Powering New Mexico, Together

PNM Energy Efficiency Program

2025 Annual Report

April 15, 2026

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Introduction

The Public Service Company of New Mexico ("PNM") Energy Efficiency Program empowers individuals and businesses across the PNM service area to save energy and money by installing measures and/or adopting practices that result in the reduction of electric consumption or curtailed demand within their homes and businesses.

Program Results Summary

- The 2025 Program was cost effective, as measured by the Utility Cost Test ("UCT"), with a UCT of **1.38** for the portfolio of programs.
- The total annual net savings after free rider and other adjustments were accounted for was **86.8 GWh** at the customer meter.
- The two load management programs represent an average hourly capacity of approximately **80.54** MW.
- Total program expenses were about **$39.1 million**.
- The average cost per kWh of lifetime energy savings from the energy efficiency programs, not including load management, was **4.80 cents/kWh**.
- **PNM exceeded the 395 cumulative GWh Target goal set forth for the 2021-2025 program years.**

PNM submits this annual report on the performance of the PNM Energy Efficiency and Load Management Program for calendar year 2025, (2025 Program). This annual report is based on the measurement and verification of the 2025 PNM programs performed by EcoMetric Consulting, LLC ("EcoMetric").The 2025 Evaluation of Energy Efficiency and Load Management Programs for Public Service Company of New Mexico Energy ("M&V Report") prepared by EcoMetric is submitted as a separate document.

The programs evaluated in this annual report were approved by the New Mexico Public Regulation Commission ("NMPRC" or "Commission") in Case No. 23-00138-UT. This report covers all costs incurred in the implementation of the programs and all customer participation in the programs from January 1, 2025, through December 31, 2025.

This is the 18th annual report on the PNM Energy Efficiency Programs. Results are based upon independent measurement and verification.

Table 1 provides the definition of “Participants or Units” by program.

Table 1

Programs	Participants	Units	Description
Residential Comp.	X	X	Cooling Equip/Appliances/Homes
Residential Products		X	Nightlights/Non-lighting Measures
Commercial Comp.	X	X	Apartments/Projects/Distributors
Easy Savings		X	Kits Mailed to Homes
Energy Smart	X		Single Family and Multifamily Homes
New Home Const.	X		New Homes
PNM Home Works	X		Res Education/Self-install Kits
Behavioral Comp.	X		Res Reports and C&I Process Improvements
Power Saver (LM)		X	Res/Sm Bus AC Units/Smart T-Stats
Peak Saver (LM)	X		C&I Premises

Table 2 shows the total number of customer participants (or units), the annual energy and demand savings, the lifetime energy savings, and the total costs for each of the programs for calendar year 2025.

Table 2

Program	Participants or Units	Annual Savings (kWh)	Annual Savings (kW)	Lifetime Savings (kWh)	Total Program Costs
Residential Comp.	8,728	10,390,063	4,936	100,379,124	$ 7,814,851
Residential Products	422,681	15,283,025	1,560	189,356,676	$ 4,883,439
Commercial Comp.	505	33,019,380	5,044	350,005,412	$ 11,169,522
Easy Savings	12,588	5,976,262	3,082	59,762,623	$ 1,702,958
Energy Smart	138	400,107	44	5,857,565	$ 363,079
New Home Const.	1,222	1,300,402	237	20,936,478	$ 975,511
PNM Home Works	15,342	3,950,426	209	52,698,681	$ 1,081,621
Behavioral Comp.	174,587	16,440,129	2,846	33,083,903	$ 1,240,317
Power Saver (LM)	64,912	-	42,900	-	$ 6,730,333
Peak Saver (LM)	220	25,041	14,116	25,041	$ 3,091,727
Total	**700,924**	**86,784,834**	**74,975**	**812,105,504**	**$ 39,053,358**

Program Information

This section highlights the successful strategies and accomplishments of the following programs in 2025:

(1) Commercial Comprehensive

(2) Residential Comprehensive

(3) Residential Products

(4) Energy Smart

(5) Home Works

(6) New Home Construction

(7) Easy Savings Kit

(8) Power Saver load management

(9) Peak Saver load management

(10) Behavioral Comprehensive

(11) Market Transformation

(12) Self-Direct

Commercial Comprehensive

The Commercial Comprehensive program is designed to be a one-stop shop for all commercial customers. It is comprised of six sub-programs including New Construction, Retrofit Rebates (primarily large business), Building Tune-Up, Quick Saver (small business), Distributor Discount (focused on midstream incentives) programs, and the Multifamily program.

New Construction and **Retrofit Rebates** offer pre-set and custom incentives for installing qualifying equipment in new and existing buildings, and for implementing efficient designs in new buildings. Eligible equipment includes energy efficient lighting, HVAC, refrigeration, food service equipment, motors and variable speed drives, window film and plug load controls. **Building Tune-Up** offers incentives for building owners and operators to improve whole-system building efficiency through retro-commissioning, performing advanced tune-ups of air conditioning systems, and supporting building operator certification training. In the PNM **Distributor Discount** program, a participating distributor sells high-efficiency equipment from an approved product list to an eligible

PNM customer; the customer receives an instant discount at the point of purchase, and PNM pays the rebate directly to the distributor.

In 2025, there were 217 customer projects in the New Construction, Retrofit Rebate, Building Tune-Up, and Distributor Discount programs. The projects completed at these customers' facilities resulted in approximately $3.6 million in rebates to customers and will save over 20.6 million kWh per year.

Quick Saver week in Belen

PNM **Quick Saver** is a direct-install program for small business customers who have an annual peak electric demand of 200 kW or less. Exceptions can be made for customers with an annual peak of up to 250 kW if the customer offers a public service or is a registered non-profit. The program offers business customers pre-set incentives for installing qualifying lighting products and refrigeration in existing buildings. An important aspect of the program is ongoing training of participating contractors for continued and successful program implementation.

A highlight for 2025 was a participation recruitment push done in the Fall for Quick Saver week. Marketed as the "Main Street Blitz", PNM contractors and local commercial chamber leaders visited downtown businesses in Belen and Los Lunas bringing awareness to the program and offered on-site assessments or scheduled assessments for a future date. For 2025, the Quick Saver program processed over $1.4 million in incentives on 205 customer projects across 16 cities throughout the PNM service territory, which will save approximately 8 million kWh per year for 2025.

The **Multifamily** program is designed to meet the needs of the hard-to-reach multifamily customer segment by offering an attractive mix of low-cost direct install measures, such as lighting replacement, along with deeper savings measures, such as upgrades to cooling equipment, all in one package. The program completed 83 projects, paid approximately $1,414,550 in incentives, and achieved 4.3 million kWh of energy savings.

The Step It Up ("SIU") pilot launched in the later part of 2024 as a means to direct funds originally allocated to an income qualified multifamily subprogram under the Housing NM, formerly MFA implemented Energy Smart program. That reallocation created a successful pilot that PNM is proud to continue offering hopefully for years to come. Step It Up provides additional incentives for installing a variety of measures with deeper savings. Nine SIU projects benefited from the program in 2025 with 1.3 million kWh in energy savings.

> ***"PNM's Step It Up Program enables Santa Fe Civic Housing Authority to do more for less. As a local housing non - profit, money is always tight. With PNM's help, in 2025, we were able to replace 31 HVAC units at our La Cieneguita Elderly Housing facility. I hope that PNM continues their rebate programs since these monies are making a positive impact among those with the most need."***
>
> ***- Ed Romero, Executive Director***
> ***The Santa Fe Civic Housing Authority***

Residential Comprehensive

Refrigerator Recycling

The Refrigerator Recycling Program offers an opportunity for both residential and commercial customers to recycle inefficient, but working, refrigerators or freezers for a rebate of $75. The appliance is picked up for free, and the appliance is then broken down at a local recycling center where close to 95% of the materials are then recycled. 2025 was the first full year with CLEAResult implementing the program, and recycled a total of 5,000 appliances, which included over 1.3 million pounds of metal and 1,300 pounds of R-12 and R-134 refrigerant. The program achieved approximately 2.7 million kWh in energy savings.

Home Energy Checkup, Low Income Checkup

In the Home Energy Checkup program, a Home Energy Specialist visits a customer's home, completes a walk-through energy assessment, and provides a comprehensive report which includes personal recommendations based on the results of the assessment. The Home Energy Specialist installs a selection of direct installation ("DI") measures, including LEDs, weather stripping, door sweeps, outlet gaskets, big gap filler, and advanced power strips. Wi-Fi smart thermostats are installed at the time of the energy assessment in homes with refrigerated air conditioning if the homeowner desires. The Home Energy Specialist also visually inspects and makes recommendations regarding existing windows and level of insulation in the home as well as the age and condition of the existing appliances and provides information about available rebates for early appliance replacement with new ENERGY STAR® certified appliances. Rebates for installing high efficiency cooling equipment, including heat pump technologies, are also available for eligible participants with older inefficient cooling equipment.

Income qualified participants receive the same walk-through assessment, installed DI measures, and a comprehensive assessment report as described above. Eligible

participants may also qualify for a free ENERGY STAR® refrigerator replacement and free installation of a Wi-Fi smart thermostat for homes with refrigerated air conditioning.

Spanish speaking Energy Specialists are available and Spanish speaking call center Customer Representatives or virtual Energy Specialists are available upon request to ensure that customers are easily able to make appointments and have their energy efficiency questions and concerns answered. Customers have the flexibility to self-schedule appointments on the PNM program website.

Customers leasing a single-family home or apartment can also participate in the program by scheduling a Home Energy Checkup or requesting a kit of easily replaceable measures including: two PNM branded night lights, weather stripping foam, and a magnetic refrigerator thermometer. Customers who rent or lease their home or apartment are required to provide written consent from their property owner for installation of more permanent measures such as a smart thermostat.

In 2025, PNM completed over 2,000 Home Energy Checkup assessments, with Income Qualified customers accounting for 733 participants and 2.3 million kWh of savings. Of the participants, 525 opted to have the assessment done virtually. In these cases, PNM continued to supply online applications for rebates and personalized Direct Install measures to be mailed to their home.

A total of 2,028 homes throughout the PNM service area received a Home Energy Checkup or energy savings kit in 2025, achieving over 5.5 million kWh savings.

Residential Midstream Cooling

The PNM Residential Midstream Cooling program offers discounted HVAC systems, heat pumps, heat pump water heaters, and smart thermostats at the distributor level. The program works with distributors across the PNM service area to offer discounts to contractors on high efficiency cooling equipment when the unit is purchased and installed in an active residential PNM customer's home. Because the discount is offered by distributors, customers are not required to submit paperwork to receive the benefit. A/C tune-ups are part of the program as well. The Program resulted in 2.1 million kWh of savings for 2025.

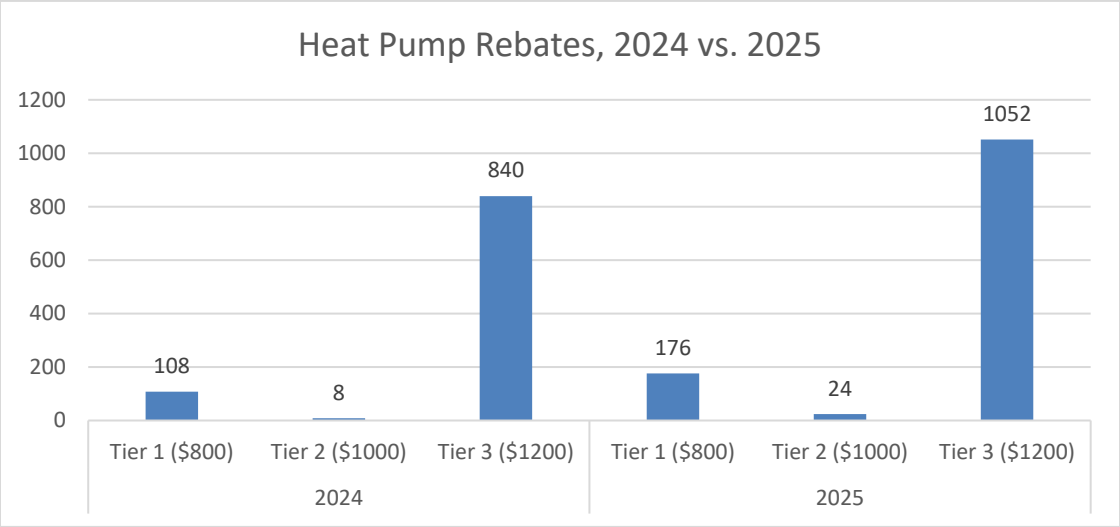
"We felt our second year participating in the PNM Midstream Program was an outstanding success for both Johnstone and our participating dealers. The rebate program not only added significant value to our business but dramatically elevated our relationships with key business partners and their customers overall. We are excited to continue the program in 2026 and continue moving forward."

-Ryan Simmons, Johnstone Supply

PNM was directed in the Final Order in Case 23-00138-UT to encourage more heat pump technology adoption in our market. To do so, PNM increased incentives for all three tiers of heat pumps in 2024 and saw promising increases in Tier 1 & Tier 3 heat pumps. That momentum kept up for 2025,

exceeding the 2024 numbers across all three tiers and even tripling the numbers of Tier 2 heat pumps from 2024.

Table 3



Residential Products

Promo Table at Lowes on Juan Tabo

In 2025, the Residential Products program offered in-store discounts on advanced power strips, ceiling fans, and air purifiers to name a few. Also offered are mail-in, online, and instant rebates on high efficiency home appliances and evaporative cooling equipment. Rebates for high efficiency windows, induction cooktops, and variable speed pool pumps were added in 2025. A total of 133 retailers including large home improvement stores, warehouse clubs, discount retailers, drug stores, independent hardware, charity retailers, and dollar stores participated in the program. PNM went further and donated nearly 34,000 LED night lights and 15,000 2-pack door sweeps to non-profit establishments such as food pantries, along with a few religious and charitable organizations, for them to distribute to the patrons they serve. This program achieved a total of approximately 15.2 million kWh of savings and provided approximately $3 million in total incentives across the PNM service area.

Each participating retailer displayed point-of-purchase ("POP") materials describing the benefits of the highly efficient product list and implemented other mass marketing strategies to engage customers. Retailer training was completed in person by field representatives in 2025. Field representatives visited participating retailers on either a bi-weekly or monthly basis depending on the retailer's sales volume.

Home Works

The PNM Home Works program provides energy efficiency education and energy saving kits to fifth graders, and high school students through the Energy Innovation program. The Home Works and Energy Innovation programs were delivered through an Energy Champion e-learning course, in person presentations, and an online game component called "Kahoot", with a primary focus on energy efficiency, renewable and non-renewable natural resources, and how electricity is created and delivered to homes and businesses, with a special emphasis on sustainability and the unique energy usage footprint of a school-aged student in the home. Virtual presentations are still offered if requested; however, most participating schools have returned to in-person presentations.

> ***"We enjoyed teaching the students about energy and how we use it in our homes. Students really liked talking about how to make our homes more energy efficient. They really enjoyed the energy circuit activity also. Teaching about renewable energy sources and how to make our homes more energy efficient is important to our future. Students enjoyed sharing these ideas with their families. Thank you again for the kits and the presentation. Students and the community benefit from them."***
>
> ***Sunset Hills Elementary, 5th grade classes & Teachers, Alamogordo***

Once presentations are completed, each fifth grade and high school student receives a customized and PNM branded kit of energy efficiency devices to install at home, which includes easy-to-install lighting and weatherization measures, including outlet gaskets, weather stripping, and door sweeps, and a written guide to assist students and parents with installation of the energy efficient products while also learning about additional ways to reduce energy waste in the home. The high school kit also contains an advanced power strip. Participating teachers can receive a mini grant to use in their classrooms to help maximize the number of surveys returned from students and to confirm students installed the kits at home. The value of the mini grant is based on student participation levels.

The Home Works program also continued the Energy Smart Seniors ("ESS") Program that began in 2024. The program is of similar nature to the program offered to fifth grade and high school students, just directed to members of local Albuquerque, Santa Fe, and surrounding senior centers, including Rio Rancho, Alamogordo, Deming, and Tularosa. A hands-on presentation is given to participants along with a free kit of energy efficiency devices. The kit is comprised of an LED night Light, advanced power strip, high-efficiency shower head (1.5 gpm), kitchen aerator (1.5 gpm), bathroom aerator (1.0 gpm), various weatherization items, and a booklet highlighting the advantages of energy efficient behavior.

The Home Works program provided 14,142 kits to 151 schools throughout the PNM service area during the 2025 spring and fall semesters. The ESS component provided

1,200 kits for the year. The overall program achieved approximately 3.9 million kWh of savings in 2025.

New Home Construction

> ***"In partnership with PNM, we have helped bring zero net energy ready homes to families across New Mexico. These homes are built to meet advanced energy efficiency standards, helping homeowners significantly reduce and in many cases eliminate their electricity costs".***
>
> ***Mike Dorsey,***
> ***Homes Direct of Albuquerque***

This program incentivizes home builders to exceed the level of energy efficiency required by the applicable building code. The program offers participants incentives for building new, highly efficient, single-family residential homes through either a prescriptive or a performance path. Under the prescriptive path, home builders receive rebates for specific energy efficient technologies, whereas, under the performance path, home builders can choose to receive rebates for overall home performance upon verification by credentialed Home Energy Rating System (HERS) raters. The program provided incentives for a total of 1,222 homes in 2025, 355 of which were prescriptive homes, and 867 of which were performance homes. 83 manufactured homes were rebated through the performance home path with 56 being installed in disadvantaged communities according to Justice40 Initiative criteria. Although only 4 all-electric homes were rebated through the program in 2025, we are proposing restructuring and increasing the incentives for all-electric homes in our 2027-2029 plan to help encourage builder adoption. A total of 19 builders participated in the program in 2025, which included 3 all-electric home builders and 8 manufactured home retailers. The Rio Rancho area saw the most participation with 619 site-built homes constructed. Albuquerque followed with 264, and then the Santa Fe region with 178. Other PNM territories contributed a total of 78 site-built homes. This program achieved over 1.3 million kWh of savings and provided over $483,000 in incentives to home builders and manufactured home retailers across the PNM service area.

Low-Income Focused Programs

In 2025, the portfolio spent approximately 12.9% of the budget serving income qualified customers. This includes both low-income specific and market rate programs that also serve a portion of the income qualified market segment such as Home Works, Residential Products, New Home Construction, and Multifamily programs.

Easy Savings Kit

A kit program composed of a variety of self-installed energy efficient measures mailed directly to the customer. The kits are supplied at no cost to low-income qualified customers. The kits are primarily composed of energy efficient light bulbs, advanced smart power strips and other weatherization measures such as door sweeps, weather stripping and outlet gaskets. There is a level of customization on the kits dependent on the customer's gas or electric water heating set up. Customer outreach is accomplished

through online email campaigns directing customers to an online portal or via direct mail to customers. PNM worked with local agencies to promote participation and awareness at community assistance events such as Earth Day and the PNM community assistance fair in the fall. The Easy Savings kit program distributed 4,686 kits into the low-income community achieving 3.1 million kWh of savings.

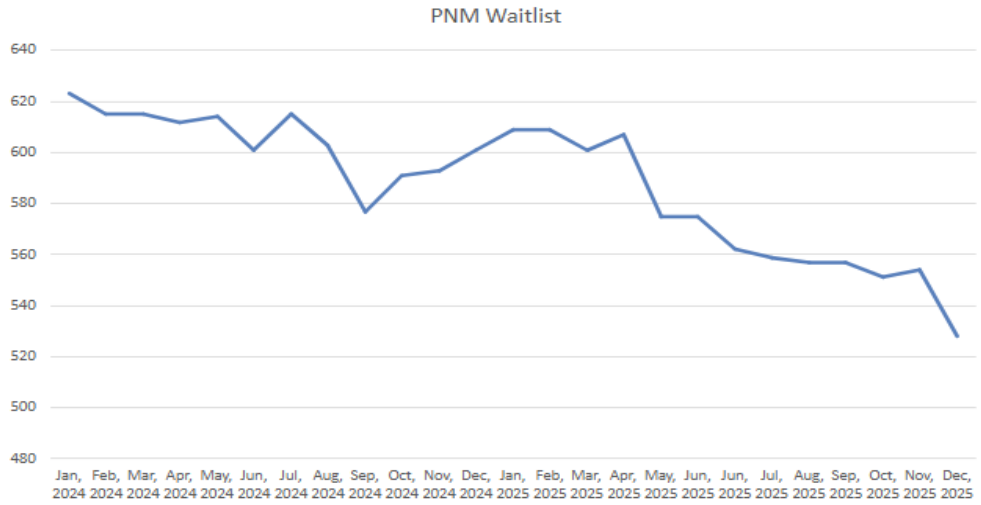
The Easy Savings kit program was extended to market rate customers on a limited time offer (LTO) basis. The cost at the market rate is $10.00 and in return, the customer receives a kit of similar energy efficiency measures as the income qualified offering with a value of approximately $100.00. These limited time offers for 2025 were promoted via separate email campaigns for market rate kits and smart thermostats. Kit promotions ran in early summer and fall to coincide with peak cooling and heating seasons, and the smart thermostat campaigns ran in late March and June to coincide with Earth Day and the 4th of July. The program distributed almost 8,000 market rate kits and thermostats for 2025 with over 4.68 million kWh of savings.

Energy Smart

PNM partners with Housing NM to install LEDs and replace inefficient refrigerators. In recent years additional weatherization efficiency measures were added to offer customers deeper savings including attic and wall insulation, air and duct sealing, window and door replacement. Programmable thermostats are also offered through the program to help income qualified single-family customers save money and energy in their homes. In 2025, Housing NM and its subcontractors provided weatherization services to 138 single-family homes and achieved approximately 400,106 kWh in energy savings.

In 2024, PNM began sharing costs with NM Gas Company on health and safety related measures that yielded little, if any, kWh savings. The hope was that by sharing these costs amongst both utilities, the program could reach more households that have remained on the waiting list for a very extended period due to specific DOE requirements. Housing NM was able to reduce the waitlist by approximately 90 households from January 2024 – December 2025. However, the program did not meet performance goals overall. **Figure 1** below highlights 2025 and some reduction in the customer waitlist.

Figure 1



Behavioral Comprehensive

Commercial Strategic Energy Management (SEM) Program

This program targets commercial and industrial customer classes by focusing on business practice changes from senior management through employee staff to positively affect organizational culture in reducing energy waste and improving energy efficiency. The SEM approach emphasizes the importance of equipping and enabling plant management and staff to impact energy consumption through behavioral and operational change, and structured planning of facility upgrades and process improvements.

> ***"Over two years in SEM, we've not only reduced energy use but gained a clearer understanding of the factors that influence our consumption. We're more mindful, and that awareness helps us make better operational decisions."***
>
> ***- SEM Participant, Colorcon***

The SEM program implementation team from 2024 still spearheaded the program but had a change of ownership; formally Strategic Energy Group (SEG) is now TRC. TRC worked in conjunction with the PNM Strategic Account Management team to recruit participants with annual electric usage exceeding 1.5 GWh as the minimum threshold. In addition to working with the PNM Account Management team, other recruitment strategies included SEM overview webinars, both real-time and recorded, email campaigns, and in-person lunch and learn events. In total, there were 15 participants for 2025, ten of which continued participation from 2024, and 5 additional that were recruited throughout the year, covering fields in industrial manufacturing, food processing, and healthcare. The program generated 8.32 million kWh of savings for 2025 and issued over $76,000 in incentives to participants.

Residential Home Energy Report Program

This residential behavioral based program utilizes more digital versus the historical paper-only delivery method which reduces paper waste and offers a broader sample of participants personalized tips and efficiency rebate recommendations through an emailed report and online portal. Through the online portal, participants have the capability to fill in any gaps about their homes on a pre-populated online survey and view energy efficiency tips and other program offerings. They can also discover which high level end-use categories specific to their homes, such as cooling, heating, refrigeration, laundry, and "always on" equipment, are consuming the most energy.

Over 3.2 million e-mails were sent in 2025 with a high delivery rate of 92%, and healthy open and click rates of 47% and 2% respectively. Over 171,000 paper reports were sent to selected customers who did not have an e-mail address on record.

This program continues to be well received by customers. The Home Energy Report Program had an average of approximately 167,000 participants throughout 2025 and with a content refresh in April, the program saw an increase in the average email like rate from 72% before the refresh to almost 87% after. It remains in the top three of the preferred means to learn about customer-specific energy consumption. This program saw an almost 1 million kWh increase in savings from 2024, achieving over 8.1 million kWh energy savings for the 2025 program year.

As directed by the Final Order in case 23-00138-UT, a link to the PNM web page, https://www.pnm.com/tax-rebate-resources, is embedded within the home energy report to direct participants to any available state and federal incentives. This information is also disseminated to participants and trade allies throughout the other programs, including New Home Construction, Home Energy Checkup, Residential Midstream Cooling, and the Commercial Comprehensive program.

Market Transformation

The goal of the Market Transformation ("MT") strategy is to increase awareness of energy efficiency to induce behavioral changes that result in the adoption of energy efficient measures. In 2024, the MT strategy continued to focus on outreach across the PNM service area to help customers better understand how they use energy and how to make better-informed decisions on ways they can use energy more efficiently. This outreach took a variety of forms, including social media outreach and promotional campaigns highlighting the benefits of energy efficiency. The interactive and educational student presentation component of the Home Works program is also included as part of the MT strategy in increasing awareness of energy efficiency and associated behavioral changes in the next generation. The newly added Energy Smart Seniors component of Home Works provides a similar presentation to senior citizens at local senior centers to promote the benefits of energy efficiency and is included as part of the MT strategy as well.

Power Saver and Peak Saver Load Management

Power Saver is a direct load control program offered to residential, small commercial, and medium commercial PNM customers. There are seven program components:

- Residential Digital Control Unit (DCU)
- Small Commercial DCU and Two-Way Thermostat
- Medium Commercial DCU
- Residential Two-Way Smart Thermostat
- Residential Bring Your Own Thermostat (BYOT) – Honeywell
- Residential BYOT – Nest
- Residential BYOT – Sensi

To facilitate load control, DCU participants must have a device attached to the exterior of their air conditioning unit. This "paging" device receives a paging signal during peak events that will activate a control sequence that cycles the unit's compressor for an interval of time (usually half the time as normal) to reduce peak demand in the summer.

Residential and small commercial participants receive an annual $25 incentive for their participation. Medium commercial participants receive an annual incentive of $9 per ton of refrigerated air conditioning. A residential smart thermostat component was added to the program in 2018 and expanded to include a residential bring your own thermostat ("BYOT") element as well.

The Peak Saver program is a demand response program offered to non-residential customers with aggregate peak load contributions of at least 150 kW. The program compensates participants for reducing electric load upon dispatch during periods of high system load.

Itron began implementing both Peak and Power Saver programs in 2024. The committed contracted capacity equals 15 MW of firm load and 15 MW of secondary load in Peak Saver, and 20 MWs of firm load and 20 MWs of secondary load in Power Saver. The maximum operational hours during the June through September load control season equals 100 hours for both Power and Peak Saver. However, there are an additional 300 hours allowed in Peak Saver for the remaining months of the year, as Peak Saver is now a 12-month program.

PNM only dispatched the Peak Saver load management resource for two test events for a total of 1 hour each with 284 participating facilities in the summer and 136 in the winter. with a confirmed expected curtailment amount of 23.25 MW in the summer and 20.098 MW for the winter. The maximum total combined summer capacity for both Peak and Power Saver was an estimated 80.54 MW. **Table 4** shows the time and duration of the test events in 2025.

Table 4

Date	Start Time (MDT)	End Time (MDT)	Duration (Hr)
06/12/2025	3:00 PM	4:00 PM	1
10/02/2025	3:00 PM	4:00 PM	1

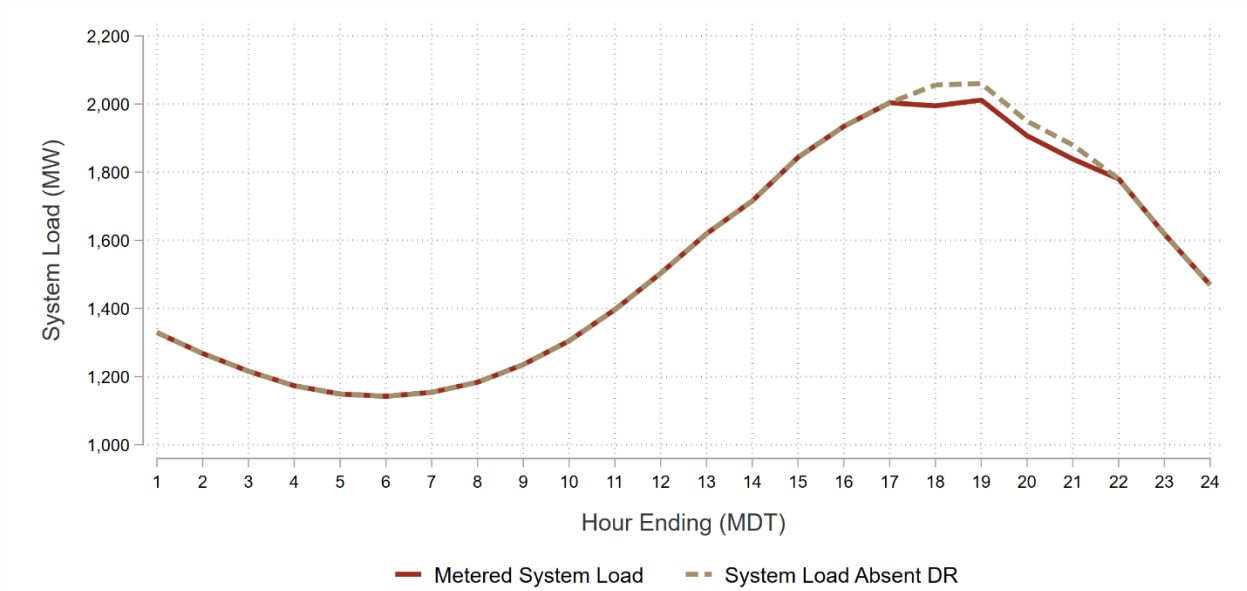
On October 28, 2020, the NMPRC issued a final order in Case No. 20-00087-UT, the PNM energy efficiency program application for 2021, 2022 and 2023, which directed Evergreen as independent program evaluator for the PNM energy efficiency and load management ("EE/LM") programs, to perform the following:

- In the PNM future M&V reports, the independent evaluator shall verify that load reductions from deployment of the PNM LM Programs avoided or offset the need for or use of additional peaking units or power purchases or shifted demand from peak to off peak period.

EcoMetric was chosen as the new Independent Evaluator in December 2022 and their subcontractor DSA addressed these points for 2025 below. A comprehensive discussion regarding the PNM peak demand and the value of Load Management as a Resource may be found in Section 9 in the 2025 M&V report. (The M&V report will be posted to PNM.com/regulatory).

> "The Evaluation team concludes that PNM's load management programs served as a capacity resource that avoided the need for additional supply-side peaking capacity in 2025. While the summer of 2025 had fewer extremely hot days compared to prior years, gross demand was still high overall. PNM called a few test demand response events, but no non-test events were called in response to supply constraints. This report section explains how demand response programs play a key role in meeting resource adequacy requirements, drawing on various materials such as 2026's IRP materials, the PNM Potential Study, and DSA's Avoided Cost of Transmission and Distribution Capacity Study.
> Reliability risk, also known as "loss load risk", is the risk that demand may exceed supply and changes year-to-year due to environmental conditions and supply generation – the addition of renewables, especially solar, have shifted net demand (demand minus zero marginal cost renewables) away from summer afternoons and towards the summer evenings. PNM's most recent Integrated Resource Plan (2023 IRP) predicts that the highest levels of loss load risk will be in the winter mornings by 2040.
>
> [The following figure] illustrates the benefits of load management programs on system load using the only non-test event during the summer of 2024 (July 31st). On that day, the Evaluation team estimated that the demand response

program provided roughly 48 MW of savings during the peak hour (7:00 PM MDT), or a 2.3% decrease in peak demand. The effect of load management programs is to flatten out the top of the post-solar evening peak on the highest load days of the year, which avoids acquiring expensive and emissions-intensive resources to balance the supply and demand. Data from 2024 is used to illustrate this point because only test events were called in 2025. Test events are meant to confirm that program implementation works as intended. Not calling events in a particular year does not diminish the capacity of the resource, but simply indicates that the resource was not needed that year due to variations in weather and other system factors"



Program Benefits and Goals

The 2025 Program benefitted the PNM system, customers in all customer classes, the environment, and the New Mexico economy.

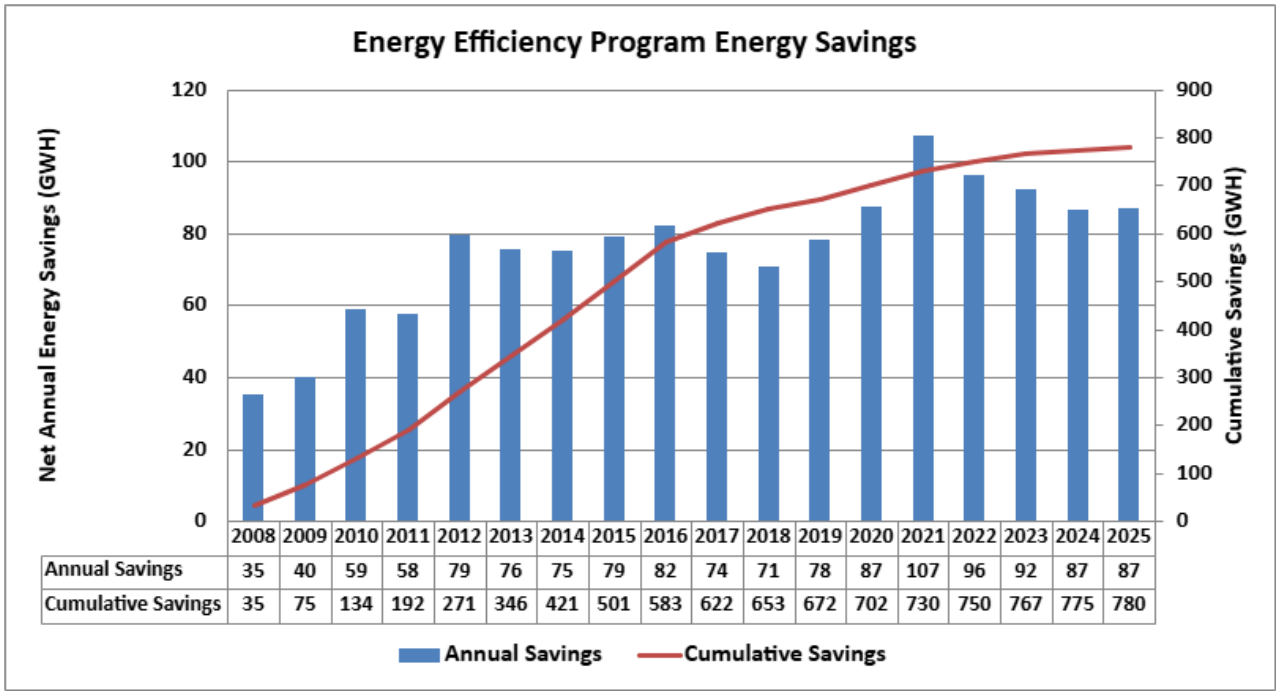
The Efficient Use of Energy Act ("EUEA")[1] required that PNM achieve cumulative energy savings of 411 GWh by 2014, equal to five percent (5%) of the PNM retail sales in 2005, and 658 GWh by 2020, equal to eight percent (8%) of 2005 retail sales. The PNM cumulative energy savings of 421 GWh through 2014 exceeded the 2014 savings requirement specified in the EUEA. The PNM cumulative energy savings of 702 GWh through 2020 exceeded the 2020 savings target and represent approximately 8.6% of 2005 retail sales. The 2019 amendment to the EUEA[2] requires that PNM achieve energy savings of not less than 5 percent (5%) of 2020 retail sales from its EE and LM programs implemented in years 2021 through 2025. When PNM filed its application for approval of its 2021 through 2023 EE&LM Program Plan, this target was estimated to be

[1] NMSA 1978, § 62-17-5(G) (2013, amended 2020).
[2] NMSA 1978, § 62-17-5(G) (2020).

approximately 403 GWh. Based on actual 2020 retail sales, PNM programs will have to achieve 395 GWh or, on average, 79 GWh of annual savings in the years 2021 through 2025. PNM exceeded the 395 cumulative GWh 2021 – 2025 goal, by achieving over 468 GWhs as of 2025.

The energy efficiency measures installed by PNM customers participating in PNM programs in any specific year will continue to save energy in years to come. However, for cost-effectiveness analysis and for purposes of determining the cumulative savings applicable to the EUEA goals in 2014, 2020 and 2025, the average effective useful life ("EUL") of the portfolio is applied. The average EUL for the portfolio is determined by dividing the total lifetime savings by the annual savings. The average portfolio EUL for the 2025 Program is 9.4 years. The average portfolio EUL has historically averaged 10 years. The decrease in EUL can mainly be attributed to impacts of the federal Energy Independence and Security Act ("EISA"), which mandated increased efficiency in lightbulbs sold. The annual savings from 2009 through 2015 no longer contribute to the cumulative savings since the average ten-year life for those savings has ended. **Figure 2** below shows the annual incremental savings on the left axis and annual cumulative savings achieved through 2025 on the right axis.

Figure 2



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Annual Savings	35	40	59	58	79	76	75	79	82	74	71	78	87	107	96	92	87	87
Cumulative Savings	35	75	134	192	271	346	421	501	583	622	653	672	702	730	750	767	775	780

*The numbers in this table are rounded to the nearest whole number.

The 2025 program provided almost $16.3 million in rebates and helped a wide range of customers with direct incentives that offset the cost of energy efficiency improvements and lowered their electric bills. Highlights include:

- Almost 420,000 products were discounted through the Residential Products program through upstream, downstream, and instant rebates as well as giveaways.
- Almost 13% of budget was used to provide offerings to low-income customers.
- Over 520 commercial customer projects, including almost 300 small commercial projects, were completed in the business energy efficiency programs.
- Heat pump adoption continued to increase over the last couple of years across all Tiers over. The 2023 program year in the Midstream Cooling program, accounted for 259 units, to 956 units in 2024, and 2025 had 1,252 units.
- The manufactured home pilot has been a success, with a total of 96 factory-built homes incentivized through the program between 2024 and 2025, and all but one being built as ZERH.

Approximately 65,133 residential and business customers participated in the demand response programs. The 2025 Energy Efficiency Program also had a significant impact on the New Mexico economy. Customer incentives are designed to pay between 25 and 75 percent of the incremental cost of efficiency improvement. Using a multiplier factor of two, the economic impact of the customer incentives would be about $32.6 million dollars. The 2025 Program also had a significant impact on local employment. Most of the PNM programs are implemented by third-party contractors who employ local staff. The 2025 third-party program implementers directly supported approximately 42 local employees. In addition, much of the $16.3 million in incentives paid to customers supported additional employment by local companies and trade allies that provided energy efficiency improvements.

The PNM Energy Efficiency Program, now in its nineteenth year, remains a key resource in the PNM Integrated Resource Plan ("2023 IRP"). The IRP group evaluates many different portfolio options that could be implemented to meet expected growth in the demand for electricity for a planned period of 20 years. Energy Efficiency and Load Management programs are found to be cost-competitive alternatives when compared to meeting system needs with traditional supply-side resources. PNM identified its most cost-effective portfolio to meet the objective of the NMPRC IRP Rule which is to "identify the most cost-effective portfolio of resources to supply the energy needs of customers."[3] The PNM IRP included the impacts of projected growth of programs that allow PNM to achieve the spending requirements and energy saving goals specified in the EUEA.

[3] 17.7.3.6 NMAC.

Tariff Collections

The costs of implementing the 2025 Program are recovered through the Energy Efficiency Rate Rider No. 16 ("Rider") on customer bills. Please note that percentages below concerning the tariff are rounded to the nearest thousandth, and that dollar values below are rounded to the nearest whole number. The Rider for 2025 included a program cost rate element that was assessed monthly as a percentage (3.805% of the monthly bill charge). A profit incentive rate element was also assessed monthly as a percentage including a 2025 base element (0.252% and a 2024 reconciliation element 0.054%).

In 2025, PNM collected $38,611,593 in program funding through the 3.805% Rider No. 16 rate element. In 2023, the PNM plan year Rider No. 16 collections exceeded expenditures by $800,170 resulting in an underage added to the amount available for program expenditures in 2025 pursuant to 17.7.2.13(F) (5)(a) NMAC. In 2024, the PNM plan year Rider No. 16 collections exceeded expenditures by $1,016,061 resulting in an underage added to the amount available for program expenditures in 2025. In 2025, PNM is accounting for both 2023 and 2024 underages in a one-time catch-up, the reasoning for which is described in Witness Casas' direct testimony in PNM's 2027 Energy Efficiency & Load Management Plan case. Accordingly, the amount of rider collections available for program funding in 2025 was $40,427,824 ($38,611,593 + $800,170 + $1,016,061). The actual PNM expenditures in 2025 were $39,053,358, resulting in an under-expended amount of $1,374,466.10. Accounting for carrying charges on monthly balances in 2025 of $209,110.45 resulted in a net underage of $1,583,576.55. The Final Order in Case No. 23-00138-UT authorized PNM to earn a Profit Incentive in 2025. PNM submitted the documentation for a tariff rider adjustment, including the program cost under-expenditure and profit incentive reconciliation, with supporting testimony, along with this annual report.

2025 Cost Reconciliation and Lack of Impact On Future Budgets

Per the final order in Rulemaking 24-00157-UT, PNM now reconciles costs on an annual basis. For this reason, PNM will not carry forward overages and underages to future years' budgets.

Regulatory Proceedings

On December 7, 2022, the Commission voted to approve EcoMetric to perform independent Measurement and Verification of New Mexico Energy Efficiency and Load Management programs for the 2023, 2024, and 2025 program years.

On May 15, 2025, PNM filed Advice Notice No. 640 to reconcile the collection of the 2024 program costs and profit incentive. On June 20, 2025, PNM filed Amended Advice Notice No. 640 to properly reflect the customer deposit interest rate of 3.93%. Rider No. 16 was modified to reflect the profit incentive reconciliation, and the new rates went into effect on June 26, 2025.

Energy Efficiency Rule Reporting Requirements

The following section of the annual report provides detailed information on the performance of the 2025 Program, including information required by the NMPRC Energy Efficiency Rule, 17.7.2.14 NMAC – Annual Report.

Documentation of Program Expenditures

All 2025 Program expenses including labor, materials, third-party expenses, and all other costs, are tracked through a unique set of accounts. Likewise, all revenue collected through the tariff rider is booked to a special regulatory asset account which is balanced against the expenses. These costs and revenues are kept separate from PNM rate-base accounting; therefore, there is no cross-subsidization and no impact on the PNM allowed rate of return. Costs specific to an individual program, such as customer incentives and third-party administration, are allocated directly to that program. Shared costs, such as internal administration, are allocated to each program in proportion to their direct costs.

Total calendar year expenditures for the 2025 Program were **$39,053,358**. These expenditures include all expenses incurred by PNM to develop and implement the individual programs. The same total expenditure data was provided to EcoMetric to be included in the M&V Report. **Table 5** shows the allocation of costs to the various programs for calendar year 2025.

Table 5

Programs	Admin	M&V	Promotion	Incentives (Rebates)	Third-Party Costs	Market Transformation	Total Costs
Residential Comp.	$ 286,539	$ 113,592	$ 131,137	$ 3,457,105	$ 3,646,542	$ 293,528	$ 7,814,851
Residential Products	$ 179,056	$ -	$ 81,946	$ 3,098,863	$ 1,340,150	$ 183,423	$ 4,883,439
Commercial Comp.	$ 409,541	$ 220,427	$ 187,430	$ 6,531,105	$ 3,621,916	$ 419,531	$ 11,169,522
Easy Savings	$ 62,440	$ -	$ 28,576	$ 1,349,409	$ 198,568	$ 63,964	$ 1,702,958
Energy Smart	$ 13,313	$ -	$ 6,093	$ 288,042	$ 41,995	$ 13,637	$ 363,079
New Home Const.	$ 35,768	$ -	$ 16,370	$ 483,276	$ 403,458	$ 36,640	$ 975,511
PNM Home Works	$ 39,659	$ 29,313	$ 18,150	$ 1,084,040	$ (100,854)	$ 40,626	$ 1,081,621
Behavioral Comp.	$ 45,477	$ 74,125	$ 20,813	$ 76,159	$ 1,051,281	$ 46,587	$ 1,240,317
Power Saver (LM)	$ 246,774	$ 34,074	$ 112,938	$ -	$ 6,117,828	$ 252,793	$ 6,730,333
Peak Saver (LM)	$ 113,361	$ 36,283	$ 51,881	$ 392	$ 2,809,967	$ 116,126	$ 3,091,727
Total	**$ 1,431,927**	**$ 507,814**	**$ 655,334**	**$ 16,368,391**	**$ 19,130,850**	**$ 1,466,856**	**$ 39,053,358**

Note: The numbers included in the above table are rounded to the nearest whole number.

The total approved budget for 2025 was **$35,367,236** and the total actual expenses for the year were **$39,053,358**; therefore, total spending was approximately 10.4 percent above the approved budget. **Table 6** shows the budgeted amounts, the actual expenditures, and the variances for each program. A motion for variance was made in

2025, as PNM anticipated exceeding the 10% budget cap as required by the Rule section 17.7.2.8.(5)(b).

Table 6

Programs	Approved Budget	2025 Actual Costs	Variance ($)
Residential Comp.	$ 7,175,099	$ 7,814,851	$ 639,752
Residential Products	$ 4,505,684	$ 4,883,439	$ 377,755
Commercial Comp.	$ 10,379,672	$ 11,169,522	$ 789,850
Easy Savings	$ 282,709	$ 1,702,958	$ 1,420,249
Energy Smart	$ 1,145,223	$ 363,079	$ (782,144)
New Home Const.	$ 599,911	$ 975,511	$ 375,601
PNM Home Works	$ 803,658	$ 1,081,621	$ 277,963
Behavioral Comp.	$ 1,154,423	$ 1,240,317	$ 85,894
Power Saver (LM)	$ 5,507,779	$ 6,730,333	$ 1,222,554
Peak Saver (LM)	$ 3,813,078	$ 3,091,727	$ (721,351)
Total	**$ 35,367,236**	**$ 39,053,358**	**$ 3,686,122**

Note: The numbers included in the above table are rounded to the nearest whole number.

Estimated and Actual Participation and Savings

Table 7 presents estimated and actual customer participation (or units), annual energy savings, and annual peak demand savings for each program. Estimated values represent the targets for calendar year 2025. Please note that all energy savings are reported as savings at the customer meter.

Table 7

Program	Estimated Participants or Units	Actual Participants or Units	Estimated Savings (kWh)	Actual Savings (kWh)	Estimated Savings (kW)	Actual Savings (kW)
Residential Comp.	41,438	8,728	16,159,657	10,390,063	1,780	4,936
Residential Products	309,551	422,681	24,515,684	15,283,025	1,335	1,560
Commercial Comp.	581	505	39,959,026	33,019,379	7,423	5,044
Easy Savings	3,000	12,588	1,735,500	5,976,262	207	3,082
Energy Smart	520	138	1,704,074	400,107	458	44
New Home Const.	1,255	1,222	702,751	1,300,402	223	237
PNM Home Works	14,000	15,342	2,860,200	3,950,426	135	209
Behavioral Comp.	219,476	174,587	6,327,250	16,440,129	1,416	2,846
Power Saver (LM)	55,000	64,912	1,600,000	-	40,000	42,900
Peak Saver (LM)	150	220	1,200,001	25,041	30,000	14,116
Total	**644,971**	**700,924**	**96,764,143**	**86,784,832**	**82,977**	**74,975**

Estimated and Actual Costs and Avoided Costs (Benefits)

Table 8 presents the net present value of estimated and actual monetary costs and benefits for each program. Estimated costs and benefits are those contained in the 2025 Program Plan, approved in Case No. 23-00138-UT. The actual net present value of monetary benefits was determined by taking the discounted value of the annual avoided costs times the annual savings over the effective useful life of each program. Please see Appendix A for PNM avoided costs.

Table 8

Program	Estimated NPV of Monetary Costs	Actual NPV of Monetary Costs	Estimated NPV of Monetary Benefits	Actual NPV of Monetary Benefits
Residential Comp.	$ 7,175,099	$ 7,814,851	$ 5,982,261	$ 9,885,039
Residential Products	$ 4,505,684	$ 4,883,439	$ 9,227,669	$ 7,098,058
Commercial Comp.	$ 10,379,672	$ 11,169,522	$ 22,548,983	$ 16,295,958
Easy Savings	$ 282,709	$ 1,702,958	$ 929,824	$ 7,078,995
Energy Smart	$ 1,145,223	$ 363,079	$ 1,900,469	$ 253,307
New Home Const.	$ 599,911	$ 975,511	$ 695,954	$ 996,694
PNM Home Works	$ 803,658	$ 1,081,621	$ 985,256	$ 1,620,601
Behavioral Comp.	$ 1,154,423	$ 1,240,317	$ 953,225	$ 1,850,139
Power Saver (LM)	$ 5,507,779	$ 6,730,333	$ 7,453,713	$ 6,714,504
Peak Saver (LM)	$ 3,813,078	$ 3,091,727	$ 5,590,285	$ 2,209,996
Total	**$ 35,367,236**	**$ 39,053,358**	**$ 56,267,641**	**$ 54,003,291**

Note: The numbers included in the above table are rounded to the nearest whole number.

Cost Effectiveness Evaluation

Table 9 presents the Utility Cost Test ("UCT") ratio for each program and for the total portfolio of programs as determined by the independent evaluator. The UCT ratio is the ratio of actual monetary benefits to monetary costs. The UCT ratio of the total portfolio of programs as determined by the independent evaluator was **1.38**.

Table 9

Program Name	Net UCT Ratio
Residential Comp.	1.26
Refrigerator Recycling	0.45
Home Energy Checkup	2.96
LI Home Energy Checkup	1.29
Midstream Cooling	0.40
Residential Products	1.45
Commercial Comp.	1.46
Easy Savings	4.16
Energy Smart (MFA)	0.70
New Home Const.	1.02
Behavioral Comp.	1.49
Home Works	1.50
Power Saver (LM)	1.00
Peak Saver (LM)	0.71
Total	**1.38**

Table 10 reflects actual UCT results based on 2025 M&V analysis along with the Low-Income contribution to the portfolio results.

Table 10

Program	kWh	kW	Lifetime kWh	EUL	LI% of Budget	Total Cost	2025 UCT Ratio
Residential Comp.	10,390,063	4,936	100,379,124	9.7	20.5%	$ 7,814,851	1.26
Refrig. Recycl.	2,693,540	330	17,508,009	6.5	8.7%	$ 1,709,468	0.45
HEC - Mkt	3,207,170	3,614	28,704,173	9.0	0.0%	$ 2,051,310	2.96
HEC - LI	2,330,829	842	20,860,920	9.0	100.0%	$ 1,602,221	1.29
Midstream Cooling	2,158,524	150	33,306,021	15.4	0.0%	$ 2,451,851	0.40
Residential Products	15,283,025	1,560	189,356,676	12.4	18.4%	$ 4,883,439	1.45
Commercial Comp.	33,019,379	5,044	350,005,412	10.6	8.2%	$ 11,169,522	1.46
Easy Savings	5,976,262	3,082	59,762,623	10.0	87.5%	$ 1,702,958	4.16
Energy Smart (MFA)	400,107	44	5,857,565	14.6	100.0%	$ 363,079	0.70
New Home Const.	1,300,402	237	20,936,478	16.1	4.0%	$ 975,511	1.02
Behavioral Comp.	16,440,129	2,846	33,083,903	2.0	4.3%	$ 1,240,317	1.49
Home Works	3,950,426	209	52,698,681	13.3	40.0%	$ 1,081,621	1.50
Power Saver (LM)	-	42,900	-	1.0	0.0%	$ 6,730,333	1.00
Peak Saver (LM)	25,041	14,116	25,041	1.0	0.0%	$ 3,091,727	0.71
Total	**86,784,834**	**74,975**	**812,105,504**			**$ 39,053,358**	**1.38**

Note: The non-percentage numbers in the above table are rounded to the nearest whole number. Self-Direct Program Participation and Evaluation
PNM received no Self-Direct applications in 2025.

Estimated Water and CO2 Savings

Table 11 shows the estimated carbon dioxide ("CO_2") emission reductions and water savings associated with the PNM portfolio of programs. The annual avoided CO_2 emissions and water savings for the 2025 Program were determined by multiplying the PNM weighted-average emissions rate and water consumption by the annual and lifetime energy savings.

Table 11

Emission Impact	Avoided Electric Emissions Rate (Metric Tons/GWh)	Annual Avoided Emissions (Metric tons)	Lifetime Avoided Emissions (Metric tons)
CO_2 Reduced	120	10,390	97,223
Water Impact	**Water Consumption (gal/MWH)**	**Annual Water Saved (gal)**	**Lifetime Water Saved (gal)**
Water Saved	137.0	11,889,522	111,258,454

Note: The numbers in the above table are rounded to the nearest whole number.

Additional Regulatory Requirements

The following directives were ordered in Case 23-00138-UT. Below are status updates on each directive.

PNM shall fulfill the requirements of the final order in Docket No. 20-00218-UT by including in, or issuing contemporaneously with, its request for proposals to be issued in accordance with 17.7.3.12 NMAC following acceptance of its 2023 integrated resource plan, a solicitation for new, incremental demand response resources based on all available utility demand response resources.

PNM issued its RFP for DSM resources on September 4, 2024. DSM resources were defined to include traditional Demand Response ("DR") resources, Energy Efficiency ("EE") programs, or other resources as may be proposed. Offers for capacity from DSM resources would be considered if they provided system capacity reductions that: (i) mitigated reliability risks throughout the year, as discussed in the latest PNM Integrated Resource Plan ("IRP") or (ii) offered availability to provide other benefits to the PNM system such as load shifting, load smoothing, or avoidance of generating unit starts. Responses to the RFP ("Proposals") by qualified Suppliers ("Suppliers") were due on December 3, 2024.

Prior to issuance of the RFP for bid, on July 10, 2024, PNM served a draft of the RFP documents to the IRP Independent Monitor ("IM"), the NMPRC Commissioners and their assistants, and all parties to the utility's pending IRP case for review and comment. The IM subsequently issued its RFP design report on August 7, 2024, outlining comments and suggestions to the RFP. Comments were also received from Western Resource Advocates, Southwest Energy Efficiency Project, the Coalition for Clean Affordable Energy, Commissioner O'Connell, and Commissioner Ellison. In total, PNM received 29 comments from the IM and RFP stakeholders. PNM made several modifications to the RFP to address these comments and issued responses to each comment in conjunction with the issuance of the RFP for bid on September 4, 2024.

During the RFP bid period, PNM received notifications of intent to respond from 21 different DSM program developers. However, only one Proposal was received on by the Proposal due date of December 3, 2024. This Proposal failed to pass the RFP minimum requirements outlined in the RFP documents. Based on non-compliance and other factors including high cost, limited RFP responses, and a lack of competitive bids to evaluate and compare, a compliance filing was made to the PRC on January 29, 2025, detailing the decision for "No Award".

PNM received feedback from three suppliers as to why Suppliers decided not to respond. One supplier stated that the difficulty of pricing a solution for the start date of 2027 and beyond was too difficult to offer a compliant Proposal. Other Suppliers noted they did not have the ability to provide the solution requested or could only propose wholly different and proprietary technologies in lieu of a proposal submission. PNM filed its "2024 Demand Side Management Program RFP Results Summary" with the PRC on January 29, 2025. The Independent Monitor, Merrimack, submitted its "2024 Demand Side Management Program RFP IM Final Report" with the NMPRC on February 11, 2025.

PNM shall host annual stakeholder meetings in plan years 2024-2026 to engage with stakeholders on the coordination and/or integration of Federal funding opportunities into PNM's triennial plan, the performance of PNM's energy efficiency programs, rebate levels for air conditioning and heat pump systems, the utilization of IntelliSOURCE, and the development of potential new pilot programs; and to present on its efforts to address the backlog in the Energy Smart program; and to present on its demand response event evaluation and calling practices and procedures.

PNM held an annual stakeholder meeting on October 30, 2024, to present on the above referenced list of topics as stated in the Final Order which are also described within the appropriate program sections of this Annual Report and Independent Measurement and Verification Report. Several stakeholders were represented at the meeting including NMPRC Staff, Southwest Energy Efficiency Project ("SWEEP"), Energy Works, Western Resource Advocates ("WRA"), Energy Works, El Paso Electric, and New Mexico Gas Company.

PNM shall conduct a transmission and distribution avoided cost study to be included in PNM's next triennial plan filed pursuant to the Efficient Use of Energy Act. If PNM

chooses to propose proxy values for transmission and distribution avoided costs, PNM shall update those proxy values to be current as of the year that PNM files its next triennial plan.

Rather than use another proxy value, as has been the case historically, PNM contracted with an independent, third-party company, Demand Side Analytics, with broad expertise in this area to perform the study. This comprehensive study involved the analysis of inputs from areas throughout PNM primarily including, but not limited to, Integrated Resource Planning, Distribution and Transmission Planning, System Mapping, Load Forecasting, Energy Efficiency, Community Solar, Transportation Electrification, and Economic Development. The study overview and results are attached as Exhibit JLB-2 in Witness Bode's direct testimony in the 2027 – 2029 triennial plan application.

The Commission agrees with WRA that PNM should collect data on heat pumps through the Residential Midstream Cooling program, and to report on the data collected in PNM's annual EE reports. Specifically, PNM shall collect the following types of data:

1. For heat pumps installed, the type of existing heating system in the residence, and whether the heat pump will be the sole source of heat in the house, or whether they will be used with a supplemental source of heat.
2. For heat pumps installed with supplemental sources of heat, the change-over temperature at which the back-up heating source turns on; and
3. For heat pump water heaters installed, the type of existing water heater that is replaced, and whether the heat pump water heater is grid-enabled.

And PNM shall include an estimate of the avoided fuel use, avoided electricity use, and emission reductions in its annual EE reports for 2024-2026.

EcoMetric conducted a survey during the 2025 M&V evaluation process in efforts to collect this data. Information about the survey and results are included in the attached 2025 Evaluation of Energy Efficiency and Load Management Programs – Appendix A.

Independent Measurement and Verification Report

PNM contracted with EcoMetric to conduct the independent evaluation of the 2025 Program. The M&V Report is submitted as a separate document along with this annual report. A summary of some of the more important findings and recommendations, along with comments from PNM, is provided below.

Background and Purpose

On December 7, 2022, the Commission approved the selection of EcoMetric as the state-wide independent evaluator for the 2023, 2024 and 2025 program years. EcoMetric conducted an independent evaluation of the 2025 Program, and their M&V Report is based on data from January 1, 2025, through December 31, 2025. PNM worked closely

with EcoMetric and DSA to provide the data and necessary program information to complete the 2025 M&V Report. Data included participant information, participant energy use, utility costs and budgets, avoided costs, and implementer costs including incentive information.
EcoMetric contracted with Evergreen Economics to perform a NTG review of the Residential Products program.
EcoMetric also contracted with Demand Side Analytics ("DSA") to perform further detailed analyses for the Commercial Strategic Energy Management (SEM), and Demand Response programs. EcoMetric also performed process evaluation research of the Residential Comprehensive and Easy Savings Kits programs.

Summary of Findings and PNM Comments

The overall portfolio of programs was found to be cost effective. The results of the M&V analysis will be used to adjust technical assumptions made by PNM regarding program performance, unit savings and net-to-gross values. The M&V Report contains specific findings and recommendations which are summarized in the following section.

Key Findings and Recommendations

EcoMetric, DSA, and Evergreen Economics (The Evaluation Team) performed detailed evaluations of the Peak Saver, Power Saver, Commercial Comprehensive, Residential Comprehensive (Midstream Cooling Survey), Commercial New Construction, Commercial Strategic Energy Management, Residential Products, and Easy Savings programs.

The detailed evaluations include verification of energy and demand savings, calculation methods, surveys of participants and contractors, and assessing how the programs were implemented to provide recommendations for improvements. For the remaining programs, EcoMetric performed "desk reviews" to verify energy and demand savings, evaluate program assumptions expenses and perform cost effectiveness calculations for all programs.

EcoMetric and DSA provided detailed results and recommendations for the following projects based upon their own calculations and survey results.

Commercial Comprehensive

The evaluation of the Commercial Comprehensive program included a gross assessment, which examined the six key subprograms Multifamily, New Construction, Quick Saver, Building Tune-Up, Midstream, and Retrofit Rebate. Building Tune-Up and Midstream did not have any participation on record for PY2025. The gross evaluation assessed the energy savings across these subprograms, focusing on the performance and impact of each initiative through a series of desk reviews. All desk reviews included

either a prescriptive or custom calculation approach leveraging the NM TRM or PNM's deemed product workpapers and workbook.

Findings & Recommendations

The evaluator found that each of the programs evaluated were cost-effective and that customer satisfaction is very high across the programs. The findings and recommendations for each of the evaluated programs are too detailed to itemize in this report so please refer to the evaluators' report for details. Briefly, most of the recommendations were regarding baselines based on out-of-date codes and calculations/assumptions that were either not transparent or referring to IEER or SEER rated efficiencies as opposed to EER. A few findings pointed out a misalignment between PNM workpapers and reported lighting fixtures. However, despite their Engineering Adjustment Factor (EAF) of 0.82 the UCT is approximately 1.5 and cost-effective. PNM will work with the program administrator to ensure the evaluators' findings are incorporated into the 2026 program.

Residential Products

The Residential Products program includes two sub-programs: Residential Lighting and Retail Products. Both programs involve the implementation of prescriptive-based measures, where Residential Lighting supports the installation of upstream lighting equipment (entirely nightlights), and Retail Products supports the installation of non-lighting equipment (through upstream, downstream, and instant-rebate program pathways). The gross evaluation assessed the claimed engineering parameters compared to those documented in the TRM to verify the accuracy of reported savings. The NTG assessment utilized the elasticity model, which analyzes the sensitivity of customers to price changes for provided energy efficient rebates to assess the influence of price reductions on overall equipment sales.

A comprehensive discussion of the Poisson regression model used to estimate the price sensitivity of retail demand for the products incentivized through PNM's upstream Residential Products program may be found in the EcoMetric M&V report.

The Evaluation findings of the Residential Products program indicate deviations in engineering parameters and deemed savings from the use of varying technical references. Aligning methodology with the current version of the NM TRM will help to increase consistency and accuracy in claimed program savings

- The ex-ante methodology for most measures were sourced from references in Eastern US jurisdictions such as PA and the mid-Atlantic region, which differ from the NM TRM, most notably for climate-related inputs. Furthermore, some measures were found to reference older versions of TRMs, which include outdated research and inaccurate deemed savings.
    - Align program methodology for all measures with the current version of the NM TRM. If a measure is not supported in the NM TRM, refer to technical references in the following order: NM, TX, IL, other references.

Residential Comprehensive - Midstream Cooling

As part of the regulatory oversight and energy efficiency initiatives in New Mexico, the Public Regulation Commission (PRC) has requested an evaluation of heat pump and heat pump water heater installations supported through the Residential Comprehensive program. The Evaluation team fulfilled this request by conducting a process assessment to collect insights into the types of heating systems that were replaced, the operational characteristic of new heat pump system, and the anticipated energy savings and emissions reductions.

- **Program awareness and customer engagement are primarily contractor-driven:** A majority of participants (56%) learned about the program through contractors, with limited direct engagement with PNM throughout the customer journey
    - Consider enhancing direct customer engagement through complementary outreach channels, such as targeted communications, website improvements, and clearer program branding, to support contractor-led interactions and improve overall program visibility.
- **Communication gaps exist across key program elements.** Participants reported variability in understanding rebate timelines, eligibility requirements, and expected system performance, particularly when information is conveyed through contractors.
    - Consider opportunities to enhance the consistency and clarity of program communications by strengthening contractor support through standardized messaging, training, and guidance, alongside clear and accessible customer-facing materials. This may help improve participant understanding of rebate timelines, eligibility requirements, and expected system performance, while ensuring more consistent communication across all program delivery channels and touchpoints.

Cooling Midstream Participant Survey

The process assessment for the Residential Comprehensive program included a participant survey designed to assess customer experience, program interactions, and decision-making factors related to equipment installation. The survey targeted residential participants who received incentives for high-efficiency equipment through the program. While the evaluation approach was designed to capture insights across all eligible measure types, the achieved sample was predominantly composed of heat pump participants, with limited representation from heat pump water heater (HPWH) participants. Accordingly, the findings presented in this section primarily reflect the experiences of heat pump participants.

A total of 39 phone surveys were completed in March 2026, with each survey lasting approximately 20–30 minutes. The survey was primarily conducted via phone; however, due to a limited initial response rate, participants were also allowed to respond via email. The sample was drawn from the program tracking database and included

participants across multiple project tiers and installation types within the heat pump segment to capture a range of customer experiences.
The survey instrument was structured to align with key evaluation objectives and included the following components:

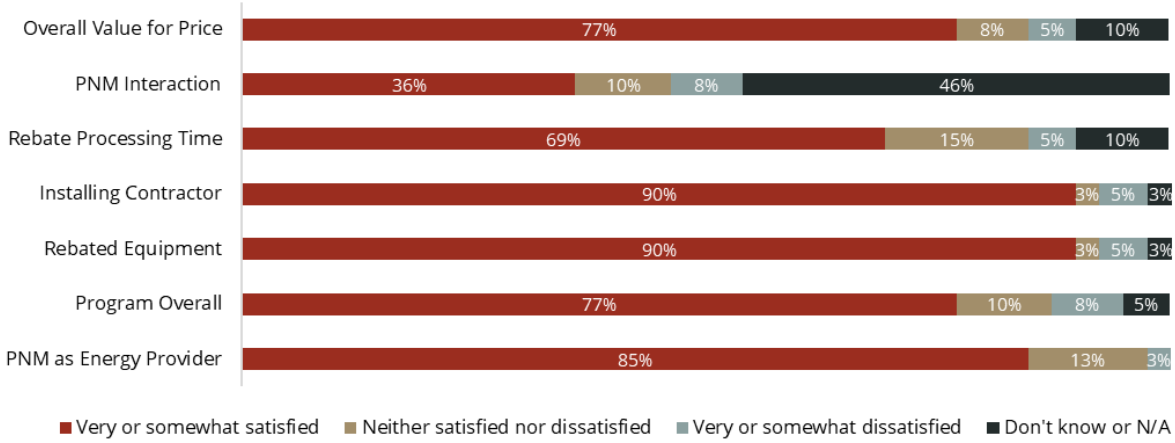
- Measure verification and installation characteristics
- Equipment usage and heating system integration
- Contractor and retailer engagement
- Program awareness and decision drivers
- Rebate experience and timing
- Participant satisfaction and challenge

The survey findings indicate that the Residential Comprehensive Program delivers a generally positive participant experience, with high satisfaction related to equipment performance and contractor interactions. Results also indicate that contractors play a central role throughout the customer journey, including program awareness, equipment selection, and communication of rebates. While the overall process is efficient, participant feedback also highlights several considerations related to communication, clarity, and overall customer experience within the program.

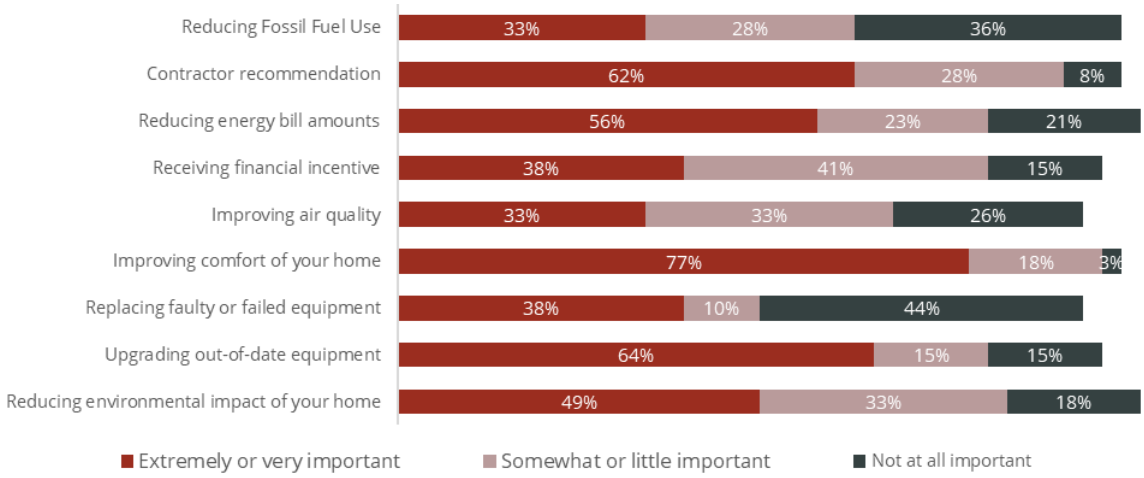
Following are a sample of the findings of the survey in Figure form. For a complete narrative and more information, please refer to the M&V report by EcoMetric.

Respondent Source of Awareness

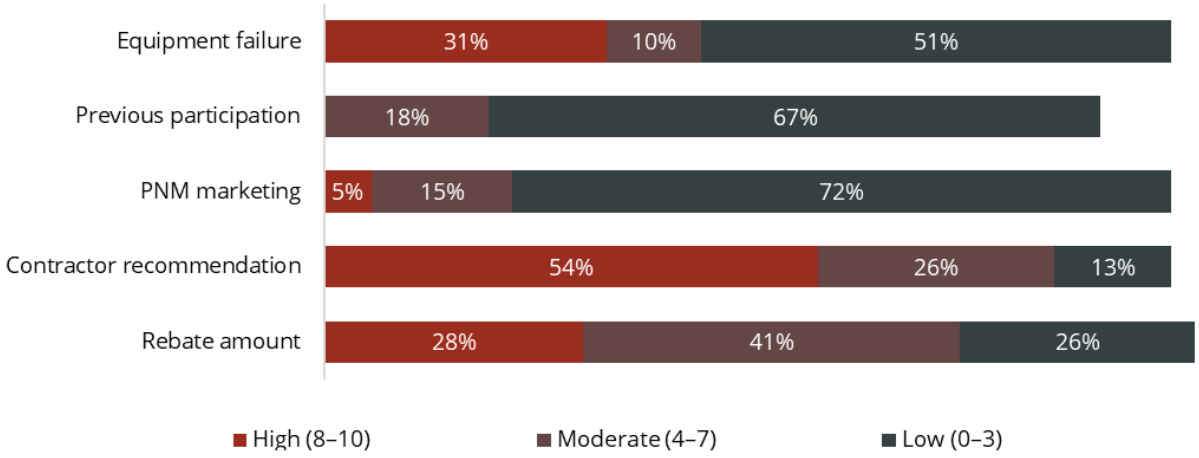
Respondent Satisfaction



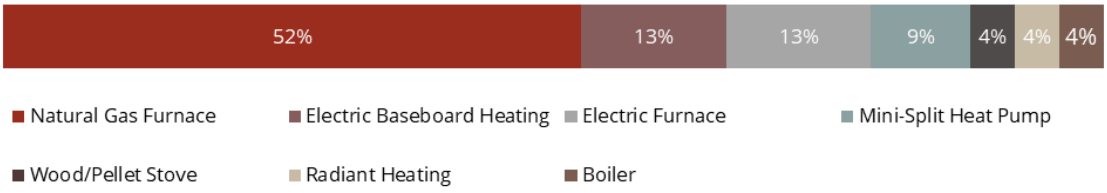
Key Drivers of Program Participation



Key Program Decision Drivers

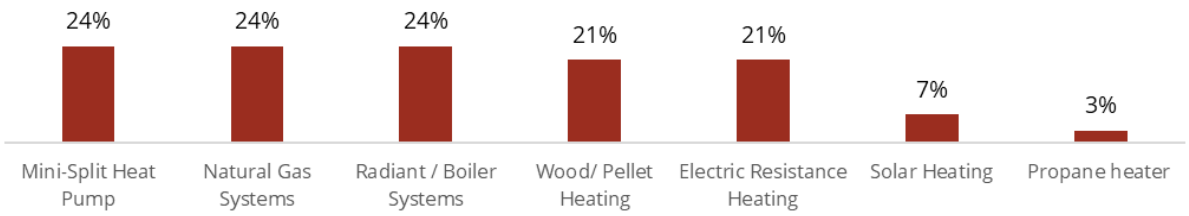


Respondent Heating Equipment Replaced



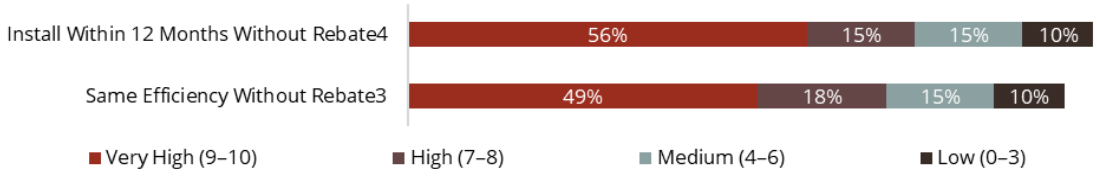
Approximately 74% of participants reported having additional heating equipment.

Respondent Other Heating Equipment Used



Qualitative responses indicate that the PNM rebate generally played a supporting, rather than a primary, role in participant decision-making. Many described it as helping to reduce upfront costs, making the investment more affordable, or supporting the decision to select higher-efficiency equipment. In some cases, the rebate influenced the timing of installation by accelerating planned upgrades.

Respondent Likelihood of Adoption Without Rebate



EcoMetric calculated CO_2 emissions avoided by applying the carbon intensity of each replaced fuel source savings to the proportion of heating load that was offset by heat pump installation and the total savings attributed from existing equipment. The total energy savings from the installation of heat pumps and heat pump water heaters are 55,485.69 MMBtu.

Total Avoided Carbon Emissions from Installed Heat Pumps and Heat Pump Water Heaters

Pre-Existing Fuel	CO_2 pounds per MMBtu	Replaced Fuel Ratio	Avoided CO_2	Avoided Tons of CO_2
Natural gas	116.65	61%	3,689,842	1,845
Oil	163.45	13%	1,101,848	551
Electric	77.37	22%	882,659	441
Wood	195.20	4%	404,886	202
Overall Portfolio	**117.23**	**100%**	**6,079,235**	**3,040**

It is recommended the program:

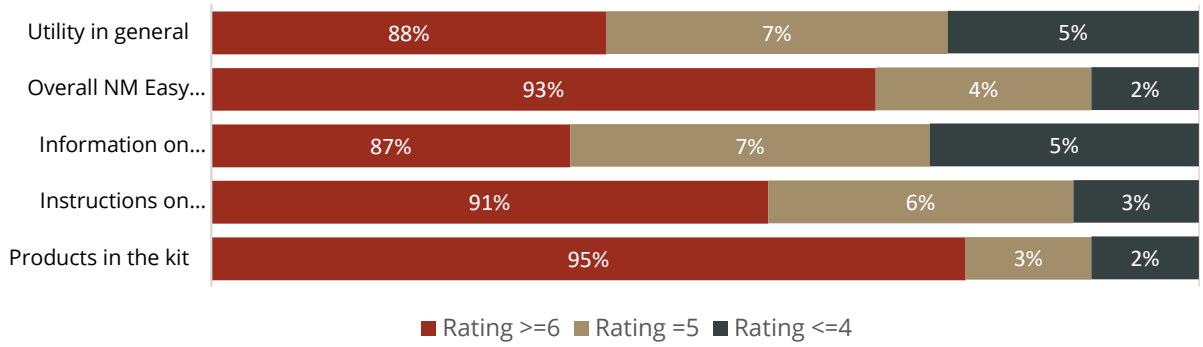
- Enhance program marketing through direct customer outreach. Consider developing more targeted marketing strategies to increase program visibility and customer engagement, such as customized savings estimates.
- Implement a more stable fund distribution system throughout the program year. Review and adjust rebate levels and equipment eligibility criteria to ensure sustainable program operation. Consider alerting contractors about impending changes in rebate levels or funding status. Describe rebated equipment in marketing materials as available “while supplies last” to encourage early program participation; and,
- Develop a streamlined, user-friendly equipment eligibility lookup tool that provides quick access to rebate information, allowing contractors to verify equipment eligibility and rebate amounts without navigating through multiple web pages. Provide contractors with contact information of representatives from PNM

contractor services and support who could assist when any questions or issues arise.

Easy Savings

The evaluation of the Easy Savings program includes an impact assessment, net-to-gross (NTG) evaluation, and process analysis. The program primarily serves customers who may face financial barriers to energy efficiency upgrades by distributing kits that include high-efficiency lighting, water-saving devices, and weatherization materials.

In March 2026, a survey was conducted with residents in the PNM territory to gather insights on household demographics, energy use, and attitudes toward energy efficiency programs. The objective of this survey was to help PNM improve its Easy Savings program by understanding the barriers to participation and identifying opportunities for better serving low-income households. Participants reported high levels of satisfaction with the Energy Savers Kit and the NM Easy Savings Program overall. The majority of respondents provided high satisfaction ratings across all program components (≥6), indicating a consistently positive experience. The results are show in the following figure:



Participants were also asked to provide open-ended feedback on their experience with the Energy Savers Kit and the NM Easy Savings Program. Overall, responses were largely positive, with many participants highlighting the usefulness of the products and the value of receiving energy-saving items at no cost. The following sentiments are summarized based on customer responses.

The Evaluation Team developed a program-specific Net-to-Gross (NTG) ratio for the market rate component of Energy Savers Kits program using results from the 2026 participant survey.[4] A total of 240 participant responses were included in the analysis, with a small number of responses removed due to inconsistencies. The NTG estimate is based on participants' reported likelihood of installing measures in the absence of the program, along with observed measure adoption patterns across the kit. To better reflect differences in customer behavior, the analysis considered variation across

[4] The Low-Income portion of the program does not receive a Net-to-Gross (NTG) evaluation, so therefore the updated NTG ratio for the LI portion will continue as currently defined, 1.00 (100% net realization).

measure categories, including lighting, advanced power strips, weatherization, and water-related measures.

Findings & Recommendations

The survey findings indicate that the Easy Savings Program delivers a positive participant experience, with high satisfaction and increased awareness of energy-saving practices. Results also highlight key areas for consideration. Participant feedback further suggests opportunities to improve alignment of kit contents and clarity of installation guidance.

The evaluator provided the following key findings and recommendations:

- **Low awareness among participants:** Many participants (62%) reported not being aware of the program prior to receiving the Energy Savers Kit, indicating there may be an opportunity to expand awareness. Among those aware of the program, 79% reported learning about it through utility-led channels.
    - Expand outreach efforts beyond existing utility communications to improve program visibility prior to kit distribution, exploring complementary outreach approaches to diversify engagement and reach new customer segments.
- **NTG results indicate higher free ridership driven by lighting measures:** The overall NTG is 0.43, with significantly higher NTG values (0.62-0.69) when lighting measures are excluded.
    - The evaluation team recommends PNM assume a 0.43 NTGR for prospective purposes. As participants reported high free ridership, particularly for lighting measures, PNM could consider removing the lighting measures from the kit to potentially improve program-driven impacts.
- **Some products are not fully relevant to participant needs:** Participants noted that certain items were already owned or not applicable, leading to unused products.
    - Explore opportunities to improve alignment between kit contents and household needs, including potential segmentation or limited customization approaches.
- **Feedback on installation instructions and guidance** While many participants found the instructions useful, others reported that they were unclear or insufficient.
    - Enhance instructional materials through clearer, more detailed, and potentially visual formats to improve usability and installation outcomes.

Commercial SEM

The evaluation of the Commercial SEM program includes net-to-gross (NTG) and process assessments, which analyze participant engagement, program effectiveness, and opportunities for enhancement. The evaluation of the Commercial SEM program includes a gross assessment, where savings were typically calculated using a billing

regression model to directly analyze the impact of program intervention on building consumption.

Findings & Recommendations

The engineering desk reviews determined that the expected energy savings calculated through the applied regression models were found to be consistent and appropriate in determining the impacts of the SEM program in reducing facility consumption. However, none of the claimed projects included estimates for peak demand reduction. All SEM templates should be updated to include the calculation for peak demand impacts associated with SEM modifications, per the NM TRM. Overall, respondents expressed high levels of satisfaction with the program.

Two key findings from participant surveys recommended:

- The SEM workbook should be updated to calculate peak demand reductions from the implementation of SEM measures. Demand reductions can be calculated using provided hourly consumption data to determine site-specific load shapes, which can be applied to daily predicted usage determined from the regression models. If consumption is provided in larger intervals, implementors and evaluators should develop load shapes using EPRI or NREL data based on the facility type.
- For the implementation of capital improvements, the implementor should provide supporting documentation for critical engineering inputs such as equipment efficiency, lighting DLC wattage, equipment capacity, etc. This will increase transparency and confidence in the source of engineering parameters used to determine annual energy and demand impacts.

Peak Saver

There were approximately 300 participants and two demand response (DR) test events during the 2025 demand response season. Both PY2025 events were dispatched to establish baseline kW factors rather than to provide capacity relief. The evaluator estimated the Peak Saver program is a 14.1 MW summer capacity resource. Interval consumption data was not available for all Peak Saver participants, so reported impacts are based on a blend of metered load reduction estimates, historical verified reduction estimates, and nominated reductions. For sites without metering data, Itron's reported impact is equal to the site-level nominated kW value. This nomination value is established in the participation agreement and represents the site's expected load reduction when dispatched. The underlying assumption in Itron's reported savings values is that every site without meter data delivered exactly the kW reduction they nominated. For our verified savings analysis, the EcoMetric team used historical verified capacity savings estimates for sites that have participated in the past. For others, EcoMetric applied realization rates (RRs) to the nominated kW values to reflect historic performance

relative to nominations. The realization rates were based on verified capacity savings estimates from the 2022-2025 Peak Saver events.

Findings & Recommendations

After EcoMetric's review of the 2025 Peak Saver program, the Evaluation Team offered the following recommendations.:

- **The contract baseline works reasonably well.** A bias assessment shows the contract baseline tends to overpredict load by about 3.5% across all summer weekdays and underpredict load by 0.8% on the ten warmest non-event days.
    - **Recommendation:** Run some tests on non-event days to determine if loosening the WSA-eligibility requirements improves the load predictions. Overall, however, we did not find any issues with the baseline used by the program implementation contractor.
- **Hourly usage data was available for only about 60% of participants in PY2025.** For the remaining sites, reported DR impacts are based on site-level nominations. DR impacts should be based on measured performance rather than nominations and historical performance. In future program years, our verified capacity reduction estimates will only reflect participants with hourly usage data.
    - **Recommendation:** Without visibility into electric demand at all participating facilities, PNM and Itron have no guarantee that all sites are responding. The program implementation contractor planned to have meters installed for at least 90% of participants by June 2025. If possible, we recommend Itron follow the Pareto principal when installing meters – target the sites that are expected to produce the greatest reductions. Several of the largest participants are already being metered.
- **Peak Saver is now a year-round program.** To estimate winter reduction capability, a test event was run in early October. It is difficult to say whether the results from an October event when outdoor air temperatures were in the 80s are representative of what would occur on a cold winter day.
    - **Recommendation:** We understand timing a test event in early October is necessary for Itron's settlement with customers and PNM. Still, we think running a test event on a very cold winter day would be useful for program planning purposes. Program performance is driven by three or four large C&I sites, and it's entirely possible that loads at these sites are not highly seasonal. Even a small degree of seasonality can move the needle for a top-heavy program. We also recommend that winter test events target a day when area public schools are in session given the prevalence of schools in the program.
- **The nominated demand reductions for some participants are too high.** DR nominations exceed available load for some participants, meaning the site is pledging to reduce more load than they typically have available.
    - **Recommendation:** Periodically comparing nominations and afternoon demand for each premises. For premises where the nomination seems unrealistic, revise the nomination. The timing of DR events is relevant here.

One site may be able to reduce their load by 3 MW at noon but only 0.3 MW in the late afternoon when the PNM system typically experiences constraint.

- **The program is top-heavy, and the largest sites may have variable operating schedules.** A handful of sites will drive program performance for each event day. These large industrial sites sometimes have two distinct load patterns – one that is energy intensive and one that is not. While these sites can deliver significant load reductions, the variable operating profiles lead to CBLs and impact estimates with a wide margin of error.
    - **Recommendation:** Itron should review event-day load shapes for the largest sites to confirm the sites are reducing load in response to DR dispatch. There are two clear day types – one with low load and one with high load. Regardless of which day type the event is dispatched on, the baseline will invariably reflect the energy intensive day type. If an event is dispatched on a non-intensive day, the difference between intensive and non-intensive day types would be attributed to the program. A strategy we see in other jurisdictions is to request a production schedule from industrial participants that can be used to refine the CBL calculations and better forecast event performance. For example, if it is known that a site is not running its energy intensive processes on a given day, PNM grid operators would know to expect less reduction from the Peak Saver program. Also note that while a site may have up to 3 MW of curtailable load in the afternoon, that load is offline by 5:00 PM.

Power Saver

There were no demand response events during the 2025 demand response (DR) season, which began May 15th and ended September 30th. A 15-minute test event was dispatched at 11:00 AM on June 5th. For our 2025 evaluation, we reviewed load shapes from the test event day to confirm load reductions. To estimate the load relief capability under extreme conditions, DSA combined current participation counts and Power Saver results from 2015 to 2024. The following table shows the results (and reflects operability/online adjustments). DSA estimated the program can deliver 42.9 MW of meter-level load reduction under planning conditions of 100°F between 5:00 PM and 6:00 PM MDT. For all segments other than Residential BYOT, each event used an adaptive 50% cycling strategy where curtailment is based on the runtime in the previous hour. For the BYOT Honeywell group, devices are curtailed using a 50% cycling strategy performed by the vendor. For the BYOT Nest group, thermostat setpoints are increased by three degrees. The following Table illustrates the evaluated performance for each of the six segments participating in the program.

Segment	Devices	kW/Device	Total MW
Residential DCU	53,203	0.62	32.86
Residential Two-Way Thermostat	615	1.34	0.82

Residential BYOT Honeywell	679	0.62	0.42
Residential BYOT Nest	4,101	1.02	4.20
Residential BYOT Sensi	925	0.62	0.57
Small Commercial DCU	5,983	0.48	2.87
Medium Commercial DCU	2,898	0.40	1.15
Total	**68,404**	**---**	**42.90**

Findings & Recommendations

The evaluator had the following observations and observations:

- **Planning:** Historical demand reductions provide a helpful look at historical performance but vary based on event conditions and event timing.
    - **Recommendation:** For planning purposes, a consistent, weather-normalized impact estimate should be used. The Evaluation Team recommends that ex-ante program impacts from 5:00 PM to 6:00 PM MDT at 100°F, de-rated for operability, be used for reporting, cost-effectiveness, and planning.
- **Connected load assumption:** The connected load assumption Itron uses to convert air conditioner runtime to electric demand for the thermostat program components is high given the average air conditioner size in the region. It is also higher than the assumed value in the smart thermostat protocol of the New Mexico TRM.
    - **Recommendation:** Currently the BYOT and Two-Way thermostat offerings represent a small fraction of the Power Saver resource capability, but as they grow it will be important to base the load impact calculations on sound assumptions. We revised the assumption for the ex-post analysis of the BYOT components, but not for Two-Way because Itron technicians record A/C nameplate information during installation of Two-Way thermostats.
- **Load reduction shape:** For the BYOT Nest component, thermostat setpoints are increased by three degrees during the event. This results in relatively large impacts in the first event hour that get increasingly smaller throughout the event.
    - **Recommendation:** If this shape is a concern for PNM, consider discussing the curtailment algorithm with Nest. Using different offsets in each event hour (+2 in the first, +3 in the second, and +4 in the third and fourth) could flatten out the impacts, or Nest could implement a cycling strategy similar to the other thermostat components.
- **Operability/offline adjustments:** Historically, Itron has adjusted capacity estimates to account for inoperable DCUs as well as offline thermostat devices. Those adjustments were not made in 2024, though they improve the accuracy of impact calculations.

    - **Recommendation:** Reintroduce the operability and offline adjustments to the analysis
- **Baseline adjustment**: Currently, Itron uses an additive adjustment factor to adjust their baselines. The additive adjustment factor creates bias in non-event hours.
    - **Recommendation:** Because Itron does not currently report on non-event hours, the fact that the additive adjustment approach creates bias in non-event hours is not an issue. If Itron were interested in calculating Power Saver energy savings of in the future, they can lower bias by adopting a multiplicative baseline adjustment instead of an additive adjustment.
- **Input data**: Impacts for the three DCU components currently rely on metering data for a sample M&V group.
    - **Recommendation:** When advanced metering infrastructure (AMI) data becomes widely available, statistical confidence of M&V for the DCU components would be improved by switching to an AMI analysis of the full population. This would also eliminate the need for an operability adjustment. Likewise, AMI data could be analyzed for the thermostat segments. This would eliminate the need for an offline adjustment and a connected load assumption

Appendix A – PNM Avoided Costs

The following table provides the avoided energy, demand, and carbon costs for calendar year 2025. These costs were used in the PNM cost-effectiveness model and by EcoMetric in its program evaluation. These are the avoided costs included in the most recently approved PNM Energy Efficiency Plan, Case No. 23-00138-UT.

Avoided Energy and Capacity Costs EE and DR	EE Total Capacity MW ($/kW-yr)	EE Energy (incl CO2) ($/kWh)	DR MW ($/kW-yr)	Avoided Energy Cost (DR) $/kWh
2024	$166.19	$0.051	$9.07	$0.000
2025	$167.89	$0.026	$147.14	$0.000
2026	$223.60	$0.026	$194.28	$0.000
2027	$232.96	$0.026	$194.29	$0.000
2028	$220.60	$0.027	$193.76	$0.000
2029	$199.24	$0.028	$194.29	$0.000
2030	$173.00	$0.027	$194.29	$0.000
2031	$263.22	$0.034	$213.21	$0.000
2032	$261.10	$0.032	$229.08	$0.000
2033	$252.75	$0.037	$229.91	$0.000
2034	$252.15	$0.038	$221.18	$0.000
2035	$255.48	$0.034	$215.97	$0.000
2036	$254.64	$0.037	$215.48	$0.000
2037	$256.39	$0.035	$218.51	$0.000
2038	$255.52	$0.034	$219.27	$0.000
2039	$242.41	$0.034	$219.45	$0.000
2040	$302.52	$0.046	$294.91	$0.000
2041	$184.30	$0.053	$135.98	$0.000
2042	$175.46	$0.043	$106.60	$0.000