



Economic & Fiscal Impact Study of the Lava Run Solar & Storage Project

Prepared for:
CG Apache County Solar LLC



Prepared by:
Yelton & Associates
4750 N. Central Ave. 1A
Phoenix, AZ 85012

**Updated February 2024
November 2023**

Table of Contents

Executive Summary	3
Project Overview	3
Key Findings	4
State and Local Context	5
Coal-Related Economic Impacts.....	5
Demographics	5
Existing Workforce	6
Educational Attainment	6
Employment & Workforce History.....	6
Economic Impact Analysis.....	7
Methodology.....	7
Caveats to Input-Output Modeling	7
Economic Impact Results	8
<i>Construction & Operations Employment Opportunities</i>	<i>8</i>
<i>Public Revenue Impact Analysis</i>	<i>10</i>
<i>Arizona State Land Department Rent Payments.....</i>	<i>12</i>
<i>Additional Industry Impacts</i>	<i>13</i>
Conclusion	15

Executive Summary

Project Overview

CG Apache County Solar LLC (“ConnectGen”), a wholly owned subsidiary of ConnectGen LLC, is proposing to construct and operate the Lava Run Solar & Storage Project (“Project”), a 450-megawatt (MW) solar energy and 225-MW battery storage project under development in Apache County, AZ. Once constructed, the Project would generate enough electricity to power over 100,000 Arizona homes.

The Project is located immediately south of the Springerville Generating Station, 12 miles northeast of Springerville and Eager, and 16 miles southeast of St. Johns. The Project would be located on up to approximately 4,200 acres of Arizona State Land Department (“ASLD”) and private lands actively managed for cattle grazing.

The Project is expected to be constructed in two phases: a 200-MW Phase I and a 250-MW Phase II. Construction is expected to occur in back-to-back calendar years, lasting up to 24 months, and requiring 116 full-time equivalent workers on average and 284 workers during peak construction. Once operational, the Project would require up to 17 full-time employees throughout its minimum 35-year useful life. Once the project reaches the end of its operational life, the decommissioning of existing facilities would take up to approximately 18 to 24 months. All above ground Project infrastructure would be dismantled and removed while below ground infrastructure would be removed to a depth of three feet below grade. The site would be restored to be consistent with the area’s ecological setting and land use practices.

The Project represents a total capital expenditure (“CapEx”) of approximately \$1.111 billion and is expected to bring substantial economic benefits to Apache County.

Table 1. Lava Run Solar & Storage Project Description

Project Period	Value	Unit
Nameplate Capacity	450	MW
<u>Construction Period</u>		
Timeline	24	Months
Total Direct Job Years	232	Job Years
Average Annual Compensation	\$59,845	
Per Diem (80% of Employees)	\$200	
CapEx ¹	\$1,111,297,377	
<u>Operations Period</u>		
Timeline	35	Years
Total Direct Job Years	595	Job Years
Average Annual Compensation	\$61,487	

Table 1 shows general project information, including the nameplate capacity, the length and direct employment for the Construction and Operations Periods, and the estimated CapEx.

¹ The CapEx has been estimated by ConnectGen based on internal project assumptions and balance of plant estimates provided by third-party contractors.

Key Findings

1. Substantial short- and long-term economic activity, jobs, and compensation in Apache County

Project construction is estimated to generate an average of 116 jobs for 24 months (or 232 job years) with a total compensation of over \$27.4 million. Project operations will generate 17 long-term, well-paying jobs (or 595 job years) with a total payroll of over \$41.6 million over 35 years.

Table 2. Direct Employment & Compensation

Project Period	Employment (Job Years)	Employee Compensation	Economic Output (Rounded)
Construction	232	\$27,415,014	\$1,087,833,714
Operations (Annual)	17	\$1,187,498	\$6,112,913
Operations (Lifetime)	595	\$41,562,426	\$213,951,957

Direct employment and employee compensation estimates based on assumed project needs. Economic output estimates come from the IMPLAN model.

2. Initial infusion of \$416,000 in sales tax revenue and ongoing contribution of \$42.4 million over 35 years in property tax revenue to fund Apache County schools and critical infrastructure

The Project is expected to generate over \$5 million in one-time sales tax revenue on construction materials and fixture purchases, approximately \$416,000 of which will be paid directly to Apache County during the construction period. In addition to this initial infusion, the Project is expected to pay the County an average of \$1.2 million in property tax revenues for a total of approximately \$42 million over its 35-year life.

County Revenues	One-Time	Ongoing Revenues		Lifetime
		Annual Avg.	Over 35 Years	
Local Sales Taxes	\$415,802	-	-	\$415,802
Property Tax	-	\$1,199,905	\$41,996,685	\$41,996,685
Total Lifetime Revenue				\$42,412,488

Tax revenue estimates based on the CapEx and a 2021 Arizona tax memorandum by Perkins Coie LLP.

3. State land rent payments of \$25.5 million over 39 years to fund Arizona's schools

The Project will lease approximately 3,760 acres of ASLD land, paying approximately \$1.1 million in rent throughout a 4-year development period and an additional \$24.4 million over a 35-year operations period. The estimated rent payments total \$25.5 million over 39 years and will fund public education in Arizona.

Table

Project Period	Period Length (Years)	Rent Payments	
		Annual Avg.	Cumulative
Development & Construction	4	\$267,900	\$1,071,600
Operations	35	\$697,187	\$24,401,553
Total Lifetime Rent	39	-	\$25,473,153

Rent payments estimates based on recent property transactions and preliminary conversations with the ASLD.

State and Local Context

The Lava Run Solar & Storage Project is located in Apache County, Arizona. An opportunity zone, the County consists of non-metropolitan, low-income communities and totals 65,432 in population,¹ including residents of four surrounding tribal nations: the Hopi Tribe, Navajo Nation, Zuni Pueblo, and the White Mountain Apache Tribe.²

Phoenix is the closest metropolitan statistical area, about 217 miles (3 hours and 45 minutes) away. This distance explains why the region is dependent upon the local rural economic base, heavily supported by the coal industry.



Coal-Related Economic Impacts

For the past few decades, three coal-fired power plants within and near Apache County – the Cholla Power Plant (Navajo County), the Coronado Generating Station (Apache County), and the Springerville Generating Station (Apache County) – have driven much of the area’s economic activity. However, in recent years, these plants have either announced or begun their retirement. The Cholla plant will retire by 2025, the Coronado plant will begin seasonal operations in 2025 and retire by 2032, and the Springerville plant will retire its first unit in 2027. This trend follows the closure of the Navajo Generating Station (Coconino County) in 2019, which previously supported the Kayenta Mine on nearby Navajo and Hopi lands.³

In a 2022 study by the Seidman Research Institute, the Coronado and Springerville plants reported directly employing 183 and 380 workers, respectively, with approximately 58 and 76 percent of them residing in Apache County.⁴ These numbers include both part- and full-time workers, earning an estimated average wage of \$70,062, almost twice the County’s median household income. The total employment supported by the local coal industry range between 2,200 and 4,300 jobs across all sectors, and the total income impacts range between \$215 and \$365 million.⁵ Approximately 50 to 55 percent of these jobs and income impacts remain within Apache County and represent four to eight percent of the local economy.

The Coronado and Springerville plants paid an estimated \$8.4 million and \$14.8 million, respectively, in property taxes to Apache County in 2021.⁶ Further, the Coronado plant will contribute on average \$8.7 million in state and local taxes annually from 2022 through its closure in 2032, and the Springerville plant will contribute on average \$15.2 million annually from 2022 through 2040 with a gradual decrease as the plant reduces its operations.

¹ American Community Survey 2022. “[DP05 - Census Bureau Tables](#).”

² Arizona State Museum. “[Federally Recognized Native Nations in Arizona](#).”

³ L. William Seidman Research Institute. “[Estimating the Impacts of Reduced Operations at, and the closure of, Springerville and Coronado Generating Stations](#).” Arizona State University, June 30, 2022.

⁴ Ibid.

⁵ Highland Economics. “[Regional Economic Assessment & Strategy for Coal-Impacted Navajo and Apache Counties, Arizona](#).” Town of Springerville, Arizona, June 24, 2018.

⁶ L. William Seidman Research Institute, “Estimating the Impacts.”

Demographics

According to the 2022 American Community Survey (ACS), Apache County is the poorest county in Arizona and the among the poorest in the country with 28.1 percent of its residents living in poverty. The U.S. Census Bureau indicates the County's median household income ("MHHI") is \$37,663, which is half of Arizona's MHHI of \$74,568.⁷

Existing Workforce

According to the 2022 ACS, the top industries in Apache County include (1) educational, healthcare, and social services at 35 percent; (2) construction at 12.2 percent, and (3) public administration at 12 percent.⁸ One industry of particular cultural significance for the County is agriculture – including cattle production – standing at 3.2 percent compared to 1.4 percent statewide. Additionally, the transportation, warehousing, and utilities industry – including electric power generation from coal plants – comprised 10.8 percent of the jobs in the County in 2022 and 6.5 percent in 2022.⁹ This drop that may be explained in part by the COVID-19 pandemic and by the partial closure of the Cholla plant in 2020.¹⁰

The County's unemployment rate during the pandemic ranged between 10.4 and 12.6 percent. As of July 2023, Apache County's unemployment rate was 9.5 percent, two-and-a-half times the state and national averages at 4.0 and 3.8 percent, respectively.¹¹

Educational Attainment

Only 14 percent of Apache County residents earn a bachelor's degree or higher compared to the state educational attainment rate of 33 percent.¹² Eager-Springerville reported the highest rate in the County at 24.1 percent with St. Johns following at 17.5 percent; all other County subdivisions reported rates between 4.8 and 11.3 percent.¹³

Employment & Workforce History

Arizona's workforce development programs are coordinated through the state and local Workforce Investment Boards. This resource network conducts outreach to cities and towns through local county governments or collective groups, such as the Northern Arizona Council of Governments, who represents Northeastern Arizona. This approach enables small rural communities like Apache County to participate in and develop quality workforce development systems not otherwise available due to a lack of resources and funding.

Further, the statewide workforce development network Arizona @ Work promotes business retention and expansion in rural communities by partnering with education organizations, service agencies, and the business community to teach individuals self-sufficiency skills. The

⁷ US Census Bureau. "2022 American Community Survey 1-Year Estimates Subject Tables: [S1901 Income in the Past 12 Months \(in 2022 Inflation-Adjusted Dollars\)](#)."

⁸ ---. "[Apache County, Arizona - Census Bureau Profile](#)." Accessed October 21, 2023.

⁹ Ibid.

¹⁰ Randazzo, Ryan. "[Arizona coal generator to close in 2020, while another given lifeline as decline of plants across West continues](#)." *AZ Central*, January 7, 2023.

¹¹ US Bureau of Labor Statistics. "[Local Area Unemployment Statistics](#)." Accessed October 26, 2023; "[State Employment and Unemployment Summary](#)." Accessed October 26, 2023.

¹² US Census Bureau. "[Apache County, Arizona - Census Bureau Profile](#)." Accessed October 21, 2023.

¹³ ---. "[2021 American Community Survey 5-Year Estimates Subject Tables: S1501 Educational Attainment](#)."

federal grant Workforce Innovation Opportunity Act Grants (formula funds) are administered through these agencies in rural communities, including Apache and Navajo Counties.

Once the Lava Run Solar & Storage Project enters the construction period, the County would be able to utilize this existing workforce development infrastructure to ensure many of the construction jobs and all the operations positions created by the Project remain local.

Economic Impact Analysis

Methodology

Regional economic impact analysis and Input-Output (“I/O”) models provide a means to estimate total effects stemming from a particular industry or activity, and yield estimates of the number and types of jobs created, the wages associated with those jobs, and the total economic output of “final sales” generated within various industries. I/O models rely on economic “multipliers” that mathematically represent the relationship between the initial change in one sector of the economy and the effect of that change on other interdependent industry sectors, corresponding changes in demand for inputs to those sectors, and so on. These effects are commonly described as “direct,” indirect,” or “induced” and are generally defined as follows:

- The “direct” effect is the initial change in economic activity in a specific industry or sector. For example, economic activities (business revenues, jobs, employee earnings) occurring at the Lava Run Solar & Storage Project site would represent the direct impact on the Apache County economy.
- The “indirect” effect results from industry-to-industry transactions required to support the direct activity. This effect is a measure of the change in the output of suppliers linked to the industry that is being evaluated. For example, construction of the new solar project will cause an increase in sales of construction materials, engineering services, and other goods from “business-to-business” suppliers in Apache County and elsewhere. For this analysis, only indirect effects within Apache County are estimated.
- The “induced” effect consists of impacts from employee spending in the regional economy. Specifically, the employees of directly and indirectly affected businesses generate this effect by purchasing goods and services in the regional economy (e.g., food, clothing, automobiles, health care, etc.). For this analysis, only induced effects within Apache County are estimated.
- “Leakages” are dollars associated with the modeled Event that do not continue to circulate through the region’s economy generating additional effects.

The total economic impact is the sum of the direct, indirect, and induced effects, and measures the impact of an activity as it “ripples” through the economy.

Caveats to Input-Output Modeling

The I/O methodology assumes that demand for goods and services by industries or households increases in direct relation to the increase in income, and that an increase in demand results in a proportional increase in local supply and employment. This implies fixed linear relationships between input (resource) use and output and between income and consumption. However,

these relationships tend to vary with the income level and responses to final demand changes are not always likely to occur in direct linear proportions.

Second, I/O models assume that local suppliers have sufficient capacity to respond to changes in final demand by increasing their output and hiring additional workers without shifting any production resources (inputs) from other competing needs. This assumption may not hold in areas with tight labor or capital markets since suppliers may find it difficult to obtain these labor or material inputs or other resources necessary to expand production. However, a relatively large geographic area with an unemployment rate of approximately 9.5 percent, Apache County does not appear to be constrained by a tight labor market. As such, the model's assumption is not expected to affect the accuracy of the results.

Economic Impact Results

The Lava Run Solar & Storage Project is expected to have significant positive impacts on Apache County's and Arizona's economies. Project benefits include short- and long-term employment opportunities, sales and property tax revenues, state land rent payments, and other indirect and induced benefits. These benefits are quantified below using Project assumptions, including an estimated CapEx prepared by ConnectGen.

Construction & Operations Employment Opportunities

The Project is expected to have a 24-month construction period and an operations period of at least 35 years. During both periods, the Project will create short- and long-term, well-paying employment opportunities as outlined below.

Construction Jobs

Table 5 summarizes the estimated direct impacts during the Project's construction period. Over a 24-month construction period, onsite activities will support 116 full-time equivalent employees across a range of trades, including the following: Site Managers, Heavy Equipment Operators, Crane Operators, Riggers, Ironworkers, Concreter, Linemen, Electricians, HVAC, Solar Photovoltaic and Battery Energy Storage System Technicians, Truck Drivers, and Laborers. It is important to note that the number of people working on-site will vary throughout the 24 months, peaking at approximately 284.

These workers will earn approximately \$60,000 in annual wages and benefits, totaling approximately \$13.9 million for all employees throughout the construction period. Additionally, construction employees will receive a \$200 per diem, totaling another \$13.5 million. Therefore, total compensation (wages, benefits, and per diem) throughout this period is estimated at \$27.4 million.

Table 5. Total Economic Impacts of Project Construction

Type of Impact	Employment (Job Years)	Total Employee Compensation	Value Added	Economic Output
<u>Construction Period</u>				
Direct Impacts	232	\$27,415,014	\$298,871,958	\$1,087,833,714
Indirect Impacts	1,565	\$39,639,441	\$85,176,491	\$205,153,560
Induced Impacts	106	\$3,792,112	\$8,985,136	\$16,174,005
Total Impacts	1903	\$70,846,567	\$393,033,585	\$1,309,161,279

Direct value added and economic output, indirect impacts, and induced impacts come from the IMPLAN model.

Operations Jobs

Table 6 summarizes the estimated direct impacts during the Project’s operations period. Project operations will involve monitoring system status, performance, diagnostics, and planning, as well as preventative and periodic corrective maintenance activities. ConnectGen anticipates that the Project will require 17 full-time employees to manage its ongoing operations, each earning approximately \$70,000 in annual wages and benefits, resulting in a total annual payroll of approximately \$1.2 million and a total annual economic output of \$6.1 million.

Table 6. Total Economic Impacts of Project Operations

Type of Impact	Employment (Job Years)	Total Employee Compensation	Value Added	Economic Output
<u>Operations Period (Annual)</u>				
Direct Impacts	17	\$1,187,498	\$3,654,271	\$6,112,913
Indirect Impacts	5	\$370,127	\$968,214	\$2,407,182
Induced Impacts	2	\$88,924	\$210,718	\$379,292
Total Impacts	25	\$1,646,549	\$4,833,202	\$8,899,387
<u>Operations Period (Lifetime)</u>				
Direct Impacts	595	\$41,562,426	\$127,899,482	\$213,951,957
Indirect Impacts	176	\$12,954,431	\$33,887,480	\$84,251,377
Induced Impacts	87	\$3,112,350	\$7,375,113	\$13,275,225
Total Impacts	859	\$57,629,207	\$169,162,075	\$311,478,559

Direct value added and economic output, indirect impacts, and induced impacts come from the IMPLAN model.

Economic Impacts from Multiplier Effects

Based on the projected direct spending on labor, materials, and services, the Project is expected to have a ripple effect on the economic activity in the County by triggering additional rounds of spending. Businesses in the supply chain will respond to meet the Project’s demand and constitute the Project’s “indirect” effects. Employees’ spending on goods and services for their households – groceries, housing, healthcare, education – are also expected in the County, and constitute the Project’s “induced” effects. In both cases, additional rounds of spending are captured in the impact estimates, such as, for example, the spending of an equipment rental company owner on maintenance services for her equipment and on groceries for her family. Together, the indirect and induced effects are known as multiplier effects.

Indirect Economic Impact

For both the construction and operations phases, estimated local spending is based on cost estimates for goods and services that are anticipated to be sourced from vendors locally via Apache-specific industry multiplier effects obtained from IMPLAN modeling. Exemplary purchases would include industrial supplies, business and professional services, labor and materials for periodic improvements (e.g., access road maintenance and weed abatement), and similar costs of doing business. Providers of these goods and services are expected to be available in the County and most convenient and cost-effective to serve the Project.

To estimate these indirect economic impacts, Yelton & Associates used an Apache-specific

IMPLAN model based on supply chain impacts during the construction period and based on local revenue and supply chain impacts during the operations period. **Table 5** indicates an estimated 1,565 indirect “job years” and an additional \$205.2 million in indirect “supply chain” output during the construction phase. **Table 6** indicates an estimated five indirect “job years” and an additional \$2.4 million in indirect economic output to occur annually during the operations phase, totaling approximately \$84.3 million over the Project’s lifetime.

Induced Economic Impact

Induced impacts are based on the conversion of estimated labor incomes into household spending, or the “third round” of economic activity created by the direct impacts and subsequent indirect impacts. Employees of the Project and employees at local businesses indirectly affected by the Project will spend their wages on a variety of goods and services. For example, if an employee at the Project spends her wages on food for her family, part of that spending goes to the retail worker who sells the food, another part goes to the trucker who delivers the food, another to the farmer who grows the food, and another to various intermediaries (processors, wholesalers, transportation companies, etc.). Thus, in aggregate, the spending associated with direct and indirect employees’ purchases creates demand for other businesses and helps support other jobs in the County economy.

Using an Apache-specific IMPLAN model, Yelton & Associates estimated the additional economic impacts that generated through the Project’s induced effects in the rest of the County. **Tables 5 and 6** show these induced impacts on employment, employee compensation, and economic output during construction and operations, respectively. The induced effects during construction are estimated at 106 “job years” and over \$16.2 million in economic output. Operations are estimated to generate induced impacts of two “job years” and \$379,000 in economic output annually, totaling approximately \$13.3 million over the Project’s lifetime.

Public Revenue Impact Analysis

In addition to the employment opportunities described above, the Project will benefit Apache County through the generation of new sales and property tax revenues, beginning in 2026, around the same time that the regional coal plants will begin retirement.

Sales Tax Revenue

The Project is expected to generate over \$5 million in one-time transaction privilege tax (i.e., sales tax) revenues on approximately \$83 million of taxable materials and fixture purchases. Of these \$5 million, about \$416,000 will be paid directly to Apache County during the construction period, and the rest to Arizona state. These allocations are based on the Arizona and Apache County sales tax rates of 5.6 and 0.5 percent, respectively, for a combined rate of 6.1 percent.

Table 7. Sales Tax: Model Assumptions & Results

Project Assumptions		Taxable Capital Expenditure
Total CapEx		\$1,111,297,377
Taxable CapEx ¹		\$83,160,426
Sales Tax Assumptions		Rate
Arizona		5.6%
Apache County		0.5%
Total Sales Tax	6.1%	\$5,072,786

¹ Taxable CapEx excludes certain construction costs per 2021 Arizona tax memorandum by Perkins Coie LLP.

Apache County uses sales taxes to fund several initiatives: general County government operations (e.g., property assessments, tax collection, elections), public safety (jail operations, Sheriff's office services, Flood Control District operations), maintenance of County-jurisdictional roads, and public health needs.

Property Tax Revenue

In addition to this initial infusion of sales tax revenues, the Project will pay the County an average of \$1.2 million in property tax revenues for a total of approximately \$42 million over its 35-year life. This estimate is based on the specific tax rate for Apache County and for the Round Valley School District 10 at 2.3259 and 3.1542 percent, respectively, for a combined rate of 5.4801 percent. Additional resources used to create the property tax model include an Arizona state tax memorandum prepared by Perkins Coie and the CapEx prepared by ConnectGen. The variables and values included in this model are outlined in **Table 7** below.

Table 8. Property Tax Model Assumptions

Assumptions	Value	Units
<u>Project Assumptions</u>		
Taxable CapEx ¹	\$1,109,363,377	
<u>Investment Tax Credit ("ITC")</u>		
ITC Qualification	40	%
ITC Eligibility Rate	95	%
<u>Property Tax Assumptions</u>		
Renewable Energy Adjustment Rate	20	%
Renewable Energy Adjustment End Year	2040	
Assessment Ratio	16	%
Depreciable Life	30	Years
Depreciable Floor	10	%
<u>Property Tax Rates</u>		
Apache County	2.3259	%
Round Valley School District 10	3.1542	%
Property Tax Estimate	\$43,582,486	

Tax credit and property tax assumptions based on 2021 Arizona tax memorandum by Perkins Coie LLP.

¹ Taxable CapEx excludes about \$3.4 million in network upgrades, considered property of the transmission provider.

² Taxing authorities to which the Project is expected to pay property taxes are based on Apache County Assessor's [EagleWeb](#) tool, and the rates for each are based on Resolution No. 2022-06 Setting FY2022-2023 Tax Levies & Rates.

Despite being primarily sited on state land, the Apache County Assessor's Office will add the value of the installed renewable energy equipment to the local tax roll under a special account number. Once on the tax roll, the property tax dollars generated by the wind facilities will be collected by the County Treasurer's Office and dispersed to the local taxing authorities, as was confirmed by the Arizona Department of Revenue.

Based on the Apache County Resolution No. 2022-06 Setting FY2022-2023 Tax Levies & Rates, this revenue will be used to fund schools, public health and safety, and other critical infrastructure and services within Apache County. **Figure 1** provides an overview of how the nearly \$43.6 million in property tax revenue may be distributed across these broad categories, later broken down into each individual taxing authority in **Table 9**.

Figure 1. Project Property Taxes Over 35 Years, Allocated Within Apache County (Simplified)

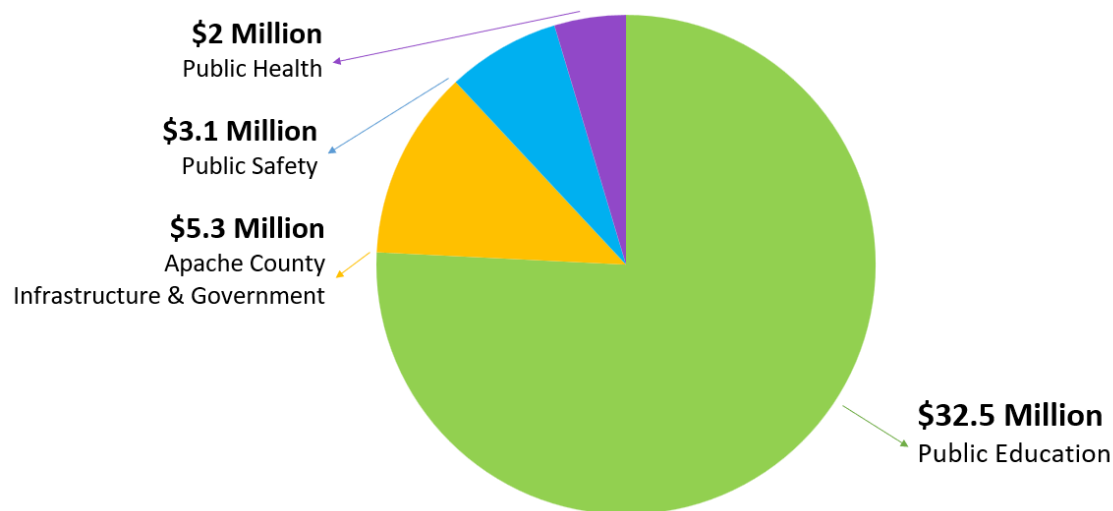


Table 9. Project Property Taxes Over 35 Years, Allocated Within Apache County (Detailed)

Local Taxing Authority	Tax Rate (2023 Fiscal Year)	Dollar Amount
<u>Apache County</u>		
Primary		
County	0.6614%	\$5,260,024
State School Equalization (State Mandated)	-	-
Secondary		
General Fund Override	-	-
Library District	0.3096%	\$2,462,206
Public Health District	0.2500%	\$1,988,216
Jail District	0.2000%	\$1,590,573
Juvenile Jail District	0.1000%	\$795,286
Jr. College Tuition	0.4750%	\$3,777,610
Post Secondary Education	0.1500%	\$1,192,929
Flood Control	0.0850%	\$675,993
Fire District Assistance	0.0949%	\$754,727

Local Taxing Authority (Continued)	Tax Rate (2023 Fiscal Year)	Dollar Amount
Round Valley School District 10		\$20,688,579
Primary	2.6014%	\$2,810,542
Secondary	0.3534%	-
Class A Bonds	-	\$1,585,801
Class B Bonds	0.1994%	-
Adjacent Ways	-	-
Minimum School Tax	-	-
	5.4801%	\$43,582,486

Arizona State Land Department Rent Payments

The Project will lease approximately 3,760 acres of Arizona State Land Department lands currently managed for cattle grazing. It is estimated to pay \$542,000 throughout its 4-year development period and an additional \$74.6 million over its 35-year operational life. These rent payments will be used to fund K-12 public education and Arizona's three state universities, along with six other beneficiaries related to education, State government, public health, and public safety.¹⁴

Table 10. Project Land Rent Economic Impact

Assumptions	Acreage	Land Value (Dollar / acre)	Total Land Value
State Land Area	3,760	\$1,500	\$5,640,000
Project Period	Period Length (Years)	Rent Payments	
		Annual Avg.	Cumulative
Development & Construction	4	\$267,900	\$1,071,600
Operations	35	\$697,187	\$24,401,553
Total Lifetime Rent	39	-	\$25,473,153

Rent payments estimates based on recent property transactions and preliminary conversations with the ASLD.

Additional Industry Impacts

In addition to the direct impacts outlined above, Project construction and operations are expected to have additional impacts across numerous industries, including materials supply, truck transportation, and the purchase of durable goods.

Table 11. Relevant Industry Impacts in Apache County

Industry	Impact Output		Total
	Indirect	Induced	
Retail - Building material and supplies stores	\$28,683,900	\$211,115	\$28,895,015
Wholesale - Other durable goods merchant wholesalers	\$15,746,885	\$132,252	\$15,879,137
Ready-mix concrete manufacturing	\$10,570,622	\$5,203	\$10,575,825
Truck transportation	\$7,368,006	\$209,388	\$7,577,394

¹⁴ Arizona State Land Department. "[State Trust Land Beneficiaries](#)." Accessed October 13, 2023.

Industry (Continued)	Impact Output		Total
	<i>Indirect</i>	<i>Induced</i>	
Wholesale – Machinery, equipment, and supplies	\$7,535,675	\$33,747	\$7,569,422
Commercial and industrial machinery and equipment rentals	\$5,383,675	\$10,304	\$5,393,979
Retail - Food and beverage stores	\$201,877	\$903,650	\$1,105,527
Tenant-occupied housing	-	\$931,620	\$931,620
Full-service restaurants	\$401,927	\$351,053	\$752,980
Retail - General merchandise stores	\$419,943	\$217,042	\$636,985
Total	\$76,312,512	\$3,005,373	\$79,317,885

IMPLAN calculates these indirect and induced impacts on relevant industries based on the CapEx.

Conclusion

This analysis was prepared with careful consideration to measure the direct (e.g., jobs created), indirect (e.g., supply chain purchases), and induced (e.g., employees spending their wages locally) effects to arrive at the total economic impact of the Lava Run Solar & Storage Project. Representing a \$1.1 billion capital investment, the Project will have positive impacts on the Apache County economy by expanding job opportunities, broadening the sales and property tax bases in Apache County, and funding Arizona's public education system through state land rent payments.

In addition to these direct impacts and the associated indirect and induced effects, the Project has the ability to come online just in time to mitigate some of the economic losses from the two retiring coal-fired power plants in Apache County. The looming closures of the Coronado and Springerville plants – which are currently major contributors to County revenues – threaten a significant loss of jobs, income, and tax revenue that will only exacerbate an already challenged region. The introduction of alternative energy technologies like the Lava Run Solar & Storage Project is critical and timely to sustain Apache County through this transition.