

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current and previously issued FIRs are available on the NM Legislative Website ([www.nmlegis.gov](http://www.nmlegis.gov)) and may also be obtained from the LFC in Suite 101 of the State Capitol Building North.

## FISCAL IMPACT REPORT

ORIGINAL DATE 1/28/18

SPONSOR Dodge/McCamley LAST UPDATED \_\_\_\_\_ HM 32

SHORT TITLE Importance of Renewable Energy & RETA SB \_\_\_\_\_

ANALYST Daly

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY18	FY19	FY20	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		NFI				

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to Appropriation in the proposed General Appropriation Act (HB 131)  
Relates to SB 82

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Renewal Energy Transmission Authority (RETA)

### SUMMARY

#### Synopsis of Bill

House Memorial 32 requests the state legislature provide \$250 thousand for RETA in the General Appropriation Act of 2018 to fund its operations. A copy of the memorial is to be transmitted to RETA, the speaker of the house of representatives, the president pro tempore of the senate, and the chairs of the finance committees of the two houses.

### FISCAL IMPLICATIONS

This memorial itself has no fiscal impact on the State, but does request the legislature provide \$250 thousand to fund RETA's operating costs. The LFC recommendation as included in House Bill 131 (see (12) on page 167) appropriates \$100 thousand in general fund monies and \$120 thousand in other state (expressly non-state) funds to Department of Finance and Administration for disbursement to RETA for operating costs in FY19. This appropriation is subject to RETA reporting to the interim New Mexico finance authority oversight committee on the status of RETA's operating budget.

**SIGNIFICANT ISSUES**

RETA is a quasi-governmental agency created by the legislature in 2007. Its primary focus is to develop renewable energy-related transmission infrastructure. It is authorized to issue revenue bonds to finance electric transmission projects that draw at least 30 percent of their energy from renewal sources. When the agency was created, Energy, Minerals and Natural Resources Department (EMNRD) cited the lack of transmission capacity as the most significant factor limiting wind development in the west. Through RETA, the state taking action to create a complementary industry to its oil and gas markets by addressing the transmission impediment to large-scale renewable energy development through the construction of transmission infrastructure, assisting the development of alternative energy sources, and increasing economic development opportunities for businesses and landowners.

A total of \$1.5 million was appropriated from the general fund through EMNRD for FY08 and FY09, which essentially constituted RETA’s start-up funds. An additional \$500 thousand was appropriated from the general fund in FY10. In FY13, FY14, and FY 15, RETA received special appropriations from the general fund of \$250 thousand per year. Funding was vetoed in FY16, FY 17 and FY18, but RETA has maintained operations through use of private funds from Clean Energy Partners.

RETA reports it is operating with only private funding from developer contributions from both Clean Line Energy and SunZia Southwest Transmission. According to RETA, in the western United States, transmission line development typically takes approximately 12 years to complete. It reports that the Western Spirit Project it is co-developing is close to the end of that development cycle, and once complete, RETA will receive an annual fee sufficient to fully fund its operations, or only need minimal funding from the state. As LFC reports in its appropriation recommendations, Clean Line anticipates development costs of approximately \$150 million and to facilitate over \$1 billion of investment in electricity generation that otherwise could not be built due to existing grid limitations.

RETA reports these funding sources:

FY	Public Funds	Private Funds
2008	\$1,000,000	\$ -
2009	\$ 500,000	\$ -
2010	\$ 500,000	\$ -
2011	\$ -	\$ 550,000
2012	\$ -	\$ 77,174
2013	\$ -	\$ 142,933
2014	\$ 250,000	\$ 70,018
2015	\$ 350,000	\$ 28,731
2016	\$ -	\$ 19,676
2017	\$ -	\$ 80,000
2018	\$ -	\$ 120,000

RETA explains its need for FY19 funding:

Funding RETA will allow it to increase its activities to promote the development of New Mexico's renewable energy potential. This will be accomplished by continuing

relationships with existing developers and encouraging new developers to work with RETA. Just as our oil and gas resources are exported to other states, the same can happen with New Mexico's renewable energy. This can only be accomplished with more transmission capacity. New Mexico has some of the most valuable wind and solar resources in the US, yet has no transmission to utilize them. RETA was formed to take advantage of this unique opportunity. RETA is only the second state authority to issue debt for transmission related projects and is the first to create public/private partnerships for the co-development of transmission.

Once RETA becomes self-sufficient, amendments to its enabling legislation could direct any surplus revenue to the general fund.

### **RELATIONSHIP**

SB 82 makes a \$250 thousand appropriation from the general fund to RETA for its FY19 operations, and reverts any unexpended or unencumbered balance remaining at the end of FY19 to the general fund.

### **OTHER SUBSTANTIVE ISSUES**

RETA reports that in 2010, it issued \$50 million in bond financing for the High Lonesome Mesa Project, a 100 MW wind farm located in Torrance County. Over a 30-year period, the project will pay approximately \$14 million to Torrance County and the Estancia Schools and \$19 million in leases to the local landowners.

MD/al