PNM Energy Efficiency Program

2024 Annual Report

May 15, 2025

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Introduction

- The 2024 Program was cost effective, as measured by the Utility Cost Test ("UCT"), with a UCT of **1.51** for the portfolio of programs.
- The total annual net savings after free rider and other adjustments were accounted for was **86.5 GWh** at the customer meter.
- The two load management programs represent an average hourly capacity of approximately **54.31** MW.
- Total program expenses were about **$35.7 million**.
- The average cost per kWh of lifetime energy savings from the energy efficiency programs, not including load management, was **2.78 cents/kWh**.

The Public Service Company of New Mexico ("PNM") Energy Efficiency Program empowers individuals and businesses across PNM's 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

PNM submits this annual report on the performance of the PNM Energy Efficiency and Load Management Program for calendar year 2024, (2024 Program). This annual report is based on the measurement and verification of PNM's 2024 programs performed by EcoMetric Consulting, LLC ("EcoMetric"). The Evaluation of the 2024 Public Service Company of New Mexico Energy Efficiency and Demand Response Programs ("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, 2024, through December 31, 2024.

This is the 17th annual report on PNM's 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 2024.

Table 2

Program	Participants or Units	Annual Savings (kWh)	Annual Savings (kW)	Lifetime Savings (kWh)	Total Program Costs
Residential Comp.	36,164	14,712,220	4,538	137,849,935	$ 7,199,335
Residential Products	440,565	17,271,978	1,724	213,916,373	$ 4,309,465
Commercial Comp.	770	31,817,061	5,661	337,260,845	$ 10,787,927
Easy Savings	14,421	5,053,114	3,500	50,531,137	$ 1,516,829
Energy Smart	252	546,005	309	7,993,513	$ 406,921
New Home Const.	1,437	1,222,789	258	19,686,898	$ 1,160,584
PNM Home Works	14,669	3,072,282	104	40,984,241	$ 752,940
Behavioral Comp.	165,309	12,713,418	1,954	23,382,594	$ 988,434
Power Saver (LM)	66,665	91,191	40,461	91,191	$ 6,309,151
Peak Saver (LM)	294	90,452	13,882	90,452	$ 2,345,552
Total	**740,546**	**86,590,510**	**72,392**	**831,787,179**	**$ 35,777,138**

Program Information

This section highlights the successful strategies and accomplishments of the following programs in 2024.

(1) Commercial Comprehensive

(2) Residential Comprehensive

(3) Residential Products

(4) Energy Smart

(5) PNM HomeWorks

(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. PNM contracted with DNV, Inc. to implement the Commercial Comprehensive program. With DNV's assistance, participation in these programs was made easier for 2024 with a simplified online application. An application designed to streamline the application and approval process immensely reducing administrative burdens for program participants.

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.

"We started our business with the intention of helping people with electrical needs and providing the most savings as possible. PNM was a perfect partner for us, because they allowed an even bigger savings program. Growing with PNM has allowed us to improve our business needs, save energy and costs in the community, and continue to stand on what we believe in. Thank you, PNM for helping us serve our clients, customers, and our community!"

- Alicia Goodman, Administrative Director (Goodmen Electrical Services LLC)

In 2024, there were 225 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 $3.2 million in rebates to customers and will save over 18.9 million kWh per year.

PNM **Quick Saver** is a direct-install program for small business customers who have an annual peak electric demand of 200 kW or less. It 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. For 2024, the Quick Saver program processed over $1.6 million in incentives on 293 customer projects which will save approximately 9.6 million kWh per year across the PNM service area.

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 36 projects, paid approximately $1.4 million in rebates, and achieved 3.3 million kWh of energy savings. The Multifamily program served 11 Income qualified multifamily properties in 2024 and achieved over 1.4 GWh in savings.

There was additional multifamily funding reallocated from the NM Housing (formerly MFA) Energy Smart program to this existing multifamily program. Details are included below in the Energy Smart program section.

Residential Comprehensive

Refrigerator Recycling

First Refrigerator being picked for recycling in re-established program.

In March of 2024, the PNM Refrigerator Recycling program recommenced recycling operations after an 8-month hiatus following relinquished operations by third-party contractor ARCA Inc. The request for proposal ("RFP") for this program was issued in the second half of 2023 and was ultimately awarded to third-party contractor CLEAResult, who also implements PNM's Residential Midstream Cooling and Residential Products programs. The CLEAResult team worked with PNM to address lingering recycling requests, stored units waiting to be broken down and recycled, and customer concerns remaining from the ARCA operation that ceased in 2023. These clean-up efforts took up the first quarter of 2024.

With the abbreviated program year, the program recycled 3,516 units through its Albuquerque disassembly and recycling center for refrigerators and freezers. The Refrigerator Recycling program achieved approximately 1.9 million kWh in savings between March and December of 2024.

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 personalized 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® qualified appliances. Rebates for installing high efficiency cooling equipment, including heat pump technologies, are also available for eligible participants with old inefficient cooling equipment.

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

In 2024, PNM proactively reached out to some customers moving into a new home, sending a kit of measures and marketing collateral to encourage them to sign up for a free Home Energy Checkup.

Customers leasing a single-family home or apartment could also participate in the program by scheduling a Home Energy Checkup or requesting a kit of easily removable measures including: two PNM branded night lights, weather stripping foam, and 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 2024, PNM continued to offer customers a way to participate in this program virtually. The virtual offering includes rebate applications for appliances and/or cooling equipment, and customized DI measures mailed. Following the initial interaction, the customers receive a follow-up video phone call to review energy savings tips, address customer questions, and to verify that DI measures were installed.

A total of 31,199 customers throughout PNM’s service area received a Home Energy Checkup or energy savings kit in 2024, achieving over 11.1 million kWh savings.

Residential Midstream Cooling

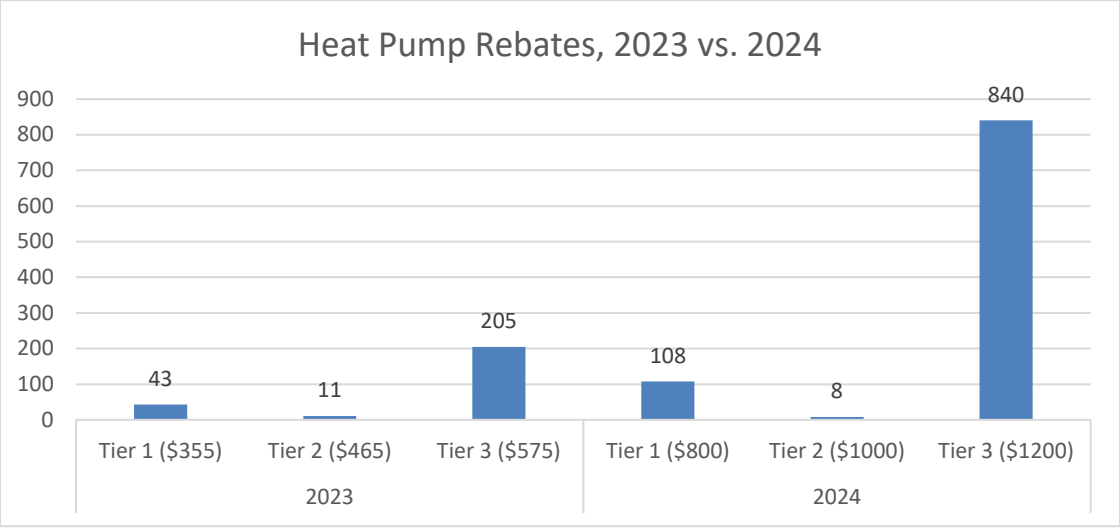
"The PNM program really took off in the year of 2024 with the higher heat pump incentives. It got so many more contractors engaging with the program resulting in one of our best years yet. Not only with the program but overall sales. We here at NSW (Normans S. Wright) really enjoy participating in the program and offering incentives to our contractors and they seem to be really loving it too!"

-Aubrey Sunderman, Inside Sales, Normans S. Wright Co.

PNM's 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.

In 2024, as directed by the Final Order in Case 23-00138-UT to encourage more heat pump technology adoption in our market, PNM increased incentives for all three tiers of heat pumps. The increase in incentives correlated to double the amount of Tier 1 Heat pumps and over triple the amount of Tier 3 Heat pumps installed from the 2023 program year. The total values are highlighted below. The Program achieved savings of approximately 1.6 million kWh in 2024. All 17 of the largest wholesale distributors in PNM's service area are currently participating in the program. The program doubled the amount of HVAC contractors working with these participating wholesalers by year-end 2024.

Table 3



Residential Products

In 2024, 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 2024. A total of 141 retailers including large home improvement stores, warehouse clubs, discount retailers, drug stores, independent hardware, charity retailers, and dollar stores participated in the program throughout the PNM service area achieving a total of approximately 17.2 million kWh savings and providing approximately $2.5 million in total incentives.

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 2024. Field representatives visited participating retailers on either a bi-weekly or monthly basis depending on the retailer's sales volume. Field representatives visited stores 2,306 times in 2024.

HomeWorks

The PNM Home Works program provides energy efficiency education and energy saving kits to fifth graders and to 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 into homes and businesses with a special emphasis on sustainability and the unique energy usage footprint of a high school-aged student in the home. Virtual presentations are still offered if requested, however most participating schools have returned to requesting in-person presentations.

Once presentations are completed, each fifth grade and high school student receives a sealed customized PNM 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 efficient technologies while also learning about additional ways to reduce energy waste in the home. The high school kit also contains a tier-two advanced power strip. Participating teachers can receive a mini

"The PNM energy saving program has been very beneficial to both our store and customers. Not only is it a great selling tool but something that makes sense to save energy and help customers save on their electric bill also. It's a great program and very helpful when PNM has a table setup to assist and answer questions to promote your program."

-Benjamin, Assistant Manager-Home Depot

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.

Energy Smart Seniors (ESS) Presentation at Bear Canyon Senior Center Albuquerque

In 2024 a senior citizen directed component called Energy Smart Seniors ("ESS") was added to the HomeWorks program. The ESS component provides outreach to senior centers in the Albuquerque and Santa Fe areas. Implementers of the program provide a one-hour presentation tailored to the senior citizen audience. The presentation itself is built to provide information, hands-on activities, along with guided discussion. The two primary goals being, how one can "Think!" about energy and how one can "Talk" about energy efficient practices. ESS participants also receive a kit comprised of a LED night Light, Tier 1 advanced power strip, highly efficient shower head (1.5 gpm), kitchen aerator (1.5 gpm), bathroom aerator (1.0 gpm) and various weatherization items, and a booklet highlighting the advantages of energy efficient behavior.

The Home Works program provided 14,669 kits to 198 schools including 593 classrooms throughout the PNM service area during the 2024 spring and fall semesters. The ESS component provided 600 kits for the year. The overall program achieved approximately 3.1 million kWh savings in 2024.

New Home Construction

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 1,437 homes in 2024, including homes from two new pilots. The program achieved a 19% increase in participation from 2023, 100 of which were prescriptive homes, and 1404 of which were performance homes. Eight performance homes were built for low-income customers by Habitat for Humanity. A total of 21 builders participated in the program in 2024. The Rio Rancho area saw the most participation with 683 homes built. Albuquerque followed with 373 and the Santa Fe region had 191. Other PNM territories contributed a total of 177 homes.

The 2024 program year also saw the launch of the All-Electric Homes Pilot. Any builders participating in this program are required to build a home with all-electric cooking, space, and water heating systems. The home may not have a natural gas meter or gas-based alternatives. The homes are also subject to performance home testing in which a HERS rater will evaluate the home at various points during the construction and completion of the home. The program launched with 17 all electric homes built resulting in 49,638 kWh saved. Six home builders participated in the program's first year, with the average home saving 2,920 kWh per year.

The new Manufactured Home pilot program launched in June of 2024. A total of five builders participated and five homes were completed in the first six months of the pilot. The results were lower than initially projected, but in addition to starting mid-year, the pilot is also subject to other housing market factors, such as higher housing prices and mortgage rates.

"Our buyers appreciate the lower utility costs and the modern, high- performance technology that comes with an all-electric home. The program's support and incentives make it easier for us to deliver homes that are not only environmentally responsible but also affordable and future ready."

-Michael Fietz, Owner, Westway Homes

The PNM New Homes Construction program earned recognition as an Energy Star 2024 New Construction Market Leader for incentivizing the construction of 931 ENERGY STAR-certified homes in the PNM service area.[1]

Low-Income Focused Programs

In 2024, the portfolio spent approximately 14% 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 HomeWorks, Residential Products, New Home Construction, and Multifamily programs.

Easy Savings Kit

In 2024, a custom portal offered income qualified PNM customers the choice to customize an Easy Savings kit from a list of pre-selected DI measures which include various specialty LEDs, advanced power strip and other energy saving items, based on whether their home has a gas or electric water heater. The primary channels for recruiting customers are direct mail or email campaigns. In 2024, the measure mix was enhanced to include a single door sweep, weather stripping as well as outlet gaskets. As the market changes, the measure mix will continue to be evaluated for cost effectiveness.

[1] See https://www.energystar.gov/partner-resources/residential_new/marketing_resources/recognition_awards/market_leader_award.

PNM also continues to work with agencies and table community assistance events to retain continued awareness and participation in the PNM Easy Savings Kit program.

In addition to the portal offered to income qualified PNM customers, the program also provided Limited Time Offers ("LTO") to market rate customers. Examples of these LTOs included, "Back to School" energy efficiency kits consisting of an advanced power strip and LED bulbs, kits for market rate customers, and co-branded smart thermostats in collaboration with New Mexico Gas Company. In the four months the LTOs were conducted, they generated approximately 3.8 million kWh energy savings. In 2024, a total of 14,421 kits and/or LTO measures were mailed to customers generating approximately 5 million kWh in energy savings.

Energy Smart

PNM is contracted with Housing NM, formerly New Mexico Mortgage Finance Authority ("MFA"), to install LEDs and replace inefficient refrigerators. Additional weatherization efficiency measures such as attic insulation, air and duct sealing, window and door replacement, and programmable thermostats are also offered through the program to help income-qualified single family and multifamily customers save money and energy in their homes. In 2024, Housing NM and its subcontractors leveraged PNM and federal funding and provided services for 252 single-family homes and achieved approximately 546,000 kWh in energy savings.

The Energy Smart program also included a multifamily focus. However, in March of 2024, Housing NM unexpectedly notified PNM that the sub-contractor for the multifamily portion of the Energy Smart program did not extend their contract with them for the 2024 program year and beyond. To prevent a lapse in serving this segment, PNM reallocated the multifamily portion of funding in the amount of approximately $500,000 to the existing Commercial Comprehensive multifamily program. PNM worked with the implementer DNV to design the Step-It-Up ("SIU") pilot program to continue offering income qualified multifamily retrofits and offer higher incentives for deeper savings from measures such as heat pumps, in addition to, appliances, windows, lighting, and other measures. The SIU program contributed 149,000 kWh to the income-qualified portion of their multifamily savings and plans to serve even more multifamily participants in the full 2025 program year.

In the fall of 2024, to better leverage funding to reduce the wait list for weatherization services, and as directed by the Final Order in Case No. 23-00138-UT, PNM, New Mexico Gas Company, and Housing NM implemented the "whole home" approach in the income qualified single family market segment. This approach is like the one already in place with NM Gas Company, in which the program is expanded to include weatherization measures and expenses that offer little or no therms or kWh savings but do provide valuable health and safety benefits, such as carbon monoxide detectors, smoke detectors, dryer venting, and attic floor repair. With both utilities sharing the cost of health and safety related items, the goal is to help those households that have been waiting for assistance for years and were not likely to receive services soon due to federal ranking requirements. **Table 4** below includes both the total 2024 Housing NM waitlist and PNM-only waitlist by month.

Table 4

	January	February	March	April	May	June	July	August	September	October	November	December
Total Waitlist/PNM Only	3534/623	3542/615	3543/615	3547/612	3511/614	3497/601	3572/615	3569/603	3564/577	3585/591	3613/593	3557/601

Behavioral Comprehensive

Commercial Strategic Energy Management (SEM) Program

This program targets commercial and industrial customer classes by focusing on business practice change from senior management through employee staff to positively affect organizational culture in reducing energy waste and improving energy intensity. 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.

The SEM program implementer, Strategic Energy Group (SEG), in conjunction with the PNM Strategic Account Management team, recruits from a list of customers whose annual electric usage exceeds 1.5 GWh as the minimum threshold. In addition to working with the PNM Account Management team, other recruitment strategies include SEM overview webinars both real-time and recorded, email campaigns, and virtual lunch and learn meetings. In total, there were ten participants in the SEM program for 2024 from the healthcare, materials manufacturing, and food processing customer segments with other prospective pending participants being engaged to participate in 2025. Performance incentives were added in 2024 to encourage new and sustain existing participation.

By nature, a behavioral-based program sees customers realizing savings slowly over the course of a multi-year implementation process. The program achieved 5.3 million kWh energy savings in the 2024 program year and issued $54,708 in its first year of offering performance incentives.

Residential Home Energy Report Program

This behavior-based program offering 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 a phone app, website and/or emailed report. From the online report, 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 and “always on” equipment, are consuming the most energy.

Over 4.3 million e-mails were sent in 2024 with a high delivery rate of 94%, and healthy open and click rates of 47% and 3% respectively. Over 122,000 paper reports were sent to selected customers who did not have e-mail addresses on record.

This program has been well received by participants with an average e-mail like rate of 73% and is in the top three of the most preferred means to learn about customer-specific energy consumption. This program achieved over 7.3 million kWh energy savings for the 2024 program year due to new engagement strategies.

As directed by the Final Order in Case No. 23-00138-UT, the link to PNM's 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 HomeWorks 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 HomeWorks 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. Sensi thermostats were added in the 2024 program year to provide additional options for customers. Load curtailment is achieved via communication with the Wi-Fi-enabled thermostat. For the 2024 control season, the weighted number of installations were approximately: 4,543 smart thermostats, 53,037 residential DCUs, and approximately 9,085 small and medium commercial DCUs.

The Peak Saver program is a demand response program offered to non-residential customers with 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.

In 2024, Itron worked with Wells Fargo to make it possible for all participants, including those who do not have an active Wells Fargo account, to cash program incentive checks at no charge for participant convenience.

PNM dispatched the Peak Saver load management resource for single event for a total of 4 hours with 209 participating facilities, with a confirmed curtailment amount of 13.8 MW. The Power Saver resource was also called on the same day, with a confirmed curtailment amount of 40.46 MW. The total capacity was 54.3 MW. **Table 5** shows the times and durations of the load curtailment event in 2024.

Table 5

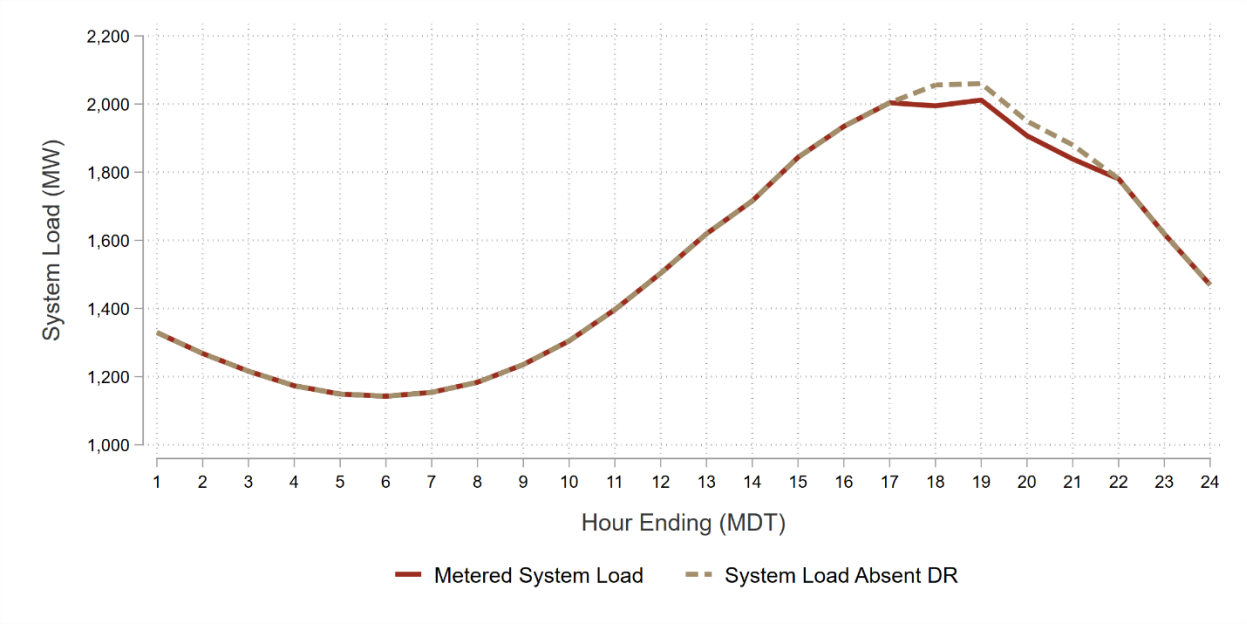
Date	Start Time (MDT)	End Time (MDT)	Duration (Hr)
7/31/2024	5:00 PM	8:00 PM	4

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

- In PNM's future M&V reports, the independent evaluator shall verify that load reductions from deployment of PNM's 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 addressed these points for 2024 below. A comprehensive discussion regarding PNM's peak demand and the value of Load Management as a Resource may be found in Section 8 in the 2024 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 2024. While the summer of 2024 had fewer extremely hot days than 2023, it still had numerous days of nearly record-breaking gross demand. However, PNM only called one event based on resource supply constraints in PY2024. This event occurred on July 31st from 5:00 PM to 9:00 PM (MDT). Three additional one-hour test events were called to prepare for the LM season. The fact that the grid called for a single event – and the timing of that event – illustrates the changing nature of reliability risk, also known as "loss load risk", or the risk that demand may exceed supply. This is due to the addition of new renewables, especially solar, shifting net demand (demand minus zero marginal cost renewables) away from summer afternoons and towards the summer evenings. In fact, PNM's most recent integrated resource plan (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 the load management programs on system load on the only non-test event day in 2024 (July 31st). On this day, metered gross load on PNM's system peaked at 2,012 MW during hour ending 7:00 PM (MDT). If we add back verified estimates of demand response performance, adjusted for line losses, the daily peak would have been 2,060 MW during hour ending 6:00 PM (MDT). The load management programs flatten out system loads at the top of the post-solar evening peak, which reduces the quantity of expensive and emissions-intensive peaking resources that are needed to balance the supply and demand.



Program Benefits and Goals

The 2024 Program benefitted the PNM system, customers in all customer classes, the environment, and the New Mexico economy.

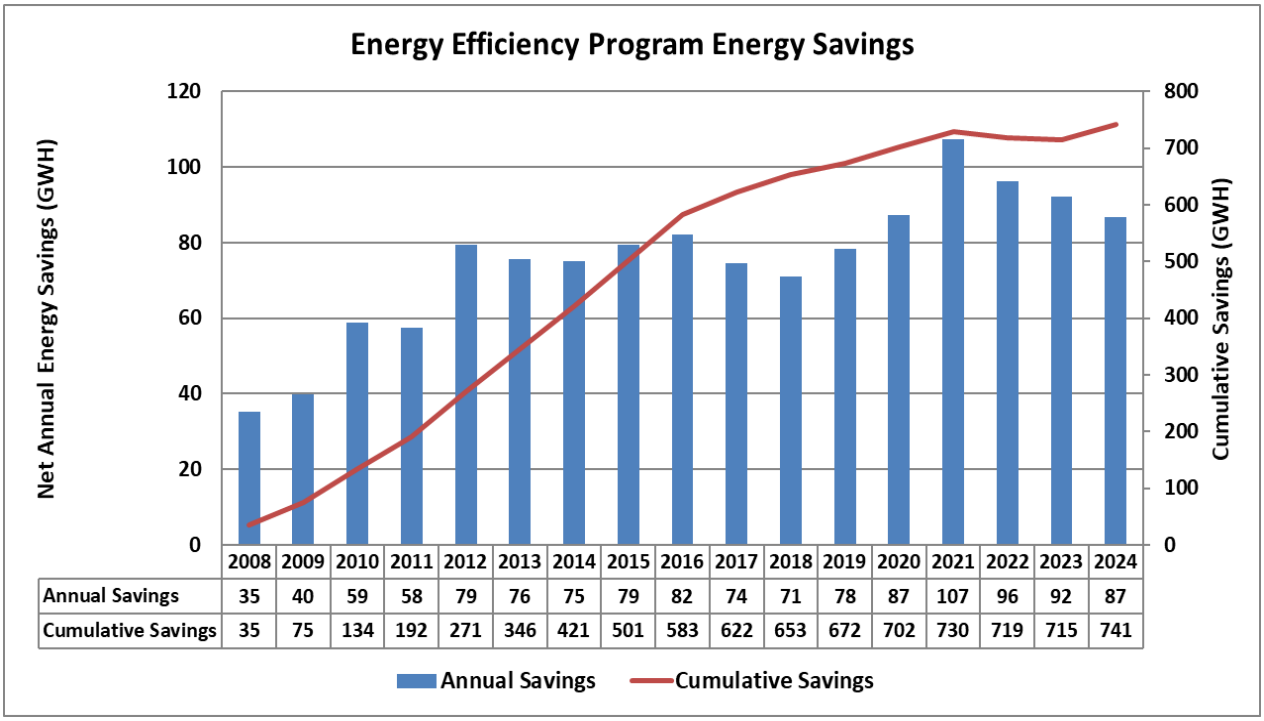
The Efficient Use of Energy Act ("EUEA")[2] previously required that PNM achieve cumulative energy savings of 411 GWh by 2014, equal to five percent (5%) of PNM's retail sales in 2005, and 658 GWh by 2020, equal to eight percent (8%) of 2005 retail sales. PNM's cumulative energy savings of 421 GWh through 2014 exceeded the 2014 savings requirement specified in the EUEA. PNM's cumulative energy savings of 702 GWh through 2020 exceeded the 2020 savings target and represents approximately 8.6% of 2005 retail sales. The 2019 amendment to the EUEA[3] requires that PNM achieve energy savings of not less than five 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 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.

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

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

the 2024 Program is 9.5 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 1** below shows the annual incremental savings on the left axis and annual cumulative savings achieved through 2024 on the right axis.

Figure 1



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Annual Savings	35	40	59	58	79	76	75	79	82	74	71	78	87	107	96	92	87
Cumulative Savings	35	75	134	192	271	346	421	501	583	622	653	672	702	730	719	715	741

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

The 2024 program provided almost $15.1 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:

- For work done in 2024, particularly in New Home Construction, PNM received the ENERGYSTAR® Market Leader of the Year award.
- Almost 450,000 products were discounted through the Residential Products program through upstream, downstream, and instant rebates as well as giveaways.
- More than 13,500 low-income customers benefited from the three programs that primarily serve low-income customers.
- Over 750 commercial customer projects, including almost 300 small commercial projects, were completed in the business energy efficiency programs.

- Heat Pump adoption in 2024 increased by 369% over the 2023 program year in the Midstream Cooling program, from 259 units to 956 units, respectively.
- The legacy Refrigerator Recycling program was relaunched with a new implementer.
- The All-Electric and Manufactured Homes Pilots were launched in the New Home Construction Program
- A Senior Citizen kit component was added to the HomeWorks program.

Approximately 66,959 residential and business customers participated in the demand response programs. The 2024 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 an efficiency improvement. Using a multiplier factor of two, the economic impact of the customer incentives would be about $30 million dollars. The 2024 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 2024 third-party program implementers directly supported approximately 42 local employees. In addition, much of the $15.1 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 18th year, remains a key resource in PNM's 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 IRP Rule which is to "identify the most cost-effective portfolio of resources to supply the energy needs of customers."[4] PNM's 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.

Tariff Collections

The costs of implementing the 2024 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 2024 included a program cost rate element that was assessed monthly as a percentage (3.707% of the monthly bill charge). A profit incentive rate element was also assessed monthly as a percentage including a 2024 base element (0.245% and a 2023 reconciliation element 0.011%).

In 2024, PNM collected $35,968,332 in program funding through the 3.707% Rider No. 16 rate element. In 2022, PNM's plan year Rider No. 16 collections exceeded expenditures by $649,373 resulting in an underage added to the amount available for program expenditures in 2024 pursuant to 17.7.2.8(E) NMAC. Accordingly, the amount of rider collections available for program funding in 2024 was $36,617,705 ($35,968,332

[4] 17.7.3.6 NMAC.

+ $649,373). PNM's actual expenditures in 2024 were $35,777,138, resulting in an under-expended amount of $840,567. Accounting for carrying charges on monthly balances in 2024 of $175,941 resulted in a net underage of $1,016,508. The Final Order in Case No. 23-00138-UT authorized PNM to earn a Profit Incentive in 2024. 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.

2024 Cost Reconciliation and Impact on 2026 Program Budget

In compliance with the Final Order, PNM will add the 2024 under-expended amount of $1,016,508 to the approved 2026 program plan budget as approved in Case No. 23-00138-UT

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 March 13, 2024, PNM filed Amended Advice Notice No. 604 to reconcile the collection of the 2022 program costs and profit incentive. Rider No. 16 was modified to reflect the profit incentive reconciliation, and the new rates went into effect on March 27, 2024.

Energy Efficiency Rule Reporting Requirements

The following section of the annual report provides detailed information on the performance of the 2024 Program including information required by the NMPRC Energy Efficiency Rule, 17.7.2.14 NMAC – Annual Report.

Documentation of Program Expenditures

All 2024 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 PNM's 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 2024 Program were $35,777,138. 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 4** shows the allocation of costs to the various programs for calendar year 2024.

Table 4

Programs	Admin	M&V	Promotion	Incentives (Rebates)	Third-Party Costs	Market Transformation	Total Costs
Residential Comp.	$ 287,456	$ 71,960	$ 99,159	$ 3,424,527	$ 3,178,901	$ 137,332	$ 7,199,335
Residential Products	$ 173,806	$ -	$ 59,955	$ 2,598,703	$ 1,393,965	$ 83,036	$ 4,309,465
Commercial Comp.	$ 429,459	$ 139,640	$ 148,143	$ 6,367,549	$ 3,497,962	$ 205,174	$ 10,787,927
Easy Savings	$ 61,176	$ -	$ 21,103	$ 1,284,723	$ 120,601	$ 29,227	$ 1,516,829
Energy Smart	$ 16,412	$ -	$ 5,661	$ 316,273	$ 60,735	$ 7,841	$ 406,921
New Home Const.	$ 46,808	$ -	$ 16,146	$ 561,924	$ 513,343	$ 22,362	$ 1,160,584
PNM Home Works	$ 29,618	$ 18,570	$ 10,217	$ 575,672	$ 104,713	$ 14,150	$ 752,940
Behavioral Comp.	$ 37,971	$ 46,958	$ 13,098	$ 54,838	$ 817,429	$ 18,141	$ 988,434
Power Saver (LM)	$ 253,586	$ 21,585	$ 87,475	$ -	$ 5,825,355	$ 121,150	$ 6,309,151
Peak Saver (LM)	$ 93,672	$ 22,985	$ 32,312	$ -	$ 2,151,831	$ 44,752	$ 2,345,552
Total	**$ 1,429,965**	**$ 321,698**	**$ 493,270**	**$ 15,184,208**	**$ 17,664,834**	**$ 683,163**	**$ 35,777,138**

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

The total approved budget for 2024 was $34,517,198 and the total actual expenses for the year were $35,777,138; therefore, total spending was close to four percent above the approved budget. **Table 5** shows the budgeted amounts, the actual expenditures, and the variances for each program.

Table 5

Programs	Approved Budget	2024 Actual Costs	Variance ($)
Residential Comp.	$ 6,808,218	$ 7,199,335	$ 391,117
Residential Products	$ 4,444,957	$ 4,309,465	$ (135,492)
Commercial Comp.	$ 10,006,176	$ 10,787,927	$ 781,751
Easy Savings	$ 328,898	$ 1,516,829	$ 1,187,931
Energy Smart	$ 964,909	$ 406,921	$ (557,988)
New Home Const.	$ 575,090	$ 1,160,584	$ 585,494
PNM Home Works	$ 784,383	$ 752,940	$ (31,444)
Behavioral Comp.	$ 1,039,052	$ 988,434	$ (50,618)
Power Saver (LM)	$ 5,445,888	$ 6,309,151	$ 863,264
Peak Saver (LM)	$ 4,119,626	$ 2,345,552	$ (1,774,074)
Total	**$ 34,517,198**	**$ 35,777,138**	**$ 1,259,940**

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

Estimated and Actual Participation and Savings

Table 6 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 2024. Please note that all energy savings are reported as savings at the customer meter.

Table 6

Program	Estimated Participants or Units	Actual Participants or Units	Estimated Savings (kWh)	Actual Savings (kWh)	Estimated Savings (kW)	Actual Savings (kW)
Residential Comp.	40,198	36,164	16,433,453	14,712,220	2,185	4,538
Residential Products	309,551	440,565	24,515,684	17,271,978	1,335	1,724
Commercial Comp.	576	770	38,607,754	31,817,061	7,305	5,661
Easy Savings	3,500	14,421	2,024,750	5,053,114	242	3,500
Energy Smart	458	252	1,438,245	546,005	373	309
New Home Const.	1,195	1,437	650,756	1,222,789	209	258
PNM Home Works	14,000	14,669	2,860,200	3,072,282	135	104
Behavioral Comp.	219,476	165,309	5,743,750	12,713,418	1,281	1,954
Power Saver (LM)	55,000	66,665	1,600,000	91,191	40,000	40,461
Peak Saver (LM)	150	294	1,200,001	90,452	30,000	13,882
Total	**644,104**	**740,546**	**95,074,593**	**86,590,510**	**83,065**	**72,392**

Estimated and Actual Costs and Avoided Costs (Benefits)

Table 7 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 2024 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 7

Program	Estimated NPV of Monetary Costs	Actual NPV of Monetary Costs	Estimated NPV of Monetary Benefits	Actual NPV of Monetary Benefits
Residential Comp.	$ 6,808,220	$ 7,199,335	$ 6,899,745	$ 8,789,212
Residential Products	$ 4,444,957	$ 4,309,465	$ 9,582,248	$ 8,714,070
Commercial Comp.	$ 10,006,176	$ 10,787,927	$ 22,220,562	$ 17,268,062
Easy Savings	$ 328,898	$ 1,516,829	$ 1,110,471	$ 7,576,214
Energy Smart	$ 964,909	$ 406,921	$ 1,552,895	$ 979,087
New Home Const.	$ 575,090	$ 1,160,584	$ 649,856	$ 977,605
PNM Home Works	$ 784,382	$ 752,940	$ 1,032,552	$ 1,199,665
Behavioral Comp.	$ 1,039,052	$ 988,434	$ 782,276	$ 1,471,399
Power Saver (LM)	$ 5,445,888	$ 6,309,151	$ 6,440,751	$ 5,120,534
Peak Saver (LM)	$ 4,119,626	$ 2,345,552	$ 4,830,563	$ 1,759,823
Total	**$ 34,517,198**	**$ 35,777,138**	**$ 55,101,921**	**$ 53,855,673**

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

Cost Effectiveness Evaluation

Table 8 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 1.51.

Table 8

Program Name	Net UCT Ratio
Residential Comp.	1.22
Refrigerator Recycling	2.77
Home Energy Checkup	1.29
LI Home Energy Checkup	0.81
Midstream Cooling	0.36
Residential Products	2.05
Commercial Comp.	1.60
Easy Savings	4.99
Energy Smart (MFA)	2.41
New Home Const.	0.84
Behavioral Comp.	1.49
Home Works	1.59
Power Saver (LM)	0.81
Peak Saver (LM)	0.75
Total	**1.51**

Table 9 reflects actual UCT results based on 2024 M&V analysis along with the Low-Income contribution to the portfolio results.

Table 9

Program	kWh	kW	Lifetime kWh	EUL	LI% of Budget	Total Cost	2024 UCT Ratio
Residential Comp.	14,712,220	4,538	137,849,935	9.4	22.7%	$ 7,199,335	1.22
Refrig. Recycl.	1,911,594	3,402	12,425,360	6.5	0.0%	$ 1,428,676	2.77
HEC - Mkt	7,900,431	763	70,708,855	9.0	0.0%	$ 2,155,101	1.29
HEC - LI	3,224,428	288	28,858,634	9.0	100.0%	$ 1,637,453	0.81
Midstream Cooling	1,675,767	85	25,857,086	15.4	0.0%	$ 1,978,106	0.36
Residential Products	17,271,978	1,724	213,916,373	12.4	30.3%	$ 4,309,465	2.05
Commercial Comp.	31,817,061	5,661	337,260,845	10.6	10.7%	$ 10,787,927	1.60
Easy Savings	5,053,114	3,500	50,531,137	10.0	58.9%	$ 1,516,829	4.99
Energy Smart (MFA)	546,005	309	7,993,513	14.6	100.0%	$ 406,921	2.41
New Home Const.	1,222,789	258	19,686,898	16.1	2.6%	$ 1,160,584	0.84
Behavioral Comp.	12,713,418	1,954	23,382,594	2.0	0.0%	$ 988,434	1.49
Home Works	3,072,282	104	40,984,241	13.3	47.0%	$ 752,940	1.59
Power Saver (LM)	91,191	40,461	91,191	1.0	0.0%	$ 6,309,151	0.81
Peak Saver (LM)	90,452	13,882	90,452	1.0	0.0%	$ 2,345,552	0.75
Total	**86,590,510**	**72,392**	**831,787,179**			**$ 35,777,138**	**1.51**

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 2024.

Estimated Water and CO2 Savings

Table 10 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 2024 Program were determined by multiplying the PNM weighted-average emissions rate and water consumption by the annual and lifetime energy savings.

Table 10

Emission Impact	Avoided Electric Emissions Rate (Metric Tons/GWh)	Annual Avoided Emissions (Metric tons)	Lifetime Avoided Emissions (Metric tons)
CO_2 Reduced	156	13,550	130,166
Water Impact	**Water Consumption (gal/MWH)**	**Annual Water Saved (gal)**	**Lifetime Water Saved (gal)**
Water Saved	141	12,209,262	117,281,992

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

Additional Regulatory Requirements

The following directives were ordered in Case No. 23-00138-UT, denoted by italics. Below each 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 PNM's latest Integrated

Resource Plan (“IRP”) or (ii) offered availability to provide other benefits to PNM’s 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 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.

PNM is currently evaluating proposals to conduct a transmission and distribution avoided cost study as ordered in Case No. 23-00138-UT.

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 2024 M&V evaluation process in efforts to collect this data. Information about the survey and results are included in the attached 2024 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 2024 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 also contracted with Demand Side Analytics (“DSA”) to perform further detailed analyses for the Home Energy Reports, and Demand Response programs. EcoMetric conducted an independent evaluation of the 2024 Program and their M&V Report is based on data from January 1, 2024, through December 31, 2024. PNM worked closely with EcoMetric and DSA to provide the data and necessary program information to complete the 2024 M&V

Report. Data included participant information, participant energy use, utility costs and budgets, avoided costs, and implementer costs including incentive information.

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 and DSA performed detailed evaluations of the Peak Saver, Power Saver, Commercial Comprehensive, New Home Construction, Home Energy Reports, and Energy Smart 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

Impact evaluation activities for the Commercial Comprehensive program included detailed engineering reviews of the Retrofit Rebate, Multifamily, New Construction, Direct Install (Quick Saver), Building Tune-Up, Midstream sub-programs. The majority of the gross impact evaluation activities were devoted to engineering desk reviews of sample projects. The sample was stratified to cover a range of different measure types so that no single measure would dominate the desk reviews. The sample was also stratified based on total energy savings within each measure group. Overall, the sampling strategy ensured that a mix of projects in terms of both project size and measure type would be included in the desk reviews.

EcoMetric completed 63 surveys of the Quick Saver and Retrofit Rebate participants. Surveys included company demographic information, source of program awareness, motivation for participation, and overall satisfaction including:

- PNM as an energy provider
- The rebate program overall
- The equipment installed through the program

- The contractor who installed the equipment
- Overall quality of the equipment installation
- The time it took to receive the rebate
- The dollar amount of the rebate
- Interactions with PNM
- The overall value of the equipment for the price they paid
- The time and effort required to participate
- The project application process

Respondents from both the Quick Saver sub-program and Retrofit Rebate sub-program generally expressed high levels of satisfaction, with well over two-thirds of respondents in both groups reporting that they were very satisfied with most factors. Quick Saver respondents reported being most satisfied with the equipment installed through the program and the contractor who installed the equipment (96% and 96% reported being extremely satisfied, respectively). Retrofit Rebate respondents were very satisfied with the program overall at 76% but a relatively low percentage (48%) of the participants were satisfied with the time it took to receive a rebate, with one respondent noting "the payback is great, I've seen a significant saving over a one-year period" and another highlighting that you can get new equipment that "is energy efficient for a fraction of the cost."

The evaluation team also conducted five interviews with contractors who participated in the Commercial Comprehensive program in Program Year 2024. The interviews covered the following topics:

- Contractor background; Program awareness, influence and engagement.
- Program processes.
- Market response
- Satisfaction with their involvement in the program.

Overall, the contractors reported that becoming involved initially was easy once they had received training and had communicated with program implementers.

Of the contractors serving all of New Mexico, two reported working with other utilities' energy efficiency programs and found that PNM's Commercial Comprehensive program offered larger rebates and was easier to interact with.

Contractors tended to rate the Commercial Comprehensive program highly. The contractors were also asked for suggestions on how PNM could provide additional support and services. Ideas included:

- A mobile app giving contractors access to the portal on the go, as one contractor noted difficulty accessing important documents through a browser webpage on their mobile device.
- An additional feature within the program's online interface to save specifications of previous projects, allowing contractors to refer to past work and give customers a quick and accurate estimation of possible rebates.

- Additional communication and transparency of rebate estimates to allow contractors to be clearer with customers about the rebate and understand why a realized rebate might differ from the estimated amount.

More specific information may be found in the “Evaluation of the 2024 PNM Energy Efficiency and Load Management Programs” document, available at the Electric Energy Efficiency Program section of https://PNM.com/regulatory.

Residential Comprehensive

The evaluation of the Residential Comprehensive program involved a gross, net-to-gross, and process assessment, focusing on the various subprograms designed to improve energy efficiency in residential settings. These subprograms included Home Energy Checkup and Midstream Cooling. The gross evaluation assessed the energy savings from each of these initiatives, evaluating their performance and overall impact. The Home Energy Checkup (HEC) program achieved energy savings through residential audits, offering personalized recommendations for homeowners to improve energy efficiency. Home-mailed kits were utilized to achieve energy savings from sites that did not consent to an evaluation, and, in most cases, to achieve a higher level of participation for the home visits. The Midstream Cooling program focused on offering incentives for energy-efficient cooling equipment, such as high-efficiency air conditioners and evaporative coolers.

Findings & Recommendations

Home Energy Checkup, the evaluator concluded.

- Improvements could be made regarding communication about rebate expectations and processing timelines to improve participant satisfaction, and proactively providing updates on rebate status and setting realistic timeline expectations can help reduce dissatisfaction.
- The program could improve communication between Home Energy Checkup staff and participants regarding the availability of appliance replacement rebates.
- Home Energy Checkup could consider expanding the energy audit to include detailed weatherization services, particularly those related to doors and windows.

Cooling Midstream Participant Survey, the evaluator recommended and concluded.

- Financial incentives played a relatively minor role in participants’ decisions to have energy efficiency measures installed despite the increased incentives offered in 2024. Participants strongly prioritized home comfort improvements and valued contractor recommendations. Heat pump installations predominantly serve as complementary heating solutions rather than primary heating sources, with most systems operating in conjunction with existing furnaces.

- Develop a customer-facing marketing strategy to increase awareness among potential participants, including enhanced digital presence, targeted bill inserts, and customer communications about available rebates and qualifying equipment.
- Focus program marketing strategy on long-term home performance benefits, featuring customer testimonials about improved comfort and smooth HVAC system integration. Develop case studies that demonstrate the value of proactive equipment upgrades, highlighting the effectiveness and efficiency of heat pump technology for cooling in extremely hot conditions as well as zonal temperature control.
- Create detailed educational materials and guidelines for customers about optimal dual-system configuration and operation. Include equipment heat pump set-up guides and temperature setting recommendations, and energy-saving strategies specific to combined heating systems.
- Conduct follow-up surveys with 2024 program participants in the Fall of 2025 to evaluate heat pump cooling performance and satisfaction during the summer.

Cooling Midstream Contractor Survey

The evaluator noted that despite challenges in customer awareness and fund management, the five contractors interviewed found that the program successfully provides financial incentives for high-efficiency HVAC installations. Contractors appreciate the streamlined administrative process and recognize the program's value in encouraging energy-efficient upgrades. The primary sources of contractor dissatisfaction centered on fund allocation, lack of customer awareness of the program, and occasional confusion about equipment eligibility. Contractors suggested improvements such as more stable fund distribution throughout the program year, clearer communication about qualifying equipment, and more direct marketing to customers. Contractors reported general satisfaction with the PNM Residential Comprehensive program's streamlined application and rebate process. However, they identified several challenges related to customer awareness, program funding, and equipment eligibility that affected their experience with the program.

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.

Home Works

The HomeWorks program included a gross savings impact evaluation, which examined the three subprograms HomeWorks (Elementary School Kits), Energy Innovation (High School Kits), and the Energy Smart Seniors (Senior Citizen Kits). The Energy Smart Senior program was only implemented during the fall season unlike HomeWorks and Energy Innovation were implemented in both the Spring and the Fall. The gross evaluation assessed the energy savings across these subprograms, focusing on the performance and impact of each initiative.

Findings & Recommendations

- Broadening the approach to expand the Installation Service Rate (ISR) calculations for advanced power strips to include all usage types such as televisions, computers, and other electronic equipment to provide a more comprehensive view of adoption rates across varied usage scenarios.
- Calculate gross savings for all applicable measures using the NM TRM to ensure alignment with program service area to represent the local conditions throughout the various PNM regions.
- Clearly reference all sources used in the analysis and verify the calculations against the NM TRM values.
- Adjust for New Mexico regional climatic variations and factors in Door Sweep, Outlet Gasket, and Weatherstripping savings calculated from IL TRM methodologies. Adjustments using the ratio of Heating Degree Days (HDD) between Illinois and New Mexico are required to accurately reflect savings.
- Adjust water heater setback baseline assumptions for water heating temperatures to reflect NM region conditions rather than using pre-set values from the IL TRM that hold assumptions for IL local conditions and participant behavior.

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 November 2024, a survey was conducted with low-income residents in PNM's New Mexico 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.

Findings & Recommendations

The survey results indicate that there is significant interest among low-income households in participating in energy efficiency programs. Barriers such as privacy concerns and the need for landlord approval should be addressed in future outreach efforts. Given the high energy burdens and the willingness to engage with PNM for financial assistance, PNM should continue refining its outreach and enrollment processes to ensure that the Easy Savings program reaches its full potential. Recommendations concluded:

- The program should emphasize in outreach materials that the program does not require strangers in the home or landlord approval. Limit the amount of personal information required.
- Further, highlight that the energy-efficient measures provided by the Easy Savings program are renter-friendly and transferable between homes, to appeal to more mobile households.
- As possible, target households with a high energy burden by emphasizing the potential savings from program participation, especially in marketing outreach.
- PNM should promote the program to non-participants who have expressed interest, and offer incentives for enrollment, particularly during customer service interactions.

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. While the gross impact evaluation was originally planned for PY2024, it has been deferred to PY2025 to allow for a larger sample of sites with sufficient post-installation data, ensuring a more precise estimation of realized savings. The NTG and process evaluation activities conducted in PY2024 provide valuable insights into participant motivations, engagement strategies, and program delivery, which will inform the PY2025 implementation.

Findings & Recommendations

Overall, respondents expressed high levels of satisfaction with the program. When asked to rate their satisfaction with different aspects of the program, most respondents reported being very satisfied with their overall program experience, with only one respondent experiencing neutral feelings. Respondents also reported being satisfied with the required time commitment. Additionally, three of the four respondents reported being very satisfied with the observed energy savings.

Two key findings from participant surveys recommended:

- That in order to mitigate the challenges associated with data collection, it is recommended that additional support be provided to participants, particularly

during periods of business transition. One potential solution is to implement a tiered priority system for data fields, allowing participants to focus on the most critical data points first. This could simplify the process and expedite model development.

- And, to enhance participant engagement and attract new participants, it is recommended that the professional support aspect of the program be prominently featured in marketing and outreach materials. Emphasizing the availability of dedicated technical support will underscore the value of the program and appeal to potential participants seeking expert guidance in managing their energy usage.

Peak Saver

One-minute interval load data is used to calculate load impacts using a customer baseline ("CBL") method per the contract between PNM and Itron. The settlement calculations call for a "high 3-of-5" CBL approach. A CBL is an estimate of participant load absent the DR event dispatch. Participants with weather-sensitive loads receive a weather-based additive adjustment to their baseline. Under the high 3-of-5 approach, the average load for three of the previous five eligible days is used as a proxy for what load would have been if the DR event had not been called. The evaluator was able to replicate the calculations used for contract settlement. The impact as reported by the implementer results in an average event capacity of 17,544 kW. Evaluator-calculated performance resulted in an average performance of 14,122 kW. The difference is largely a result of a lack of interval metering data. Those sites are having new meters installed and will be in place by summer 2025.

Findings & Recommendations

The evaluator determined the new contract baseline methodology aligns more closely to evaluated performance than the previous contract terms. Previous bias adjustments are greatly reduced and allows participants to adjust their operations in preparation of an event without affecting measure performance.

The evaluator had the following recommendations:

- PNM should periodically compare nominations and afternoon demand for participating 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.
- PNM should run tests on non-event days to determine if loosening the WSA-eligibility requirements improves the load predictions. Overall, however, the evaluator did not find any issues with the baseline used by the program implementation contractor.

- The program implementation contractor plans to have meters installed for at least 90% of participants by June 2025. If possible, the evaluator recommended Itron follow the Pareto principal when installing meters and target the sites that are expected to produce the greatest reductions. Several of the largest participants are already being metered. This item is probably moot as PNM has installed most of these meters already.

Power Saver

There was one event in the summer of 2024. 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 10** illustrates the evaluated performance for each of the six segments participating in the program.

Table 10

Segment	Devices	Metric	Reported	Evaluated	Realization
Residential DCU	53,037	kW / device	0.72	0.58	80.9%
		Total MW	38.19	30.89	
		Total MWh	---	55	
Two-Way Smart Thermostats	653	kW / device	1.38	0.94	68.4%
		Total MW	0.90	0.62	
		Total MWh	---	2	
BYOT Honeywell	585	kW / device	0.77	0.48	62.1%
		Total MW	0.45	0.28	
		Total MWh	---	1	
BYOT Nest	3,305	kW / device	1.27	0.93	73.5%
		Total MW	4.20	3.08	
		Total MWh	---	11	
Small Commercial DCU	6,091	kW / device	0.54	0.52	96.0%
		Total MW	3.29	3.16	
		Total MWh	---	12	
Medium Commercial DCU	2,994	kW / device	1.18	0.81	68.9%
		Total MW	3.54	2.44	
		Total MWh	---	10	
Portfolio	---	Total MW	50.56	40.46	80.0%
		Total MWh	--	91	--

Findings & Recommendations

The evaluator had the following observations and observations:

- 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.
- 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. 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.
- Historically, Itron has adjusted capacity estimates to account for inoperable DCUs as well as offline thermostat devices. Those adjustments were not made this year, though they improve the accuracy of impact calculations. PNM notes that this was part of the contract terms and as noted below, the addition of smart meters is intended to address this issue.
- Currently, Itron uses an additive adjustment factor to adjust their baselines. The additive adjustment factor creates bias in non-event hours. 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 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. If 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 2024. These costs were used in the PNM cost-effectiveness model and by EcoMetric in its program evaluation. These are the avoided costs included in PNM's most recently approved 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