



New Mexico Renewable Energy Transmission Authority

Annual Report

December 2020



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Executive Summary

- *After over ten years of hard work RETA is accomplishing what it was tasked to do!*
- *The Western Spirit Project has completed right-of-way acquisition.*
- *Construction of RETA's first major New Mexico transmission line began Q3 of 2020 and will be in service in Q4 of 2021.*
- *The Western Spirit line will enable 800 megawatts of new renewable energy to be constructed.*
- *This represents over one billion dollars of new investment in New Mexico.*
- *RETA completed a comprehensive study of how best to continue to develop renewable energy in New Mexico. It is available at the RETA website, <https://nmreta.com>.*
- *RETA's visible success is creating renewed interest with major transmission developers.*

Background

In recognition of the limitations New Mexico's aging transmission grid poses to the development of renewable energy generation, 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. Transmission and renewable energy development create construction and permanent jobs, and also create capital investment 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. With a thoughtful and deliberate approach to the development of its renewable resources, New Mexico can develop a major renewable energy industry.

The Western Spirit Project, an approximately 155-mile transmission line, started construction in the Summer of 2020 and is expected to be in commercial operation in the Fall of 2021. The Western Spirit line will enable 800 MW of new renewable energy to be constructed, representing over one billion dollars of new investment in New Mexico.

SunZia is a 520-mile transmission project in New Mexico and Arizona, with 315 miles located within New Mexico. SunZia is rated at 4,500 MW for two 500-kV AC lines. Western Spirit and SunZia, combined, will generate tens of millions of dollars in State and local taxes and create thousands of jobs. RETA's visible success is attracting the interest of major transmission developers. RETA is the essential link in allowing our State to make renewables work and for upgrading our transmission grid. Transmission benefits include improved reliability, efficient electric generation, efficient grid operations, and vast economic opportunities.

Western Energy Policies Have Changed Rapidly in the Last Few Years

- *RETA is an essential link in supporting the Energy Transition Act (ETA), which requires 100% zero-carbon electricity for utilities by 2045 and rural electric cooperatives by 2050.*
- *The New Mexico ETA drives ~4 GW of renewables by 2030,¹ but renewables growth to 11 GW is possible by new transmission accessing export markets of Western states.²*
- *~78% of energy use in the West is now aligned on decarbonization.³*
- *Similar policies in the West drive ~100 GW renewables by 2035.⁴*

Great Economics are Driving Wind and Solar

- *Wind and solar are now cheaper than new gas and new coal, even without federal tax credit incentives.⁵*
- *Wind and solar are a large part of new energy markets based solely on low costs.*
- *By the early 2030's new wind and solar will be cheaper than existing natural gas.*
- *An organized Western grid will require transmission upgrades and a flexible grid.*

¹ ICF study for NRDC

² RETA Transmission Study, 2020. New Mexico Renewable Energy Transmission and Storage Study, consultant ICF Resources LLC. <https://nmreta.com/nm-reta-transmission-study/>

³ Sources: Energy Strategies, "Western Flexibility Assessment" (2019) and AWEA 2019 Q2 Market Report

⁴ Sources: Energy Strategies, "Western Flexibility Assessment" (2019) and AWEA 2019 Q2 Market Report

⁵ Sources: Lazard, "Lazard's Levelized Cost of Energy Analysis" (2018); IRENA Future of Wind (2019)

NEW MEXICO RENEWABLE ENERGY TRANSMISSION AUTHORITY									
Proposed 2022 NM RETA Budget									
		Developer Supported		NM Govt Supported		Proposed 2022			
		RETA Expenses		RETA Expenses		Budget			
Revenue									
Interest				250		250			
Legislative funding				350,000		350,000			
Transmission Study - Ops									
Transmission Study									
Total Gov't and Interest		0		350,250		350,250			
Partner Contributions									
Other Developers		75,000				75,000			
Pattern/Western Spirit		500,000				500,000			
Lucky Corridor		50,000				50,000			
Total Partner Funding		625,000		0		625,000			
Total Revenue		625,000		350,250		975,250			
Expenses									
Salary Expense									
Salaries		179,500		179,500		359,000			
FICA, Sui etc		16,155		16,155		32,310			
Workers Comp Insurance		1,875		1,875		3,750			
Total Employee Expense		197,530		197,530		395,060			
Contractor Expense									
Accounting Fee		28,000		28,000		56,000			
Audit Fee		4,450		4,450		8,900			
Legal Fees		298,595		78,695		377,290			
Contract Services									
Other		17,500		12,500		30,000			
IT Support		3,000		3,000		6,000			
Payroll Processing		1,200		1,200		2,400			
Total Contractors		352,745		127,845		480,590			
Admin/Office Expenses									
Office Rent/Utilities/Janitorial		27,000		9,000		36,000			
Office furniture, computer		3,000		1,000		4,000			
Bank Fees		100		0		100			
Supplies/Software		5,250		1,750		7,000			
Cell phone internet		6,000		2,000		8,000			
Postage & printing		2,250		750		3,000			
Website		1,500		500		2,000			
Travel & Meetings		11,250		3,750		15,000			
Education		3,375		1,125		4,500			
Insurance		15,000		5,000		20,000			
Total Admin Expenses		74,725		24,875		99,600			
Total Expenses		625,000		350,250		975,250			
Net of Revenue and Expenses		0		0		0			

Financial Statement: RETA had a clean 2020 Audit with no material weaknesses, deficiencies or non-compliance findings.

NEW MEXICO RENEWABLE ENERGY TRANSMISSION AUTHORITY				
2020 Actual and 2021 and 2022 Budgeted Expenses				
		2020	Approved	Proposed
		Actual	2021	2022
			Budget	Budget
Revenue				
Interest		3,984	500	250
Legislative funding		275,000	250,000	350,000
Transmission Study - Ops		60,000	0	
Transmission Study		340,000	0	
Total Gov't and Interest		678,984	250,500	350,250
Partner Contributions				
Other Developers		60,000	75,000	75,000
Pattern/Western Spirit		800,000	480,000	500,000
Lucky Corridor		25,000	50,000	50,000
Total Partner Funding		885,000	605,000	625,000
Total Revenue		1,563,984	855,500	975,250
Expenses				
Salary Expense				
Salaries		143,438	271,000	359,000
FICA, Sui etc		11,958	27,100	32,310
Workers Comp Insurance		1,431	2,000	3,750
Total Employee Expense		156,827	300,100	395,060
Contractor Expense				
Accounting Fee		63,436	50,000	56,000
Audit Fee		8,091	8,700	8,900
Legal Fees				
General		349,626	310,000	377,290
Land Acquisition		242,781	30,000	0
Contract Services				
Admin		28,029	4,000	0
Other		421	25,000	30,000
IT Support		0	0	6,000
Payroll Processing		974	1,800	2,400
Total Contractors		693,358	429,500	480,590
Consultants authorized by Legislature for Study		375,714	0	0
Admin/Office Expenses				
Office Rent/Utilities		13,680	23,600	36,000
Office furniture, computer		6,016	4,800	4,000
Bank Fees		601	0	100
Supplies/Software		3,590	5,400	7,000
Cell phone internet		5,721	6,600	8,000
Postage & printing		846	2,580	3,000
Website		257	600	2,000
Travel & Meetings		2,595	10,000	15,000
Education		1,052	3,300	4,500
Insurance		8,575	19,500	20,000
Total Admin Expenses		42,933	76,380	99,600
Total Expenses		1,268,832	805,980	975,250
Net of Revenue and Expenses		295,152	49,520	0

RETA Projects in Operation or in Development

- **High Lonesome Mesa Wind Farm Project**
 - ❖ Issued \$50 million in bonds for transmission lines.
 - ❖ \$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 Transmission Project – construction has started**
 - ❖ Co-developing the Western Spirit Transmission Project.
 - ❖ Will serve east-central New Mexico wind generation projects.
- **SunZia Transmission Project**
 - ❖ Memorandum of Understanding with SunZia and Agreement to Finance Parts of the SunZia Transmission Project.
 - ❖ 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.
- **Gladstone Project**
 - ❖ Memorandum of Understanding with Gladstone New Energy, LLC on proposed transmission project that will connect a planned 80 MW wind farm to Tri-State Gladstone Substation.

Western Spirit Transmission Project

Western Spirit is a 150-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.

Western Spirit Update

- Pattern Development acquired the Western Spirit Project in May 2018 and is a co-developer with RETA on the project as a first of its kind public private partnership.
- Pattern's acquisition resulted in specific line re-routes to facilitate right-of-way (ROW) approvals to address landowner concerns. ROW acquisitions are complete.
- Construction started in Q3 of 2020 and project financing is expected to be completed by Q4 of 2020. Commercial operation is expected to commence in Q4 of 2021.
- The Public Regulation Commission approved PNM's acquisition of the Western Spirit Transmission Project from RETA at an estimated cost of \$359.2 million. This was the last major regulatory requirement needed for the project.

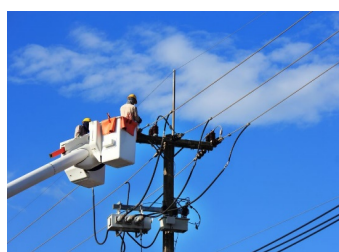
Western Spirit Economic Benefits in New Mexico



Project Scope

Transmission line: 150 miles, 345 kV.

Anticipated operational date: end of 2021.



Capacity

800 MW,
enough to power
590,000 homes.



Financial Benefit

\$28 million property taxes to New Mexico counties over first 40 years.

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 4,500 MW for two 500-kV AC lines. RETA and SunZia entered into a Memorandum of Understanding for the SunZia Southwest Transmission Project in 2017 and subsequently executed an Agreement Regarding Financing for parts of the project in 2018 (which was extended on December 31, 2019).

SunZia Update

- The Federal Energy Regulatory Commission 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.
- SunZia continues to strengthen relationships with White Sands Missile Range by evaluating alternative routes that would place SunZia’s lines outside the Northern Extension Area.

SunZia Economic Benefits in New Mexico



Project Scope

Two transmission lines: 520 miles (315 miles in New Mexico), 500 kV.

Anticipated operational date: 2023.

Capacity

4,500 MW, enough to power 1 million homes.

Financial Benefit

Increased employment, income to landowners and increased tax revenues for state and local governments (economic impact report anticipated in 2021).

RETA's Future

RETA Needs Continuing Legislative Funds

- RETA has returned to normal operations after several years without staff.
- RETA will expend the FY22 appropriation continuing to rebuild normal staff functions and hiring new essential staff.
- Developer contributions, while supporting specific project needs, provide 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 and require more assistance from RETA staff.
- ❖ As projects move into construction, RETA staff demands increase substantially.

2. Continuing RETA operations have already made a difference for New Mexico. Two major projects are underway, one in construction and the other starting construction 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.
- ❖ Oversight of public funds, in combination with private funding, removes public concerns over financial conflicts.



RETA's Renewable Energy Transmission and Storage Study

- Funded by a grant from Energy, Minerals and Natural Resources Dept. (EMNRD)
- In partnership with international consulting firm ICF Resources, LLC

1. Study projects benefits for New Mexicans from renewables and transmission expansion:

- ❖ 11,500 MW total renewables operating in 2032.
- ❖ Up to 3,700 jobs per year during construction; 800 jobs per year beyond 2032.
- ❖ \$11 billion investment in New Mexico.

2. Additional transmission benefits

- ❖ Reliability cost savings from a strong and robust grid.
- ❖ Efficient use of existing generation and avoidance of new generation.
- ❖ Efficient grid operations reduce congestion and access low-cost resources.
- ❖ Economic opportunities from jobs created and more reliable electric service for businesses.

RETA's Collaboration at State and Regional Levels

- RETA participated in the following groups in 2020, working with EMNRD, Rocky Mountain Institute, WestConnect, and other New Mexico stakeholders:

1. Grid Modernization Advisory Group

- ❖ Advisors on renewables and transmission planning best practices for NM.

2. Electricity Innovation Lab Accelerator, with Rocky Mountain Institute

- ❖ New Mexico stakeholder team investigation of land use process for renewable energy and transmission development in New Mexico.

3. Southwest Area Transmission Subregional Planning Group

- ❖ Joined WestConnect organization and presented RETA Transmission Study to regional transmission planning representatives.

4. Governor's Climate Change Task Force

- ❖ Identifying transmission corridors needed to transport the State's renewable electricity to market.

5. Project Development Consultation, State and Local Governments

- ❖ Department of Transportation – Districts 3, 4, and 5.
- ❖ Counties of Mora, Torrance, Socorro, and Valencia.

RETA's Action Plan

- The actions listed below are selected as short-term, actionable measures to be taken by RETA to address administrative, policy, and technical issues raised by the Transmission Study.
 - 1. Expand RETA's public outreach regarding the transmission and energy storage study.**
 - ❖ Provide elected leaders at the federal, state, and local levels, and reporters who cover the renewable energy industry with up to date analysis of New Mexico's energy future.
 - 2. Continue working with existing partners and expand relationships.**
 - ❖ Continue coordination with Western Spirit to get project built on schedule.
 - ❖ Continue coordination and collaboration with SunZia, Lucky Corridor, and Gladstone transmission projects.
 - 3. Develop new agreements and partnerships with world class renewable energy and transmission developers.**
 - ❖ Expedite finalizing current agreements under review and negotiation, and seek out new partnerships.
 - 4. Work with the major participants in renewable energy development to prioritize transmission corridors to simplify transmission siting.**
 - ❖ Include major in-state utilities and transmission providers; renewable energy generating companies; local, state, and federal permitting agencies; the military installations; tribes; consumers; and environmental groups.
 - ❖ Educate the public and key renewable energy stakeholders about the study and its key findings to promote renewable energy growth in New Mexico.
 - 5. Continue to evaluate delivery of renewable energy to in-state customers.**
 - ❖ Examine resilience improvements, distribution systems, and locational grid security.
 - ❖ Evaluate issues related to implementing the Energy Transition Act.
 - ❖ Rank renewable delivery lines.
 - 6. Monitor the technological advances and potential implementation of large-scale storage facilities in New Mexico and follow the development of microgrids.**
 - 7. Participate in WestConnect/Southwest Area Transmission planning process to advocate for best-candidate transmission projects.**
 - ❖ Support the most efficient use of the existing transmission systems and facilitate the development of long-term plans that most effectively meet the transmission objectives (load serving, resource delivery, etc.) for New Mexico.

The Bottom Line

- 1. It is 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. The Western energy market is demanding enormous amounts of renewable energy.*
- 5. RETA is the essential link in allowing our State to make renewables work and upgrading our transmission grid!*

