



LEGISLATIVE FINANCE COMMITTEE MEETING
October 29, 2019

Robert E. Busch

Chairman
RETA Board



Executive Summary

- *After over ten years of hard work RETA is accomplishing what it was tasked to do!*
- *The Western Spirit Project is finalizing right-of-way acquisition, with the majority of easements expected to be completed by early next year. No major regulatory hurdles remain.*
- *Construction of RETA's first major New Mexico transmission line should begin next year.*
- *The Western Spirit line will enable 800 megawatts of new renewable energy to be constructed.*
- *This represents over 1.5 billion dollars of new investment in New Mexico.*
- *RETA is once again led by a full time, experienced Executive Director.*
- *RETA is leading a comprehensive study of how best to continue to develop renewable energy in New Mexico.*
- *RETA's visible success is creating renewed interest in major transmission developers.*

Background

RETA was established by the New Mexico Legislature in 2007 to plan, finance, develop and acquire high voltage transmission lines and energy storage projects to promote economic development in New Mexico.

RETA is one of only seven state-level transmission authorities in the United States and only the second to have issued bonds.

All RETA sponsored projects must have at least 30% of its power originate from renewable resources. All of RETA's current projects are planned to have 100% of their power originate from renewable resources.



RETA's Mission

New Mexico has some of the best wind, geothermal and solar resources in the United States. RETA believes that with a thoughtful, deliberate and pragmatic approach to the development of its renewable resources, New Mexico can develop a major renewable energy industry.

This development will create construction and permanent jobs, create capital investment in New Mexico, protect the environment, and further state and national goals of establishing energy independence through sustainable clean energy projects for decades to come.

The RETA Board does not take its mission lightly and we are diligently working to develop projects that will benefit the State and provide RETA with the self-sufficiency that is expected. Transmission infrastructure takes years to develop, but we believe we are closer than ever to realizing our goals of building the Western Spirit Project and the SunZia Project. RETA is making incredible strides to promote, develop and finance transmission lines for renewable generation.

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State Funding History and FY 2021 Request

Fiscal Year	Amount
2008	\$1,000,000
2009	\$ 500,000
2010	\$ 500,000
2011	\$ 0
2012	\$ 0
2013	\$ 0
2014	\$ 250,000
2015	\$ 350,000
2016	\$ 0
2017	\$ 0
2018	\$ 0
2019	\$ 0
2020	\$ 675,000 (\$400,000 for Transmission and Energy Storage Study)
2021 (Non-recurring request)	\$ 425,000

Private Partner Funding

Fiscal Year	Project Fees
2011	\$ 550,000
2012	\$ 77,174
2013	\$ 142,933
2014	\$ 70,018
2015	\$ 28,731
2016	\$ 19,676
2017	\$ 80,000
2018	\$ 260,000
2019 Projected	\$ 550,000
2020 Projected	\$1,325,000
2021 Projected	\$ 965,000
Total Partner Contributions	\$4,068,532

***RETA intends to request a Special Appropriation of \$425,000 during the 2020 Legislative Session.**

Proposed 2021 NM RETA Budget				
		Developer Supported RETA Expenses	NM Govt Supported RETA Expenses	Total 2021
Revenue				
Interest		700	700	1,400
Legislative funding			425,000	425,000
Total Gov't and Interest		700	425,700	426,400
Partner funding				
Sun Zia		25,000		25,000
Pattern		915,000		915,000
Lucky Corridor		25,000		25,000
Total Partner Funding		965,000		965,000
Total Revenue		965,700	425,700	1,391,400
Expenses				
Salaries		42,000	168,000	210,000
Benefits				
FICA, Sui etc		5,460	21,840	27,300
Medical				
Total Employee Expense		47,460	189,840	237,300
Accounting Fee		7,800	31,200	39,000
Audit Fee		2,400	9,600	12,000
Legal Fees				
General		250,000	80,000	330,000
Land acquisition proceedings		600,000		600,000
Contract Services				
Admin		13,000	52,000	65,000
Other		26,080	22,220	48,300
Payroll Processing		240	960	1,200
Total Contractors		899,520	195,980	1,095,500
Office Rent		2,880	11,520	14,400
Office furniture, computer		600	2,400	3,000
Bank Fees		160	640	800
Supplies		700	2,800	3,500
Cell phone internet		1,600	6,400	8,000
Postage & printing		600	2,400	3,000
Website		500	2,000	2,500
Travel & Meetings		10,000	5,000	15,000
Insurance		1,680	6,720	8,400
Total Admin Expenses		18,720	39,880	58,600
Total Expenses		965,700	425,700	1,391,400
Net of Revenue and Expenses		0	0	0

RETA Projects in Operation or in Development

- **High Lonesome Mesa Wind Farm Project**
 - ❖ Issued \$50 Million in Bonds for HLM transmission lines
- **Western Spirit Transmission Project**
 - ❖ Co-developing the Western Spirit Project
 - ❖ Will serve east-central NM Wind Generation Projects
- **SunZia Transmission Project**
 - ❖ Memorandum of Understanding with SunZia and Agreement Regarding Financing
 - ❖ Will serve several wind projects in Lincoln, Torrance and Guadalupe Counties
- **Lucky Corridor Project**
 - ❖ Memorandum of Understanding with Lucky Corridor
 - ❖ 110-mile transmission project to connect Union County to the PNM Grid



High Lonesome Mesa (HLM)

HLM is a 100 MW Wind Farm located near Willard, NM in Torrance County. The Wind Farm consists of 40 wind turbines capable of generating enough energy to power approximately 30,000 homes.

RETA issued \$50 million in revenue bonds to finance transmission upgrades for the project. This funding upgraded 32 miles of 115kV transmission line in order to account for the added generation of the new wind farm.



Benefits to New Mexico Now Taking Place

- \$14 million to Torrance County and Estancia Schools over 30 years.
- \$19 million in leases to local landowners over 30 years.
- Created 200 jobs during construction and currently has 7 permanent operation and maintenance jobs.
- RETA received \$550,000 in financing fees for issuing the bonds and did not seek an appropriation for the two years following the transaction.

Western Spirit Project

The Western Spirit Project is a 155 -mile transmission line that will collect renewable power from east-central New Mexico and will have the ability to deliver 800 megawatts (MW) of power to markets in the western United States that have a strong demand for clean energy.

Project Update

- Pattern Development acquired the Western Spirit Project in May 2018 and is a co-developer with RETA on the project.
- Pattern's acquisition has resulted in specific line re-routes to facilitate right-of-way (ROW) approvals to address landowner concerns. ROW acquisitions are underway and the project team continues to have regular meetings with stakeholders.
- ROW acquisition for Western Spirit is expected to be completed by Q4 of 2019 and construction expected to start in Q2 of 2020 with commercial operation in the Fall of 2021.
- Several critical approvals have been achieved by Western Spirit thus far:
 - ❖ FERC granted approval for Western Spirit to sell transmission rights allowing for the negotiation of market-based rates with in-state and out-of-state customers.
 - ❖ Negotiated a critical ROW with the Pueblo of Isleta.
 - ❖ Reliability determination approvals issued by the NMPRC.
 - ❖ Zoning certification approval letters issued by Torrance, Lincoln, Bernalillo, Socorro and Valencia Counties.
 - ❖ NMPRC approved PNM's Acquisition of the Western Spirit Transmission Project from RETA at an estimated cost of \$359.2 million. This is the last major regulatory requirement needed for the project.

Western Spirit Economic Benefits



Represents an investment of approximately \$500 million.

Make possible over \$1 billion of investment in renewable power projects that could not otherwise be built due to limitations of the existing electric transmission grid.



Estimated to provide hundreds of jobs to construct, maintain, and operate the wind farms and transmission line.

Contribute approximately \$28 million in property tax payments to New Mexico counties over the first 40 years of operation.



More than 590,000 homes will be powered by the clean, renewable energy generated as a result of this project.

Helps ranch families with another source of income.

SunZia Southwest Transmission Project

SunZia is a 520-mile transmission project in New Mexico and Arizona with 315 miles located within New Mexico. SunZia is rated at 3,000 MW for two 500kV AC lines. RETA and SunZia entered into a Memorandum of Understanding for the SunZia Southwest Transmission Project in 2017 and an Agreement Regarding Financing in 2018.

SunZia Project Update

- FERC granted SunZia the authority to select Pattern Energy as the preferred anchor customer for up to 100% of the capacity for Phase 1 of the project.
- The NMPRC approved SunZia's ROW width filing, but not the location.
- 400 MW of power purchase agreements are in place for power to be transmitted on the SunZia line, with more in the pipeline.
- ROW acquisition is 88% complete with property owners. The remaining acquisitions have agreed upon terms and the documents are being developed.
- SunZia continues to strengthen relationships with White Sands Missile Range by meeting on a monthly basis to coordinate and fine-tune upcoming development activities.
- SunZia will apply for a Section 404 permit with the US Army Corps of Engineers in parallel with the Location permit. Timing of the NM PRC filing is uncertain. Current forecast is 2020 or 2021.
- The project is estimated to be completed and placed in service in 2022/2023.

SunZia Economic Benefits in New Mexico



State and Local Taxes for First 500kV AC Line

Approximately \$33.4 million during a 2 ½-year construction period.

Approximately \$4.7 million during the first year of operation of the transmission line.



First 500kV AC Transmission Line

Estimated to provide approximately 2,900 jobs during construction and 33 operation jobs.

Helps ranch families with another source of income.



Generation

Approximately 1,500 MW of Corona Wind generation is associated with SunZia.

Estimated to provide approximately 1,186 jobs during construction and 94 operation jobs.

Financial Statements

RETA had a clean 2018 Audit with no material weaknesses, deficiencies or non-compliance findings. A 2019 Draft Audit has been submitted to the State Auditor and is confidential by State Audit Rules until it is released by the State Auditor. Once released, the Audit will be posted on the NM State Auditor's website and RETA's website.

RETA's Future

RETA Needs Continuing Legislative Funds to return to Efficient Operation

- **RETA is beginning to return to normal operation after several years without staff.**
- **We will expend all of the 2019 appropriation starting to rebuild normal staff functions.**
- **2019/2020 Expenditures reflected only partial years of staff salaries**
- **Managing the Transmission Study requested by the Legislature requires significant staff support.**
- **Developer contributions while supporting specific project needs, provide very limited general operations support.**



1. Additional State resources are needed in order to continue RETA's mission to accomplish the following:

- ❖ **Increase coordination with other State and Federal agencies.**
- ❖ **Increase public education on renewable energy.**
- ❖ **Increase legislative outreach.**
- ❖ **Western Spirit and SunZia are now at critical stages in their development.**
- ❖ **As projects move into construction RETA staff demands increase substantially.**

2. Continuing RETA has already made a difference for New Mexico. Two major projects are underway with construction start anticipated within the next 24 months.

- ❖ **The High Lonesome Mesa project has provided approximately \$11 million in benefits to Torrance County and private landowners over the past 10 years.**
- ❖ **State support in combination with private funding removes public concerns over financial conflicts.**

The Bottom Line

- 1. It is now clear the RETA Legislation is accomplishing what New Mexico set out to do in 2007.*
- 2. With multi-hundred million dollar transmission projects moving towards completion, continuing RETA operations funding is critical.*
- 3. With the passage of the Energy Transition Act, New Mexico is becoming a national leader in renewable energy.*
- 4. RETA is the essential link in allowing our State to make renewables work!*