

MEMO

From: Olen Lund
Subject: testimony to U.S. House Oversight & Investigations Subcommittee of the Energy & Commerce Committee
Date: October 29, 2013

I am a former Delta County Commissioner so I understand well the impacts that coal mining have on our local community. Delta County is a mid-size county in Western Colorado with the primary industries of agriculture and coal mining. The coal mining and agricultural industries in Delta County have always had a symbiotic relationship. Throughout the years the revenue generated by local coal mining has provided many people the opportunity to operate small family businesses, including farming and ranching.

I was born and raised on a family farm, located on the floor of the North Fork River Valley. In recent years over 40% of the coal produced in Colorado has been come from 3 underground mines in the North Fork Valley and goes through our farm on its way to market. Of those 3 mines, the one in Delta County is the largest property taxpayer in the county and the 2 in neighboring Gunnison County are the 2 largest property tax payers there. In fact, with its surface facilities located in Gunnison County, but while mining underground in Delta County, one of the mines was the second largest property tax payer in both counties simultaneously! After the coal mines themselves, the next largest taxpayers are the Union Pacific Railroad Company and the Delta Montrose Electric Association. Even though the railroad spur is not dedicated exclusively to the mines, the vast majority of the freight the railroad hauls is coal produced by the mines. And the largest customers of the rural electric co-op are the coal mines.

The Delta Montrose Electric Association, of which I am currently a director, is looking at a 7% to 8% rate increase for next year simply because the cost of our wholesale power is skyrocketing. By streamlining and downsizing, essentially by reducing the services of our electricity distribution system, we have been able to absorb the increasing wholesale power costs. But now we've exhausted not only our monetary reserves, but also our ability to reduce services any further and yet provide acceptable service. Most of the power we distribute locally is generated by coal, albeit not locally mined coal, but we continue to be constrained by contracts entered into when coal was still the most economical energy source. We now have to charge our customers for the added regulations and mandates placed on coal fired electricity generation. We are allowed to generate only the remaining 5% locally.

Somewhere between 900 and 1000 people (nearly 10% of the workforce) employed by the 3 local mines reside in Delta County. The topography is such that even though 2 of the mines are in Gunnison County, very few of the employees live there. The second largest single employer in the county is the Delta County Joint School District.

Coal production is like any other business that employees people. Those dollars turn over 7 times within the community giving the community its wealth. If you close the mine, you not only lose the primary jobs of production, you lose the jobs that support those primary jobs. In other words

you lose the banks, the grocery stores, the dry cleaners, the car dealerships, the mechanics, the parts stores, the clinics and hospitals, plumbers, all your utilities, and others. Even the gift shops, as I'll explain later. In fact, the mayor of one of the municipalities in Delta County shared with me just Sunday evening how he is concerned that our local economy is already starting to spiral downward. Only 150 miners have been laid off so far, but even now he is looking at having to lay off some city employees. His municipality is already trimmed to where it provides only the basic public works support (water & sewer) and public safety. He is very concerned for the health, safety, and general welfare of his constituents if that downward spiral continues.

Most public infrastructure capital improvement projects in the rural areas of Colorado are funded by severance taxes levied against natural resource production (coal, natural gas, & timber in Delta County). Severance taxes are collected and distributed by the State of Colorado through the Department of Local Affairs.

I've talked to a lot of local people in the past few days and asked them what I should share with you. Almost universally I've been told that the result of the local coal mines shutting down would be "devastating" and that our local communities would "dry up." But I think the most effective way for me to communicate to you the importance of coal mining to our local community is to describe to you the experiences of some of my neighbors. Although I have time for just a couple of stories, please keep in mind that everyone in the community is directly affected.

Originally the mines developed in our valley as a way for the local farmers to generate some winter income. The mines opened up in the fall after the field work was done, and closed again in the spring when the farmers needed to get back in their fields. Although the mines now operate continuously throughout the year, it is still not uncommon for area ranchers and farmers to work in the mines. We jokingly say that that is the only way they can afford their habit!

Some of my neighbors have been able to more than simply support their hobby, but have been able to save and invest their wage income to establish successful business enterprises outside of mining. Several former coal miners now have small, but successful enterprises of their own. One friend worked for several years in the mines and invested his wages so that now he has a thriving "naturally grown" fruit and vegetable business.

The value of the cash infusion to our local community goes further than direct payment of wages from the mines. I have other neighbors that now have a thriving family cattle ranch that they were able to get established by saving their earnings from teaching school. Those school teaching jobs would not have been available without the local economy to support a vibrant school system. In this regard there is nothing special about being employed by the school district. Others have done the same thing by working in local business establishments that would not, in fact could not, exist without the availability of that money generated by the coal mines.

One friend I talked with, told me of the gift shop her mother ran. As long as the coal mines were paying wages, business was good, but as soon as the coal mines hit faltered the gift shop went under. That is the case with nearly every small business in the area. As I stated earlier the local community lives and dies with the fortunes of the local coal mines.