

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF THE APPLICATION)
TO TERMINATE PUBLIC SERVICE)
COMPANY OF NEW MEXICO'S SKY BLUE)
VOLUNTARY RENEWABLE ENERGY)
PROGRAM)
)
PUBLIC SERVICE COMPANY OF NEW)
MEXICO,)
)
)
Applicant)
_____)**

Case No. 25-00071-UT

AMENDED DIRECT TESTIMONY

OF

ALARIC J. BABEJ

March 18, 2026

**NMPRC CASE NO. 25-00071-UT
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ALARIC J. BABEJ**

**WITNESS FOR
PUBLIC SERVICE COMPANY OF NEW MEXICO**

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PNM EXHIBIT AJB-1 Resume of Alaric J. Babej

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1 investigation period, and introduce PNM’s recommendation for the termination of
2 the program.

3

4

II. STATUS OF PNM SKY BLUE

5 **Q. Please describe PNM Sky Blue.**

6 **A.** PNM Sky Blue is a premium green tariff program that allows customers to
7 subscribe to a blend of solar and wind energy produced from a portion of the
8 Manzano Solar Facility and the New Mexico Wind Energy Center, respectively.
9 Customers may either purchase blocks of 100 kWh or may subscribe to a
10 percentage of their monthly energy consumption. Each kWh purchased is an
11 additional charge on the customer bill and Renewable Energy Certificates (RECs)
12 are retired on behalf of customers and are not retired towards PNM’s Renewable
13 Portfolio Standard (RPS)¹ compliance.

14

15 **Q. Please describe the change in status of the regulatory asset balance during**
16 **the investigation period.**

17 **A.** As shown in the PNM Quarterly Compliance Report for Q1 2023 in Case No. 21-
18 00158-UT, the regulatory asset balance began at \$1,236,229. In the PNM Quarterly

¹ See NMSA 1978, § 62-16-4 (2019).

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1 Compliance Report for Q3 2025, the balance has been reduced to \$230,081, an 81%
2 decrease over this period.

3

4 **Q. What are the main contributing factors to the reduction in the regulatory**
5 **asset balance?**

6 **A.** During the investigation period, PNM did additional outreach with commercial
7 customers with stated green energy goals. Sales of PNM Sky Blue rose primarily
8 due to the participation of one large customer. Simultaneously, PNM ceased
9 deducting marketing expenses and regulatory asset carrying costs from the Rider
10 30 Total Revenue. The combination of higher Rider 30 revenues and fewer program
11 expenses meant that PNM had more net revenue to retire solar and wind RECs. By
12 the 4th quarter of 2020, PNM was retiring the majority of the Sky Blue program's
13 solar REC allocation from the Manzano facility, so the regulatory asset was no
14 longer growing. In 2021, PNM retired 99.8% of Sky Blue's allocation from the
15 Manzano facility and, in the years since, has retired 100% of the allocated solar
16 RECs from the Manzano facility.

17

18 **Q. What actions did PNM take to determine customer satisfaction with PNM**
19 **Sky Blue during the investigation period.**

20 **A.** As discussed in detail in the Direct Testimony of PNM witness Dru E. Jones, PNM
21 conducted multiple surveys as well as a focus group meeting. Please see the Direct

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1 Since the original date of filing, at least one large subscriber to Sky Blue has
2 interconnected behind-the-meter generation, thereby significantly reducing their
3 subscription to Sky Blue. This means that the regulatory asset balance will likely
4 no longer be completely erased by the program termination date in December 2026.
5 This is discussed in detail in the testimony of PNM witness Jones.

6
7 The proposed date for program termination will allow for thoughtful customer
8 communications to inform customers currently participating in the program of the
9 decision to terminate the program as well as provide them with what other options
10 are available.

11

12 **Q. Does terminating PNM Sky Blue mean PNM customers will have less access**
13 **to clean, renewable energy?**

14 **A.** Not at all. First, as explained by PNM witness Jones, there are other programs
15 customers can enroll in which support access to renewable energy. Second, it's
16 worth noting that renewables comprised less than 10% of PNM's generation
17 portfolio in 2003 when Sky Blue started. Today, renewables comprise 72% of
18 PNM's generation portfolio. It is also much more affordable today for residential
19 customers to install rooftop solar, or for commercial and industrial customers to
20 install a solar facility that meets many of their energy needs. Many customers have
21 implemented these solutions.

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1 Furthermore, the New Mexico Community Solar program has begun, providing
2 many customers an option to participate in a program that supports renewable
3 energy development. Although subscribers to Community Solar do not retain the
4 RECs from the generation, participation in the program is designed to help
5 customers save money overall, which is often more important than REC retirement.
6 Given that backdrop, there is perhaps less need today for premium products such
7 as Sky Blue.

IV. FUTURE VOLUNTARY PROGRAMS

10 **Q. Does PNM plan to offer voluntary renewable energy programs to PNM
11 customers in the future?**

12 **A.**PNM will continue to work closely with customers to respond to their goals and
13 offer programs and services to meet customer needs.

15 **Q. How will PNM determine what program(s) to offer customers in the future?**

16 **A.**PNM does not currently have a program design that is sustainable through customer
17 interest and financial viability. PNM will continue to work closely with customers
18 to respond to their energy needs. PNM's ability to offer such programs will be
19 driven by both customer desire to participate as well as balancing the financial
20 requirements of procuring additional renewable energy resources to be dedicated
21 to participating customers.

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1 **Q. What are the statutory and regulatory requirements of potential future**
2 **voluntary renewable energy programs?**

3 **A.** NMSA 1978, Section 62-16-7(A)(2) states that the Commission “*may* require that
4 a public utility offer its retail customers a voluntary program...” [emphasis added].
5 While the Commission no longer *must* require that utilities offer voluntary
6 programs, the requirement for voluntary programs remains at the Commission’s
7 discretion.

V. CONCLUSION

8
9 **Q. Does this conclude your direct testimony?**

10 **A.** Yes, it does

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