BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF PUBLIC SERVICE COMPANY OF NEW MEXICO'S SECOND ANNUAL GRID MODERNIZATION REVIEW FILING PURSUANT TO THE COMMISSION'S FINAL ORDER	)	**Docket No. 26-00000__**
PUBLIC SERVICE COMPANY OF NEW MEXICO,	)	
Applicant.	)	

DIRECT TESTIMONY

OF

ALARIC J. BABEJ

April 10, 2026

NMPRC DOCKET NO. 26-00000___
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WITNESS FOR
PUBLIC SERVICE COMPANY OF NEW MEXICO

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I. INTRODUCTION AND PURPOSE

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

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

Q. Please summarize your educational background and professional qualifications.

A. My educational background and professional experience are summarized in PNM Exhibit AJB-1.

Q. Please describe your responsibilities as Director of Customer Energy Solutions.

A. In my role as Director of Customer Energy Solutions, I oversee multiple customer programs offered by PNM, including Energy Efficiency ("EE"), Transportation Electrification, voluntary renewable energy tariffs such as PNM Sky Blue® and PNM Solar Direct, Community Solar, and new program design.

Q. Please state the purpose of your direct testimony.

A. The purpose of my testimony is to discuss the development of energy efficiency and demand response ("DR") programs that utilize advanced metering

infrastructure ("AMI") and provide an update on the development of third-party marketplace offerings.

II. ENERGY EFFICIENCY AND DEMAND RESPONSE PROGRAMS

Q. As required by the Final Order in Docket No. 22-00058-UT, please provide the number and percentage of customers enrolled in an AMI-enabled demand response program.

A. There are currently no customers enrolled in an AMI-enabled DR program. As discussed in more detail below, PNM has not yet developed or acquired any energy efficiency or demand response programs that specifically leverage or require AMI. Also, as discussed in more detail in the Direct Testimony of PNM witness Eric Morgan, the AMI deployment has not started yet.

Q. As required by the Final Order in Docket No. 22-00058-UT, please provide the peak MW reduction from demand response.

A. PNM currently contracts 70 MW of customer load in DR prior to AMI deployment. This includes approximately 40 MW from Power Saver and approximately 30 MW from Peak Saver.

However, actual enrollments currently reflect 81 MW of DR. This includes approximately 54 MW from Power Saver and approximately 27 MW from Peak Saver. The increase of 11 MW since my direct testimony in Docket No. 25-00049-UT is due to increased program participation and nominated capacity in the Power

Saver program, primarily in the smart thermostat component of the program, for which enrollments are ongoing and proving popular with customers.

Q. What progress has PNM made towards developing new demand response programs or energy efficiency offerings that leverage AMI?

A. PNM conducted both an energy efficiency and demand response potential study in 2025 to consider future program offerings that may be feasible in PNM's service area. Behavioral Demand Response ("BDR") is a potential study outcome that could be offered as an AMI-leveraged program. BDR programs encourage customers to voluntarily reduce their electricity usage during peak demand periods. By utilizing real-time data from smart meters, utilities can effectively engage customers and energy consumption.

Q. What internal and/or external factors have influenced the development of these programs or offerings to date?

A. PNM continually looks to offer a comprehensive and cost-effective energy efficiency portfolio to serve PNM customers and meet the statutory and regulatory requirements. Part of this process is to study the potential future market for energy efficiency and demand response to consider what programs may be feasible in PNM's service area and become part of the portfolio. As PNM prepares for the deployment of AMI, we requested that programs that could be deployed after AMI, such as behavioral demand response, be studied to determine the impact.

Q. What is PNM's process for researching, developing, and implementing new demand response or energy efficiency programs?

A. PNM benefits from research data and is a member of several national trade groups and non-profit research organizations such as E Source, Association of Energy Services Professionals ("AESP"), Consortium for Energy Efficiency ("CEE"), Southwest Energy Efficiency Project ("SWEEP"), American Council for an Energy-Efficient Economy ("ACEEE"), and Design Lights Consortium ("DLC"). PNM leverages the expertise and best practices from these national organizations to benchmark the state of the industry and determine if changes to the PNM energy efficiency portfolio are necessary and/or beneficial. PNM also meets with other utilities on a regular basis to share program successes and lessons learned.

PNM engages with industry experts from national trade and non-profit research organizations, other utilities, as well as implementers to discuss program design across jurisdictions and determine how a new program may fit within the portfolio. PNM also actively initiates studies to help inform market saturation and potential for additional demand response and energy efficiency programs. For example, the recent potential study showed that behavioral demand response could be successful with deployment of AMI. PNM works with industry experts to learn best practices and implement the best version of the program. PNM also utilizes the New Mexico Technical Resource Manual ("NM TRM") to validate energy savings for various technologies. PNM may work with existing implementers if possible, or may need to run an RFP process to solicit bids for implementation.

Finally, implementing programs is an ongoing process that requires close coordination between the PNM energy efficiency program managers and the implementation partners. PNM tracks program budget and performance, as well as the customer experience to ensure that the expected benefits of the program are being delivered. Often this process requires changes to the programs over time based on learnings from the field in a continuous cycle of incremental improvements.

Q. How can AMI enhance or increase the efficacy of traditional energy efficiency offerings or demand response programs, and what benefits will it provide customers?

A. AMI will serve as an enhancement for the energy efficiency portfolio by increasing customer transparency about near real-time energy usage, as well as how energy efficiency measures can affect their energy usage. For example, the disaggregation of usage within the residential behavioral program will be more precise by taking into account actual interval data after the AMI rollout. Also, customers will be able to monitor their energy usage before and after they implement changes such as a Home Energy Checkup,[1] a newly installed ENERGY STAR® appliance heat pump system, or direct install weatherization measures from an Easy Savings Kit. Furthermore, if customers participate in demand response, they will be able to see

[1] PNM EE and DR programs are described in more detail at https://www.pnm.com/save-money-and-energy.

the reduction in power during events; this becomes especially valuable if PNM receives approval for a behavioral demand response program post-AMI rollout.

Q. Is that consistent with PNM's statements in Docket No. 22-00058-UT, PNM's original application to implement grid modernization technologies?

A. On page 13, Lines 13-18 of PNM witness Mario Cervantes's Direct Testimony in Docket No. 22-00058-UT, the Customer Energy Management Platform will have decision-support analytics that "will be based on customer historical usage patterns to inform customers regarding whether to utilize potential beneficial rates and programs." PNM will continue to offer customers a broad portfolio of energy efficiency programs reflective of best practices. PNM will ensure that enhancements enabled by AMI will be communicated to customers participating in energy efficiency programs.

Q. PNM performed a cost-benefit analysis as part of Docket No. 22-00058-UT, can you summarize the benefits PNM anticipated in that analysis as a result of enhanced or more effective energy efficiency or demand response programs?

A. As stated in the Rebuttal Testimony of Zachary R. Johnson in Docket No. 22-00258-UT, "In general, we anticipate realizing benefits in three primary areas for EE/DR programs. Those include individual customer energy usage and alerts, targeted program outreach/marketing, and targeted program modification and development." This is in keeping with the benefits discussed elsewhere in my testimony. For example, customers will have more insight into their near real-time

energy usage and the ability to make decisions and monitor the impacts of those decisions on their energy usage. Existing programs such as the behavioral energy efficiency program will be enhanced through better disaggregation. Also, potential future programs, such as behavioral DR, may be proposed after AMI is fully deployed.

Q. Will AMI drive additional energy savings within the energy efficiency portfolio?

A. No. As stated on Page 50, Lines 1-2 of PNM witness Zachary R. Johnson's Direct Testimony in Docket No. 20-00087-UT, in which PNM filed a proposed AMI pilot program within the Energy Efficiency portfolio in compliance with the Final Order in Docket No. 15-00312-UT, PNM "anticipates minimal savings, if any, above and beyond the non-AMI participants." The proposed AMI pilot was not approved in Docket 20-00087-UT.

Q. Will these programs support broader grid modernization goals, such as peak management or load flexibility?

A. Potentially, yes. Behavioral demand response was identified in the most recent potential study and may be included in a future triennial plan after AMI deployment. If this type of program is able to maintain a cost-effective portfolio, it may be deployed to support peak management and load flexibility.

Q. How will the Company ensure these programs align with the capabilities of the AMI system as deployment continues?

A. PNM evaluates the compatibility of any new EE or DR program with its existing and planned future infrastructure prior to proposing implementation of that program. PNM will continue to perform this evaluation to ensure that any such new programs are compatible with AMI prior to proposing implementation.

Q. What emerging technologies or data capabilities could support these potential programs?

A. The deployment of AMI and integration with other systems such as the Customer Energy Management Platform will provide the data granularity required in order to provide enhanced features such as better disaggregation of customer energy use. The ability for AMI to measure and report on instantaneous power demand also enables a program such as behavioral demand response to measure the effectiveness of messaging without direct control of loads behind the meter.

Q. At least one party in PNM's last Grid Mod Review filing (Docket No. 25-00049-UT) seemed to imply that AMI had the potential to make additional, AMI-enabled energy efficiency or demand response programs feasible for PNM. Has any person or organization approached PNM with any such programs or a list of those programs?

A. No, PNM has not received a list of AMI-enabled energy efficiency or demand response programs. During the Energy Efficiency Public Advisory Stakeholder

meeting on February 5, 2026, PNM's presentation included a behavioral demand response program to explore as a result of the 2025 DR potential study, in addition to, leveraging AMI technology enhancements within PNM's existing energy efficiency and demand response portfolio such as real-time energy consumption data, more granular disaggregation of end use equipment, and targeted marketing. No other recommendations were made by the stakeholders in attendance at this meeting.

Q. For each program or offering under development or consideration, in which regulatory proceeding does the Company plan to propose the program or offering?

A. Energy efficiency and demand response plans are required to be filed every three years. PNM's next (2027-2029) energy efficiency plan is due to be filed on April 15, 2026, prior to any AMI deployment. While a full behavioral demand response program post-AMI deployment would not be feasible until the 2030-2032 triennial plan to be filed in April of 2029, PNM is interested in testing and understanding the potential benefits of these programs as soon as possible. PNM may consider a limited pilot in the 2027-2029 program years, dependent on the status of AMI deployment.

Q. Is there an anticipated timeline for the filing and implementation of each offering?

A. PNM files its three-year plans as required by regulation. Any deviation from those plans, once approved by the Commission, would necessarily be filed as a variance from the final order approving the plan. The 2027-2029 plan will be filed on April 15, 2026, and will include the plan for a behavioral demand response pilot. While PNM does not have knowledge of the exact date of approval, PNM may request the inclusion of a comprehensive behavioral demand response program in the 2030-2032 triennial plan filing.

III. DEVELOPMENT OF THIRD-PARTY MARKETPLACE OFFERINGS

Q. Does PNM currently offer any third-party marketplace offerings?

A. Yes. PNM currently offers third-party marketplaces which are available on our websites associated with electric vehicle charging and other energy efficiency offerings including home energy assessments.[2] These offerings are planned to be promoted through recommendations in the new Customer Energy Management Platform ("CEMP").

Q. Has PNM begun deployment of the third-party marketplace offerings enabled by grid modernization investments?

A. No. While PNM has been working on the back-office software, PNM has not yet implemented either AMI or the CEMP. The granular customer data AMI will

[2] See www.pnm.com/ev and www.checkwithpnm.com.

provide will inform the development and subsequent deployment of additional third-party marketplaces.

IV. CONCLUSION

Q. Please provide a summary of the main points of your testimony.

A. My testimony has four main objectives: 1) to state both the existing demand response capacity as well as the amount of customers enrolled in AMI-enabled demand response as required in Docket No. 22-00058-UT, 2) explain the potential benefits and enhancements that AMI may provide to the energy efficiency and demand response portfolio, 3) describe possible future programs within the energy efficiency and demand response portfolio that may be proposed to utilize AMI technology once it is deployed across the PNM service area, and 4) provide an update on the development of the third-party marketplace offerings enabled by grid modernization investments.

Q. Does this conclude your testimony?

A. Yes, it does.

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Alaric J. Babej's Resume

PNM Exhibit AJB-1

Is contained in the following 1 page.

Alaric J. Babej
EDUCATIONAL AND PROFESSIONAL SUMMARY

Name: Alaric J. Babej

Address: Public Service Company of New Mexico
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. 23-00071-UT (Community Solar Implementation)
Case No. 23-00195-UT (2024-2026 Transportation Electrification Plan)
Case No. 25-00049-UT (First Annual Grid Modernization Review)
Case No. 25-00071-UT (Sky Blue Termination)

GCG#535117

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AFFIDAVIT

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

ALARIC J. BABEJ, Director, Customer Energy Solutions, for Public Service Company of New Mexico, upon being duly sworn according to law, under oath, deposes and states: I have read the foregoing **Direct Testimony of Alaric J. Babej,** and it is true and accurate based on my own personal knowledge and belief.

Dated this 10th day of April, 2026.

/s/ Alaric J. Babej____
ALARIC J. BABEJ

GCG # 534768