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Economic Assistance Boosts McKinley Paper Mill

Major employer will retain 125 jobs with LEDA investment

McKINLEY COUNTY, N.M. – Cabinet Secretary Alicia J. Keyes announced today that a long-time paper factory in McKinley County will receive economic assistance from the state so it can install new equipment and remain in business for the next decade, retaining at least 125 well-paying jobs.

McKinley Paper has been reliant on the Escalante Generating Station for steam power. The 253-megawatt, coal-fired power plant near Prewitt, N.M., operated by Tri-State Generation and Transmission Association, closed at the end of August as the facility exhausted its remaining on-site fuel supply.

The State of New Mexico, through the Economic Development Department, has pledged to invest \$5 million from LEDA, the Local Economic Development Act, to sustain long-term operations at McKinley Paper. The LEDA grant will go toward construction of a new boiler and associated equipment, as well as inbound water systems and wastewater treatment. The company also recycles water to use within its system.

"My administration has always been committed to preserving jobs in the northwestern part of our state," Gov. Michelle Lujan Grisham said. "This project and this funding was a priority -- and I'm thrilled to see it come to fruition. We will continue to invest in, and support, manufacturing jobs in our state."

The LEDA investment flows from a special appropriation in House Bill 8, a measure backed by lawmakers for emergency economic assistance to McKinley and Cibola Counties as a result of the shutdown of the Escalante Generating Station. The LEDA project agreement between McKinley Paper and the EDD is for 10 years.

McKinley Paper has operated in New Mexico for 27 years and is the economic base anchor for eastern McKinley County and western Cibola County. The company has 125 employees with salaries and benefits up to \$100,000 annually. The plant reprocesses recyclable paper and cardboard into packaging containers for appliances, food and beverages, and e-commerce shippers.

"The LEDA assistance is an investment in high-paying jobs and an investment in this community," Cabinet Secretary Keyes said. "The new infrastructure will help sustain McKinley Paper so it can maintain, and even grow, the manufacturing workforce in northwest New Mexico."

The McKinley-New Mexico plant's capacity is 250,000 tons a year with customer markets

in California, Colorado, Arizona, and the rest of the Southwest U.S. Region, and as far East as Illinois and Indiana. The New Mexico plant also exports paper products to Canada and Mexico.

“This is about business retention,” Rep. Patricia A. Lundstrom said. “It’s critical that McKinley Paper remains open. It is companies like this that help us grow our manufacturing base. This investment is foundational for continuing to build the economies of McKinley and Cibola counties.”

"Protecting and growing jobs in McKinley County has been a priority for me," New Mexico State Sen. George Muñoz said. "McKinley Paper's \$5 million in state funding from LEDA to purchase equipment for the plant will ensure that 125 jobs will be protected and will allow the hiring of 10 additional jobs. This is a huge win for Senate District 4, the city of Gallup, McKinley County, and the state of New Mexico."

The plant needs a constant supply of steam, water, and power to operate 24 hours a day to be cost efficient. “The main reason McKinley was situated here was because of the resources that Escalante Generating Station managed and supplied to the paper mill. Without that, we are at a very high risk to cease operations,” Wilfrido Rincon, COO of McKinley Paper, said. “Now, with LEDA, we feel we are in a very good position to maintain operations and even hire additional people. We can invest in additional assets and equipment and guarantee a steady supply of steam, water, and energy, vital to our long-term operation in the state.”

McKinley and Tri-State are negotiating the terms to provide short-term services, and for the purchase and transfer of equipment and facilities. Following the transaction, some of the Tri-State workers who currently operate that machinery will be hired by McKinley Paper.

Tri-State is also working to support the region with \$5 million in economic development assistance and by partnering with Turning Point Energy for a 200-megawatt (MW), \$200 million solar project, set to be operational by 2024.

“Tri-State is investing significant time and resources to negotiate an agreement that can help keep McKinley Paper operating once Escalante Station is decommissioned,” Duane Highley, CEO for Tri-State, said. “We are proud to work with McKinley Paper and leaders in the region to support investment and jobs”

Eileen Yarborough of the Cibola Communities Economic Development Foundation said the majority of workers at McKinley Paper live in Cibola County. "It's very significant that McKinley Paper will be able to maintain operations, keep people employed, and even add employees. We are very excited to see McKinley Paper awarded this LEDA grant."

McKinley County is the fiscal agent for the LEDA assistance. "McKinley County is excited to partner with McKinley Paper Co. to help retain these important jobs in our region; as these jobs not only helps the property tax base in McKinley County, but also helps to keep jobs in Cibola County and the economy flowing," County Manager Anthony Dimas said.

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