

**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. )**  
\_\_\_\_\_)

**APPLICATION**

Public Service Company of New Mexico (“PNM”) hereby submits this second annual grid modernization review filing, requesting the New Mexico Public Regulation Commission (“Commission” or “NMPRC”) to approve PNM’s grid modernization year three (2027)<sup>1</sup> revenue requirement cost estimates, and that such estimates thereby be granted a rebuttable presumption of reasonableness.<sup>2</sup> PNM further requests authorization to classify Software as a Service (“SaaS”) costs as capital in years two through six, and for the Commission to confirm approval of PNM’s petition for variance and the associated recommended decision in Docket No. 22-00058-UT. PNM’s filing complies with the Commission’s final orders in Docket No. 22-00058-UT and Docket No. 25-00049-UT, as described below.

**I. BACKGROUND**

In 2020, the Legislature adopted Section 62-8-13 (“Grid Modernization Statute” or “Statute”) of the New Mexico Public Utility Act (“PUA”) to encourage grid modernization projects that benefit utility customers and the State of New Mexico. On October 3, 2022, PNM filed an application pursuant to the Grid Modernization Statute for approval of a six-year plan to implement

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<sup>1</sup> For the purposes of PNM’s grid modernization plan filings, “year one” was from issuance of the Final Order in Docket No. 22-00058-UT (Oct. 17, 2024) through December 31, 2025; “year two” is calendar year 2026, and so on.

<sup>2</sup> See Docket No. 22-00058-UT, Final Order at ¶ 89 (Oct. 17, 2024).

grid modernization components, including advanced metering infrastructure (“AMI”), to modernize its electric distribution grid in Docket No. 22-00058-UT.<sup>3</sup> On October 17, 2024, the Commission issued its Final Order approving PNM’s application as modified by Recommended Decision and Final Order.<sup>4</sup> The Final Order in Docket No. 22-00058-UT also provided for an annual review filing, requiring PNM to present updated estimates for year two costs in its first annual review filing during year one; and at that time the Commission shall grant further approvals and attach further presumptions of reasonableness as necessary. This process shall repeat for the remaining years of the Plan.

In compliance with the Final Order in Docket No. 22-00058-UT, PNM filed its first annual review filing on June 20, 2025.<sup>5</sup> That filing proposed that future grid modernization filings be split into two filings: A reconciliation filing where the prior year’s costs are presented, along with a proposed rider to recover those costs,<sup>6</sup> and a compliance filing where PNM will provided an update on present year implementation progress and outline planned activities for the following years, in alignment with regulatory expectations and delivery of customer benefits.<sup>7</sup> In this second annual review filing, PNM is requesting the Commission approve PNM’s updated year three cost estimates and attach a presumption of reasonableness as contemplated in the Final Order in Docket No. 22-00058-UT.<sup>8</sup>

## **II. SUMMARY OF PNM’S SECOND ANNUAL REVIEW FILING**

In year one, PNM made progress across all major components of its Grid Modernization

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<sup>3</sup> Docket No. 22-00058-UT, Application With Supporting Testimonies (Oct. 3, 2022).

<sup>4</sup> Docket No. 22-00058-UT, Final Order (Oct. 17, 2024).

<sup>5</sup> Docket No. 25-00049-UT, Application With Supporting Testimonies (June 20, 2025).

<sup>6</sup> PNM’s First Annual Grid Modernization Reconciliation Filing was filed on March 2, 2026, in Docket No. 26-0000048.

<sup>7</sup> Docket No. 25-00049-UT, Direct Testimony of Thomas S. Baker, p. 16 (June 20, 2025).

<sup>8</sup> Docket No. 22-00058-UT, Final Order at p. 32, ¶ 89 (Oct. 17, 2024) (“In the first annual review filing, PNM shall present updated estimates for year two costs as it is intending to do; and at that time the Commission shall grant further approvals and attach further presumptions of reasonableness as necessary.”).

Plan which resulted in increased capital clearings due primarily to accelerated AMI system procurement and integration work. Year one activities include execution of contracts with AMI vendors and system integrators; installation planning and initial deployment of AMI access points; launch of development activities for the Customer Energy Management Platform (CEMP) and Mobile App; progress on Wide Area Network (WAN) upgrades and cybersecurity planning; execution of TIBCO platform contracts and early data architecture work; and program oversight enhancements and centralized change management. PNM also conducted internal process reengineering to support AMI, the CEMP, and system integration.

In year two (2026), PNM will begin AMI meter installation and expects to recover costs associated with AMI, customer information & analytics, cybersecurity, data management & architecture, distribution automation, telecommunications, advanced distribution management system (“ADMS”), and program oversight. Project highlights will include the launch of AMI meter deployment, to be completed by end of year four; full implementation of the CEMP and Mobile App to enable customer interaction with energy data; continued WAN and cybersecurity deployments; procurement and field deployment of distribution automation and telecommunication Field Area Network (“FAN”) equipment; and initiation of ADMS vendor selection, design work, and implementation.

In year three (2027), PNM will continue the AMI meter installation, deployment of distribution automation, telecommunications, and cybersecurity assets, along with the completion of Release One of ADMS, and overall program oversight. Project highlights will include nearly half of the meter deployment being complete in year three, while Distribution Automation, Telecommunications, and Cybersecurity will continue to deploy devices that will enhance customer reliability.

### **III. PNM’S REQUESTED APPROVALS AND TIMING**

Consistent with the Final Order in Docket No 22-00058-UT, this Application seeks approval of its updated estimates for year three, and that such updated costs be presumed reasonable.<sup>9</sup> PNM is also requesting the classification of Software as a Service (“SaaS”) costs as capital in years two through six, a request that was denied without prejudice in Docket No. 25-00049-UT, PNM’s first annual grid modernization review.<sup>10</sup>

PNM also requests the Commission confirm approval of a petition for variance from certain meter testing requirements PNM filed in Docket No. 22-00058-UT on June 17, 2022. A Recommended Decision on PNM’s Petition for Variance was filed in that docket on November 18, 2022. As noted in that Recommended Decision, no party opposed the variance, and the intent was to avoid incurring costs of meter testing for meters which would, shortly thereafter, be replaced with AMI meters.<sup>11</sup> PNM mentioned that petition in its post-hearing brief in the first phase of that proceeding,<sup>12</sup> however Docket No. 22-00058-UT does not appear to contain any order of the Commission specifically acting on that petition. PNM has been acting as though the variance was granted since that case. For the absence of any doubt, PNM requests the Commission confirm that the language in the Final Order, issued on October 17, 2024, that “PNM’s Application, containing the Plan as modified, is APPROVED”<sup>13</sup> has the effect of approving PNM’s petition for variance.

PNM respectfully requests that the Commission issue a final order in this matter no later than October 15, 2026.

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<sup>9</sup> Docket No. 22-00058-UT, Final Order at p. 32, ¶ 89 (Oct. 17, 2024) (“In the first annual review filing, PNM shall present updated estimates for year two costs as it is intending to do; and at that time the Commission shall grant further approvals and attach further presumptions of reasonableness as necessary.”)

<sup>10</sup> Docket No. 25-00049-UT, Final Order at Ordering Paragraph (C) (Feb. 26, 2026).

<sup>11</sup> Docket No. 22-00058-UT, Recommended Decision on PNM’s Petition for Variance from Rule 17.9.560 NMAC and Case No. 2124 Order on Meter Testing Program at p. 2 (Nov. 18, 2022).

<sup>12</sup> Docket No. 22-00058-UT, PNM’s Post-Hearing Brief at p. 13 (Apr. 20, 2023).

<sup>13</sup> Docket No. 22-00058-UT, Final Order at Decretal Paragraph D. (Oct. 17, 2024).

#### **IV. PNM WITNESSES SUPPORTING THIS FILING**

In support of its Application, PNM is filing the direct testimony and exhibits of the following seven witnesses:

- Jason E. Jones, Executive Director of Operations Technology & PNM Capital Management for PNMR Services Company. Mr. Jones’s testimony will discuss and support PNM’s overall Grid Modernization Program update, including: 1) identifying other witnesses testifying in support of this filing and briefly summarizing the scope of each witness’s testimony; 2) providing an update on the planned projects under PNM’s grid modernization plan; 3) providing an update on the development and implementation of customer-facing programs, marketing and communication activities, and stakeholder engagement; 4) discussing consideration of plan acceleration strategies; 5) providing an update of as of December 31, 2025, for grid modernization program benefits and metrics; and 6) providing an update on customer outreach.
- Jonathan C. Hawkins, Associate Director of Grid Modernization for PNM. Mr. Hawkins’ testimony provides a status update on the implementation of certain technologies within the overall Grid Modernization plan. This includes: 1) AMI; 2) Customer Information and Analytics; 3) Cybersecurity; and 4) Data Management and Architecture. Finally, his testimony supports PNM’s request to recover capital investment and operations and maintenance (“O&M”) costs for the grid modernization components discussed in his testimony.
- Jordan B. Ludi, Associate Director of Grid Modernization for PNM. Mr. Ludi’s testimony provides a status update on the implementation of certain technologies within the overall Grid Modernization plan. This includes: 1) Advanced Distribution Management System (“ADMS”); 2) Distribution Automation (“DA”); 3) Distribution Planning and Engineering

(“DPE”); and 4) Telecommunications. Finally, his testimony supports PNM’s request to recover capital investment and operations and maintenance (“O&M”) costs for the grid modernization components discussed in his testimony.

- Eric C. Morgan, Director of Customer Operations for PNM. Mr. Morgan’s testimony provides a status update on meter deployment, PNM’s communication strategy, any changes since his last testimony, and estimated deployment cost.
- Reina N. Gutierrez, Senior Manager of Cost of Service for PNMR Services Company. Ms. Gutierrez’s testimony requests the classification of Software as a Service (“SaaS”) costs as capital in years two through six; provides an update to PNM’s year two Rider 60 Grid Modernization Rider (“Rider 60”) revenue requirement; provides an update on PNM’s year three Rider 60 revenue requirement that PNM is requesting approval of in this filing; and provides an informational update on PNM’s years four through six Rider 60 revenue requirements.
- Heidi M. Pitts, Ph.D, Lead Pricing Analyst for PNM. Dr. Pitts’ testimony connects the current Time-of-Day (“TOD”) pilot to the customer benefits outlined in the Grid Mod Cost-Benefit Analysis performed in Docket No. 22-00058-UT; provides details on PNM’s plan-level roadmap to ensure expected benefits from AMI-enabled rates are brought about by changes to the residential TOD pilot in PNM’s next general rate case and then to the entire customer base in the general rate case following full deployment of advanced metering infrastructure (“AMI”); provides the calculations for the illustrative Rider No. 60, Grid Modernization (“Rider No. 60”) customer charges for years two and three of the Grid Mod plan; and calculates bill impacts for the illustrative Rider No. 60 year two charge.
- Alaric J. Babej, Director of Customer Energy Solutions for PNM. Mr. Babej’s testimony

discusses the development of energy efficiency and demand response programs that utilize AMI, as well as the development of third-party marketplace offerings.

#### **V. REQUESTED VARIANCES**

PNM is requesting that the Commission grant a variance from the data filing requirements of 17.9.530 NMAC to the extent that it is required. Rule 530 requires the filing of extensive data schedules that are unnecessary for review and approval.

#### **VI. COMPLIANCE WITH COMMISSION ORDERS**

The Final Order in Docket No. 22-00058-UT required that PNM file an annual review regarding the progress of its grid modernization approved in that docket, any updated cost estimates for the remaining years of PNM's six-year grid modernization plan, and report on certain metrics regarding that plan. PNM's annual review filings will report on key metrics to the extent such metrics are available. PNM has made a concerted effort in this filing to include all metrics available at the time of filing.

The Final Order in Docket No. 25-00049-UT, PNM's first annual grid modernization review, required PNM to, "in its next annual review filing, provide a plan-level roadmap identifying (1) AMI-enabled rates under development, (2) demand response and energy-efficiency offerings under development, (3) the proceedings in which they will be proposed, and (3) anticipated timelines for Commission review and implementation."<sup>14</sup> That information and those timelines are contained in the Direct Testimonies of PNM witnesses Pitts and Babej.

#### **VII. NOTICE AND PROCEDURAL REQUIREMENTS**

PNM's proposed Notice to Customers is attached as Exhibit A. Concurrent with filing, PNM served a copy of this Application, a proposed Notice to Customers, and supporting testimony

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<sup>14</sup> Docket No. 25-00049-UT, Final Order at Decretal Paragraph (E) (Feb 26, 2026).

on the Commission’s Utility Division Staff, the New Mexico Department of Justice, and all parties to Docket Nos. 22-00058-UT, 25-00049-UT and 24-00089-UT.

PNM will publish notice of this Application and provide notice to customers as directed by the Commission.

The Commission is authorized by law to provide protection from public disclosure of confidential or proprietary information and trade secrets. NMSA 1978, §§ 14-2-1(F), (L) (2023), 62-6-17(C) (1993). Pursuant to 1.2.2.8(A) and (B) NMAC, a Commission-designated Hearing Examiner is authorized to enter appropriate protective orders to prevent public disclosure of confidential information. PNM is filing a Motion for Entry of a Protective Order concurrently with this Application.

PNM’s attorneys and corporate representatives who should receive all notices, pleadings, discovery requests, and responses and other documents related to this docket are:

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All pleadings, correspondence and other documents should also be delivered electronically to the following email addresses:

pnmregulatory@pnm.com  
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## VIII. CONCLUSION

WHEREFORE, PNM respectfully requests that the Commission enter a final order granting the following relief:

- 1) Approval of PNM's updated year three (2027) cost estimates no later than October 15, 2026;
- 2) Authorization to classify Software as a Service ("SaaS") costs as capital in years two through six;
- 3) Confirmation of approval of PNM's Petition for Variance filed in Docket No. 22-00058-UT; and
- 4) Any such other approvals, authorizations and actions required under the Grid Modernization Statute, the Public Utility Act, and Commission rules and orders.

Respectfully submitted this 10<sup>th</sup> day of April 2026

PUBLIC SERVICE COMPANY OF NEW MEXICO

By: /s/ John Verheul

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