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FISCAL IMPACT REPORT

ORIGINAL DATE 01/19/13

SPONSOR Powdrell LAST UPDATED HB 113

SHORT TITLE NM RETA Operations & Costs SB

ANALYST McCoy

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY13	FY14		
	\$393.2	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to: House Joint Memorial 8

SOURCES OF INFORMATION

LFC Files

Responses Received From

Renewable Energy Transmission Authority (RETA)

Energy, Minerals and Natural Resources Department (EMNRD)

SUMMARY

Synopsis of Bill

House Bill 113 appropriates \$393.2 thousand from the general fund to the renewable energy transmission authority operational fund for operational purposes and costs.

FISCAL IMPLICATIONS

The appropriation of \$393.2 thousand contained in House Bill 113 is a recurring expense to the general fund. Consideration should be given to transferring the duties of the RETA to the New Mexico Finance Authority, with which its functions largely align and which has a sizeable dedicated revenue stream, as well as paring back the staff, which currently includes a director, deputy director, and administrative assistant.

RETA does not receive annual appropriations from the Legislature, but instead relies on excess amounts in the Renewable Energy Transmission Bonding Fund. Generation of project fees remains an issue of concern. According to RETA, the agency will 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.

The following summarizes the fiscal impact of House Bill 113: according to the agency, the appropriation, combined with \$50.8 thousand in available fund balance from the renewable energy transmission authority operational fund, will support 3 FTE with \$337.8 thousand for personal services and employee benefits, \$49.3 thousand for contractual services, and \$56.9 thousand for the other costs.

A total of \$1.5 million was appropriated from the general fund through the EMNRD for FY08 and FY09 that essentially constituted start-up funds for RETA. An additional \$500 thousand was appropriated from the general fund for FY10, for a total of \$2 million since FY08. According to the RETA, in 5 years, the RETA received 29 percent of its total operation costs from outside sources, and the remainder was from the general fund.

The FY12 actual operating expenses for the RETA were \$485 thousand. In FY13, the agency budgeted \$493.3 thousand and 4 FTE, using fund balance and project fees of \$550 thousand earned from a bond issuance for the High Lonesome Mesa wind turbine project in Torrance County.

SIGNIFICANT ISSUES

The RETA, a quasi-governmental agency, is composed of a board vested with the ability to issue revenue bonds to finance electric transmission projects that draw at least 30 percent of their energy from renewable sources. RETA does not receive annual appropriations from the Legislature, but instead relies on excess amounts in the Renewable Energy Transmission Bonding Fund.

The agency requested a special appropriation of \$393.2 thousand from the general fund and \$50.8 thousand from fund balance to support 3 FTE and operational costs to maintain operations in FY14, but the Legislative Finance Committee did not recommend funding the special appropriation in FY14.

PERFORMANCE IMPLICATIONS

The legislation does not include performance measures for the use of general fund by the Renewable Energy Transmission Authority.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Joint Memorial 8 (HJM 8) requests the New Mexico Legislative Council to direct the appropriate committee to review electric transmission capacity in New Mexico for renewable and conventional energy sources and to make a final report with recommendations to the Legislature and the governor by December 1, 2013. The committee is requested identify information concerning existing, planned and potential electric transmission projects in New Mexico and alternatives for financing of electric transmission infrastructure.

TECHNICAL ISSUES

The bill does not contain language to ensure any unexpended or unencumbered balance remaining at the end of fiscal year 2014 shall revert to the general fund.

Balances in the renewable energy transmission authority operational fund area appropriated to the Renewable Energy Transmission Authority (RETA) in statute for the purpose of carrying out the provisions of the Renewable Energy Transmission Authority Act.

ALTERNATIVES

Recognizing the importance of promoting economic development in rural areas, increasing general fund revenues and increasing the development and production of electricity from both renewable and conventional sources in the state, a alternative is to transfer the duties of the Renewable Energy Transmission Authority to the New Mexico Finance Authority, with which its functions largely align and which has a sizeable dedicated revenue stream.

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. 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.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Not enacting this Bill will result in the closing of RETA's office because insufficient fund balance remains at the end of FY13 to support staff salaries and operating costs. 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. The RETA reports it currently has \$44,015,000 in debt outstanding so if operational funding is not received, an alternative agency will need to be identified to assume RETA's debt.

POTENTIAL QUESTIONS

1. What are alternatives that other states and countries are using to finance electric transmission infrastructure construction?

MTM/bm