BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF NEW MEXICO FOR REVISION OF ITS RETAIL ELECTRIC RATES PURSUANT TO ADVICE NOTICE NO. 667	)	**Docket No. 26-0000XXX**
PUBLIC SERVICE COMPANY OF NEW MEXICO,	)	
Applicant.	)	

DIRECT TESTIMONY

OF

ALARIC J. BABEJ

November 24, 2026

NMPRC DOCKET NO. 26-0000XXX
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WITNESS FOR
PUBLIC SERVICE COMPANY OF NEW MEXICO

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DIRECT TESTIMONY OF
ALARIC J. BABEJ
NMPRC DOCKET NO. 26-0000XXX

I. INTRODUCTION AND PURPOSE

Q. Please state your name, position, and business address.

A. My name is Alaric J. Babej. I am the Director of Customer Energy Solutions for Public Service Company of New Mexico ("PNM"). My business address is Public Service Company of New Mexico, 414 Silver Ave SW, Albuquerque, NM 87102. I am testifying on behalf of PNM.

Q. Please describe your position with PNM and your qualifications.

A. I have served as the Director of Customer Energy Solutions at PNM since October 2024. My responsibilities include overseeing multiple customer programs offered by PNM, including Energy Efficiency, Transportation Electrification, voluntary renewable energy tariffs such as PNM Sky Blue® and PNM Solar Direct, Community Solar, the Time-of-Day rate pilot, and new program design. A copy of my resume is attached as PNM Exhibit AJB-1.

Q. Have you testified previously in any proceedings before the New Mexico Public Regulation Commission ("Commission" or "NMPRC")?

A. Yes, I have testified in the following cases:

Case No. 20-00237-UT (2022-2023 Transportation Electrification Plan).

Case No. 21-00158-UT (Sky Blue Investigation)

Case No. 22-00058-UT (Grid Modernization Implementation)

Case No. 23-00071-UT (Community Solar Implementation)

Case No. 23-00195-UT (2024-2026 Transportation Electrification Plan)

Case No. 25-00049-UT (PNM's 1st Annual Grid Modernization Review)

Case No. 25-00071-UT (PNM Sky Blue Termination)

Docket No. 26-0000069 (PNM's 2nd Annual Grid Modernization Review)

Docket No. 26-0000115 (2027-2029 Transportation Electrification Plan)

Q. What is the purpose of your Direct Testimony?

A. The purpose of my Direct Testimony is to support a low-income rate program, fee-free credit card payments for low-income and other qualifying customers, recovery of community solar bill credits, and provide confirmation that PNM has continued to meet its commitment from Case No. 24-00089-UT ("2024 Rate Case") to maintain the Key Account Managers.

Q. What are the key conclusions of your testimony?

A. In summary, my testimony outlines the need for and costs associated with implementation of a Low-Income Rate Program ("Program") for PNM customers; the benefits and costs of offering fee-free credit card payments to qualified low-income customers, as well as customers who use PNM's mobile application with the AutoPay function; and supports the request for recovery of a portion of the costs of the community solar program. Additionally, I confirm that PNM has maintained its commitment regarding the Key Account Managers.

II. NEED FOR A PNM LOW-INCOME RATE PROGRAM

Q. What is PNM requesting with respect to rates for low-income customers?

A. PNM is requesting approval of a Low-Income Rate Program designed to provide a lower rate for qualifying low-income residential customers experiencing a disproportionate energy burden. The proposed program would provide a reduction of the monthly bill to eligible customers and help improve energy affordability while maintaining safe, reliable electric service.

The Low-Income Rate Program is intended to complement existing customer assistance offerings, including payment arrangements, energy efficiency programs, crisis assistance resources, and customer outreach efforts.

Q. Why is PNM proposing a Low-Income Rate Program?

A. Affordability continues to be an important concern for many New Mexico households. Recent economic conditions, inflationary pressures, increasing housing costs, and periods of extreme weather have intensified financial challenges for many customers. Customers with limited financial resources often spend a significantly larger percentage of their income on essential utility services than other customers. The New Mexico legislature recognized these issues and, in 2025, amended Section 62-8-6 of the Public Utility Act to allow the Commission to approve "rates and programs designed to reduce the burden of energy costs on low-

income customers."[1] This case is PNM's first general rate case since that law went into effect.

Low-income customers' energy burden can contribute to higher delinquency rates, increased payment difficulties, and a greater need for customer assistance options. PNM believes a targeted low-income rate is an effective way to provide meaningful and predictable bill relief to qualifying customers while supporting long-term customer payment stability. PNM's proposed Low-Income Rate Program is in line with the statute and is designed to reduce the energy burden for customers with the greatest financial need while maintaining equitable cost recovery across the customer base.

Q. How does PNM understand energy burden for purposes of determining the percentage of its customers that may enroll in its Low-Income Rate Program?

A. The U.S. Department of Energy ("DOE") defines energy burden as the percentage of gross household income spent on energy costs. It is calculated by dividing the average housing energy cost by the average annual household income. According to the DOE's Low-Income Energy Affordability Data ("LEAD") tool, New Mexicans living at or below 200% of the Federal Poverty Level ("FPL") Guidelines have an energy burden of 9%, meaning they spend an average of 9% of their income

[1] NMSA 1978, § 62-8-6(C) (2025).

on energy bills.[2] According to the DOE, a household with 6% or greater energy burden is considered to have high energy burden household.[3]

The LEAD tool also estimates 272,661 (33%) households in New Mexico fall into this category. For additional context regarding qualified assistance programs, the U.S. Department of Agriculture reports 21.9% of the population of New Mexico received Supplemental Nutrition Assistance Program ("SNAP") benefits in fiscal year 2025, which is available for households at or below 200% of the FPL Guidelines.[4]

Specific to PNM, PNM witness Aslam T. Hayat states that using the Experian database tool, the Company has determined that approximately 33% of its residential customers qualify as low income, in that those customers' income fall at or below 200% of the FPL Guidelines.

[2] *See* State and Local Solution Center ("SLSC") of the U.S. Dept. of Energy, Re: Energy Burden in New Mexico, Low-Income Energy Affordability Data ("LEAD") Tool (last visited Nov. 15, 2026), https://www.energy.gov/cmei/scep/slsc/lead-tool. To arrive at New Mexico's energy burden, select Federal Poverty Level on the income filter and include all sectors at or below 200% of FPL. Then, hovering over New Mexico reveals a 9% energy burden.

[3] *See* Office of State and Community Energy Programs ("SCEP") of the U.S. Dept. of Energy, *Learn More About LEAD Tool Data*, Low-Income Energy Affordability Data ("LEAD") Tool (last visited Nov. 15, 2026),https://www.energy.gov/cmei/scep/low-income-energy-affordability-data-lead-tool.

[4] *See* Economic Resource Service of the U.S. Dept. of Agriculture, *Percent of Population Receiving SNAP Benefits in Fiscal Year 2025* (last visited Nov. 15, 2026), https://www.ers.usda.gov/data-products/chart-gallery/55416.

Q. Please describe the proposed Low-Income Rate Program.

A. The proposed Low-Income Rate Program will provide a separate low-income rate schedule within the residential customer class. The proposed low-income rate will reflect a $0 customer charge. Thus, the proposed low-income rate will reduce qualifying low-income customer bills by the amount of the customer charge, which is proposed to increase in this rate case. The rate option would be available to income-qualified customers who fall at or below 200% of the FPL Guidelines and have their income validated through an approval process. My testimony explains below how PNM propose to qualify low-income customers.

Q. How will qualifying customers benefit from the proposed Low-Income Rate Program?

A. The proposed program provides several benefits for qualifying customers. First, it directly reduces monthly electric bills for qualifying households. Second, it improves bill affordability and helps reduce financial stress for customers facing economic hardship. Third, reduced rate resulting from the program represents a predictable savings that customers can incorporate into household budgeting throughout the year. Finally, the reduced rate supports continued access to essential electric service by reducing payment challenges and helping customers remain current on their accounts.

Q. Does the proposed Low-Income Rate Program replace existing customer assistance programs?

A. No. As mentioned above, the proposed Low-Income Rate Program is intended to complement, not replace, existing assistance programs available to customers. PNM will continue to educate customers regarding available energy assistance resources, payment arrangements, energy efficiency programs, and other support services. Together, these tools provide a more comprehensive approach to addressing customer affordability challenges.

Q. How will PNM inform its customers about the existence of the Low-Income Rate Program?

A. PNM will inform customers about the Low-Income Rate Program through digital, physical, and in-person touchpoints. Information will be readily available on the Company's website and mobile app, brochures will be printed and distributed to low-income service organizations that PNM often collaborates with, and the rate will be promoted at in-person low-income assistance events. Also, the PNM Contact Center will be trained to direct customers that indicate the customer has payment challenges to apply for the Low-Income Rate Program.

To assist with proactive outreach to customers likely to be in need of assistance, PNM may send direct mailers to qualified Low-Income Home Energy Assistance

Program ("LIHEAP") customers and those who have received PNM Good Neighbor Fund[5] assistance within the past year.

Q. How will PNM determine which customers qualify for the Low-Income Rate Program?

A. PNM proposes allowing customers with a household income at or below the 200% FPL Guideline to be qualified for the Low-Income Rate Program. PNM will use a third-party vendor(s) to qualify customers, which requires a customer to provide documentation of their income during the application. The third-party vendor(s) will be responsible for review and eventual approval or denial of qualification for each applicant. PNM will enroll the approved customer on the low-income rate after the qualification process is completed.

In terms of qualifying customers at or below 200% of the FPL Guidelines, multiple types of official documentation may be acceptable. These include, but are not limited to: personal income statements, SNAP eligibility, which is provided to households at or below 200% of the FPL Guidelines; LIHEAP eligibility, which is available for households at or below 150% FPL Guidelines; participation in the PNM Good Neighbor Fund, which is available to SNAP-eligible and LIHEAP-eligible customers; and eligibility for the New Mexico Women, Infants, and

[5] *See* https://www.pnm.com/goodneighborfund.

Children ("WIC") program, which is available to households at or below 185% FPL Guidelines.[6]

Q. Will customers need to recertify their qualification to remain on PNM's Low-Income Rate Program over time?

A. Yes. Customers' financial status can change over time. Therefore, PNM proposes that customers recertify their eligibility annually. Recertification may follow a similar application and qualification process through a third-party implementer as the original application.

Q. What costs will PNM incur to implement the Low-Income Rate Program?

A. Implementation of the program will result in both administrative and Low-Income Rate Program costs. The administrative costs are for implementation, operation, monitoring and evaluation of the Program. Administrative costs may include information technology and billing system modifications, customer communications, enrollment support, verification activities, regulatory reporting, training, and ongoing Program management. Additionally, implementation of the new Program will require both internal and external administrative support.

PNM estimates that administration of the Low-Income Rate Program will incur both labor and non-labor costs as shown in PNM Table AJB-1. These costs are

[6] PNM will evaluate the programs listed in 17.9.573.15 NMAC to determine if eligibility for those programs can also be used qualify customers for the Low-Income Rate Program.

reasonably estimated and may change during contracting for a third-party support partner and as the initial implementation process is finalized.

PNM Table AJB-1: Estimated Costs for Administration of Low-Income Rate Program

Low-Income Rate Program Estimated Costs			
Item	**Labor**	**Non-Labor**	**Total**
Outreach and Communication		$250,000	$250,000
Customer Enrollment Support	$325,556		$325,556
Customer and Income Verification	$196,020	$218,000	$414,020
Total	**$521,576**	**$468,000**	**$989,576**

Q. How does PNM propose to recover the costs associated with the Low-Income Rate Program?

A. PNM has included the reasonable and prudent program costs in the base rate cost of service to be recovered from other customers. PNM believes this treatment is reasonable because the program supports the public policy objective as outlined by the New Mexico Legislature in the 2025 amendment to the Public Utility Act of maintaining access to essential utility service for eligible low-income customers.[7]

In addition to the implementation costs identified above, other customers will also absorb the rate decreases that are proposed for qualifying low-income customers.

[7] NMSA 1978, § 62-8-6(C) (2025).

PNM witness Julio C. Aguirre discusses how PNM proposes to address this cost shift.

Q. How will PNM ensure that the Low-Income Rate Program is administered effectively?

A. PNM will administer the program in a similar manner to existing and more mature customer programs and rates. This includes an application and verification process for qualified customers, management of a third-party implementation partner with capabilities to assist in the approval process, and regular reporting on Program metrics. PNM will have internal program management coordinate with any selected third-party (or multiple third-party) vendors to ensure the Program is administered effectively, within budget, and delivers the expected benefits to customers.

PNM will also provide annual reports on the number of customers enrolled in the Low-Income Rate Program, the total savings across all customers enrolled in the Low-Income Rate Program, and the average savings per customer. PNM will include a summary of outreach and engagement efforts to promote the Low-Income Rate Program.

Q. Why is approval of the Low-Income Rate Program important for all customers?

A. Approval of the Low-Income Rate Program supports public policy objectives deemed beneficial through the 2025 amendment to NMSA 1978, Section 62-8-6, and provides assistance to qualified customers facing affordability concerns. Ultimately, the Low-Income Rate Program should assist in payment stability from qualified customers facing the highest energy burden, which in turn may may help reduce bad debt write-offs and collection efforts within the residential customer class.

Q. Will the proposed Low-Income Rate Program shift costs from low-income customers to PNM's other customers?

A. Yes. The discounts built into the Low-Income Rate Program mean that the associated revenue requirement must be recovered from other customers. PNM witness Aguirre discusses this cost shift. Given the recent legislative authorization for low-income rates and programs, it is reasonable for other, non-low-income customers to be allocated a portion of these costs.

Q. Are the costs associated with the proposed Low-Income Rate Program reasonable and necessary?

A. Yes. The proposed costs are reasonable and necessary to implement and administer a sustainable Program that provides meaningful benefits to qualifying low-income

customers. The Program has been designed to balance customer affordability needs with responsible cost management and appropriate regulatory oversight.

III. EXPANSION OF FEE-FREE PAYMENT OPTIONS FOR LOW-INCOME AND MOBILE APP CUSTOMERS

Q. What is PNM proposing with respect to customer credit and debit card transaction fees for low-income and customers who use PNM's mobile application?

A. PNM is requesting approval to offer fee-free credit and debit card payments to customers enrolled in PNM's proposed Low-Income Rate Program. PNM also proposes to offer fee-free recurring credit-card payments to residential customers who enroll in AutoPay through the Company's mobile application ("PNM Mobile"). This is a targeted proposal that removes a per-transaction payment barrier for qualifying low-income customers and uses the mobile AutoPay option to encourage broader adoption of digital tools that can help customers monitor electricity usage, receive timely information about their energy use, and manage their electric bills.

Q. What methods are currently available for PNM customers to pay their electric bills?

A. PNM customers can currently pay through PNM.com, PNM Mobile, telephone interactive voice response, by text, by mail, or in-person at a PNM payment center

and participating third-party locations. Depending on the channel, customers may pay by checking or savings account, credit card, debit card, physical check, or cash.

Q. Did PNM expand fee-free in-person payment availability at Western Union locations in compliance with the 2024 Rate Case Stipulation?

A. Yes, prior to receiving approval to expand free-free Western Union locations, there were 12 locations across New Mexico that offered fee free payment. As of November 2026, PNM now offers 208 fee-free Western Union locations.

Q. Are PNM customers charged a fee to make payments on their electric bills using current electronic channels today?

A. Yes. Customers are currently charged a $2.00 service fee for most credit and debit card payments. The service fee, known as a "pay-to-pay" fee by the United States Consumer Financial Protection Bureau, is a pass-along charge from the third-party electronic payment provider. This is a pass-through fee; PNM does not receive any portion of the service fees charged to its customers.

One-time and recurring ACH payments made from a checking or savings account are available without a transaction fee. Although ACH is an important fee-free option, it may not be workable for every customer at every point in the month. A customer with limited or uncertain funds in a bank account may prefer to use a debit, prepaid, or credit card to avoid the risk of an unsuccessful payment or an

overdraft fee. PNM's proposal would remove the utility transaction fee for qualifying low-income customers and PNM Mobile users while preserving all existing payment choices.

Q. What percentage of PNM customers pay their electric using a digital channel?

A. PNM customers are increasingly using electronic channels. In 2021, only 73% of PNM customers used an electronic option to pay their bills, but that grew to 81.67% in 2025 and further increased to 82.45% through September 2026. The proposed fee-free options are intended to meet the needs of this growing customer preference while supporting affordability for qualifying customers and promoting use of PNM Mobile's AutoPay function.

Q. What is the general economic status of those PNM customers who opt to pay their bill using credit card?

A. PNM performed prior analysis finding that from June 1, 2021, through June 30, 2022, approximately 45% of customers who made a payment using a credit card qualified as low-income as defined as 200% or below of the FPL Guideline. With recent increases in cost of living and energy costs, that rate is likely higher today.

According to 2024 U.S. Census Board data, roughly 19% of New Mexico households report income of $25,000 or less.[8] The Federal Reserve reported in 2024 that 22% of adults with family income below $25,000 were unbanked.[9] The same report found that 16% of banked adults with income below $25,000 paid an overdraft fee in the prior year.[10] These findings highlight the benefits to low-income customers by decreasing the burden of an additional credit card transaction fee while minimizing the risk of incurring overdraft fees stemming from ACH payments.

Q. Has PNM calculated the costs to implement fee-free credit card payments?

A. Yes. Enabling this capability will require a one-time capital cost of approximately $400,000 and an estimated ongoing annual expense of $2,000,000 to subsidize eligible credit and debit card transaction fees. The ongoing expenses will depend on actual utilization of the fee-free credit and debit card offering.

[8] *See* U.S. Census Bureau, Re: New Mexico Income in the Past 12 Months (in Inflation-Adjusted Dollars), American Community Survey (last visited Nov. 15, 2026), https://data.census.gov/table/ACSST1Y2024.S1901?g=040XX00US35.
[9] *See* Board of Governors of the Federal Reserve System, *Table 28. Bank account ownership and overdraft (by demographic characteristics)*, Report on the Economic Well-Being of U.S. Households in 2024 – May 2025 (last visited Nov. 15, 2026), https://www.federalreserve.gov/publications/2025-economic-well-being-of-us-households-in-2024-banking-and-credit.htm.
[10] *Id.*

Q. Why is PNM seeking to waive any credit card fees for customers who are not eligible for low-income assistance?

A. PNM proposes a limited, fee-free credit-card option to all residential customers who enroll in recurring credit-card payments (AutoPay) through PNM Mobile. This feature is intended to encourage customer engagement as PNM invests in smart meters through its grid modernization program. This will increase engagement on PNM Mobile in an effort to get customers to review their advanced interval usage insights and energy-saving tips. More engagement of this date will help customers manage their energy usage and enhance existing energy efficiency programs.

Q. Does PNM's proposal encourage low-income customers to incur credit card debt?

A. No. Customers will continue to have fee-free ACH and in-person payment options. This proposal reduces costs for low-income customers when it is a known fact that low-income customers' options for payment are more limited as compared to other customers. Customers remain free to use any available payment options that best fits their circumstances.

Q. Did PNM propose a similar expansion of fee-free credit card payments in Case No. 22-00270-UT?

A. Yes. In that docket, PNM proposed fee-free credit and debit card transactions up to $1,000 for residential and small-business customers, while other customer classes

would have been eligible to make card payments up to $25,000 subject to a fixed 3% transaction fee. The Commission did not approve that broader proposal.

Q. What is different in the current proposal from PNM's previous proposal for free-free credit card payments?

A. The present proposal is materially narrower and more targeted than the proposal presented in Case No. 22-00270-UT. Fee-free one-time credit and debit card payments will be limited to customers enrolled in the proposed Low-Income Rate Program or those who download PNM Mobile and enroll in a recurring payment option. This benefits customers with the greatest affordability need while also enhancing customer engagement with energy saving tools. PNM has designed the proposal to address the Commission's prior concerns while removing a payment barrier for vulnerable customers and supporting efficient digital self-service.

Q. Why does PNM believe it is more appropriate to recover the service fees for low-income and mobile app payments from other customers, rather than just continuing to collect the $2.00 fee from the customers who choose to use specific types of payments?

A. PNM's proposed approach is consistent with the treatment of costs associated with other payment methods funded by all customers, including both digital and physical payments via in-person payment centers, payment via telephone or text, online payments, or mail-in payments. The costs of the services associated with those

payment options are paid by PNM and recovered through existing rates as part of the cost of service. The ability for customers to access fee-free credit and debit card payment reduces the burden and potential time commitment that low-income customers have to seek out payment options that are fee-free such as in-person payment centers.

Additionally, inclusion of PNM Mobile AutoPay users is appropriate as it encourages adoption of the new technology, streamlined and regular payments through AutoPay, and enhances the experience of approved cost-effective energy efficiency programs.

IV. COMMUNITY SOLAR PROGRAM COSTS

Q. Please provide an update on the Community Solar facilities selected for PNM's service territory.

A. As of the end of September 2026, PNM has interconnected 11 community solar facilities from Phase I[11] of the New Mexico Community Solar Program. This represents 52.5 MW of interconnected capacity out of the total 125 MW assigned to PNM during Phase I.

[11] "Phase I" refers to the initial tranche of Community Solar facilities selected for PNM's service area in 2023 (and subsequently updated as appropriate). *See* New Mexico Community Solar Program, 2023 Bid Selection Information (Nov. 15, 2026, 10:23 PM), https://csnewmexico.com/resources/2023-bid-selection-information/.

Q. Is the Company seeking to recover costs associated with the implementation of Community Solar in this rate case?

A. Yes. PNM made significant billing system changes to its Customer Information System ("CIS") to implement the Community Solar Program. Additionally, PNM has recorded costs in a regulatory asset associated with issuing customers Community Solar Bill Credits or paying for unsubscribed energy in accordance with Rider No. 56.

Q. What is the basis of recovering these costs in this rate case?

A. In Case No. 23-00071-UT, PNM notified the Commission that it intended to recover the capital costs for billing system updates to implement the Community Solar Program in base rates. The Commission stated in its Phase II Final Order in Case No. 23-00071-UT that PNM should also recover billing system modifications necessary to implement Community Solar for behind-the-meter solar customers in a future general rate case.

The Phase II Final Order in Case No. 23-00071-UT also authorized an accounting order permitting PNM to track all Community Solar Bill Credits and payments for unsubscribed energy in a regulatory asset for recovery in a future rate case.[12]

[12] Case No. 23-00071-UT, Phase II Final Order (Nov. 26, 2024), at Exhibit B.2.1, ¶ KK.

Q. Please state the total capital costs associated with the billing system updates that PNM is seeking to recover in this rate case.

A. The billing system changes totaled $367,887. This compares to a preliminary estimate of $460,000 for all billing system changes, including the changes required to upgrade PNM's current system for behind-the-meter solar customers to also participate in the Community Solar Program.

Q. Please state the other total loaded labor costs associated with the start up of the Community Solar Program that PNM is seeking to recover in this rate case.

A. In addition to billing system updates, PNM incurred $1,939,101 in start-up costs for the Community Solar Program. This includes loaded administrative costs from November 2022 through the end of the Base Period in June 2026. Costs included in this account are the administrative costs that were incurred to start up the Community Solar Program for PNM customers. Ongoing administrative charges for the implementation of the Community Solar Program are recovered through Rider No. 57, which is not included in the cost estimate above.

Q. Please state the amount recorded in the regulatory asset for Community Solar Bill Credits.

A. The total amount recorded in the regulatory asset from the application of Community Solar Bill Credits to subscribing customer bills, as of the end of the Base Period is $1,160,659.

Q. Has PNM determined if there are any avoided costs associated with implementation of the Community Solar Program?

A. PNM has estimated the potential of avoided costs in accordance with the Phase II Final Order in Case No. 23-00071-UT for the following groups of costs:

1. Avoided Energy Production and Purchases;
2. Avoided or Deferred Generation Capacity;
3. Avoided or Deferred Transmission Capacity or Wheeling Costs;
4. Line Losses (Adder to Energy);
5. Avoided Renewable Portfolio Standard ("RPS") Compliance Costs; and
6. Avoided Environmental Compliance Costs (if not included in other components).[13]

A study estimating these avoided costs is included as PNM Exhibit AJB-2. Based on PNM's projections, the avoided costs over the 20-year life of the Community

[13] Case No. 23-00071-UT, Phase II Final Order (Nov. 26, 2024), at Exhibit B.2.1, ¶ LL.

Solar Program result in a benefit-cost ratio of 0.54, meaning that PNM will incur more costs than it avoids over the expected life of the Community Solar facilities.

The current study includes Phase I of Community Solar. The total net cost of community solar is currently estimated at $159,370,636; the largest driver of the net cost is the Community Solar Bill Credits, forecasted as $258,784,984. This is offset to some extent through savings in the main categories of generation capacity and reduced transmission losses, but the estimated savings do not outweigh the costs. This study may be updated in the future as Phase II as capacity is released and location and interconnection timelines are better understood.

Q. Should the Commission reduce PNM's cost recovery in this rate case based on these avoided cost estimates?

A. No. These cost estimates clearly show that the Community Solar Program is a net cost to the utility and its customers. The main driver for these costs is the Community Solar Bill Credits, which in practice are under-collected revenues for usage at the customer meter. While there are broader system benefits at the macro level, these do not offset the costs.

V. KEY ACCOUNT MANAGEMENT

Q. Did the stipulation approved in PNM's 2024 Rate Case include a requirement concerning PNM's Key Account Managers?

A. Yes. In the 2024 Rate Case, PNM agreed to maintain its Key Account Managers consistent with the funding level included in PNM's as-filed cost-of-service study.[14] PNM has maintained the employee compensation associated with those positions consistent with that commitment.

VI. CONCLUSION

Q. Do you have any concluding observations with respect to your testimony?

A. My testimony outlines a proposed Low-Income Rate Program, the benefits of offering fee-free credit and debit card payments to qualified low-income customers, as well as customers who use PNM Mobile with AutoPay, a request for recovery of a portion of the costs of the Community Solar Program, and maintained its Key Account Managers in line with the stipulation approved in the 2024 Rate Case.

These proposals are based in statute, prior Commission orders, and industry best practices, as appropriate, and illustrate a prudent approach to balancing customer experience and required investments and recovery.

[14] Case No. 24-00089-UT, Unopposed Comprehensive Stipulation (Nov. 26, 2024) at p. 7, ¶ 15.

Q. Does this conclude your direct testimony?

A. Yes.

GCG#536192

PNM Exhibit AJB-1

Resume of Alaric J. Babej

Is contained on the following page

Alaric J. Babej
EDUCATIONAL AND PROFESSIONAL SUMMARY

Name: Alaric J. Babej

Address: Public Service Company of New Mexico (PNM)
MS 0605
414 Silver SW
Albuquerque, NM 87102

Position: Director, Customer Energy Solutions

Education: Bachelor of Science in Mechanical Engineering
University of Rhode Island, 2008

Master of Science in Mechanical Engineering
University of Washington, 2013

Master of Business Administration
University of New Mexico, 2022

Employment: Employed by PNM since 2017

Positions held within the Company include:
Technical Program Manager, Renewables
Project Manager, Product Development
Manager, Customer Program Marketing and Development
Principal, Customer Energy Solutions
Director, Customer Energy Solutions

NMPRC Testimony:

Case No. 20-00124-UT (2021 Renewable Energy Plan)
Case No. 20-00237-UT (2022-2023 Transportation Electrification Plan)
Case No. 21-00158-UT (Sky Blue Investigation)
Case No. 22-00058-UT (Grid Modernization Implementation)
Case No. 23-00071-UT (Community Solar Implementation)
Case No. 23-00195-UT (2024-2026 Transportation Electrification Plan)
Case No. 25-00049-UT (Grid Modernization Review)
Case No. 25-00071-UT (Sky Blue Termination)
Docket No. 26-0000069 (Second Annual Grid Modernization Review)
Docket No. 26-0000115 (2027-2029 Transportation Electrification Plan)

PNM Exhibit AJB-2

Community Solar Benefit Cost Analysis

Is contained in the following 7 pages.

PNM Exhibit AJB-2: Community Solar Benefit-Cost Analysis

	Category	NPV Aggregate Costs 2026 - 2045	NPV Aggregate Benefits 2026 - 2045	NPV 2026 - 2045
1	Generation: Energy Generation	$63,927,658	$0	$63,927,658
2	Generation: Capacity	$0	$169,233,745	($169,233,745)
3	Generation: Environmental Compliance	$0	$0	$0
4	Generation: RPS/CES Compliance	$0	$0	$0
5	Transmission: Capacity	$3,024,593	$0	$3,024,593
6	Distribution: Capacity	$0	$0	$0
7	Distribution: Voltage	$0	$39,675	($39,675)
8	Distribution: O&M	$7,477,035	$0	$7,477,035
9	Line Losses (Adder to Energy) - Transmission Losses	$0	$4,805,596	($4,805,596)
10	Line Losses (Adder to Energy) - Distribution System Losses	$235,382	$0	$235,382
11	Community Solar Bill Credit	$258,784,984	$0	$258,784,984
12	Administrative Costs	$11,728,969	$0	$11,728,969
13	Ongoing O&M Costs Outside Admin Costs	$0	$2,680,203	($2,680,203)
14	Community Solar Administrative Cost Rider 57	$0	$9,048,766	($9,048,766)
	TOTALS:	$345,178,620	($185,807,984)	$159,370,636
	BENEFIT-COST RATIO:			0.54

GHG Emissions - Tons CO2	12,298

Cost = Positive Number
Benefit = Negative Number

NPV		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
	Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
$4,495,412.16	Transmission losses	$421,043	$421,043	$421,043	$421,043	$421,043	$421,043	$421,043	$421,043	$421,043	$421,043
	Transmission Congestion	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
($2,829,366.63)	Transmission deferrals*	-$265,000	-$265,000	-$265,000	-$265,000	-$265,000	-$265,000	-$265,000	-$265,000	-$265,000	-$265,000
$0.00	Distribution capacity	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
($220,188.78)	Distribution system losses	-$20,623	-$20,623	-$20,623	-$20,623	-$20,623	-$20,623	-$20,623	-$20,623	-$20,623	-$20,623
($6,994,419.17)	Distribution O&M	-$440,930	-$462,977	-$486,125	-$510,432	-$535,953	-$562,751	-$590,888	-$620,433	-$651,454	-$684,027
$37,114.13	Distribution Voltage	$39,675	$0	$0	$0	$0	$0	$0	$0	$0	$0

NPV		2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
	Year	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**
$4,495,412.16	Transmission losses	$421,043	$421,043	$421,043	$421,043	$421,043	$421,043	$421,043	$421,043	$421,043	$421,043
	Transmission Congestion	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
($2,829,366.63)	Transmission deferrals*	-$265,000	-$265,000	-$265,000	-$265,000	-$265,000	-$265,000	-$265,000	-$265,000	-$265,000	-$265,000
$0.00	Distribution capacity	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
($220,188.78)	Distribution system losses	-$20,623	-$20,623	-$20,623	-$20,623	-$20,623	-$20,623	-$20,623	-$20,623	-$20,623	-$20,623
($6,994,419.17)	Distribution O&M	-$718,229	-$754,140	-$791,847	-$831,439	-$873,011	-$916,662	-$962,495	-$1,010,620	-$1,061,151	-$1,114,208
$37,114.13	Distribution Voltage	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

* Includes the transmission service we have to pay to tri-state for the clayton project

($5,511,448.30)

Negative numbers = Cost
Positive Numbers = Benefit

Year	Generation: Energy Generation	Generation: Capacity	Generation: Environmental Compliance	GHG Emissions (Tons)	NPV Generation: Energy Generation (2026 - 2045)	NPV Generation: Capacity (2026 - 2045)	NPV Generation: Environmental Compliance (2026 - 2045)
2026	($1,831,961)	($1,398,685)	$0	35,146	$63,927,658	($169,233,745)	$0
2027	($8,372,060)	($1,409,896)	$0	5,569			
2028	($697,952)	($13,116,640)	$0	38,964			
2029	$10,187,840	($21,022,276)	$0	(5,107)			
2030	$10,683,605	($19,327,048)	$0	(5,615)			
2031	$11,635,786	($18,913,916)	$0	(7,035)			
2032	$11,976,406	($17,727,672)	$0	(7,299)			
2033	$11,976,886	($16,723,051)	$0	3,970			
2034	$12,980,141	($15,972,566)	$0	(10,585)			
2035	$13,582,448	($15,328,310)	$0	4,594			
2036	$13,884,115	($14,680,242)	$0	(3,522)			
2037	$14,783,292	($14,058,135)	$0	5,027			
2038	$6,441,143	($16,349,008)	$0	(10,881)			
2039	$434,088	($18,091,934)	$0	5,465			
2040	$231,611	($17,607,564)	$0	(10,706)			
2041	$974,600	($18,495,286)	$0	7,722			
2042	$231,740	($17,929,425)	$0	(14,640)			
2043	$1,565,746	($23,707,378)	$0	(19,619)			
2044	$4,143,220	($27,488,650)	$0	850			
2045	($2,921,275)	($15,441,716)	$0	0			

Cost = Positive Number
Benefit = Negative Number

Year	Transmission Losses	Transmission Deferrals* *Includes the transmission service PNM has to pay to Tri-State for the Clayton project	Distribution Capacity	Distribution System Losses	Distribution O&M	Distribution Voltage	NPV Transmission Losses (2026 - 2045)	NPV Transmission Congestion (2026 - 2045) *Not included in BCR calculation	NPV Transmission deferrals (2026 - 2045)	NPV Distribution Capacity (2026 - 2045)	NPV Distribution System Losses (2026 - 2045)	NPV Distribution O&M (2026 - 2045)	NPV Distribution Voltage (2026 - 2045)
2026	($421,043)	$265,000	$0	$20,623	$440,930	($39,675)	($4,805,596)	$0	$3,024,593	$0	$235,382	$7,477,035	($39,675)
2027	($421,043)	$265,000	$0	$20,623	$462,977	$0							
2028	($421,043)	$265,000	$0	$20,623	$486,125	$0							
2029	($421,043)	$265,000	$0	$20,623	$510,432	$0							
2030	($421,043)	$265,000	$0	$20,623	$535,953	$0							
2031	($421,043)	$265,000	$0	$20,623	$562,751	$0							
2032	($421,043)	$265,000	$0	$20,623	$590,888	$0							
2033	($421,043)	$265,000	$0	$20,623	$620,433	$0							
2034	($421,043)	$265,000	$0	$20,623	$651,454	$0							
2035	($421,043)	$265,000	$0	$20,623	$684,027	$0							
2036	($421,043)	$265,000	$0	$20,623	$718,229	$0							
2037	($421,043)	$265,000	$0	$20,623	$754,140	$0							
2038	($421,043)	$265,000	$0	$20,623	$791,847	$0							
2039	($421,043)	$265,000	$0	$20,623	$831,439	$0							
2040	($421,043)	$265,000	$0	$20,623	$873,011	$0							
2041	($421,043)	$265,000	$0	$20,623	$916,662	$0							
2042	($421,043)	$265,000	$0	$20,623	$962,495	$0							
2043	($421,043)	$265,000	$0	$20,623	$1,010,620	$0							
2044	($421,043)	$265,000	$0	$20,623	$1,061,151	$0							
2045	($421,043)	$265,000	$0	$20,623	$1,114,208	$0							

Cost = Positive Number
Benefit = Negative Number

Year	Community Solar Generation (kWh/yr) - 125 MW*	CS Bill Credit Calc - 125 MW	NPV Community Solar Credit (2026 - 2045)	
2025	4,190,375	$274,348	$258,784,984	2025 Actuals
2026	78,963,255	$6,680,126		Based on generation through Sept. and estimate to EOY
2027	249,700,000	$21,124,096		Interconnections phasing in, assumes 80% of total 125 MW
2028	299,640,000	$25,348,915		Assumes all 125 MW generating
2029	298,141,800	$25,222,170		
2030	296,651,091	$25,096,059		
2031	295,167,836	$24,970,579		
2032	293,691,996	$24,845,726		
2033	292,223,536	$24,721,498		
2034	290,762,419	$24,597,890		
2035	289,308,607	$24,474,901		
2036	287,862,064	$24,352,526		
2037	286,422,753	$24,230,763		
2038	284,990,639	$24,109,610		
2039	283,565,686	$23,989,062		
2040	282,147,858	$23,869,116		
2041	280,737,119	$23,749,771		
2042	279,333,433	$23,631,022		
2043	277,936,766	$23,512,867		
2044	276,547,082	$23,395,302		
2045	275,164,347	$23,278,326		

Bill credits assume every kWh will be applied to bill before expiring
*Assumes a 0.5% degredation in kWh generation per year beginning 2029
CS kWh genertation comes from NREL PV Watts:
https://pvwatts.nlr.gov/pvwatts.php
2,497 kWh/kWac/year

Year	Community Solar Generation (kWh/yr) - 125 MW*	Rider 57 Calc - 125 MW	Administrative Costs (includes Customer Support and Revenue Support teams)	Ongoing O&M Costs Outside Admin Costs (offset by Rider 57)	Rider 57 Calc - 125 MW	Administrative Costs (includes Customer Support and	Ongoing O&M Costs Outside Admin Costs (offset by Rider 57)
2023	0	$0	$0	$0	($9,048,766)	$11,728,969	($2,680,203)
2024	0	$0	$0	$0			
2025	4,190,375	($2,382)	$67,146	($64,764)			
2026	78,963,255	($111,877)	$919,696	($807,818)			
2027	249,700,000	($1,340,503)	$1,038,000	$302,503			
2028	299,640,000	($336,719)	$1,038,000	($701,281)			
2029	298,141,800	($1,337,307)	$1,038,000	$299,307			
2030	296,651,091	($333,538)	$1,038,000	($704,462)			
2031	295,167,836	($1,334,143)	$1,038,000	$296,143			
2032	293,691,996	($330,390)	$1,038,000	($707,610)			
2033	292,223,536	($1,331,010)	$1,038,000	$293,010			
2034	290,762,419	($327,273)	$1,038,000	($710,727)			
2035	289,308,607	($1,327,909)	$1,038,000	$289,909			
2036	287,862,064	($324,187)	$1,038,000	($713,813)			
2037	286,422,753	($1,324,839)	$1,038,000	$286,839			
2038	284,990,639	($321,132)	$1,038,000	($716,868)			
2039	283,565,686	($1,321,799)	$1,038,000	$283,799			
2040	282,147,858	($318,107)	$1,038,000	($719,893)			
2041	280,737,119	($1,318,789)	$1,038,000	$280,789			
2042	279,333,433	($315,113)	$1,038,000	($722,887)			
2043	277,936,766	($1,315,810)	$1,038,000	$277,810			
2044	276,547,082	($312,148)	$1,038,000	($725,852)			
2045	275,164,347	($1,312,860)	$1,038,000	$274,860			

Assumes a 0.5% degredation in kWh generation

Cost = Positive Number
Benefit = Negative Number

* Note: as Rider 57 resets periodically, this model assumes recovery with lag.

11739867.04

2025 - Actuals
2026 - 10 months actuals, forecasted to provide full year estimate
2027 onwards - $220,000 + $496,000 + $322,000 (see Babej and Contreras Testimony Case No. 23-00071-UT)

Inputs/Assumptions

Source	Item	Value		
Financial				
Copperleaf - System Inflation Rate	Inflation Rate	1.5%		
Copperleaf - System Discount Rate	Discount Rate	7.2%		
Inflation Rate - WACC	Inflation Rate - WACC	6.90%		
Avoided Capacity Requirements, Reduction in Utility Energy, Reduction in Customer Energy Cost				
Capacity/Utilization Factor	Capacity Factor	40%		
BV Conservative assumption	% Load Reduction	0.03%		
Source-2023.06.05 Commodity price and load tables 2023 IRP rev1.xlsx, Load-annual peak demand Tab	2023 Coincident Peak (MW)	2028.63		
Source-PNM: T&D Losses.pdf	Distribution Demand Losses (%)	5.29%		
Source-PNM: T&D Losses.pdf	Transmission Demand Losses (%)	2.92%		
Maintain Power Quality				
Per Dist. Eng. (10/2/2023): DER =<5000 kW	Power Factor (PF)	1.00	5000	
Per Dist. Eng. (10/2/2023): DER >5000 kW	Power Factor (PF)	0.97		
% DER Penetration of Feeder Rated Capacity: The higher the DER penetration, the greater the power quality risk			**PQ Risk**	**Probability**
	DER < 5% OF Rated Capacity		None	None
	5%≤DER<15%	5%	Negligible	Oncein1000Years
	15%≤DER<35%	15%	Negligible	Oncein333Years
	35%≤DER<60%	35%	VeryMinor	Onicein100Years
	60%≤DER<100%	60%	Minor	Oncein100Years
	DER>=100%	100%	Minor	Oncein33Years
Energy Arbitrage				
DIRECT TESTIMONY OF LUCAS MCINTOSH, page 10 - $125,000/MW over 3 years	Arbitrage ($/MWyr)	$41,666.67		
Estimated Storage growth 2041 and 2042	% growth	10%		
Increasing DER Hosting Capacity				
https://www.turbinegenerator.org/solar/new-mexico/	Average Annual Sunlight Hours: 3400 hours	3400		
https://www.turbinegenerator.org/solar/new-mexico/	Clear Days: 167 days per year	167.00		
https://www.turbinegenerator.org/solar/new-mexico/	Summer Peak Sun Hours: 7.16 hours per day	7.16		
https://www.turbinegenerator.org/solar/new-mexico/	Winter Peak Sun Hours: 6.21 hours per day	6.21		
https://www.turbinegenerator.org/solar/new-mexico/	Average Peak Sun Hours: 6.77 hours per day	6.77		
Community Solar Credit Rate	$/kWh	0.0845979	Average Rate Oct 2026	
Administrative Cost Rider 57 Rate	$/kWh	0.0021333	Current 2026 Rate	
DER Carbon Offset				
https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator#results: 1 MW = .433 metric tons of carbon	1 MWh to ton of CO2	0.433		
Source - 2023.02.10 Avoided Capacity & Energy_for EE_NLP testimony, Tables-Firm Tab (Avoided Generation Tab-Carbon Prices)	$/ton	22.05		
Contribution of DERMS (Increase Hosting Capacity and DER Carbon Offset)				
Battery Storage Filing: $25.8 M for storage on 2 feeders = 12.9 M/Feeder	Storage on 20 Feeders (Million)	$258.00		
	DERMS Cost ($ Million)	$0.33		

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE APPLICATION OF PUBLIC SERVICE COMPANY OF NEW MEXICO FOR REVISION OF ITS RETAIL ELECTRIC RATES PURSUANT TO ADVICE NOTICE NO. 667	)	**Docket No. 26-0000XXX**
PUBLIC SERVICE COMPANY OF NEW MEXICO,	)	
Applicant.	)	

AFFIRMATION

I, Alaric J. Babej, submit this unsworn affirmation pursuant to Rule 1.2.2.35(A)(3) and state, upon penalty of perjury under the laws of the State of New Mexico, that I have read the foregoing Direct Testimony and that the statements contained therein are true and correct based on my personal knowledge, information and belief.

Dated: November 24, 2026.

/s/ *Alaric J. Babej*
ALARIC J. BABEJ

GCG#536025