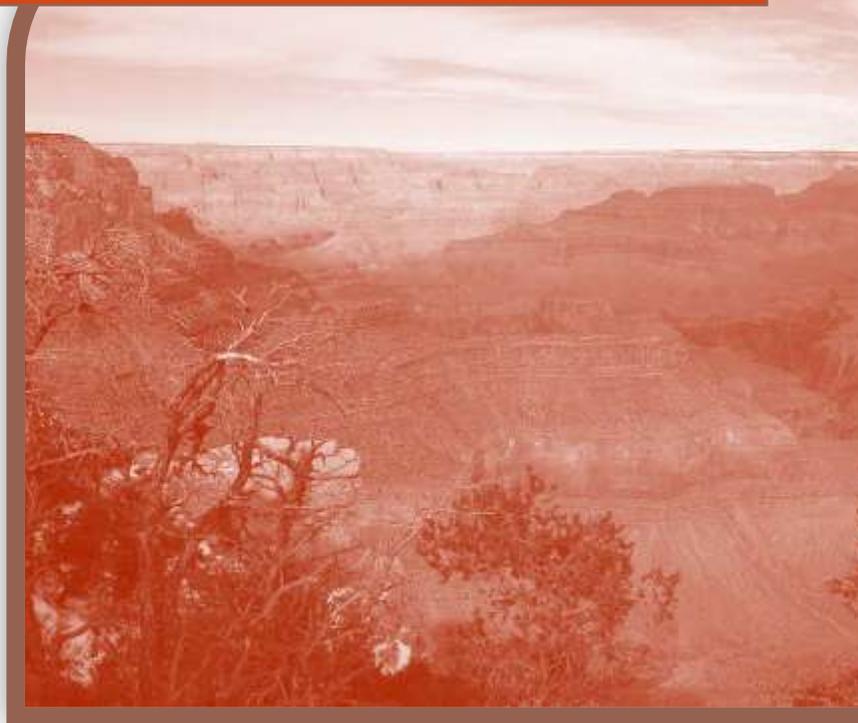


Northern Arizona Coal Communities Workforce Initiatives



NACOG
Northern Arizona
Council of Governments
Apache • Coconino • Navajo • Yavapai



Respectfully Submitted by
the Northern Arizona
Regional Alliance Coalition
September 2018 Update

Contents

Executive Summary	2
Contents	1
Problem and Goals	3
Layoff Aversion Planning	5
The Quest for Economic Adjustment.....	7

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Executive Summary

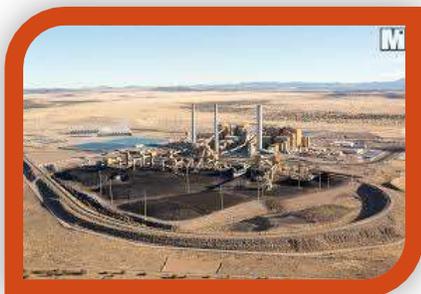
Of continued concern across the Northern Arizona counties of Coconino, Navajo and Apache is the economic impact of the pending closures of coal-related industries. At-risk businesses include the Navajo Generating Station (NGS) in Page, Arizona (Navajo Nation), a 2,250-megawatt coal-fired power plant, scheduled to cease operations in December 2019; Cholla Power Plant in Joseph City, Arizona (Navajo County), a 1,021-megawatt coal-fired generating plant which began downsizing operations in April 2016 with the shut-down of Unit 2 of 4; Coronado Generating Station near St. Johns, Arizona (Apache County), a 773-megawatt coal-fired steam electric generation station, which recently received an extension from the Environmental Protection Agency (EPA) to continue operations through 2025; the Springerville Generating Station is not slated for closure but is included in this report due to the nature of its coal-fired operations; the Kayenta Coal Mine in Black Mesa, Arizona (Navajo County), operated by Peabody Western Coal Company faces closure by default a result of the non-demand from the power plants it supplies.

The Arizona Office of Economic Opportunity forecasts the loss of 2,000 jobs in 2018 due to the impending closure of NGS; 100 jobs are currently held vacant at the plant following layoffs in 2016. Economic impact to the City of Page alone represents approximately \$51 million.

A collaborative effort of the Northern Arizona Council of Governments Region, the State Office of Economic Opportunity and the Arizona Commerce Authority have developed this paper to identify resources to bolster the resiliency of the Northern Arizona coal communities, which include the cities of Page, St. Johns, Joseph City, the Navajo Nation, the Hopi Tribe and the surrounding areas affected by the restructuring of the coal industry.



Navajo Generating Station, Page, AZ



Springerville Generating Station, Springerville, Arizona



Coronado Generating Station, St. Johns, Arizona



Cholla Power Plant, Joseph City, Arizona

Problem and Goals

The disruption caused by the pending closure of the coal industry in Northern Arizona is widespread and evident as business owners delay plans for expansion, new businesses decide against relocating to the area, schools struggle to fill positions, families make tough decisions about selling their homes, youth delay plans for higher education, local shelters report an increase in domestic violence, and the future becomes unclear for all.



Kayenta (Peabody) Mine, Black Mesa, Arizona

Particularly affected is the Navajo Nation, whose poverty rate is 42% and unemployment is 22%, more than four times the rate of Arizona. Hundreds of Navajo NGS employees will face either relocation or be forced to look for work in an area with few jobs and hardly any infrastructure to support economic growth. The lack of basic infrastructure – running water and electricity are not common on much of the Navajo reservation – creates a difficulty that is hard to fathom for most of the U.S. According to Coconino County Supervisor Lena Fowler, “Navajos trying to achieve what most consider a life-and career-advancing progression end up in a cycle of having to leave the reservation. Some kids go to college but have to leave home to do so. Then, after they get a degree, they come home but can’t find a job and have to seek work outside the reservation. Veterans come home after serving in the military to find that they have to leave the reservation to use their GI Bill.” These patterns of economic stagnation and families being forced to split apart will only worsen in the wake of the NGS closure, she predicts, without some kind of drastic action.¹ It is also reported that the Hopi Tribe derives 85% of their Tribal budgets from the operation of NGS.

Since the 1950s and 1960s, the coal-rich Northern Arizona lands fed energy to the Central Arizona Project (CAP), an immense water diversion system that now pumps water from the Colorado River uphill, across hundreds of miles of the Sonoran Desert, around the Phoenix metro area and south toward Tucson. The discovery of massive coal deposits in the Black Mesa area in northeastern Arizona led to the development of NGS as the coal-fired power plant that supplied the energy source for CAP. However, due to a land dispute between the Navajo and Hopi Tribes, a ban on any development or repairs in the disputed land was initiated by Robert Bennett, then the U.S. Commissioner of Indian Affairs. This act, known as the “Bennett Freeze”, allowed for mining operations to move forward without impediment, but for 40 years severely blocked any infrastructure projects, leaving the Native Americans unable to build new infrastructure or even repair existing structures, a devastating result for both tribes.

¹ Arizona Center for Investigative Reporting – “As Coal Plant Shutdown Looms, Arizona’s Navajos and Hopis Look For Economic Solutions” by Evan Wyloge. 10/20/2017

The Bennett Freeze barred communities from building roads, schools or hospitals, making it impossible to attract any industry outside of the established fossil fuel interests. As a result, NGS and the coal mine it supported were effectively the only opportunities for high-paying, full-time jobs. That makes the prospect of an NGS closure all the more dire.²

Economic impacts to the region include loss of tax payments from the 3 major coal-fired power plants to the 3 Counties of Apache, Coconino and Navajo, which affect public safety and health districts, library and school districts and fire and flood control districts. Navajo County reports a projected loss of \$1.6 million from the closure of the Kayenta Mine, representing 4.3% of Navajo County's annual budget. In 2017, Navajo County closed 2 departments (Juvenile Detention Facility and Child Support Enforcement), laying off 31 employees. Another 11 employees were laid off as a result of departmental budget cuts in anticipation of reduced tax revenues, representing a 7% reduction in County staff. Since 2008, Navajo County has reduced employment by 12% and capital costs by 75%, also reflective of the anticipated loss of revenue due to the closure of the Kayenta Coal Mine.

NGS is slated to continue operations until the end of December 2019. Following the scheduled shut-down, decommissioning of the plant would commence, to be completed by 2024. According to a July 2017 report, NGS has an employee payroll of \$39.7 million, with 330 hourly and 133 salaried employees. The jobs at NGS will be very difficult to replace with like wages.

The total number of employees at the Cholla Power Plant is 190 as of December, 2017. This includes 165 direct plant workers and 25 support staff. This represents a 20% reduction in force from the time all 4 units were operational. As employees leave, there is no plan to hire full-time employees to fill those positions. Vacancies for direct plant positions are filled contractually, while support positions are being transitioned to a central office in Phoenix.

By most recent available reports, the Coronado Generating Station (CGS) employs 218, according to a September 2014 Economic Impact Study from the Arizona State University W. P. Carey School of Business. Payroll estimates for the 218 full-time and 69 salaried employees were \$29.7 million in 2013, which was over \$100,000 per employee higher than the U.S. Census Bureau's median household income of \$31,615 (2008-2012) for Apache County.³ CGS nearly had to close down Unit 1 of its operations this past December, but received an extension from the EPA until 2025 in order to implement a plan that provides an alternative to Best Available Retrofit Technology (BART) requirements regarding regional haze emissions from the plant.

There is a fourth coal-fired power plant, the Springerville Generating Station (SGS), Arizona's newest state-of-the-art coal-fired power plant that generates 1,560 megawatts of energy, supplying power to Tucson Electric Power (TEP), Tri-State Generation & Transmission and the Salt River Project (SRP).

² Arizona Center for Investigative Reporting – "As Coal Plant Shutdown Looms, Arizona's Navajos and Hopis Look For Economic Solutions" by Evan Wyloge. 10/20/2017

³ U.S. Census Bureau, (July 8, 2014) *State & County Quick Facts*

SGS supplies Arizona, Colorado, New Mexico, Wyoming and Nebraska with power utilizing low-sulfur coal. The air emission controls on Unit 4 (built in 2009) will meet EPA's Best Available Control Technology (BACT) requirements. Emission controls on Units 1 and 2 were upgraded as a part of the plant expansion to add a 3rd unit in 2006. As a result, emissions from all four units will be less than the original 2 units. SGS is not in danger of downsizing or shut-down at this time.

Currently, TEP utilizes natural gas for approximately 11% of its energy portfolio, and TEP plans to invest in utility-scale solar and wind production, as well as battery storage technology as part of the diversification strategy at TEP. As opposed to the current 69% of the company's generating capacity coming from coal-fired plants, by 2032, TEP predicts that only 38% of the energy produced by the company will come from coal.⁴ This is yet another representation of the imminent impact on the coal industry, as fossil fuels are abandoned for the less expensive renewable energy sources.

The economic impact of the closure or partial closure of any of these coal-related industries would be extremely significant to the communities, counties (4%-6% of local jobs and personal income) and state without immediate remediation. Following are some of the steps that have been taken to stay or buffer the effects of the restructure of the coal industry in Northern Arizona.

Layoff Aversion Planning

As demonstrated above, the financial impact of the loss of these high wage jobs will ripple throughout the family, community, county and state, and pose unwanted and immediate poverty for many. Job loss will not be limited to the coal industry, as other industry sectors will also notice loss of revenue as people move out of the area in search of comparable wages. The housing industry will suffer, as will tourism, retail and hospitality. Many people, particularly in the tribal nations, will not leave their homes, and may face the burden of adjusting to lower income because of the lack of jobs available for the skills they possess.

Rapid Response funding through the State Workforce Innovation and Opportunities Act (WIOA) is an available resource to assist dislocated workers in transition to a new career, along with training resources for certification courses in various sectors of available employment. Layoff aversion strategy funding is a #1 priority for the District in an attempt to limit total current and future economic impacts.

In 2016, Coconino County applied for and received \$300,000 from the EDA Partnership for Opportunity and Workforce and Economic Revitalization (POWER) Initiative. Coupled with matching funds from stakeholders, the County launched the Northern Arizona Regional Resilience (NARR) – an initiative to build new economic models customized to the coal communities most impacted by the shut-down of NGS to provide alternative job training opportunities for displaced coal workers. In addition to the EDA grant, Coconino County also solicited a grant from USDA for an Economic Strategic Plan for the Lake Powell Region, developed by the Economic Collaborative of Northern

⁴ White Mountain Independent, "Springerville Generating Station safe, secure for now" by Trudy Balcom, editor – July 11, 2017

Arizona (ECoNA). The plan was completed in May 2017, and Coconino County is developing plans to expand on the NARR project with the Revitalization for Local Success Initiative to support economic diversification planning and re-employment opportunities by engaging the new strategic plan for the multi-jurisdictional area of the Lake Powell Region, identifying re-employment that targets the current skills of employees as NGS and Peabody Coal.

In early summer 2017 the EDA announced a special funding opportunity targeting coal communities – Assistance to Coal Communities Initiative (ACC). The funding was intended to provide technical assistance funding for strategic planning specifically for areas impacted by the downturn of the coal industry. The Seattle Region received \$1 million of the national \$33 million available. The Northern Arizona Region received over half of the Seattle Region allotment through grant applications submitted by Navajo County (\$104,265), Navajo Nation (\$154,016), the Hopi Tribe Economic Development Corporation (\$128,805), the Hopi Tribe (\$137,000) and an Arizona State University/Northern Arizona University collaboration (\$100,000) to support the preparation of plans to proactively address recovery strategies.

While the EDA funds are greatly appreciated and impactful to our Region, we are concerned for funding implementation projects in our Region. Averting layoffs is, and should be, a function of the public workforce investment system, and Rapid Response is the most logical place to develop and implement layoff aversion strategies.

The NACOG Economic Development District is a very large geographical area rich with many natural resources – from our national forests and parks to large supplies of energy resources, such as coal, solar and wind. Each of these assets also poses threats to the District, whether from wildfires, drought, flooding and recent federal regulations stifling the coal industry.

A key component of the NACOG 2015-2020 Comprehensive Economic Development Strategy (CEDS) is a focus on “economic resiliency”. This concept analyzes and works to ensure the region’s ability to withstand, prevent or quickly recover from major disruptions to its underlying economic base. For example, forest health is a critical aspect of Northern Arizona’s economy that is an asset but also can impact the region’s economy. The CEDS identifies these vulnerabilities and assets while identifying preventive strategies and post-disruption efforts to ensure regional economic resiliency.

Establishing economic resilience in a local or regional economy requires the ability to anticipate risk, evaluate how that risk can impact key economic assets, and build a responsive capacity. The NACOG region has experienced both natural disasters and economic disruptions; not the least of which is the main focus of this paper, the loss of coal industry-related jobs.

The Arizona Office of Economic Opportunity (OEO) is developing a unique **Skills Crosswalk Tool**. A skills crosswalk provides an opportunity to identify the current skills and abilities of an occupation using a standard occupation code in ONET Online. Once this catalog of skills is complete, ONET Online can be used to locate by affected workers other occupations that have similar or matching tasks to those of the original occupation in Northern Arizona. This gives an individual an idea of other occupations that can be career options that they may not have been aware of. Since the new occupations have some similarity in tasks, they could be relevant options for a newly displaced job seeker to consider all their options. The workforce areas can then use the new and relevant occupation titles to search their areas for potential job matches. This crosswalk also renders

assistance to document those transferrable skills in the resume and case management will provide technical assistance for how to identify transferrable skills in an interview.

Layoff aversion is a critical component of the vision for effective Rapid Response, requiring a shared responsibility among numerous partners at the state and local level. It is important to understand that averting layoffs is far less disruptive and costly compared to providing food, health care and other emergency services to financially strained residents, the loss of revenues from lower spending, and the loss of property taxes associated with high home foreclosure rates that may result from dislocation. It is necessary to prevent or minimize the duration of unemployment resulting from layoffs.

The Quest for Economic Adjustment

The struggle is real for Northern Arizona, and we need assistance. It's time for focused discussion that leads to action from stakeholders and partners on the state, tribal and federal level. Partnerships with economic and workforce development professionals to start business incubators and accelerators to assist entrepreneurs to start their own businesses is necessary. Assistance is needed from the owners of the utilities to re-purpose their employees into similar opportunities within their own communities while providing alternative power sources. Collaborations must happen between the federal, state, tribal, counties, public and private stakeholders and outside industries to encourage business attraction and relocation, to take advantage of existing infrastructure and innovate new ideas for the resiliency of Northern Arizona.



re-sil-i-ence (noun); the capacity to recover quickly from difficulties; toughness.

Together we can make a difference!