



NEW MEXICO

RETA

renewable energy transmission authority

State Authorities Meeting

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Overview

➤ State Transmission Authorities

- Formation and Structure of RETA
- RETA's Primary Functions
- Role of a State Transmission Authority
- Regional and Local Development Being Studied



➤ Financing Methods

- Tax-Exempt and Taxable Bonds
- Renewable Energy Tax Incentives
- Clean Renewable Energy Bonds
- Recovery Zone Bonds
- DOE Loan Guarantees
- Build America Bonds
- Private Activity Bonds



State Transmission Authorities



State Transmission Authorities

- Eight state-level authorities:
 - Wyoming Infrastructure Authority
 - Colorado Renewable Energy Authority
 - Kansas Electric Transmission Authority
 - North Dakota Transmission Authority
 - Utah Generated Renewable Energy Electricity Network
 - South Dakota Energy Infrastructure Authority
 - Idaho Energy Resources Authority
 - New Mexico Renewable Energy Transmission Authority

New Mexico Renewable Energy Transmission Authority - RETA

- Statutorily created in 2007 to start addressing transmission & storage issues in the State
- 30% of power has to be from renewable sources on RETA sponsored projects



RETA Structure

8-member board:

- 3 appointed by the Governor with consent of Senate
 - Robert Busch, Laura Sanchez, Michael Emerson
- 1 appointed by the Speaker of the House
 - Beatriz Rivera
- 1 appointed by the President Pro Tem of the Senate
 - Vacant
- State Treasurer or Designee
 - Mark Valdes
- State Investment Officer or Designee
 - Steve Moise
- EMNRD Cabinet Secretary (non-voting)
 - Secretary Jim Noel

RETA's Primary Function

- Finance Transmission and Storage Projects
 - Issue revenue bonds payable from the revenues generated by the development;
 - Can assist with siting issues through eminent domain power; and
 - Fund technologies that convert, store and return electricity to help alleviate disparities between electric supply and demand.

Role of a State Transmission Authority












- State Authorities can:
 - Be facilitators and create public/private partnerships
 - Strengthen legislative support
 - Provide public review of project as well as provide legislative support
 - Make timing and economics work to attract capital
 - Be the developer by taking an ownership interest
 - Goal is to take what the Authorities can do and make the cost of renewables competitive with traditional resources since the Authorities don't have a profit motive

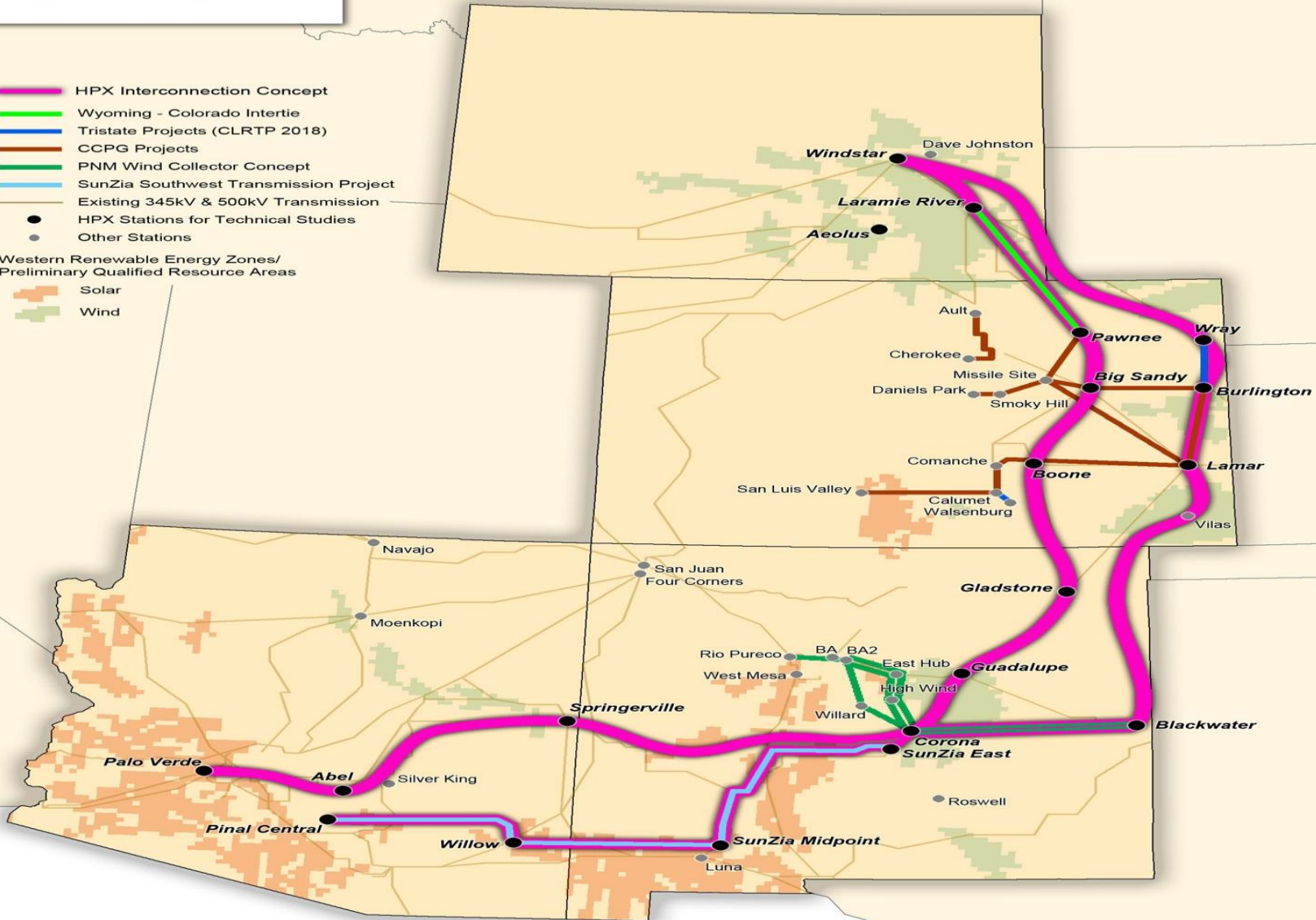
Regional and Local Development

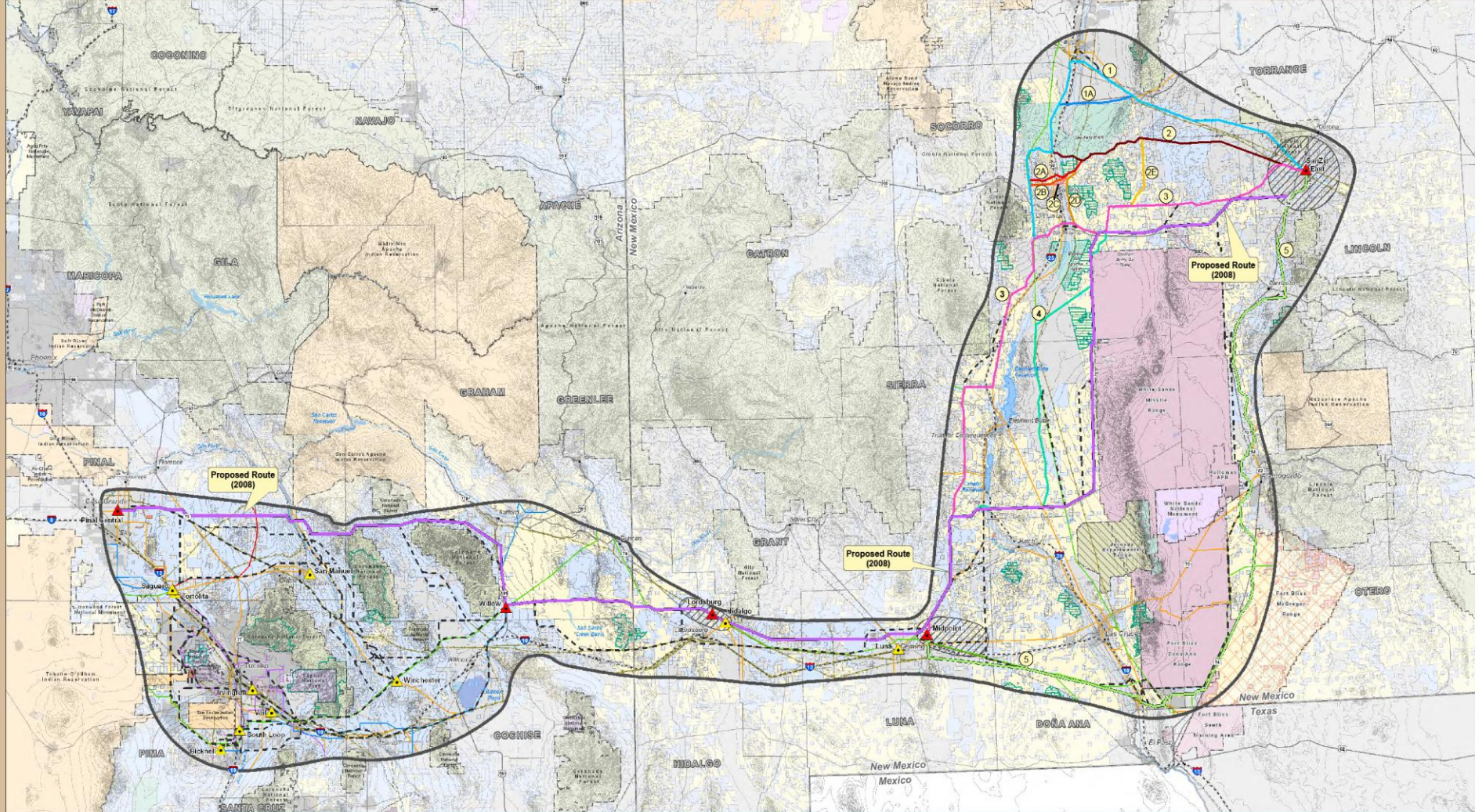
- Regional and Local Development Being Studied
- High Plains Express - Line from Wyoming to New Mexico
- SunZia - Line from New Mexico to Arizona
- The Santa Fe Line - Line from New Mexico to Nevada
- The Southline – Line from New Mexico to Arizona
- Tres Amigas Superstation - Western, Eastern and Texas Interconnection
- Central New Mexico Collector System

HPX

High Plains Express

-  HPX Interconnection Concept
 -  Wyoming - Colorado Intertie
 -  Tristate Projects (CLRTP 2018)
 -  CCPG Projects
 -  PNM Wind Collector Concept
 -  SunZia Southwest Transmission Project
 -  Existing 345kV & 500kV Transmission
 -  HPX Stations for Technical Studies
 -  Other Stations
- Western Renewable Energy Zones/
Preliminary Qualified Resource Areas
-  Solar
 -  Wind





SunZia Southwest Transmission Project

Land Ownership and Jurisdiction



LEGEND

Land Ownership

- Bureau of Land Management
- U.S. Dept. of Defense
- McGregor Range Withdrawal
- National Park Service
- U.S.D.A. Forest Service
- U.S.D.A. Other
- U.S. Fish and Wildlife Service
- U.S. Bureau of Reclamation
- Indian Reservation
- State/Trust Land
- Local or State Parks
- Private/Other

Base Features

Project Features

- SunZia Proposed Route - Sept. 8, 2008
- Alternative Route Segments
- 1
- 2B
- 3
- 1A
- 2C
- 4
- 2
- 2D
- 5
- 2A
- 2E
- 5

- Study Area - April 2010
- Substation Siting Area

Utilities

- Proposed Substation
- Existing Substation
- Pipeline (Diameter 6")
- 500kV Transmission Line
- 345kV Transmission Line
- 230kV Transmission Line
- 138kV/161kV Transmission Line
- 115kV Transmission Line

Reference Features

- City
- River/Stream
- Lake/Reservoir
- Urban Area
- State Highway
- U.S. Highway
- Interstate
- Railroad
- County Boundary
- State Boundary
- Jurisdictional Boundary
- Wilderness Area
- Wilderness Study Area (WSA)

Sources:

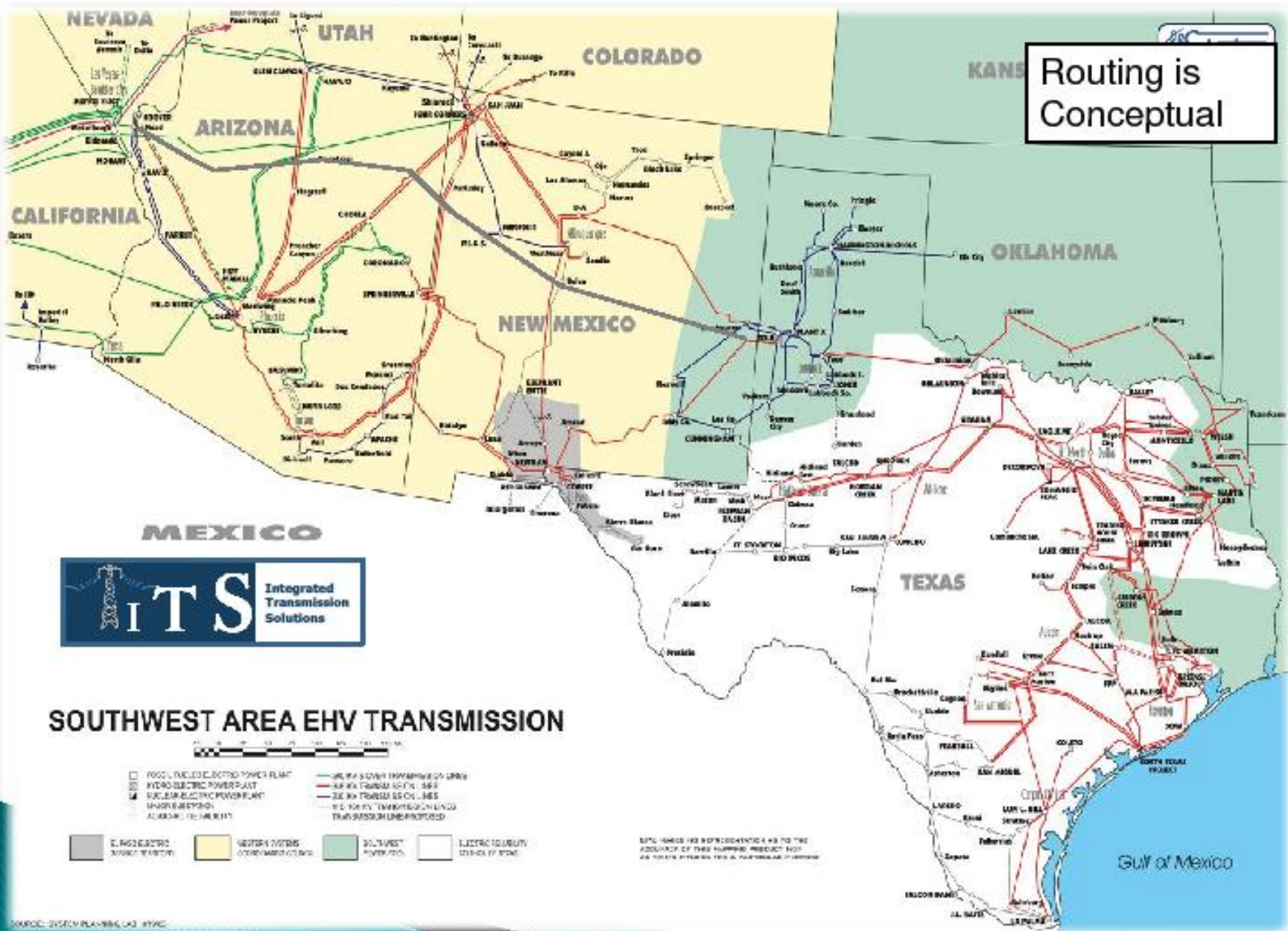
- AZ BLM 2009
- AZ State Land Department and ALRIS 2008
- ESRI StreetMap 2008, Minires RMP 1989
- NM BLM 2009, Socorro FRMP 2009
- Tri-County RMP 2009
- POWERmap, powermap.platts.com
- ©2009 Platts, a Division of the McGraw-Hill Companies
- USGS, EPG, Inc. 2010



May 12, 2010



Routing is Conceptual

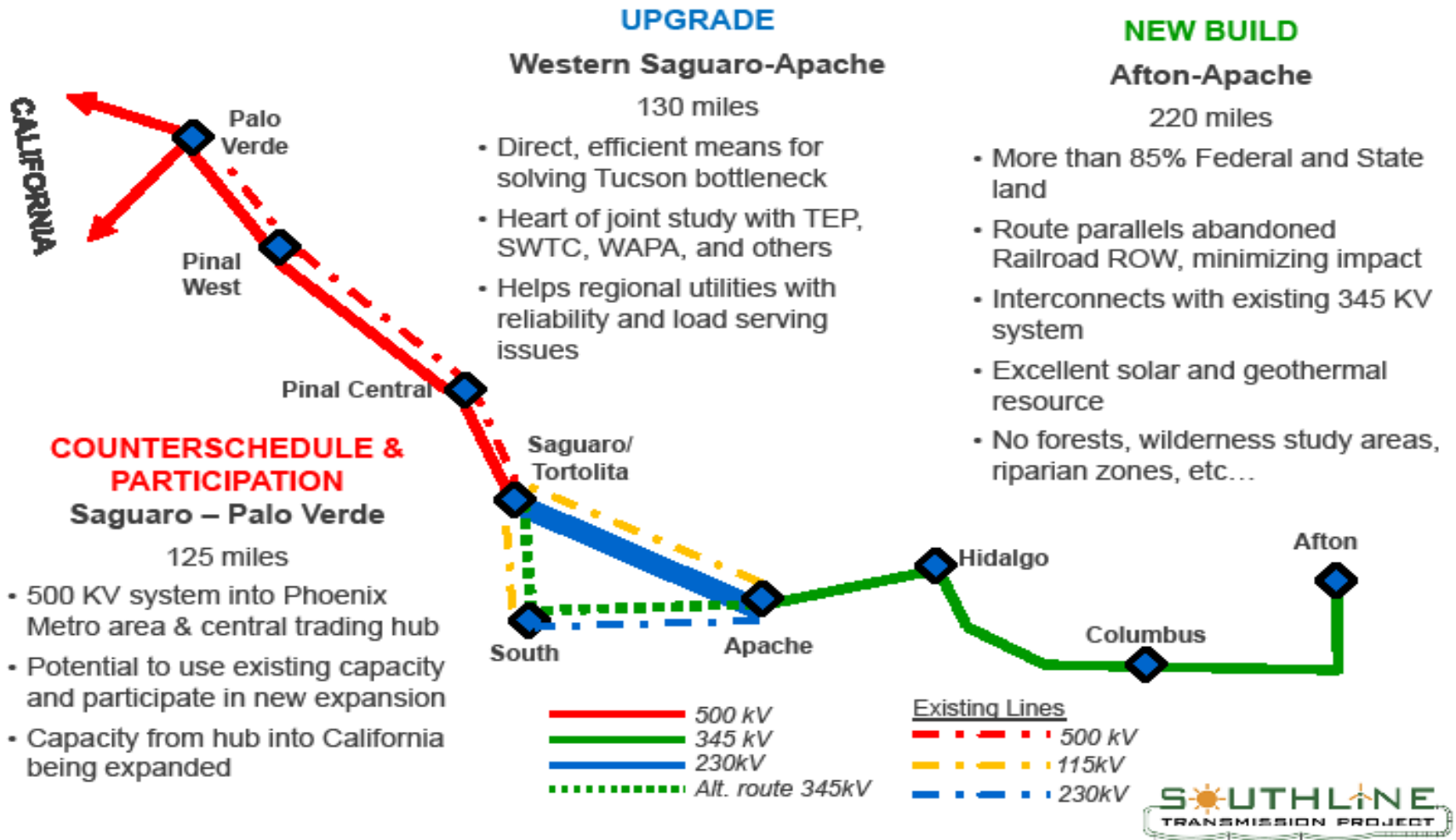


SOUTHWEST AREA EHV TRANSMISSION

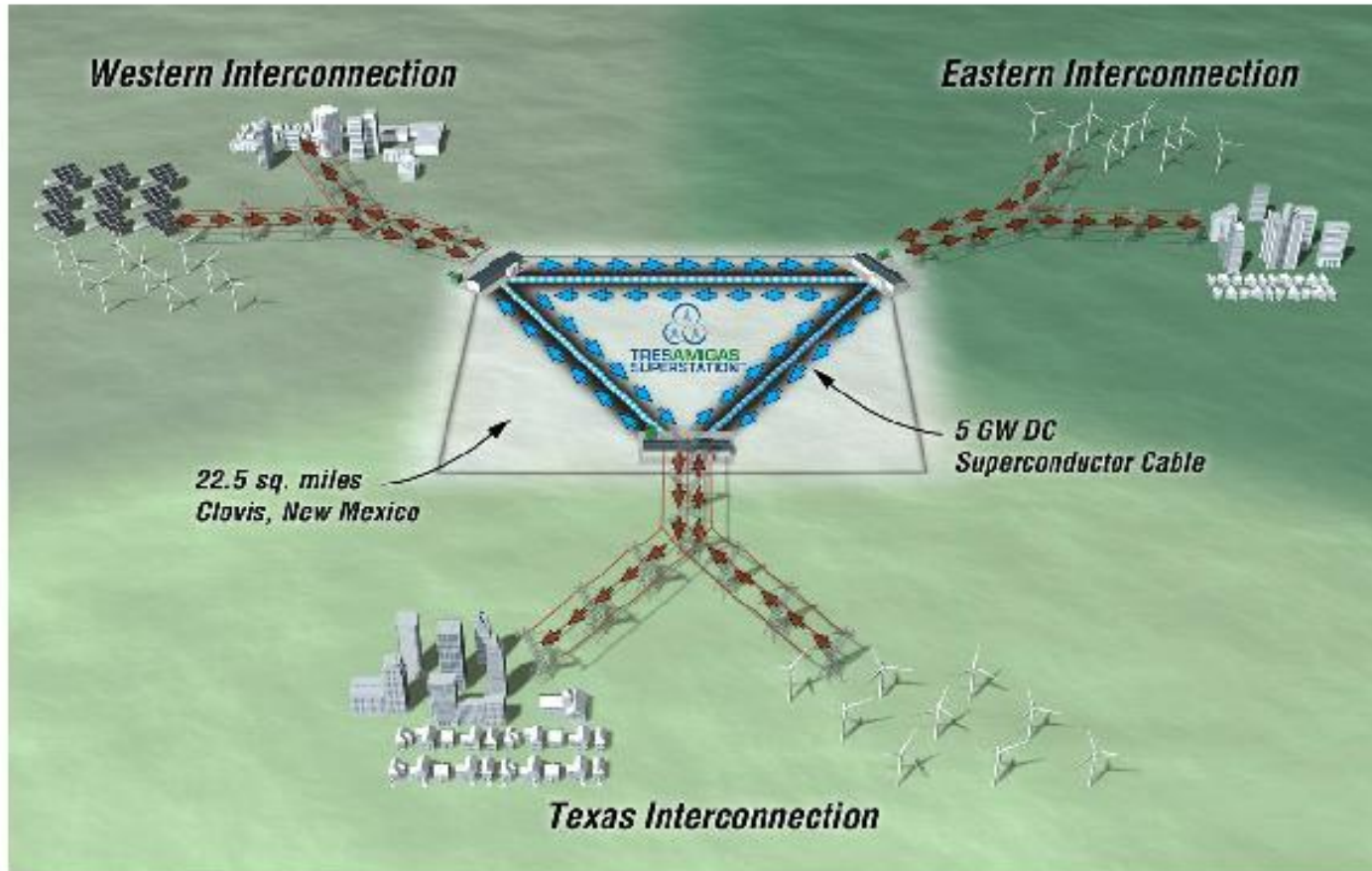


SOURCE: SYSTEM PLANNING AND STUDY

The Southline

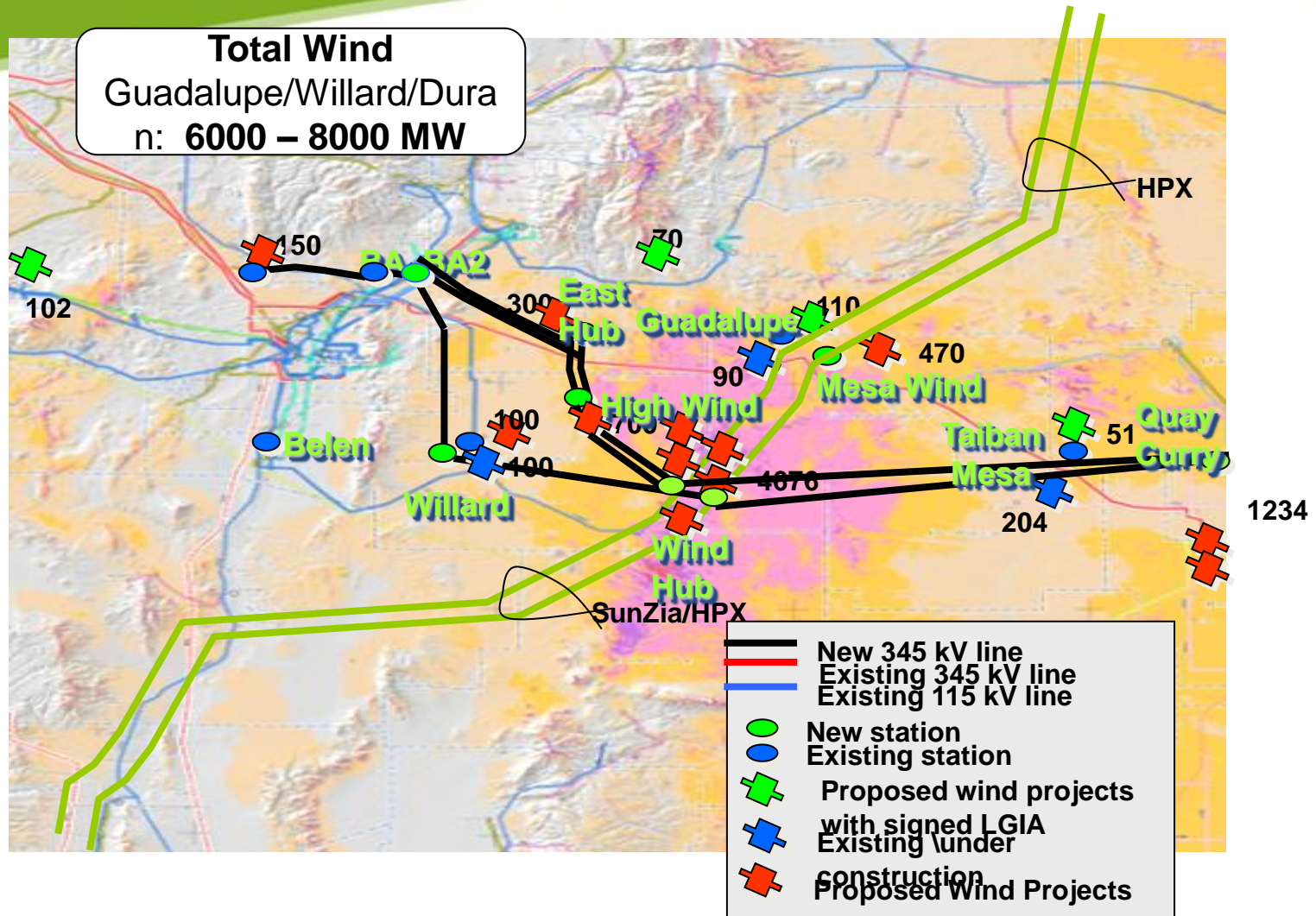


The Tres Amigas SuperStation



PNM Collector System

Integration with SunZia and HPX



Financing Methods



Tax-Exempt and Taxable Bonds

➤ Tax-exempt bonds

- debt financing instrument that enables eligible borrowers to borrow money at extremely attractive interest rates. Interest on the bonds is not subject to federal income taxes or, in many cases, state income taxes.
- Tax-exempt bonds can only be issued by governmental entities such as state, county or local governments, or by “authorities” established by the municipal entities to act as “conduit” issuers for the benefit of non-governmental, qualified borrowers, for example 501(c) (3) organizations or Industrial Development Revenue bonds.

➤ Taxable bonds

- A debt security whose return to the investor is subject to taxes at the local, state or federal level, or some combination thereof.
- The majority of bonds issued are taxable bonds. Entities that have traditionally offered tax- free bonds have begun to issue taxable bonds to finance projects that do not benefit the public at large.

Renewable Energy Project Financing Methods

- Have traditionally secured financing through tax-incentives for renewable energy generating facilities
- Tax incentives in the form of the Production Tax Credit and the Business Energy Investment Tax Credit
 - PTC is a 2.1¢/kWh (or 1.0¢/kWh for some technologies) tax credit based on the amount of electricity produced and sold by the taxpayer for qualified energy facilities
 - ITC is a tax credit equal to 30% of the qualified project costs for certain qualified renewable energy projects
 - Most renewable energy project developers do not have sufficient tax-liabilities to utilize the tax credits so partner with a tax credit-motivated equity investor to improve the economics

Financing Structures

- Clean Renewable Energy Bonds
 - Provide an interest-free financing mechanism for public entities to construct renewable energy projects
- Recovery Zone Bonds
 - Recovery Zone Economic Development Bonds
 - Total allocation of \$10 billion
 - Taxable Governmental Bonds
 - Issuer receives credit from Federal Government for 45% of interest expense
 - Recovery Zone Facility Bonds
 - Total allocation of \$15 billion
 - Tax-exempt financing for projects
 - Cannot finance – gambling facilities, golf courses, liquor stores, etc.

DOE Loan Guarantee

- Department of Energy Loan Guarantee Programs
 - Title XVII of the Energy Policy Act of 2005 allows the DOE to guarantee loans in support of debt financing for projects in the United States that employ energy efficiency, renewable energy, and advanced transmission and distribution technologies that constitute New or Significantly Improved Technologies, i.e. Section 1703 loan guarantee program.
 - The loan guarantee gives the debt a ‘AAA’ rating and allows the borrower to borrow at lower rates
 - Four conditional loan guarantees have been made to date
 - Revised DOE Loan Guarantee Program opened for applications in July, i.e. Section 1705 program
 - Projects must break ground by September 30, 2011
 - Applicant is lender...not renewable developer

DOE Loan Guarantee, Cont.

- DOE requires a first priority lien on all of the project assets
 - They will agree to share proceeds of a foreclosure with other lenders
- National Environmental Policy Act (“NEPA”) – DOE has to be comfortable with environmental impact of the project
- DOE will only guarantee 80% of loan which itself must be no more than 80% of project costs
- Tax-exempt bonds do not qualify for a loan guarantee from the DOE
 - Taxable bonds are allowed, DOE would have senior lien and bondholders would have a subordinate lien
 - Prevailing wage rules & Buy America steel
 - Rating requirement of “BB” for loans over \$25 million

Build America Bonds

- The US Government instituted the Build America Bonds (BABs) program in April 2009 to allow state and local governments the opportunity to obtain debt funding at lower borrowing costs. BABs are taxable bonds issued by state and local governments to give them access to institutional buyers that would otherwise buy conventional corporate bonds.
- The federal government pays 35% of the interest payments directly to the issuer and the BABs and 45% for Recovery Zone Bonds, which are a type of Build America Bond.

Private Activity Bonds

- Private Activity Bonds (PABs) are tax-exempt bonds issued by public entities to provide low-cost financing for private projects that serve a public purpose. Federal tax law imposes a number of restrictions and requirements on the issuance of Private Activity Bonds, among which is a “volume cap” at the state level that limits the amount of PABs that can be issued each year for non-charitable organizations.

Draft Legislation on Private Activity Bonds

DRAFT LEGISLATIVE TEXT

SEC. []. EXEMPT-FACILITY RENEWABLE ENERGY TRANSMISSION FACILITIES

(a) Treatment as Exempt-Facility Bond. --Subsection (a) of section 142 (relating to exempt facility bond) is amended by striking “or” at the end of paragraph (14), by striking the period at the end of paragraph (15) and inserting “or”, and by adding at the end the following new paragraph:

“ (16) qualified renewable energy transmission facilities.”

(b) Renewable Energy Transmission Facilities.-- Section 142 is amended by adding at the end the following:

“(n) Qualified Renewable Energy Transmission Facilities.—

(1) In general.--For purposes of subsection (a)(16), the term renewable energy transmission facilities means a transmission line that—

(A) operates at a voltage of 100 kilovolts or greater; and

(B) is identified by the Federal Energy Regulatory Commission Secretary of Energy as a facility that is to be developed substantially to facilitate collection or delivery to 1 or more load-serving entities or end-use customers of energy produced by solar energy, wind energy, ocean energy (including, tidal, wave, current, and thermal energy), geothermal energy, or biomass technologies.”

(2) National limitation on amount of tax-exempt financing for facilities.-- "

Draft Legislation on Private Activity Bonds, Cont.

- (A) National limitation.--The aggregate amount allocated by the Secretary of Energy under subparagraph (C) shall not exceed \$[_____].
- (B) Enforcement of national limitation.--An issue shall not be treated as an issue described in subsection (a)(16) if the aggregate face amount of bonds issued pursuant to such issue for qualified renewable energy transmission facilities (when added to the aggregate face amount of bonds previously so issued for such facilities) exceeds the amount allocated to such facilities under subparagraph (C).
- (C) Allocation by Secretary of Energy.-- The Secretary of Energy shall allocate the amount described in subparagraph (A) among qualified renewable energy transmission facilities in such manner as the Secretary determines appropriate.
- (3) Exception for current refunding bonds.--Paragraph (2) shall not apply to any bond (or series of bonds) issued to refund a bond issued under subsection (a)(16) if—
 - (A) the amount of the refunding bond does not exceed the outstanding amount of the refunded bond, and
 - (B) the refunded bond is redeemed not later than 90 days after the date of the issuance of the refunding bond.
- (c) Exemption From General State Volume Caps.--Paragraph (3) of section 146(g) of the Internal Revenue Code of 1986 (relating to exception for certain bonds) is amended by striking “or (15)” and all that follows through the end of the paragraph and inserting “(15), or (16) of section 142(a), and’.
- (d) Effective Date.--The amendments made by this section apply to bonds issued after the date of the enactment of this Act.

Currently and until 12/31/2010 interest on any bonds issued as exempt facility bonds is exempt from AMT treatment. Consideration should be given to extending that provision or including an exemption from AMT in this proposed amendment.

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