**PNM PRAC September 2025 Meeting**September 9, 2025, 1:00PM to 3:00PM
PNM Headquarters / Online Meeting

PNM Attendees: Julio Aguirre, Abraham Casas, Denine Rothman, Heidi Pitts, Abraham Casas, Erica Baca, Pablo Magallanes-Flores, Donna Holliday, John Verheul, Debrea Terwilliger, Ian MacDougall (MCR), Cindy Menhorn (MCR)

PRC Staff: Elisha Leyba-Tercero, Edison Jimenez, Daren Zigich

ABCWUA Attendees: Andy Harriger, Keith Herrmann

Other Attendees: Stephen Fischmann

Notes Prior to Presentations

* Julio Aguirre: The historical meetings on the PRAC website show what we’ve done and have all the materials. Going forward, our upcoming meetings are placeholders for what we will discuss. As we get closer to each session, we will be more detailed about what we will discuss in each session.
* Note: Unless noted otherwise, Heidi Pitts speaks all further notes.

Low-Income Rates/Riders from other IOUs

* Slide 3
	+ This is not an exhaustive list, but rather a comprehensive look with a few weeks of research.
	+ Based on that research, utilities’ low-income assistance programs/rates were categorized as flat monthly discounts, discount rates, Percentage of Income Plans, and other types.
* Slide 4 PIPPs
	+ Percentage of Income Payment Plans of PIPPs tend to come from state statutes and legislative mandates. So all the utilities within a state that has enacted PIPP legislation offer PIPPs.
	+ PIPPs are also called Affordability Plans.
* Slide 5 Utilities offering a Discount Rate
	+ A discount rate means some percentage discount on a portion of the bill, whether the total bill or a portion (one utility in LA discounts the fuel portion).
* Slide 6 Utilities offering Flat Discount
	+ El Paso Electric (TX) should also be on this list as well.
	+ For others, Entergy Arkansas, for example, offers a sales tax discount. Xcel in Minnesota, for example, offers a one-time discount similar to PNM’s Good Neighbor Fund.
* Slide 9 Eligibility for Low-income Rates and Programs
	+ Income eligibility is usually either a % of the Federal Poverty Level or a % of the state/area median income.
	+ Most common qualifying Federal Poverty Level seems to be 200%.
	+ Vulnerable population eligibility can be achieved in for programs in some states regardless of household income.
	+ Assistance program qualified means that being qualified for these programs automatically qualifies an individual in some utilities.
* Slide 10 Eligibility continued…
	+ Sometimes the discount granted depends on the household income. For example, Union Electric (MO) 0-150% FPL ($90 monthly discount); 151-200% FPL ($60 discount) with electric heat or $40/$35 discounts, respectively, non-electric heat.
	+ Another eligibility qualification can be the number of disconnections in a 12-month period. CA does 2+ disconnections in a 12-month period before they enacted the disconnection moratorium.
* Slide 12 Application/qualifying process
	+ California requires requalification every 2 years or 4 years if on a fixed income.
	+ Nevada Energy’s proposed low-income assistance rate/rider is moving through the regulatory process (FO next few weeks) and they propose annual recertification of income.
* Slide 13 On-line or mail in application
	+ This example is from Arizona Public Service.
	+ APS requires income documents to enroll. Other utilities will do random audits to ensure eligibility.
* Slide 14
	+ LIHEAP gathers a vast amount of information that can show different qualifications for enrollment.
	+ Julio Aguirre: We talked with New Mexico Gas. If we propose an LI rate, the gas company may want to do something similar. We see synergies and efficiencies with coordinating with them.
	+ Elisha Leyba-Tercero: These are my own opinions, not the Commission. I think that verifying income is a good idea. We don’t want ratepayers subsidizing ineligible customers.
	+ Keith Herrmann: Do we have another rate case on the horizon?
		- Heidi Pitts: We do not know the current timing for the next rate case. We are committed to discussing these issues with the group here, but it’s hard to commit when we don’t yet know the outcome of the acquisition.
		- Debrea Terwilliger: There are a number of issues we want to cover before the next rate case. We have no known date for our next filing.
* Slide 16 Types of discounts offered
	+ Tiered discounts most commonly depend on income level. An example, ComEd (IL). Tier 1 is 0-50% FPL, Tier 2 is 51-100% FPL, Tier 3 is 101-150% FPL, Tier 4 is 151-200% FPL, and Tier 5 is up to 300% FPL.
	+ Rhode Island Energy’s case the tiered discount is dependent on type of federal assistance (i.e. Tier 1 is a 25% discount for those enrolled in food stamp programs such as SNAP, Heating Assistance, or SSI; Tier 2 is a 30% discount for those receiving Medicaid, Public Assistance, or are in the RI Works Program.)
	+ Seasonal discounts tend to give larger discounts in the season that the peak occurs. NorthWestern Energy (MT) 25% discount Nov-April and 15% discount May-October. Appalachian Power has a winter discount, 20%, only. Kentucky Power has two programs, HEART or THAW, that give a bill discount January – April.
	+ Keith Herrmann: Does using LIHEAP effectively increase low income benefits? Because arguably those customers are already receiving low income assistance.
		- Heidi Pitts: I have not had time to quantify the level of benefits a customer receives on LIHEAP and how that affects the discounts.
		- Debrea Terwilliger: This came up in recent hearings. NV Energy is planning on removing the fixed charge. The LIHEAP amount is a set amount of dollars that you receive and doesn’t stretch very far. The discount helps the LIHEAP amount stretch further.
		- Heidi Pitts: In PNM’s service territory, using LIHEAP alone would miss a large segment of the low income population.
* Slide 18 Bill discounts
	+ Mostly monthly discounts although Central Maine Power, Versant Power (ME), and Pepco (Washington DC) have annual discount. Mississippi Power does a daily discount $0.88/day.
	+ Range in discounts often depend on household income and size.
	+ Utilities often have multiple low-income assistance programs. Not sure if a customer can apply to multiple programs or has to choose. For instance, Indiana Michigan Power (MI) has a Service Charge Waiver program (credit the monthly service charge) and a Senior Citizen discount for those age 65+ using <900 kWh/month.
	+ Non-electric heating tends to have lower discounts than electric heating.
* Slide 19 Bill discounts, continued…
	+ A few utilities use energy consumption as the basis for the size of the discount. Example is OtterTail Power (MN).
* Slide 21 Who Pays? Focus on residential charges to fund low-income discounts
	+ Because I could not find specific riders or mentions of a monthly charge that non low-income customers pay for the majority of utilities, I assume that they are socializing the costs in base rates and so did not have a specific carve-out for “who pays?”
	+ These examples listed on the slide are the residential charges that pay for the program.
	+ In CO, there is a maximum allowed surcharge of $1/month.
	+ Kentucky Power, only the residential customers pay for the costs of the low-income discounts. For the other utilities mentioned, other customer classes pay as well.
* Slide 23 Colorado’s evaluation report on the PIPP at CO utilities
	+ Colorado’s PIPP evaluation looked at PIPP’s in other utilities as well in compiling a list of best practices.
	+ Arrearages forgiveness varies at the CO utilities. Atmos Energy arrears are forgiven the 1st time, not the second time. Black Hills arrearages are forgiven over a 24-month period if bills are paid on time. CNG one time arrearage forgiveness when enrolled. PSCo offers full arrearage forgiveness.
* Slide 24 CO PIPP evaluation report
	+ Unsure whether PS of CO’s numbers of participating customers represent all potentially eligible customers, which is important when looking at the program costs and the total amount of discount credits given.
* Slide 26
	+ I did an analysis of a type of each of these low-income assistance programs at PNM to get an idea of costs.
* Slide 27 Low-Income Energy Affordability Data (LEAD) tool from US DOE
	+ This information was in my direct testimony in the last rate case and was a slide in the last PRAC presentation as well.
	+ Incorporating it here because of the data on the average income in NM at each of the FPL % categories. Acts as a sanity check on the estimates of PNM low-income amounts by same categories.
* Slide 28 Income Eligibility for Federal Aid Programs in NM
	+ These are the common federal aid programs in NM and their FPL eligibility percentages. It appears that a lot of these federal programs are administered through NM Health Care Authority.
	+ Daren Zigich: Every program is applied for through YES NM. Not everyone in these programs will receive an electric bill. For example, an adult son living in the household may be receiving aid but wouldn’t be directly a PNM customer.
		- Heidi Pitts: Some programs are designed around that, having an eligible person in the household even if they are not the person on the bill.
* Slide 30 Flat discount of the customer charge
	+ The number of customers in each category is cumulative. So the # of customers at 150% of FPL includes the customers at 100% FPL.
	+ Julio Aguirre: Our residential subsidy is about $41 million to put these numbers into perspective.
* Slides 31-34 A PIPP thought experiment
	+ Idea is that the base rates component of the customer’s bill should not exceed 3% of their monthly income.
	+ Now the customer #s for each income category are distinct because calculated the average July and average December consumption for each income category and their estimated annual income.
	+ There are 30,450 customers with no estimated income in the Experian database so I assume that they are low-income and didn’t have bank accounts and other financial ties that would allow Experian to estimate an income.
	+ In Slide 32, once I had the average energy consumption for the two months, I calculated the base rates component of the bill and then what percentage of the monthly income that it represented.
	+ In Slide 33, then I calculated what 3% of the monthly income would be for each income category to determine the credit needed to keep the base rates component of the energy bill at 3%.
	+ In Slide 34, I calculate the credit for the 2 months.
* Slide 35 Seasonal Discount Rate Example
	+ I calculated a tiered summer-only discount since PNM is a summer-peaking utility.
	+ Again, the customer #s are distinct in each income category, not cumulative.
* Slide 36 Pros and Cons of Various Methodologies – a discussion
	+ You can see that the PIPP discount is far more complicated to calculate and to understand than a simple fixed charge discount.
	+ In terms of considering what a line item charge on residential customers might raise in terms of revenue to pay for these low-income assistance programs, I calculated annual revenue from a rider designed to collect $1/monthly bill charge on non-participating (non-low-income) customers. In doing this, I considered the customers with no estimated income data as low-income customers as well.
	+ In August 2025 PNM had 496,884 residential 1A/1B customers.
	+ <=100% FPL, 49,673 customers so 447,211 non- low-income customers. Annual rider would collect $5,366,532.
	+ <=150% FPL, 75,689 customers so 421,195 non- low-income customers. Annual rider would collect $5,054,340.
	+ <=200% FPL, 123,519 customers so 373,365 non- low-income customers. Annual rider would collect $4,480,380.
	+ No estimated income data plus the previous categories, 153,969 customers so 342,915 non- low-income customers. Annual rider would collect $4,114,980.
	+ Elisha Leyba-Tercero: I like discounting the customer charge because it is easier to understand. You can market to those customers about TOD rates too.
		- Julio Aguirre: That was one of the arguments in favor of discounting the customer charge in NV. They could still participate in EE programs to discount the volumetric portion of the bill.
	+ Julio Aguirre: The only guidance we have received so far is the statute where we are allowed to implement rate structures. Does anyone know of any other initiatives at any other utility in NM?
		- Elisha Leyba-Tercero: I am not aware of any at this point. SPS will come in for a rate case in November.

Slide 37 Rate Design Principles

* Julio Aguirre: We wanted to show you the framework around how we want to design rates in the future. We have interclass and intraclass subsidy issues. We want to remove these subsidies as reasonably as possible and send the correct price signals to customers.
* Julio Aguirre: We are already considering different allocators in cost of service. We hope that these allocators will generate more fair rates. We hope the low-income discount will make things more affordable.
* Julio Aguirre: We want to gradually move from our inclining block rates to our TOD rates to minimize volatility.
* Julio Aguirre: We need to ensure that everything that we introduce will support the ETA and the move to a carbon-free future. Please keep the graph on slide 37 in mind as we continue our PRAC meetings.
* Elisha Leyba-Tercero: We should consider spreading the cost of low-income programs throughout all classes, but Staff is still concerned about cross-subsidies. We also are cognizant of those fringe residential customers who are barely ineligible but then must have their bills raised to pay for the low-income program.
* Daren Zigich: Do you have a comparison on the low-income portion of the EE program is giving out right now? A credit is fine, but low-term improvements on housing are better to give them more control over their energy use.