10. STATEMENT OF NEED

(Statement of Need provided for Workshop 8 included information to provide for context. Much of this information can be found in other sections of the report and is no longer shown as part of the Statement of Need. Certain ranges of need have been adjusted for clarity and accuracy.)

10.1 Introduction

PNM's 2026 IRP presents a comprehensive and forward-looking strategy to reliably and efficiently serve projected customer demand while achieving compliance with New Mexico's clean energy requirements through 2045. The plan balances three core objectives: reliability, affordability, and environmental impact. Each is outlined in more detail in the body of the IRP Report.

New Mexico IRP Rule 17.7.3 Statutory Requirements	
10A	The statement of need is a description and explanation of the amount and the types of new resources, including the technical characteristics of any proposed new resources, to be procured, expressed in terms of energy or capacity, necessary to reliably meet an identified level of electricity demand in the planning horizon and to effect state policies.
10B	The statement of need shall not solely be based on projections of peak load. The need may be attributed to, but not limited by, incremental load growth, renewable energy customer programs, or replacement of existing resources, and may be defined in terms of meeting net capacity, providing reliability reserves, securing flexible resources, securing demand-side resources, securing renewable energy, expanding or modifying transmission or distribution grids, or securing energy storage as required to comply with resource requirements established by statute or commission decisions.
12B	To address the utility's procurement need, if any, as described in the statement of need, and to fulfill the objectives of the utility's action plan, the utility shall issue a request for proposals (RFP) in the current IRP docket, within five months of the commission's acceptance of its statement of need and action plan.
13A	Acceptance of the utility's statement of need and action plan does not constitute a finding of prudence or pre-approval of costs associated with acquiring additional resources.

The 2026 IRP baseline portfolio establishes the foundation for PNM's Most Cost-Effective Portfolio (MCEP), which integrates supply- and demand-side resources in compliance with NMAC 17.7.3.7(M). To fully satisfy the rule's mandate to balance these economics with

comprehensive "reliability and risk considerations," PNM does not treat this baseline as a rigid, singular path. Instead, the baseline serves as the optimized core around which an extensive set of supply, demand, and market sensitivities were evaluated. This ensures that the resulting tiered procurement framework remains robust, cost-effective, and adaptable across a wide range of real-world risk scenarios.

10.1.1 The Tiered Procurement Framework

To operationalize the regulatory requirement to specify how resource portfolios vary with shifting system conditions, PNM has developed a dynamic, two-dimensional "tiered" procurement framework. This framework is specifically structured to guide implementation over the three-year IRP Action Plan period by addressing both macro-level demand uncertainty and alternative modeling sensitivities simultaneously:

- **Load Growth Tiers (Vertical Scaling):** By mapping distinct procurement tranches directly to observed load trajectories, PNM can scale its overall resource procurement volume across the Current Trends and Policy (CTP) - Tier 1, High Economic Growth (HEG) - Tier 2, and Extra High Economic Growth (XEG) - Tier 3 pathways if, and when, real-world customer demand materializes.
- **Modeling Sensitivities (Internal Tier Elasticity):** Within *each* individual load tier, the plan establishes an optimized planning range (a floor and a ceiling) for resource additions. These intra-tier ranges dictate how procurement shifts if other variables change, such as resource cost fluctuations, fuel price volatility, or accelerated carbon intensity reductions, even if load remains constant.

Notably, because modeling demonstrates that the Low Economic Growth (LEG) scenario remains largely resource-adequate over the near-to-mid term, it serves as a downward variance boundary and does not require a designated procurement tier.

10.1.2 Modeling Framework & Planning Ranges

PNM’s modeling framework reflects that differences in resource additions are driven by factors more complex than load growth alone. To ensure robust planning decisions under volatile conditions, PNM performed an extensive set of scenario analyses, evaluating dozens of sensitivities across the different load futures to isolate the impacts of varying resource costs, fuel prices, technology performance, and policy requirements.

The Statement of Need anchors to a single, optimized resource plan designated as the MCEP under the Tier 1 CTP baseline. However, to faithfully capture how alternative market, technology, and stakeholder sensitivities impact that baseline, PNM expresses its procurement guidance as optimized planning ranges within each tier.

Bounded by an optimized floor and ceiling for each major resource category, these intra-tier ranges do not replace the MCEP. Instead, they define the baseline's elasticity. They illustrate exactly how the resource mix within a given load future dynamically re-optimizes when stress-

tested against shifting supply-side and market variables, ensuring the Action Plan remains actionable regardless of which combination of real-world risks occurs.

Stakeholder Integration: These ranges are also informed by specific stakeholder alternative modeling sensitivities, involving more optimistic cost assumptions for emerging technologies (e.g., geothermal, fusion), increased demand-side penetration potential, and an accelerated reduction in carbon intensity. This input conditionally impacts PNM's identified need by widening the tiered planning ranges incorporated into the Statement of Need and informing the Action Plan.

10.1.3 Functional Resource Categorization

Pursuant to the IRP Rule, this Statement of Need identifies "resource option types"[40] rather than specific resources, except where a commitment to a specific resource exists at the time of IRP filing. PNM's resource needs are organized into three functional categories reflecting their operational characteristics[41] and role in maintaining system performance including: (1) carbon-free energy, (2) dynamic balancing resources, and (3) firm dispatchable resources.

Resource Category	Primary System Role	Key Technologies & Capabilities
Carbon-Free Energy	Produce clean energy, reduce annual customer demand, or provide cost-effective energy/capacity to meet statutory mandates while lowering overall system costs.	Wind, solar, and energy efficiency programs.
Dynamic Balancing	Provide accredited capacity (or reduce demand) to meet resource adequacy requirements and balance supply/demand in real-time operation.	Demand response, and short-duration energy storage (8 hours or less).
Firm Dispatchable	Operate at full capacity, at will, for extended periods to maintain grid stability during constrained system conditions.	Natural gas generation, pumped hydro, advanced geothermal, long-duration energy storage (e.g., iron-air batteries), small modular nuclear reactors, and hydrogen-ready combustion turbines.

In the current environment characterized by rapid change and increasing uncertainty, this Statement of Need establishes a transparent approach to resource planning and procurement by ensuring future investment decisions are predicated on measurable planning triggers. This allows PNM to make prudent near-term investments, ensure they support long-term objectives, remain prepared for accelerated growth scenarios, and safeguard customers from the costs associated with overbuilding or speculative investment.

10.2 Planning Horizons

The 2026 IRP maps out a long-range framework to maintain a reliable and affordable resource portfolio that meets environmental requirements for PNM's customers over the next 20 years. To ground this framework, PNM had established clear definitions for the key planning horizons in the 2026 IRP:

The Action Plan Period (2027–2029):

Legally defined by rule as the three-year period following the filing of the IRP, this is the near-term window where PNM carries out specific, concrete implementation efforts tied to the 2026 IRP. Accordingly, implementation activities, such as the potential development and issuance of a future competitive procurement, align with this Action Plan window.

The Focus Period (2033–2036)

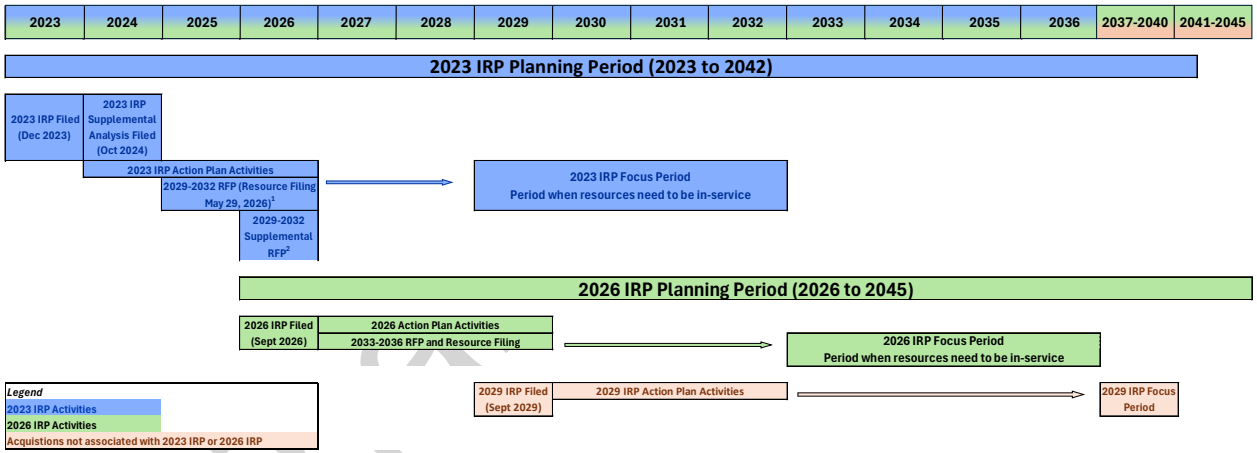
A look-ahead period bridging the immediate action plan timeframe and the medium-term horizon. Because new resources and associated system expansion require extensive lead times to design, clear interconnection queues, procure equipment, and construct, PNM must evaluate system requirements further out. The Focus Period represents the target window where resources solicited during the Action Plan Period are scheduled to enter commercial service to address incremental need from resource retirement(s) and/or increasing demand expected during the Focus Period.

The Planning Period (2026–2045)

Legally defined by rule as the 20-year future period for which PNM develops its IRP. This macro-level time horizon is utilized to evaluate long-term system trajectories, statutory clean energy mandates, and lifecycle economic trends.

Figure below provides a graphic to show the planning time horizons for the 2026 IRP in the context of both the previous 2023 and subsequent 2029 IRPs.

Figure 10-1: IRP Planning, Action Plan and Focus Period Timeline



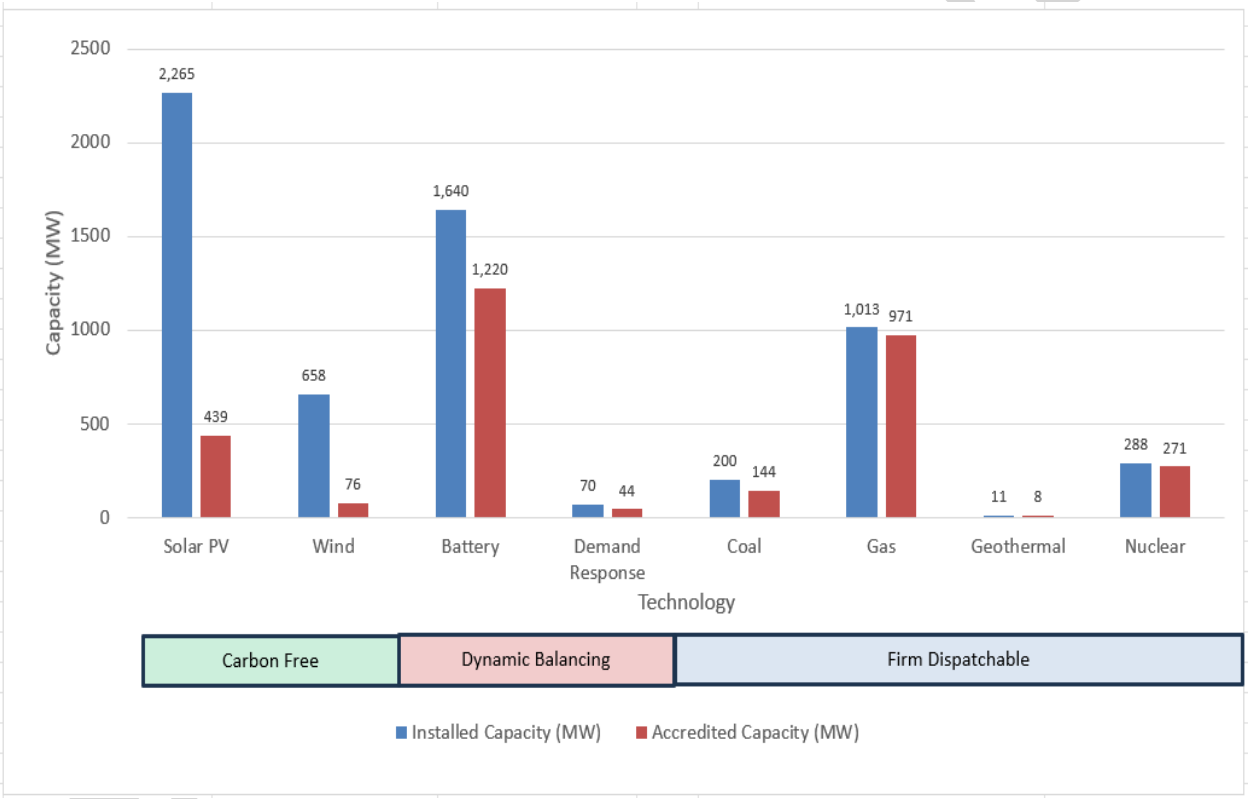
1: 800 MW Wind (Palomas), 610 MW BESS (Cathills 150 MW, Wildcat 50 MW, Gila Monster 150 MW, TAG II 90 MW, Britton 60 MW, Encino 110 MW), 240 MW Solar (Cat Hills 150 MW, Wildcat 90 MW), 186 MW Gas (Reeves Ext 146 MW, La Luz II 40 MW)

2: (50-250 MW Firm Dispatchable (modeled as 172 MW gas in 2026 IRP as proxy pending the Supplemental RFP outcome)

10.3 Capacity and Energy Shortfall (No-Action Scenario)

To establish a baseline for the system's resource needs, PNM evaluates a "no-action" scenario. This analysis measures the gap between projected customer needs and existing or already approved capacity and energy before adding any new resources. It explicitly excludes future generic candidate resources, projects pending approval in the 2029–2032 resource filing, and procurement from the RFP Supplement. The resulting resource gap is driven by two factors: projected load growth and the scheduled retirement or contractual expiration of existing generation. The existing or approved resources are shown in **Figure 10-2** below by technology as both *installed* and *accredited* capacity:

Figure 10-2 – Existing and Approved Resources



Includes approved resource with in-service dates of 2027 and 2028: Valencia Extension (167 MW), Corazon BESS (150 MW), Sun Lasso BESS (150 MW), Sunbelt Solar (100 MW), Sunbelt BESS (50 MW), Four Mile Mesa Solar (100 MW), Starlight Solar(100 MW), Windy Lane Solar (90 MW), Four Mile Mesa BESS (100 MW), Starlight BESS (100 MW), Windy Lane BESS (68 MW).

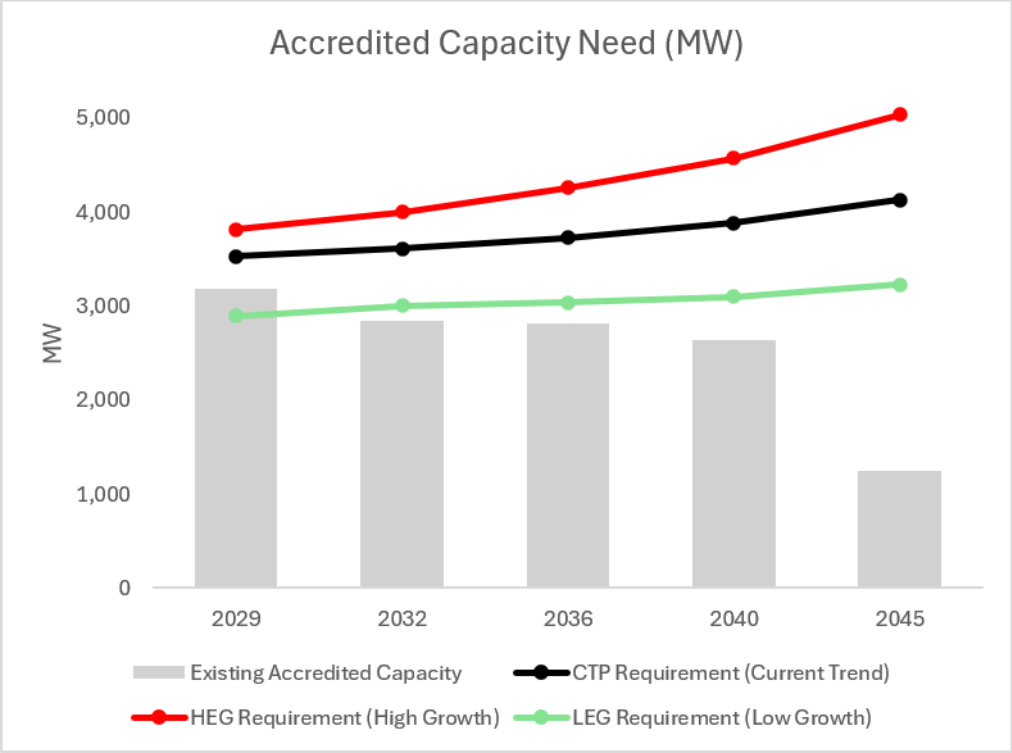
As a starting point, PNM's existing and approved resources in 2029 totals 6,145 MW of installed capacity (nameplate plus demand response) and 3,173 MW of accredited capacity. This

accredited capacity sets the baseline for maintaining PNM's Planning Reserve Margin (PRM) target of 14.5%.

10.3.1 Accredited Capacity Position Across Futures

The magnitude and timing of the system's future capacity deficit depend heavily on the trajectory of regional economic growth and electrification. Figure [ ] contrasts existing and approved accredited capacity against the 14.5% PRM requirements across three distinct load growth scenarios: the LEG, CTP, and HEG futures.

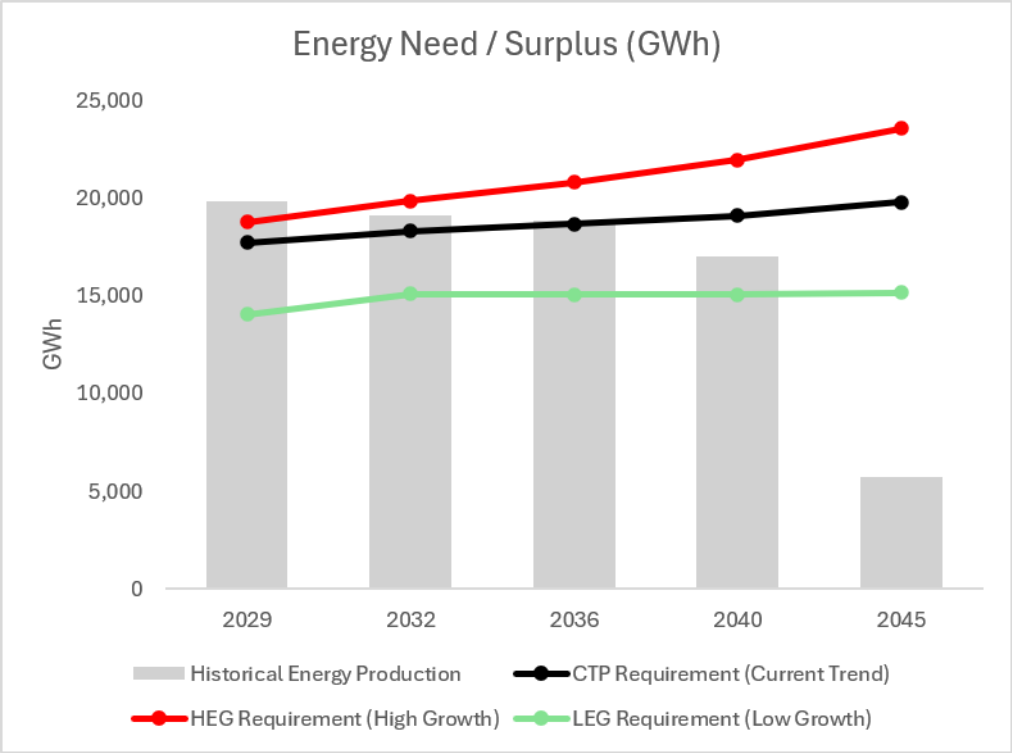
The resource adequacy deficit over the 20-year planning horizon is illustrated by the vertical divergence between existing accredited capacity and the target requirement lines. With the exception of the LEG sensitivity, current resources fall short of meeting the planning reserve margin by 2029. By 2045, the compounding impacts of asset retirements and intensifying peak loads expand these capacity deficits significantly.



Note: The IRP analysis included a sensitivity to the HEG case that covered extreme economic growth (XEG). This is a boundary limit on load growth and expected to be very low probability. The XEG results showed capacity deficits of [ ] by 2036 and [ ] by 2045 which is well above the HEG deficiencies shown above in **Error! Reference source not found.**.

PNM also evaluated the energy requirements to serve PNM retail load. Based on historical output of the existing resources, there is essentially no energy margin by 2036 indicating a significant risk of falling short if resource availability is reduced or dispatch is not perfectly

matched to load demand. While energy margins are not specifically targeted in resource planning, a portfolio would be expected to have substantial potential to significantly exceed the energy needs of the system since many resources are not dispatched at full capacity much of the time.



10.3.2 Modeling Framework & Planning Ranges

PNM's modeling framework reflects that differences in resource additions are driven by factors more complex than load growth alone. To ensure robust planning decisions under volatile conditions, PNM performed an extensive set of scenario analyses, evaluating dozens of sensitivities across the different load futures to isolate the impacts of varying resource costs, fuel prices, technology performance, and policy requirements.

The Statement of Need (Section [ ]) anchors to a single, optimized resource plan designated as the MCEP under the Tier 1 CTP baseline. However, to faithfully capture how alternative market, technology, and stakeholder sensitivities impact that baseline, PNM expresses its procurement guidance as optimized planning ranges within each tier.

Bounded by an optimized floor and ceiling for each major resource category, these intra-tier ranges do not replace the MCEP. Instead, they define the baseline's elasticity. They illustrate exactly how the resource mix within a given load future dynamically re-optimizes when stress-tested against shifting supply-side and market variables, ensuring the Action Plan remains actionable regardless of which combination of real-world risks occurs.

Stakeholder Integration: These ranges are also informed by specific stakeholder alternative modeling sensitivities, involving more optimistic cost assumptions for emerging technologies (e.g., geothermal, fusion), increased demand-side penetration potential, and an accelerated reduction in carbon intensity. This input conditionally impacts PNM's identified need by widening the tiered planning ranges incorporated into the Statement of Need and informing the Action Plan.

10.4 Bridging the Capacity and Energy Need Gap

To systematically close the capacity and energy gaps shown above, PNM categorizes its portfolio strategy into three distinct deployment activities based on their current regulatory and commercial status. The activities are (1) Pending Near-Term Procurements, (2) Focus Period Procurements, and (3) Procurements Through the End of the Planning Period. Additional information on the activities is as follows:

10.4.1 Pending Near-Term Procurements:

- **2029-2032 System Resources:** These represent firm commitments – PNM owned and purchased projects that are pending final New Mexico Public Regulatory Commission approval. As such, they are assumed as fixed inputs to the modeling. As concrete commitments, they are embedded across all modeling cases and provide the foundation for near-term system reliability.
    - Pending NMPRC consideration of 1,690 MW of new resources: 1,040 MW of Carbon-Free Resources, 610 MW of Dynamic Balancing Resources and 40 MW of Firm Dispatchable Resources. A regulatory decision is expected before the end of 2026.
    - Intent to continue operation of the Reeves Generating Station through 2044 (146 MW).
- **2029-2032 Supplement Procurements (RFP Supplement):** To handle the small remaining near-term resource need (3%-15% of total portfolio depending on accreditation), PNM is concurrently executing its active 2029-2032 All-Source Generation Resource RFP Supplement. Because this competitive solicitation is underway, the exact projects, locations, and technologies are currently unknown. Prior analysis identified gas generation as a proxy modeling assumption for near-term firm dispatchable needs; however, this placeholder will ultimately be filled based on the actual outcome of the RFP evaluation, which is an all-source procurement open to all qualified technologies. Consequently, this competitive bidding process will ultimately address the commercial and technical feasibility of deploying a gas turbine for a 2029 online date. As a result, the range of needs established in the IRP will have a small interdependence on the outcome of the Supplement selection.
    - 50-250 MW of new Firm Dispatchable Resources, pending final award of resource(s) from PNM’s 2029-2032 All-Source Generation Resources RFP

Supplement. For the IRP this was modeled as a 172 MW combustion turbine as a proxy across all scenarios.

10.4.2 Focus Period Procurements

Generic Long-Term Resources Across Load Forecasts (2033-2036 RFP Future Procurements): Any remaining deficits beyond pending resource approvals and active procurement windows are addressed via generic resources. These additions represent flexible planning placeholders that dynamically scale in volume and timing based not only on which load trajectory materializes, but also on how other key modeling sensitivities and stakeholder assumptions ultimately evolve. Because utility-scale energy projects require significant development lead times, PNM initiates proactive planning during the current Action Plan period to ensure resources are viable when needed. The Focus Period provides the necessary runway for standard long-lead projects to bid into future competitive solicitations. While certain emerging clean-firm technologies may require even longer development timelines that extend beyond the Focus Period horizon, PNM will consider these options provided that sufficient near-term resources are procured in the interim to reliably and affordably maintain system adequacy until those longer-lead technologies can commercially mature.

10.4.3 Procurements Through the End of the Planning Period

Long-Term Valuation and Informational Track (2037-2045): Resource needs identified beyond the 2036 Focus Period horizon are summarized primarily for long-range planning and informational purposes, as subsequent IRP cycles will be more relevant to determine what specific technologies and capacity ranges are appropriate beyond 2036. However, maintaining this extended planning horizon within the 2026 portfolio analysis is critically necessary to prevent resources selected in earlier periods from being fundamentally under- or over-valued by the optimization models. Forcing the portfolio evaluation to look comprehensively through 2045 ensures that near-term resource selection accounts for long-term asset lifecycles, ongoing compliance mandates, and long-range system costs.

Figure 10-3 below provides a graphic timeline of the procurement timeframes. The 2026 IRP provides the guidance for the 2026 IRP Action Plan items which include the issuance of an RFP for resources that would be placed in-service in the 2026 IRP focus window of 2033-2036. The focus window is shaded in green in the figure.

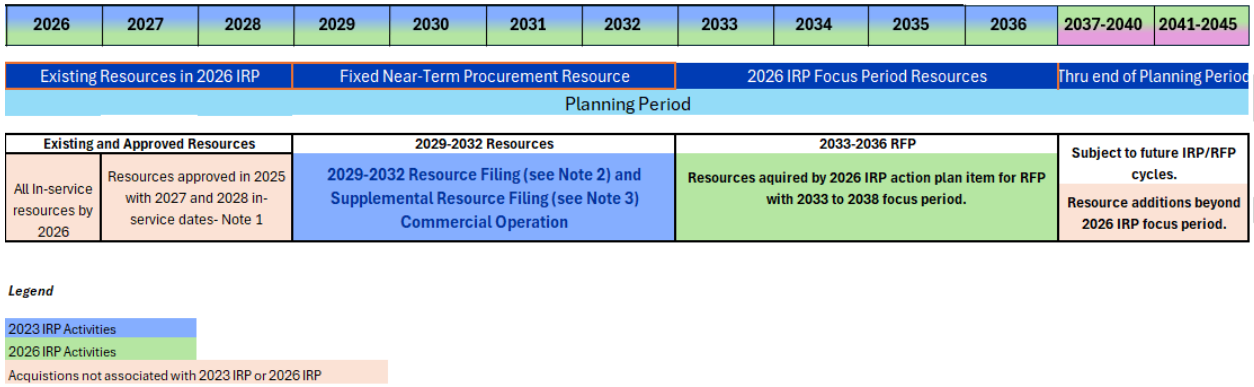


Figure 10-3 - Procurement Timeframes

Note 1 – see Figure 2

Note 2 - 800 MW Wind (Palomas), 610 MW BESS (Cathills 150 MW, Wildcat 50 MW, Gila Monster 150 MW, TAG II 90 MW, Britton 60 MW, Encino 110 MW), 240 MW Solar (Cat Hills 150 MW, Wildcat 90 MW), 186 MW Gas (Reeves Ext 146 MW, La Luz II 40 MW) plus Supplemental RFP (50-250 MW Firm Dispatchable (modeled as 172 MW gas in 2026 IRP as a proxy pending outcome of the RFP evaluation).

Note 3 - 50-250 MW of new Firm Dispatchable Resources, pending final award of resource(s) from PNM's 2029-2032 All-Source Generation Resources RFP Supplement. For the IRP this was modeled as a 172 MW combustion turbine as a proxy.

10.4.4 Dynamic Tiered Procurement Framework

To ensure the IRP translates directly into actionable, risk-managed commercial decisions, PNM structures portfolio additions across two dimensions: Vertical Load Scaling (responding to load growth futures) and Horizontal Functional Categories (maintaining technology diversity and operational flexibility).

Vertical Load Scaling

Rather than relying on a single static load forecast, PNM's resource plan employs distinct load futures tied to measurable economic conditions. Each future reflects a specific growth threshold that, when crossed, alters the timing and volume of resource procurement:

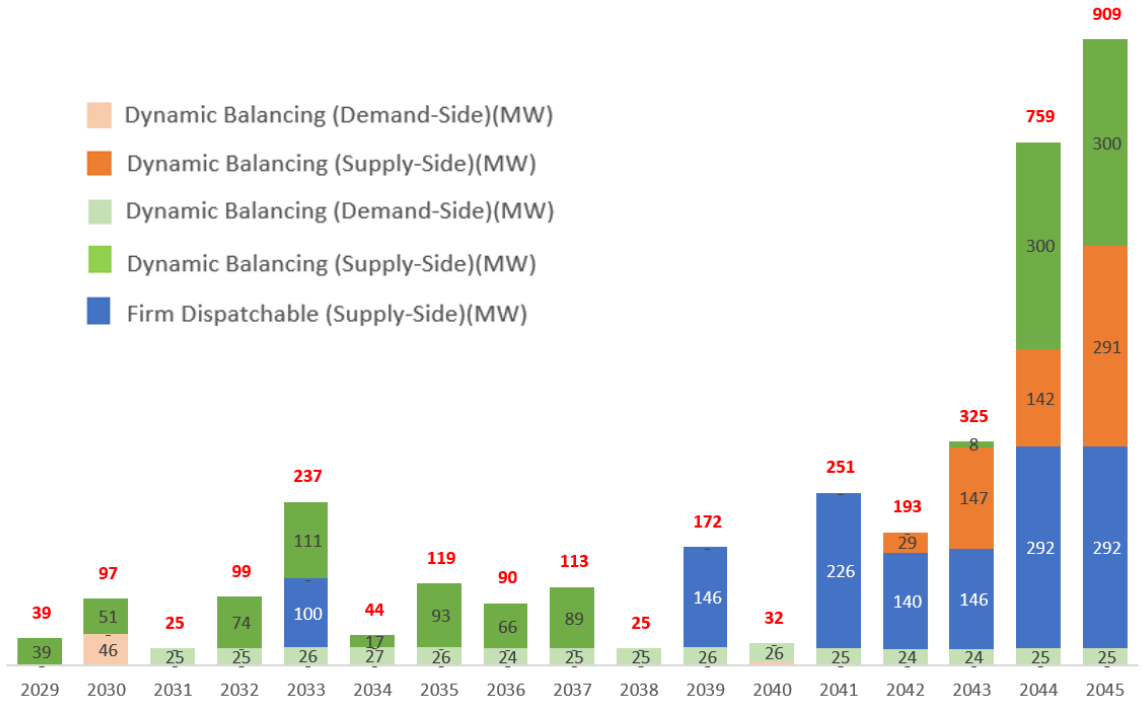
- **Current Trends & Policy (Baseline Future - Tier 1):** Serves as the foundational anchor for the 2026 IRP. This reference case reflects baseline trajectories for core planning drivers, such as organic load growth, customer-sited behind-the-meter (BTM) solar adoption, and electric vehicle (EV) penetration.
- **Low Economic Growth (LEG Boundary):** Establishes the lower-bound demand trajectory. Under this scenario, PNM's existing fleet and already-committed resource additions are sufficient to maintain system resource adequacy. As a result, this scenario defines a demand floor that requires no incremental procurement tier.
- **High Economic Growth (Tier 2):** Activated when growth parameters outpace reference case expectations across core demand drivers. This scenario evaluates system needs under accelerated economic development, elevated regional load forecasts, and aggressive adoption rates for both electric vehicles and building electrification.
- **Extreme Economic Development (Tier 3):** Represents a low-probability, high-impact demand trajectory triggered by the prospective addition of discrete, large-scale industrial or data center loads. This tier establishes conditional procurement mechanisms that scale capacity additions if specific large-load commitments materialize.

10.5 Most Cost-Effective Portfolio ("MCEP")

This plan, like PNM's prior IRPs, identifies an MCEP based on the CTP baseline case. This case represents the forecast trajectory represented in planning activities for the expected future outcome. While the IRP Rule requires a utility to identify an MCEP, it also requires that an IRP identify how that plan would vary under changes in key supply and demand assumptions. PNM's IRP has, therefore, identified how its portfolio will adapt as load growth, markets, regulatory requirements and, technology costs and availability evolve after the acceptance of the SON and AP. The sensitivity analyses conducted across three futures provide a comprehensive vision into the patterns in the types and timing of resources that are least cost under these varying conditions.

By identifying the common denominators from portfolio analysis, it provides PNM and stakeholders insight into how the MCEP might evolve to ensure on-going alignment for resource procurements in terms of ranges, attributes, and timing of customer needs. This approach ensures adequate flexibility, supports prudent decision-making as industry dynamics shift, and avoids premature commitments to specific technologies before they are commercially or economically optimal. Figure 3 below identifies the MCEP in accordance with the IRP Rule requirements.

Figure 10-4 - Most Cost-Effective Portfolio (CTP base case)



10.6 Statement of Need: Current Trends and Policy "CTP" Future (Base – Tier 1)

The CTP trajectory represents the baseline planning scenarios with the highest expected probability of occurrence. Under this pathway, steady load growth and clean energy mandates mean that the pending near-term procurement resources only partially solve the long-term resource need, requiring additional generic resources over time.

Figures 6 and 7 below provide a comprehensive view of the range of individual technologies selected across each of the core CTP scenarios. These individual technologies then roll up into the three operational categories in Table [ ] below and used to summarize the Tier 1 Statement of Need. CTP values represent the base case, while the highlighted ranges depict how needs vary across modeled sensitivities.

- **Through 2036:** Supply-side resources consist primarily of utility-scale solar, short-duration storage, and long-duration storage (modeled as either pumped-hydro storage or iron-air batteries). Demand-side resources focus on the expansion of energy efficiency programs.
- **Through 2045:** Additional technologies emerge in the later years of the planning horizon, with small modular nuclear reactors (SMRs) adding substantial carbon-free energy and firm capacity to the overall portfolio.

Figure 10-5 - Range of Resource Needs Based on CTP Sensitivities through 2036

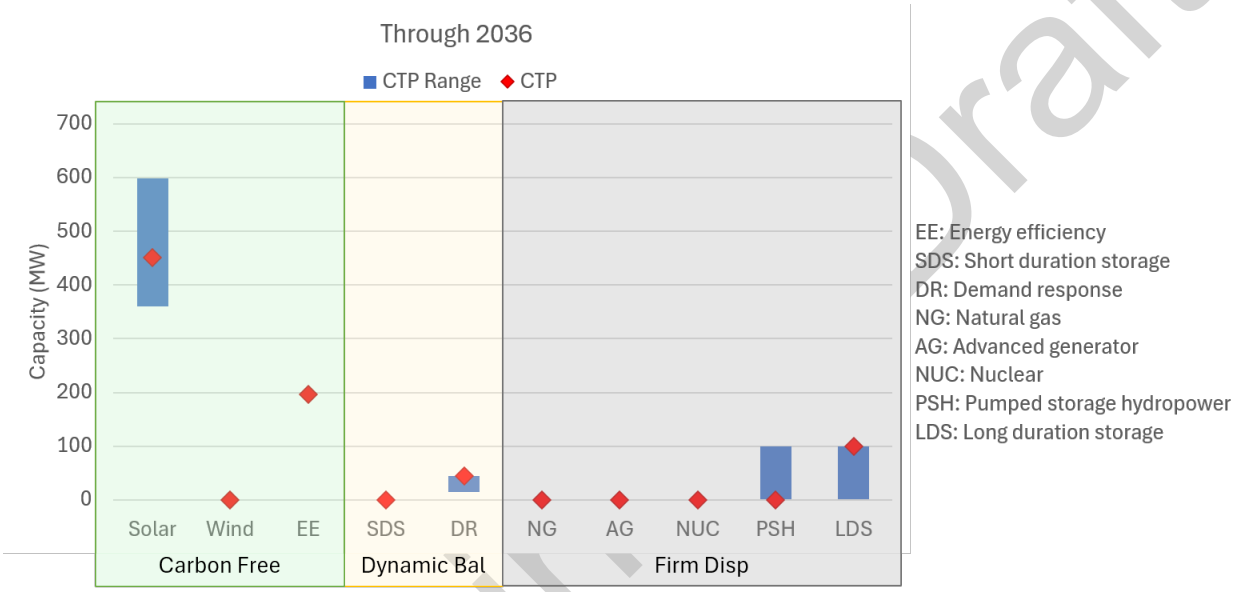
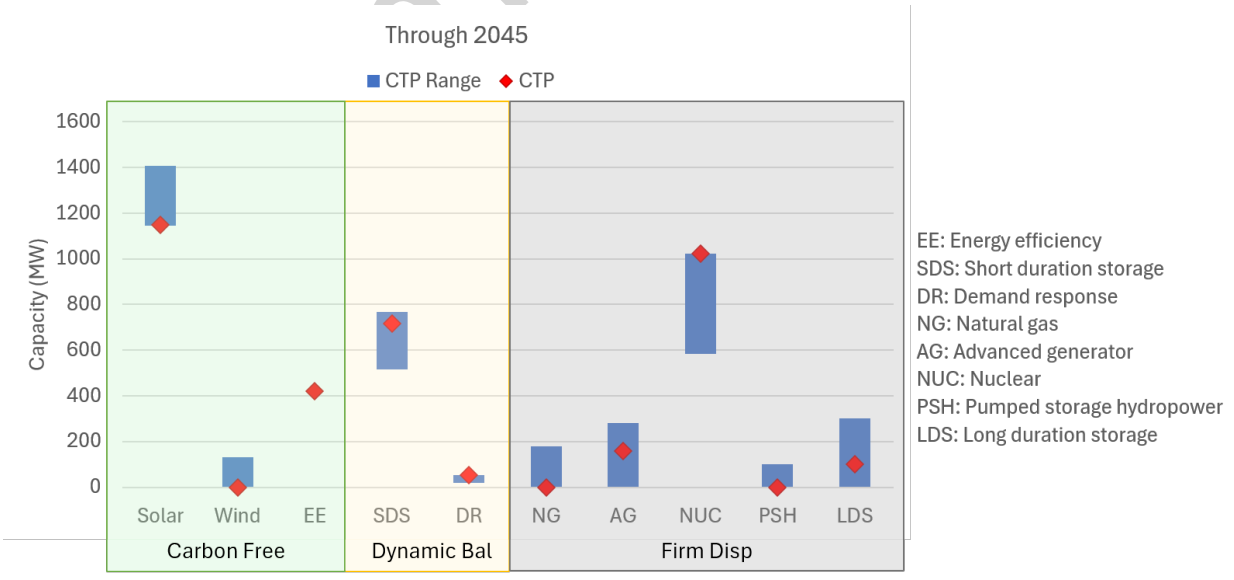


Figure 10-6 - Range of Resource Needs Based on CTP Sensitivities through 2045



Critically, the resource ranges defined below represent net-new, incremental capacity targets required over and above the pending near-term procurements. Based on the selected technologies from the IRP analysis, Table [ ] details the total incremental resource needs.

Table 10-1 – Incremental Resource Needs based on CTP future and sensitivities

Resource Category	Through 2036		Through 2045	
	Low	High	Low	High
Carbon-Free Energy (Supply-Side)	360	598	1,144	1,409
Carbon-Free Energy (Demand -Side)	196	196	420	420
Dynamic Balancing (Supply-Side)	0	0	517	768
Dynamic Balancing (Demand -Side)	15	45	19	52
Firm Dispatchable (Supply-Side)	0	200	863	1,602

The 'Low' and 'High' columns within each individual load scenario do not represent low or high economic growth; rather, they represent the optimization bounds driven by variations in cost, policy, and other sensitivities within that specific load track.

10.6.1 Stakeholder Scenarios

PNM evaluated a series of alternative modeling cases incorporating stakeholder-requested assumptions and constraints using the same underlying baseline load trajectory as the CTP case, but adjusting critical inputs and assumptions changes the optimized portfolio balance across the three functional technology categories. Specifically, these sensitivities expanded the near-term need for Carbon-Free resources, accelerated the overall demand for Dynamic Balancing resources, and confirmed an almost identical long-term capacity floor for Firm Dispatchable resources.

Key Category Takeaways:

- **Carbon-Free Energy Resources:** Stakeholder assumptions widen the near-term band of uncertainty through 2036, expanding the range of additional resources to 238 MW – 967 MW (compared to the tighter CTP range of 556 MW – 794 MW). By 2045, the long-term range shifts to an additional 1,265 MW – 1,621 MW of installed capacity, bringing the high-end requirement into close alignment with the CTP.
- **Dynamic Balancing Resources:** Altering resource options shifts the need for fast-acting grid flexibility upward across the board. The near-term focus period ceiling increases significantly to 421 MW (vs. 45 MW in the CTP), ultimately scaling to a maximum of up to 835 MW by 2045.
- **Firm Dispatchable Resources:** The absolute volume of firm capacity required to preserve grid stability remains very stable. Through 2036, both pathways share an identical near-term floor of 0 MW, while the upper bounds remain closely aligned at 350 MW under stakeholder assumptions versus 200 MW in the CTP. By 2045, the long-term

requirements converge on a similar requirement (1,360 MW under stakeholder cases vs. 1,602 MW in the CTP). However, while the capacity floor is driven by load and retirement timelines, the stakeholder assumptions dramatically shift the underlying technology mix away from traditional placeholders toward alternative clean-firm dispatchable resources (e.g., geothermal).

Planning Triggers: A move to align with this planning pathway could be triggered by changes in ETA goals or required milestone dates, new or modified demand side management programs bid into resource procurements that exceed the expected penetration levels utilized in the analysis, or future RFP bids provide lower technology costs, better operating characteristics, and/or more favorable permitting timeframes over current expectations. Fusion was added per a stakeholder request. It is understood that fusion companies target deployment of the first fusion power plants by the early to mid-2030s; however, a cost and deployment trajectory for this technology in the Focus Period is uncertain at this time.

Downward Variance Low Economic Growth Future

Sensitivity modeling demonstrates that under a Low Economic Growth Future, the near-term procurement resources are fully sufficient to meet system needs. Minimal supply-side resource additions are required through 2040, though the model consistently identifies incremental demand-side (energy efficiency programs) as optimal cost. Such a planning pathway would be triggered by a significant reduction in the actual load growth captured in the expected CTP cases.

10.7 Upward Scalability: Tier 2 - High Economic Growth Future

If economic development and electrification growth accelerate beyond the levels defined in the CTP future, PNM's resource needs are expected to be significantly greater.

When compared to the CTP future, there is substantial greater amounts of solar and a wider range of short duration storage through 2036. Greater amounts of long-duration storage are also evident. Linear generators are also added in smaller quantities depending on the sensitivity. **Error! Reference source not found.** summarizes the resource ranges identified in the IRP analysis for the HEG future.

Table 10-2 - Incremental Resource Needs based on HEG future and sensitivities

Resource Category	Through 2036		Through 2045	
	Low	High	Low	High
Carbon-Free Energy (Supply-Side)	603	666	401	604
Carbon-Free Energy (Demand-Side)	0	0	0	0
Dynamic Balancing (Supply-Side)	31	649	107	120
Dynamic Balancing (Demand-Side)	0	1	0	3
Firm Dispatchable (Supply-Side)	80	200	260	571

The 'Low' and 'High' columns within each individual load scenario do not represent low or high economic growth; rather, they represent the optimization bounds driven by variations in cost, policy, and other sensitivities within that specific load track.

Planning Triggers that would lead to adapting to a high economic growth planning pathway would include faster adoption of electrification and electric vehicles than currently forecast. This could come about from regulatory changes focused on accelerating carbon reduction goals. Other drivers of an HEG planning pathway include increased US manufacturing activity and accelerated overall economic growth above current expectations and data center and AI activities that are more moderate than exemplified by current demand but above the expectations of the base CTP forecast.

10.8 Boundary Sensitivity: Tier 3 - Extreme Economic Development Sensitivity

To evaluate extreme load growth, the Extreme Economic Development Sensitivity maps out an unprecedented volume of resources required well beyond historical procurement cycles. Based on the technologies selected in the IRP, the incremental resource needs, above the Pending Near-Term Procurements, under the Extreme Economic Development Sensitivity are:

Table 7 – Incremental Resource Needs based on XEG sensitivity

Resource Category	Through 2036	Through 2045
Carbon-Free Energy (Supply-Side)	5200	5984
Carbon-Free Energy (Demand-Side)	196	420
Dynamic Balancing (Supply-Side)	2328	2328
Dynamic Balancing (Demand-Side)	45	52
Firm Dispatchable (Supply-Side)	1360	3622

Planning Trigger: The key trigger for a 3 Tier planning pathway would be continued and accelerating Large Customer and Data Center Growth. Contracting and development milestones that ensure the costs of serving new large load would be aligned to protections in a large load tariff to ensure that customers have certainty on rate and service impacts of large load customer service and avoid unfairly shifting costs to other customer classes.

10.9 Conclusion

The 2026 IRP establishes an actionable path forward that is aligned with current customer needs, statutory requirements, and system reliability obligations while preserving the flexibility necessary to respond to changing conditions, as required in the IRP Rule. Rather than committing customers to premature or static investment decisions, this plan identifies clear resource development pathways supported by defined decision points and objective planning triggers that will guide future actions as uncertainties surrounding load growth, economic development, electrification, and emergent resource availability, cost, and performance becomes clearer.

PNM's planning approach is rooted in serving demonstrated customer demand at the lowest reasonable cost while maintaining reliability and compliance with state policy objectives. The MCEP identified in this IRP represents the resources needed to reliably serve the Base Case forecast and therefore serves as the utility's primary execution plan. This is the path on which PNM intends to move forward with immediately.

At the same time, the IRP recognizes that future conditions may deviate from current expectations. To address this uncertainty, PNM has established specific criteria and development triggers that will continue to be evaluated throughout the planning period. These triggers provide disciplined, transparent decision points for advancing additional resource procurements, accelerating development activities, or deferring investments as warranted by actual customer commitments, load growth, resource availability, cost or performance, and market conditions.

Under this framework:

- Tier 1: CTP Resources will be pursued to meet expected customer needs, maintain reliability, and satisfy statutory and regulatory requirements. Under the baseline CTP path, gradual capital deployment balances infrastructure updates with stable rate pathways. Low economic growth minimizes immediate capital spend but risks higher per-unit costs if fixed system expenses must be recovered over stagnant sales volumes. This is the expected trajectory for the 2029-2032 RFP unless near-term forecast changes occur to a magnitude that involves the triggers mention for the low economic growth scenario or the Tier 2 or Tier 3.
- Tier 2: HEG incremental resource additions will be pursued when measurable indicators demonstrate sustained growth beyond the Base Case forecast and existing resources are insufficient to maintain reliability standards. High economic growth scenarios require upfront capital investments in transmission and generation; however, this near-term upward pressure is mitigated by large load tariff provisions and offset over time by a larger customer sales base that spreads fixed system costs.
- Tier 3: XEG incremental resources will be pursued when measurable indicators demonstrate sustained growth beyond the HEG forecast and existing resources are insufficient to maintain reliability standards. Like the HEG scenario, the XEG require upfront capital investments in transmission and generation; however, this near-term

upward pressure may be mitigated by large load tariff provisions and offset over time by a significantly larger customer sales base that spreads fixed system costs.

This action-based framework provides a transparent roadmap for regulators, customers, and stakeholders by identifying the actions PNM will take now, the conditions PNM will monitor, and the decisions PNM will make as future circumstances change. By linking future resource investments to defined triggers, measurable customer demand, and reliability requirements, PNM can execute near-term investments with confidence, remain prepared for accelerated growth, and protect customers from the costs of premature or unnecessary resource development.