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## FISCAL IMPACT REPORT

ORIGINAL DATE 01/25/13

SPONSOR McCamley LAST UPDATED 02/28/13 HB 243

SHORT TITLE Renewable Energy Transmission Auth. Fund SB \_\_\_\_\_

ANALYST McCoy

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY13	FY14		
	\$1,500.0	Nonrecurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates, Relates to, Conflicts with, Companion to HJM 8, HB 113, HB 242

Relates to Appropriation in the General Appropriation Act

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Energy, Minerals and Natural Resources Department (EMNRD)

Public Regulation Commission (PRC)

Renewable Energy, Transmission Authority (RETA)

### SUMMARY

#### Synopsis of Bill

House Bill 243 (HB 243) appropriates \$1.5 million from the general fund to the Renewable Energy Transmission Authority (RETA) development fund for use starting in FY14 and subsequent fiscal years, contingent upon enactment of legislation during the first session of the fifty-first legislature to create the fund.

### FISCAL IMPLICATIONS

The appropriation of \$1.5 million contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal years shall not revert to the general fund. The House Appropriations and Finance Committee substitute for HB 2 contains a special appropriation of \$250 thousand from the general fund and \$50 thousand from other state funds for the RETA's operating costs.

The RETA development fund does not currently exist in the RETA statute. The RETA development fund is created in HB 242. Under HB 242, the fund is created for the specific purpose of developing a multiyear statewide transmission upgrade program including the identification of priority corridors for development, and establishes a deadline of 2017 for the plan and corridors to be in place. According to the RETA, in 2010, the RETA commissioned Los Alamos National Labs to complete an independent study to evaluate a statewide plan for transmission.

HB 242 also enables the newly created fund to transfer funds to the RETA's operating fund, established in NMSA 1978 62-16A-13, to fund the operations of the quasi-governmental agency if insufficient funds exist for the RETA's operational costs such as funding salaries for 3 FTE, travel and other administrative expenses, which totals more than \$400.0 thousand. The RETA indicated insufficient fund balance remains at the end of FY13 to support staff salaries and operating costs. Together, HB 242 and HB 243 enable the quasi-governmental agency to access \$1.5 million in general fund revenue for operational costs.

However, generation of revenue and project fees remains an issue of concern. According to the RETA, in 5 years, the RETA received only 29 percent of its total operation costs from outside sources, and the remainder was from the general fund which totaled \$2 million since FY08. The RETA can be funded with revenues received by the authority from operating or leasing eligible facilities, fees and service charges collected and money from payments of principal and interest on loans, but does not receive annual appropriations from the Legislature's general fund. According to the RETA, the quasi-governmental agency does not expect project revenues to cover operations for the next five years. The Federal Energy Regulatory Commission denied a request by the RETA to commence the Central New Mexico Collector System before other projects in Public Service Company of New Mexico's transmission queue.

Currently, the RETA statute has two other funds, the bonding fund and the operational fund, for carrying out the provisions of the Renewable Energy Transmission Authority Act. NMSA 1978, §§62-16A-6 and -13.

## **PERFORMANCE IMPLICATIONS**

The legislation does not include performance measures for the use of general fund by the RETA.

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

The House Appropriations and Finance Committee substitute for HB 2 contains a special appropriation of \$250 thousand from the general fund and \$50 thousand from other state funds for the RETA's operating costs. HB 113 is a conflict as it has a general fund appropriation of \$393,200 to the RETA operational fund. HB 242 is a companion bill as it establishes the development fund as well as other modifications to the RETA's statute. HB 243 depends on the passage of HB 242 which makes changes to the RETA statute.

## **ALTERNATIVES**

An alternative to par back on operational costs, and allow the RETA to continue to exist as a separate entity, is to relocate executive director and deputy director to the same office space as New Mexico Finance Authority (NMFA), with which its functions largely align. This will enable

the RETA to share administrative services with the NMFA and cut back on duplicate administrative costs.

An alternative would be to design a plan, through the interim legislative process, to develop meaningful successful approaches to financing sources for the electric transmission infrastructure construction that will be needed in New Mexico for renewable and conventional energy sources. The interim legislative oversight committee for the New Mexico Finance Authority adopted a motion to review electric transmission capacity in New Mexico for renewable and conventional energy sources during the committee's interim work plan for 2013.

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

The interim legislative review of electric transmission capacity in New Mexico for renewable and conventional energy sources will actively address successful approaches to how New Mexico can best plan, design and finance the construction of the requisite transmission capacity.

### **POSSIBLE QUESTIONS**

1. In 2010 the RETA commissioned Los Alamos National Labs to complete an independent study to evaluate a statewide plan for transmission. Is this plan complete? If so, was it comprehensive, what were the conclusions. If not, why not? How much did the study cost the state?
2. How much will developing a multi-year, statewide transmission upgrade program cost? Will the RETA issue a contract for the study or will the RETA conduct the study by the RETA personnel?
3. Why does the bill not specify the appropriation for the statewide transmission plan versus how much will be transferred to operating costs such as salaries and travel? How many employees work for the RETA? What are the salaries of the employees working for the RETA? What are the RETA's yearly travel costs?
4. Is there an option to phase in funding for the multi-year, statewide transmission upgrade plan?
5. What are alternatives that other states and countries are using to finance electric transmission infrastructure construction?
6. How many state run and state funded renewable energy transmission initiatives or financing authorities have been shut down? Why have they been shut down?
7. What are the goals of the state in promoting the generation of electricity from renewable energy and conventional sources?
8. To advance those goals, where should "gathering systems" be constructed to provide transmission lines from the generation sources to interstate transmission lines for export (or, for use in state as needed and desired) to encourage the private sector to construct such generation facilities? How should the cost of the "gathering systems" be paid for?