NEW MEXICO RENEWABLE ENERGY TRANSMISSION AUTHORITY

PROJECT SELECTION POLICY

A. PURPOSE

The statutory mission of the New Mexico Renewable Energy Transmission Authority ("RETA") is to plan and finance energy transmission and storage projects in order to develop and expand the utilization of New Mexico's vast renewable energy resources and create economic opportunities for its citizens. In the context of that mission, this Project Selection Policy sets forth the criteria by which RETA may consider undertaking a renewable energy related project ("project") as defined by NMSA 1978, Section 62-16A-2. As provided by NMSA 1978, Section 62-16A-4(C), RETA "shall not enter into any project if public utilities or other private persons are performing the acts, are constructing or have constructed the facilities, or are providing the services by the authority, and are willing to provide funds for and own new infrastructure to meet an identified need and market".

B. GOALS

The goal of this Project Selection Policy ("Policy") is to provide guidance and project criteria to RETA staff ("staff"), the RETA Board ("Board"), and developers in the renewable energy sector in order to develop a position on a project and define its relationship with RETA, including a variety of levels of support such as: provide a letter of support, or development, ownership, or financing of a project.

C. IMPLEMENTATION

The Board shall implement this Policy. The Board may waive this Policy if it determines that a deviation is necessary. Such waiver, and the reason(s) the waiver is necessary, will be reflected in the minutes of the meeting at which the Board approves the waiver.

D. CONFIDENTIALITY

RETA understands the significance of proprietary information and, as such, agrees to hold all agreed upon proprietary information confidential pursuant to an executed Confidentiality Agreement between the parties. RETA hereby agrees to take reasonable efforts, up to and including legal action, to hold proprietary information confidential if a public information request is made. Proprietary information will be protected in the evaluation of an application and will not be made available to the public.

E. RENEWABLE ENERGY REQUIREMENT

As provided by NMSA 1978, Section 62-16A-4(C), "eligible facilities" means facilities to be financed or acquired by the authority, in which, within one year after beginning the transmission or storage of any electricity, and thereafter, at least thirty percent of the electric energy, as estimated by the authority, originates from renewable energy sources". The determination of this requirement will be made by RETA at the time financial participation by RETA is sought, and will rely on the applicant's demonstration that their specific project's 30% renewable energy requirement will be met.

SECTION 1. LEVELS OF SUPPORT BY RETA

Section 1.1 Overview.

The Board may, in its sole discretion, choose to provide varying levels of support for a project based on evaluation criteria set forth in Section 2 of this Policy. The type and amount/degree of support provided by RETA will generally depend on the request of an applicant and the stage of development of the project. Generally, RETA will avoid working with proposed projects in direct competition with a project with which RETA has entered into an agreement to finance or acquire ("Existing Project"), particularly if the projects in direct competition would result in the inefficient development of new transmission or storage infrastructure. For purposes of this policy, "direct competition" means a project competing for primarily the same in-state transmission service rights, same transmission service customers, same storage customers, and/or same land rights. In the event RETA is

approached by a proposed project that it believes to be in direct competition with an Existing Project, it will evaluate its involvement on a case-by-case basis in a manner that allows it to fulfill its statutory and contractual obligations. Following the issuance of an MOU, RETA will monitor a project's progress towards commercial operation and will take this into consideration in any evaluation of competing projects. For purposes of this policy, proposed projects competing for the same transmission service rights to export renewable energy out of New Mexico to other markets are not considered to be in direct competition with an Existing Project using the same interconnection point for export.

Section 1.2 Types of Support.

The following types of request are those RETA may consider. This is not meant to be an exclusive list, but in general are the types of requests or applications RETA may consider. RETA will provide to all applicant's specific applications/project interest forms for proposed project review by staff and the Board.
When completed, these forms will provide the details necessary for thorough evaluation of a project so that it may be considered for formal action by the Board.

Support Prior to Entering into a Project

A. **Letter of Support**. In evaluating a request, the RETA Projects Committee ("Committee") may recommend to the Board that a Letter of Support for a project be provided in order to assist the developer in attracting financial or other support for the project.

1. A Letter of Support shall:

(a.) indicate that based on the information required in #2 below, RETA has determined that if the project is built, it could have economic viability and provide fundamental benefits to the State in the area of renewable energy development.

(b.) not bind RETA, based upon the project material submitted, to provide financing, ownership, or eminent domain authority.

2. For ALL applications, and if a Letter of Support is being requested, the following items must accompany the application:

(a.) explanation of the specific request for RETA involvement being made;

(b.) signature of authorized representative of the entity;

(c.) description of the transmission/storage project (including map/maps);

(d.) description of phases, if work is not to be done in one phase;

(e.) basic demonstration of economic viability of the project;

(f.) State/regional benefit;

(g.) estimate of cost of project;

(h.) either conceptual or identified routes for transmission projects including maps;

(i.) information on percentage of renewable power contemplated for the project; and

(j.) target date for initiation of the transmission/storage project and the estimated completion date.

B. **Memorandum of Understanding**. The Committee may recommend to the Board to enter into a Memorandum of Understanding ("MOU") with an applicant. The MOU must clearly state the purpose for entering into the MOU and the benefit RETA and the State of New Mexico will receive from the project. This may include potential ownership at any level or cash payments for RETA's assistance. Instances in which an MOU may be appropriate are:

- informs the public of RETA's involvement in the project;
- allows greater exchange of information; or

- implies a commitment, either financial or for project development.

If an applicant is seeking an MOU, the following items must accompany the request in addition to the items mentioned in above Section 1.2.A.3 (the applicant may augment its application in order to limit the submission of duplicate information):

1. analysis/financial model of long-term economic viability;

2. information on status of environmental/engineering documents;

3. identification of project partners; and

4. whether eminent domain is required.

Support After Required Notice Prior to Entering into a Project

C. **Financing of a Project**. After a thorough evaluation, the Committee may recommend to the Board that RETA enter into a financing arrangement for the project. This form of commitment is reserved for those projects that are ready to be debt financed.

If the applicant is seeking financing, the following items must also accompany the request in addition to the items referenced above in Sections 1.2.A. 3. and B.1. An applicant may augment its application in order to limit the submission of duplicate information.

1. All engineering and environmental work conducted up to the date of submission of a completed application, and summary of any pending engineering or environmental review;

2. rights of way;

3. any other legal, administrative, or financial steps completed or in progress;

4. the specific financing amount being sought and a description of the proposed use of the financing;

5. specifics on source of funds for repayment, including certain provisions of the power purchase agreements or transmission service agreements, as applicable. This may include, but is not limited to: term of agreement, cancellation provision, take or pay provision and purchase price of power; and

6. any additional information requested by the staff.

D. **Acquisition of a Project**. After a thorough evaluation, the Committee may recommend to the Board that RETA acquire the project, by lease, construction, reconstruction, or purchase. This form of commitment is most commonly implemented through an acquisition/leaseback arrangement, whereby RETA takes title to real estate involved in the property, leases it back to a project partner for construction, takes title of improvements as they are built, and actively participates in project decision-making.

If the applicant is seeking an arrangement with RETA that involves acquisition/leaseback, the applicant must complete an application and submit the same information as required for an MOU, as set forth in Section 1.2.B above.

SECTION 2. EVALUATION PROCESS

Section 2.1 Overview.

RETA will use the evaluation criteria set forth below in its review and selection of applications. These criteria are not meant to be an exclusive list of the information RETA may consider for a project, but instead, are meant to provide guidance for the Board, developers, and staff.

Section 2.2 Evaluation Procedures.

A. **Evaluation Criteria.** The evaluation of a project will be consistent with the type of request being made and may include, to the extent applicable, an evaluation of project feasibility, administrative capacity, financial position, benefit to the State, and economic and demographic factors. Some or all of the following criteria may be used in its evaluation of a project; which ones are used will generally depend on the type of request being considered. Projects may proceed to the Board for consideration even if not all the following criteria are met.

1. Project feasibility. In the evaluation of project feasibility, the overall engineering design will be considered including type of structure, type of line, and type of technology being implemented. RETA will evaluate unproven technologies on a case by case basis.

2. Administrative capacity. Evaluations may include management experience of partners to successfully initiate, construct, and manage projects of similar size.

3. State benefit. An engineering evaluation conducted by the applicant of the benefit to the State's overall grid structure and reliability may be conducted. This may require the review by an independent third party and will be conducted at the expense of the applicant. If a queue position, or certificate of approval by the PRC has been obtained, a copy of that will be sufficient to satisfy this criterion.

4. Economic and demographic factors. RETA may perform an analysis on the applicant's assessment of the potential financial and employment impact to the region in which the project is located. Applicants must provide the information needed for this analysis. RETA may work with other entities such as the New Mexico Economic Development Department to validate information.

5. Financial position. RETA acknowledges that customary due diligence is generally required for project financing. On a case by case basis,

RETA may require additional information. This may include a review of prior annual financial statements if available. In the event of a newly formed company, RETA may request a review of the business plan and experience of the project lead. This evaluation process may differ by applicant, but initial factors may include some or all of the following:

(a.) review of certain provisions of power purchase agreements or transmission service agreements, as applicable; this may include, but is not limited to: term of agreement, cancellation provision, take or pay provision, and purchase price of power;

(b.) credit review of applicant;

(c.) credit review of power purchaser or transmission service provider (including all counter parties to the agreement);

(d.) review of underlying bond ratings, if applicable;

(e.) review of detailed power models;

(f.) collateral structure of the project;

(g.) review of applicant's debt management history;

(h.) prior financing offering statements or memorandums for project developers including recent SEC filings;

(i.) financing team proposed; and

(j.) any additional information requested by the staff.

Prior to the issuance of an official offering document, staff, RETA's financial advisor, and RETA's bond underwriters, bond counsel, and any other financing professionals, will conduct a formal due diligence review in accordance with current financing standards and applicable state and federal law.

B. **Evaluation of Application/Project Interest Form by the RETA Projects Committee.**

Project Evaluation. Staff will make a best effort to evaluate applications and compile a recommendation for the Committee within 60 days of a request made pursuant to this policy. A project shall not proceed to the Board for consideration unless the Committee has evaluated it, and recommended consideration by the full Board. The Committee may, in its sole discretion, request additional information from an applicant prior to making a recommendation to the full Board. A project shall not be presented to the full Board if the Committee has denied the request or not yet completed a full review.

SECTION 3. BOND SALE POLICY

RETA is sensitive to the interest rates that applicants may pay and as such will use its resources to try to obtain whenever reasonable, guarantees or credit enhancements in to try to minimize the rates paid by a borrower to make the project financially feasible. RETA will explore all reasonable avenues in order to place debt in the most cost-effective manner, and may choose private placement or public sale depending on the underlying transaction and marketability of such debt.

Terms of the bonds will be decided at the time of the sale and both parties will agree that terms may change during the sale of such transaction, but both will be notified prior to acceptance of those changes.

SECTION 4. EMINENT DOMAIN POLICY

Pursuant to NMSA 1978, Section 62-16A-4, RETA has the ability to exercise eminent domain in connection with a project. RETA intends to pursue siting of projects through mutual agreement between the landowner, RETA and the developer. RETA intends to use its eminent domain, only as a last resort in the

event a mutual agreement between the landowner, RETA, and the developer cannot be obtained, and the lack of such agreement with the landowner will prevent the project from occurring. Eminent domain is reserved for those projects where there is no other cost-effective engineering alternative for the Project.

SECTION 5. DEVELOPER CONTRIBUTION GUIDELINES

It is RETA's charge to be self-sufficient and not reliant on state budget appropriations. When a developer has chosen to enter into a relationship with RETA, including any level of support, it will be required to adhere to the contribution guidelines set forth in this Policy:

(a.) RETA will request an advance payment from the developer within 30 days of Board approval;

(b.) the amount of the payment will be estimated to provide for all anticipated RETA support costs for approximately 6 months based on a reasonable project schedule created by the developer;

(c.) RETA has sole discretion over how developer contributions will be spent;

(d.) funds advanced to RETA will not be held in a segregated account and the developer has no ability to recall any funds or to direct how such funds will be spent once advanced;

(e.) the developer will be provided a general accounting of funds expended for its project(s) on a quarterly basis. This will be to the nearest $100;

(f.) additional funding requests will be made on an as needed basis and may be more frequent than 6 months;

(g.) if a need develops for a significant consultant/legal expenditure, an advance funding request will be made in anticipation of the

expenditure;

(h.) the developer will be provided all public accounting information associated with RETA's operations including public audits. The developer will not be able to independently audit RETA's accounting records, and

(i.) overheads and general operating costs not clearly attributable to any specific project or developer will be allocated on the basis of project expenditures incurred in the last quarter.

SECTION 1.2
ADOPTION DATE

This policy is adopted effective: September 24, 2025

This policy supersedes the Project Selection Policy adopted December 18, 2021.