-time, part-time and secondary jobs. Hospital jobs are high-quality jobs, and New Mexico hospitals added 1,000 jobs in 2015-2016. Adequate Medicaid funding is essential for hospitals to remain open.

Dan Weaks, policy and government relations representative, New Mexico Hospital Association, referring to his handout, presented selected tables regarding the health care workforce gap analysis compiled from the 2016 New Mexico Healthcare Workforce Committee Report. Referring to the last page of his handout, "Observations and Suggestions", he stressed the importance of continued funding for Medicaid and the health care sector's role as an economic driver and robust job creator. He commented that health care jobs are good jobs; hospital jobs, for example, pay on average one-third higher than the state average wage, plus benefits. Mr. Weaks urged the legislature to direct greater focus on the health care industry by studying the needs of rural and frontier communities, promoting the health care professions early in the academic process, conducting a more comprehensive and integrated study to determine the effectiveness of health care workforce training and education and identifying areas for improvement. In addition, he recommended extending the rural health care practitioner income tax credit to advanced practice professionals and behavioral health care providers and initiating programs for housing stipends as well.

On questioning, Mr. Dye said that New Mexico should pass legislation to join the enhanced Nurse Licensure Compact; he said that if New Mexico makes it hard for experienced nurses to move here, they will not.

A motion was made, seconded and duly passed to send a letter from the committee to the Legislative Finance Committee, with a carbon copy to the licensing boards, requesting an analysis of the turnaround time for licensure. Another motion was made, seconded and duly passed to send a letter from the committee to the Department of Health, requesting that the Department of Health, in coordination with the Board of Nursing, study the impact of the nursing compact on New Mexico, the dependency of the state on the compact and the importance of renewal.

### **Health Insurance and Provider Access in Rural Markets**

Paige Duhamel, Esq., health care policy manager, Office of Superintendent of Insurance (OSI), referring to her handout, explained that the OSI's Health Policy and Consumer Education Bureau, which is funded with a federal grant that expires in October 2018, engages in data-driven policymaking in response to an ever-changing health insurance market. New Mexico, unlike many other states, requires health insurance carriers offering major medical coverage to have at least one plan that is offered throughout the entire state. As a result, New Mexico is one of the very few states with a sizeable rural population to have more than one health insurance carrier offering coverage.

The OSI is currently considering changes to provider network adequacy rules that will address geographic accessibility, length of time to wait to see an in-network provider, which providers are essential to a community network and the information providers are required to include in directories.

The biggest consumer complaint the OSI is hearing now is surprise billing for out-of-network emergency care and out-of-network care obtained unknowingly at in-network facilities. House Bill 313 (2017 regular session) addressed the issue, but the bill did not pass. Stakeholders, including insurance carriers, providers, consumer advocates, agents and brokers, and policymakers are continuing to work on a bill to address surprise billing concerns.

Another issue raised during the 2017 legislative session, air ambulance reimbursements, was addressed in House Bill 402, and it also did not pass. Air ambulances have become a more frequently used mode of transportation for individuals needing medical care. Often, air ambulance patients are then billed for the full cost of the flight or for the balance left after a partial payment is made by the patient's insurer, a practice known as "balance billing". A patient's insurance does not cover the cost of an air ambulance when the ambulance provider does not have a contract with the patient's health care plan, Ms. Duhamel said. North Dakota passed legislation in 2017 to address the problem, and it was sued by an air ambulance company, alleging that the state law was an unlawful attempt to usurp federal authority to regulate air travel; the case is pending. On the federal level, an amendment has been introduced to the Federal Aviation Administration Reauthorization Act of 2017 to require a stakeholder committee to examine health care charges of air ambulance providers and recommend consumer protections from air ambulance billing. The federal Government Accountability Office will soon release a report about the air ambulance industry.

On questioning, Ms. Duhamel confirmed that the best way for the legislature to support the work of the Health Policy and Consumer Education Bureau is to fund it with state money, since the federal grant expires in October 2018 and there are no other current sources of funding. She noted that the OSI lost 37 positions in the last round of budget cuts.

### **Public Comment**

Paul Jenkins, president, Greater Raton Economic Development Corporation, commented on three issues:

- support for the Four County Groundwater Initiative water study;
- low state hiring rates for nurses because New Mexico has not joined the enhanced Nurse Licensure Compact; and
- the need for behavioral health services in northeastern New Mexico; he said that there are no behavioral health services available in the region for court-mandated treatment, and he proposed a regional behavioral health institute, possibly through Miners' Colfax Medical Center.

Julia Stafford, a rancher in the Cimarron area, commented on the loss of value-added agricultural opportunities in New Mexico, specifically the loss of meat processing plants. She said that there used to be several options for New Mexico beef growers to have their products processed for sale, but now New Mexico beef goes out of state for processing.

A motion was made, seconded and duly passed for the committee to write a letter to the United States Department of Agriculture and the New Mexico Livestock Board requesting information about the closure of beef and sheep, but not horse, processing facilities in New Mexico and asking what steps are necessary to revive them.

Jim MacGillivray addressed the committee on the importance of the legislature supporting and funding the MainStreet program. He noted that Eagle Nest, Springer and Wagon Mound have benefited from MainStreet and that Cimarron would like support on becoming a MainStreet Frontier community.

### **Recess**

The committee recessed at 4:32 p.m.

### **Friday, September 1**

#### **Reconvene — Introductions**

Senator Shendo reconvened the meeting at 9:15 a.m.

#### **Transforming New Mexico's Energy Future**

Matthew Jaramillo, government affairs, Public Service Company of New Mexico (PNM), observed that the transition from using fossil fuels to using sustainable clean energy is causing

growing pains, but it is worth the effort in the long term. The worst of these growing pains for PNM in New Mexico has to do with closing the San Juan Generating Station (SJGS) coal-fired plant. In accordance with regulations issued by the Public Regulation Commission for electric utilities, every three years, PNM is required to prepare an integrated resource plan (IRP) to identify the most cost-effective resource mix that would meet the projected electricity demands of PNM's customers over the next 20 years. PNM is also required to develop a four-year action plan that is consistent with that resource mix.

In July 2017, PNM published an IRP for the period 2017 through 2036, examining all cost-effective resource options for its energy portfolio under a wide variety of possible futures. PNM proposes a future energy resource portfolio that would eliminate the company's use of coal-fired generation by the end of 2031: the remaining functional units of the SJGS would be shut down after the current coal supply agreement runs out in 2022, and the company would exit its 13 percent share in the Four Corners Power Plant in 2031, when its coal supply agreement runs out. This will result in no coal in PNM's energy supply mix.

The benefits of PNM eliminating the use of coal are a cleaner environment, a significant reduction in carbon emissions, lower costs and more energy options for customers over the long run because eliminating coal fits better with future energy needs. To preserve the environmental benefits from eliminating coal generation and ensure that it can still meet the needs of its customers, PNM is also planning to build more solar power and new, flexible natural gas generation capacity. The company also generates power from wind and geothermal sources. The downside of this plan is job loss, and these well-paying positions will not be easily replaced. In addition, it would likely increase customer electricity costs in the short term.

Carlos Lucero, state and federal government affairs, PNM, noted that PNM turned 100 years old in May 2017. It serves 510,000 customers in communities across the state. It is the state's largest investor-owned energy provider and the state's largest electricity provider. In addition to providing electricity, PNM Resources Foundation contributes more than \$3 million per year to nonprofit community organizations to sustain work within communities the company serves. Mr. Lucero provided a handout listing New Century of Service grant recipients.

On questioning, Mr. Lucero added that PNM also provides support for residential energy efficiency programs to New Mexico Mortgage Finance Authority applicants. Mr. Jaramillo explained that, consistent with what PNM did to address the economic impact of retiring SJGS Units 2 and 3, PNM will explore opportunities to address the economic impacts in affected communities by supporting workforce retraining and local economic development programs. Mr. Jaramillo noted that the existing transmission distribution system does not have sufficient capacity to accommodate much additional energy generated from sources such as solar and wind on private property; to increase capacity, the transmission system needs to be upgraded and more technology needs to be integrated into the system. Mr. Lucero stated that the Public Regulation Commission sets the renewable portfolio standards for electric utilities and has set the immediate goal at 15 percent now and 20 percent by 2020, with a complete coal shutdown by 2022. A

member commented that Texas has invested \$20 billion in its energy transmission structure and is now a huge provider of wind-generated electricity. Several members emphasized the need to plan for retraining people who will be affected by the transition from coal to renewable resources. Mr. Lucero said that PNM's current investment in renewable energy is 150 million watts of universal solar, at a cost of \$220 million. PNM has also invested in wind farms. He added that expanding and improving the infrastructure will cost hundreds of millions of dollars. At present, there is only one large transmission line in the eastern part of the state to carry out the increasing amount of wind-generated power.

### **Opportunities and Barriers: Developing Wind Infrastructure**

Sarah Cottrell Propst, executive director, Interwest Energy Alliance, referring to her handout, explained that the Interwest Energy Alliance is a nonprofit trade association that brings the renewable energy industry together with environmental advocacy to make Arizona, Colorado, Nevada, New Mexico, Utah and Wyoming leaders in the use of reliable, cost-effective and diverse renewable energy resources. She noted that wind-generated power has grown from approximately 9,000 megawatts (MWs) in 2005 to almost 84,500 MWs to date in 2017. Currently, Texas generates the most wind power, but other states, including New Mexico, are constructing substantial additional capacity. New Mexico is one of the 29 states plus Washington D.C. and three territories that has a Renewable Portfolio Standard (RPS), Ms. Propst said. New Mexico's RPS was one of the earliest, but it has not been updated in 10 years and now lags behind other states. She observed that renewable energy is cost-effective because, unlike other fuel sources, fuel costs do not fluctuate over time, so the largest costs are the up-front capacity construction costs. She emphasized that companies increasingly want renewable energy options when they look at where to locate their operations, as Facebook did when it located a data center in New Mexico, and she suggested that an updated RPS can make New Mexico more attractive in that regard.

Keith Sparks, director of development, Clean Line Energy (CLE), informed the committee that CLE is developing new renewable energy infrastructure projects that will connect solar and wind resources in New Mexico to communities and cities that lack access to low-cost renewable power. Mr. Sparks discussed CLE's Centennial West project, which will deliver energy from Union County to major markets in the west. The project includes the Western Spirit Clean Line transmission line and the Mesa Canyons Wind Farm — a 1,000-MW wind farm in Corona, from which there will be opportunities for local companies to access power. More than 200 permanent jobs will be created from the Western Spirit Clean Line and the Mesa Canyons Wind Farm. Over the next 10 years, the value brought to New Mexico from CLE's projects is estimated at over \$10 billion.

Bernarr Treat, manager, state government affairs, Xcel Energy, referring to his handout, explained that Xcel Energy is a utility holding company based in Minneapolis, Minnesota, serving more than 3.3 million electric customers and 1.8 million natural gas customers in Minnesota, Michigan, Wisconsin, North Dakota, South Dakota, Colorado, Texas and New Mexico. Southwestern Public Service Company is one of four companies in Xcel Energy, and it

operates on the east side of New Mexico in Quay, Curry, Roosevelt, Chaves, Lea and Eddy counties and in several counties in Texas. In 2016, Xcel's energy mix was 39 percent coal, 38 percent natural gas, 22 percent wind and one percent solar. The company is planning to offset some of the natural gas generation by adding 1,000 MWs of wind power in 2019 and 2020, 522 MWs of which will be generated by the Sagamore Wind Project in Roosevelt County. The Sagamore Wind Project will provide more than 300 construction jobs from the second or third quarter of 2019 through the expected completion in the third quarter of 2020; and from 20 to 25 full-time operations jobs after that.

On questioning, Ms. Propst said that there are no New Mexico members of the Interwest Energy Alliance yet. PNM is considering membership and Xcel is already a member of the Southwest Power Pool. Ms. Propst said that changing the RPS targets would require legislative action, and the Public Regulation Commission would implement the statute. There was a consensus among the committee that an economic analysis of the effects of any changes to the RPS should be performed before any legislation is enacted. Mike McLeod, community relations manager, Xcel Energy, said that RPS targets depend in part on power consumption in a particular area. Mr. Sparks gave as an example that California's peak load time has been shifting from afternoons to evenings, likely as a result of increased use of home electronics in the evenings after work. He stated that solar and wind generation are complementary in this case because, usually, the wind picks up when the sun goes down.

Mr. Sparks said that a critical regulatory issue is that Public Regulation Commission staff are overburdened and underfunded. Mr. McLeod concurred that New Mexico does not have enough staff to process applications and permits fast enough. Mr. Sparks explained that the reason Texas is so far ahead of other states in generating power and revenue from renewable sources is that it recognized the opportunity and moved quickly to take advantage of it, building its own state-owned power grid to avoid federal regulation by the Federal Energy Regulatory Commission and to ensure that all electricity generated in Texas stays in Texas. New Mexico cannot use all of the electricity that could be generated by solar and wind sources in New Mexico, so it needs sufficient transmission capacity to move it to out-of-state buyers. Mr. McLeod asserted that the effect of the tax credit for building renewable capacity is to cut the cost of generation substantially, and that without the tax credit, most companies probably would not build renewable capacity today, although with California pushing for energy from renewable sources and fast-changing technology, renewable energy might be produced competitively without the tax credit at some point in the future. Ms. Propst added that although some states tax the generation of electricity, all but four offset the tax with tax credits; Wyoming imposed a tax on renewable energy generation and has not had a new project come online since then.

### **Moving New Mexico Toward 100 Percent Clean Renewable Energy**

Tom Solomon, co-coordinator, 350 New Mexico, referring to his handout, urged the committee to support extension of the RPS for electricity and to increase it to 100 percent by 2050 to prevent irreversible damage to the planet due to increasing temperatures caused by increasing carbon dioxide levels. He noted that bipartisan majorities of voters support expanding

solar and wind energy by seven to one, and oppose expanding fossil fuel and nuclear energy. Ten states have RPS targets significantly above New Mexico's, including Hawaii, which has a goal of 100 percent by 2045. He proposed a mix of 50 percent wind, 40 percent solar and 10 percent geothermal energy for New Mexico. He noted that New Mexico's energy infrastructure is aging and needs to be replaced anyway, and replacing fossil fuel generated electricity with renewable source generated electricity will cost both the energy companies and customers less in the long run while providing known and predictable fixed costs for business, creating a better business climate. The jobs created by the necessary construction and operation will replace jobs lost. New Mexico has the natural resources necessary for development of both solar and wind power: it is second in the country in number of sunny days and land area available for solar farms, and it is twelfth in the country in wind. In addition, use of renewable sources reduces the amount of water needed to obtain the fuel and to generate the electricity.

On questioning, Mr. Solomon said that the industry is working on ways to store electricity generated by solar energy for use at night, and he reiterated that solar, wind and geothermal energy are complementary. One hundred percent renewable energy would use .04 percent of available land; for example, all power needs of the entire country could be met by a solar farm the size of the bootheel. He argued that agricultural land should not be converted to solar production because there is plenty of land that is not fit for agriculture that is better suited for solar production. He emphasized that the level of urgency to reduce fossil fuel reliance becomes higher and higher the longer people wait to address it.

### **Public Comment**

Elmer White, who lives near Clovis, noted the decreasing population in that area and the increase in the number of wind turbines. He observed that "if you want to get rid of something you tax it, and if you want more of something you subsidize it" and suggested subsidizing additional transmission lines to allow maximization of wind energy. He said that landowners get royalties for placement of wind towers just like oil and gas royalties for wells, but wind towers are much less disruptive than oil and gas wells.

Bill Brockman, a rancher in Union County, said that reliable, affordable and renewable energy is essential to economic development. He strongly supports renewable energy and the transmission lines necessary to bring it to market.

Susie Hutchison, a rancher in Union County, said there are 4,200 people in Union County and 6.8 million acres of mostly ranch land. She said cows are not bothered by the wind turbines, and ranchers and schools appreciate the additional reliable income from royalties. She strongly supports the construction of more transmission lines.

Paul Stout, who lives in Broadview in Curry County, said that rural economic development depends on adequate infrastructure. He said there are 141 wind turbines in operation in Curry County, and 96 more are in the planning stages. He strongly supports development of renewable, particularly wind, energy.

**Adjournment**

There being no further business before the committee, the third meeting of the Economic and Rural Development Committee for the 2017 interim adjourned at 1:16 p.m.