2026 PNM IRP Facilitated Stakeholder Workshop 2

January 14, 2026

Introduction

Morning

IRP Explained

Overview of PNM Resource Mix

Planning Requirements

PNM's Demand and Energy Landscape - Evolving Rapidly

PNM Modeling Tools

Preliminary Modeling Framework

Addressing Stakeholder Comments from previous IRP

Afternoon Workstations

What is an IRP?

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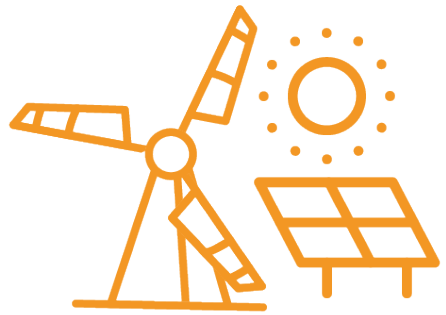
Integrated Resource Plan and why it is needed

- IRP
  - A plan that defines the most cost-effective portfolio over a 20-year period (2026-2045)
  - Accommodate load growth and regulatory requirements
- Stakeholder process is required by the IRP rule to allow Stakeholder input on:
  - The development of a Statement of Need:
    - NM IRP: a description and explanation of the amount and type of new resources necessary to reliably meet an identified level of electricity demand in the planning horizon and to effect state policies
  - Action plan of activities to cover over the 3-year period before the next IRP cycle:
    - NM IRP: the proposed process and specific actions the utility shall carry out to implement the integrated resource plan spanning a three-year period following the filing of the utility IRP
- This IRP's action plan activities will mostly focus on post-2030 needs.



IRP Key Components & Goals

Comprehensive Analysis:	• Considers a wide range of options: traditional power plants, renewables (solar, wind, geothermal), energy storage, energy efficiency, demand response, and new technologies like transportation electrification management.
Reliability & Cost:	• Ensures a secure, dependable energy supply that is the most cost-effective for consumers.
Policy Compliance:	• Considers state and federal mandates for clean energy, emissions reduction, and resource diversification.
Future-Focused:	• Looks ahead 20 years to at forecast load growth, grid modernization needs, and market shifts.
Stakeholder Engagement:	• Enhances plan quality and accountability by actively engaging customers and advocates early in the process, ensuring New Mexico's energy future is built on shared priorities.

Key Considerations

Demand and Energy Forecasting:

Predicting future energy needs based on population growth, economic development trends (dominated by AI data centers), and technology.

Resource Assessment:

Evaluating different technologies to balance cost, reliability, and environmental impact.

Risk Analysis:

Modeling various scenarios, such as fluctuating fuel prices or changing regulations, to ensure the grid remains resilient.

Integration with other system expansion

Working toward an integrated system plan.

Key Objectives

Reliability:

Ensuring there is always enough power to meet demand, even during peak usage or system failures.

Affordability:

Identifying the most cost-effective path for ratepayers to keep electricity bills stable.

Environmental/Sustainability:

Meeting government environmental mandates, such as carbon reduction targets or renewable energy standards.

PNM’s Resource Mix

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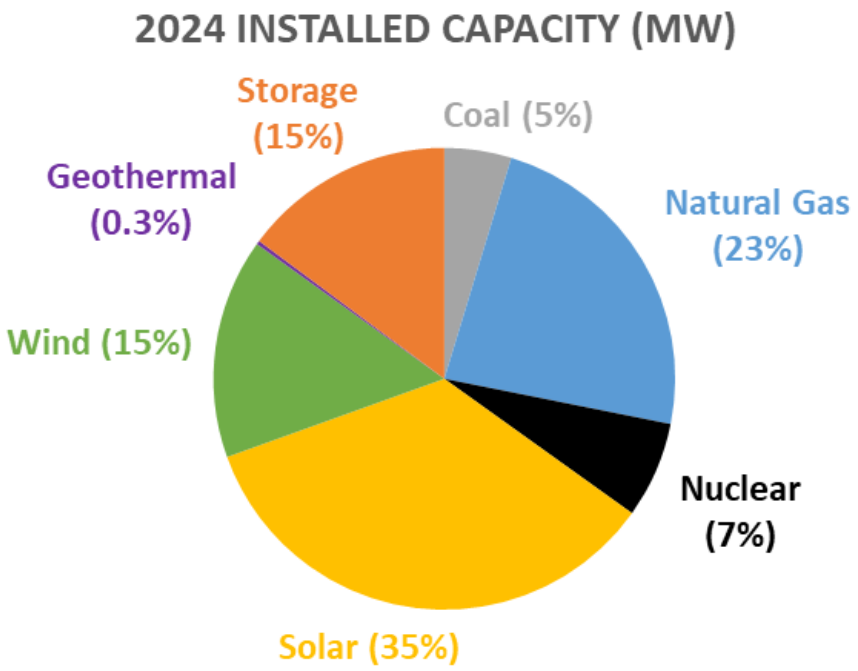
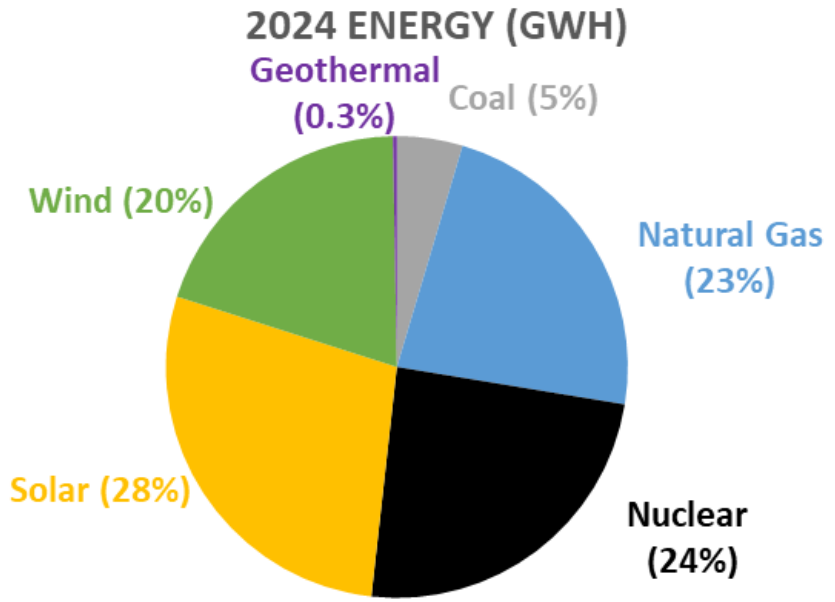
PNM's Current Resource Mix





Assessment of Existing Assets in PNM Portfolio

Reeves Generating Station

The 2029-2032 RFP evaluation addresses a likely extension of the Reeves Generating Station.

Four Corners Power Plant

The 2029-2032 RFP evaluation is also assessing replacement resources for PNM's planned exit from Four Corners in 2031.

Pending Activities

2029-2032 RFP Filing - Q1 2026 Filing

- Replacement of PNM's Four Corners share
- Reeves evaluation for replacement or extension
- Forecast load growth

345 kV Transmission Line CCN Filing

- Transmission upgrade improves grid reliability, delivery of resources and load-serving capability, reducing the reliance on local gas redispatch

Distribution Battery Filing for five 6 MW BESS additions at existing solar sites – Pending NMPRC Approval

- Provides solar resource and increases feeder hosting capacity

Rate 36B Customer Resource Filing – Approved December 2025

- Accommodates customer load growth

Demand Response (DR) and Energy Efficiency (EE)

- DR and EE potential studies in progress

Affordability-Cost Drivers

Supply chain shortages

- Initially Covid related
- Ban on foreign power equipment - particularly solar panels.
- Unprecedented load growth

Tariff Increases on Imports

- Impacts are not easily quantified

Tax Credits

- Loss of tax credits for wind and solar

Solar needs more pairing with batteries

- A higher percentage of solar must be stored

Transmission cost escalation

PNM Planning Requirements

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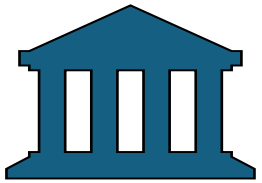
IRP Rules and Regulations



Legislation

New Mexico Public Utility Act

[62-3-1 et. seq. NMSA]

Efficient Use of Energy Act

[62-17 NMSA]

Energy Transition Act

[62-18 NMSA]

NMPRC Rules

Integrated Resource Plan for Electric Utilities

[17.7.3 NMAC]

Renewable Energy for Electric Utilities

[17.9.572 NMAC]

Energy Efficiency

[17.7.2 NMAC]

IRP Rules and Regulations Cont.

- **Additional Rules**
  - **Power Purchase Agreements (“PPA”) [17.9.551 NMAC]**
  - **Certificate of Public Convenience and Necessity (“CCN”) Cost Overrun [17.3.580 NMAC]**
  - **CO2 Emissions Measurement and Compliance [17.9.561 NMAC]**
  - **Community Solar [17.9.573 NMAC]**
  - **Expanding Transportation Electrification [17.9.574 NMAC]**
  - **Grid Modernization Rulemaking [Case No. 22-00089-UT]**

Consideration of Reliability in Planning

What is grid Reliability?

Grid reliability is being able to provide the electric grid with adequate, secure and stable flow of electricity as consumers need it.

Two Main Components of Reliability

Resource Adequacy

Ensuring sufficient resources to meet electricity demand of consumers at all times.

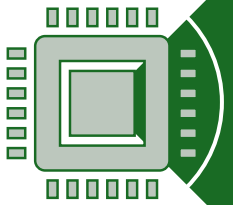
Reliable Operation

Balancing electricity production and demand while maintaining reserves for system disturbances

NERC Planning, Design and Operational Standards

Grid Operating Standards

Standards for maintaining system frequency and balancing generation with load in real time, which are critical for grid stability and interconnection reliability

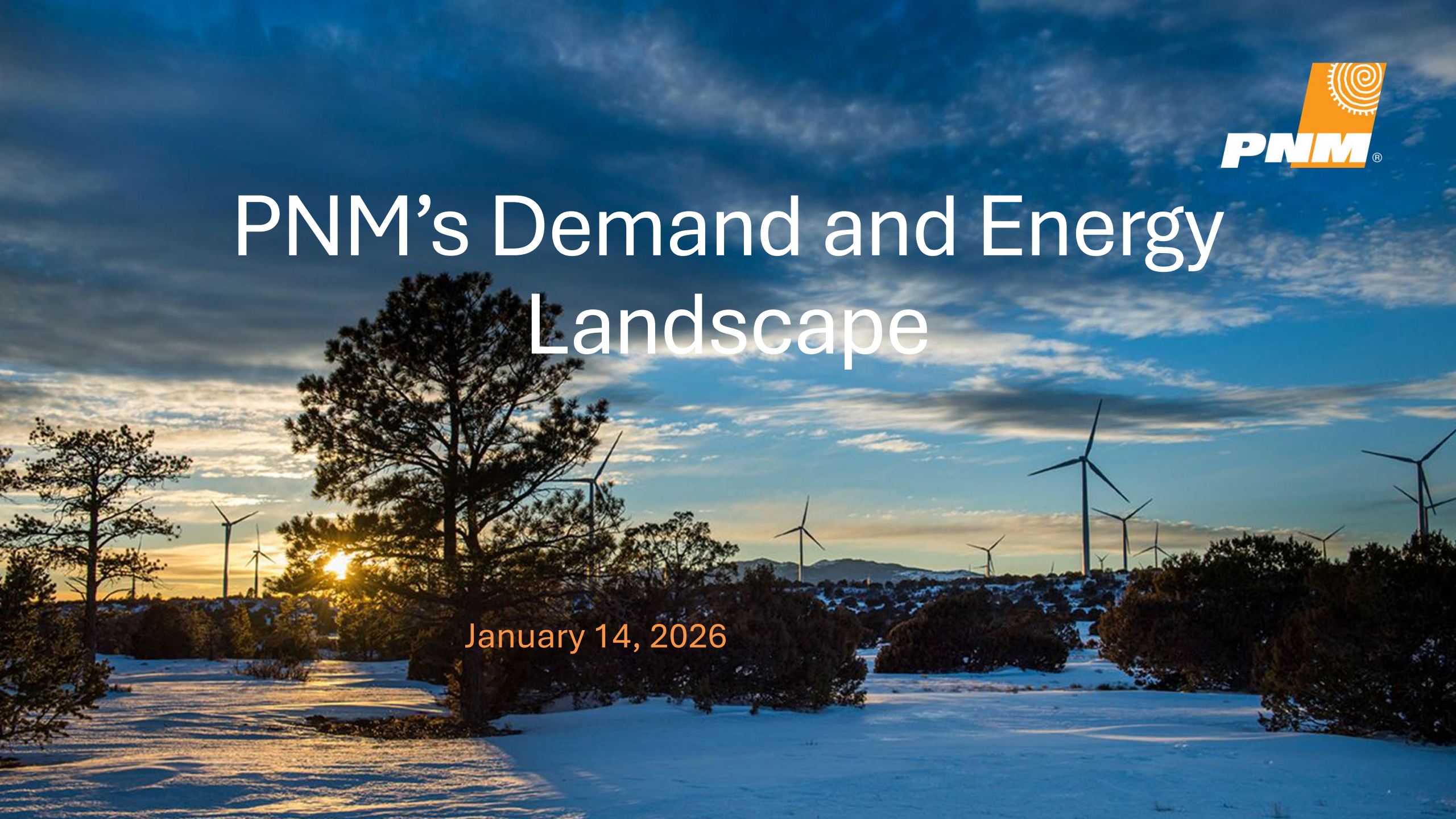


Inverter Based Resources

Standards of performance for inverter-based resources (wind, solar, BESS) to help maintain grid stability and mitigate system disturbances

Transmission Planning

Standards of performance for the bulk electric system to ensure system reliability under normal conditions and during system outages



PNM's Demand and Energy Landscape

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Economic Development Project Pipeline (2025)

Average Incremental Potential load In ED Pipeline:
~5,300 MW across all industries, with PNM-assigned probabilities from 1% to 100% (100% = signed service contract or precursor).

Data Centers:
~50% of projects and ~85% of potential load.

Project size:
1–1,000 MW; average ~ 180 MW.

Pipeline size:
~30 active projects per month.

Economic Development Legislation Drivers

National

One Big Beautiful Bill Act (OBBBA) (2025):

Tax Incentives

Executive Order 14318 (2025):

Regulatory Incentives

IMPACT:

Tax Savings + Regulatory Acceleration

State & Local

NMEDD Strategic Initiative (2025-2026) :

Strategic Development

N.M. Incentives:

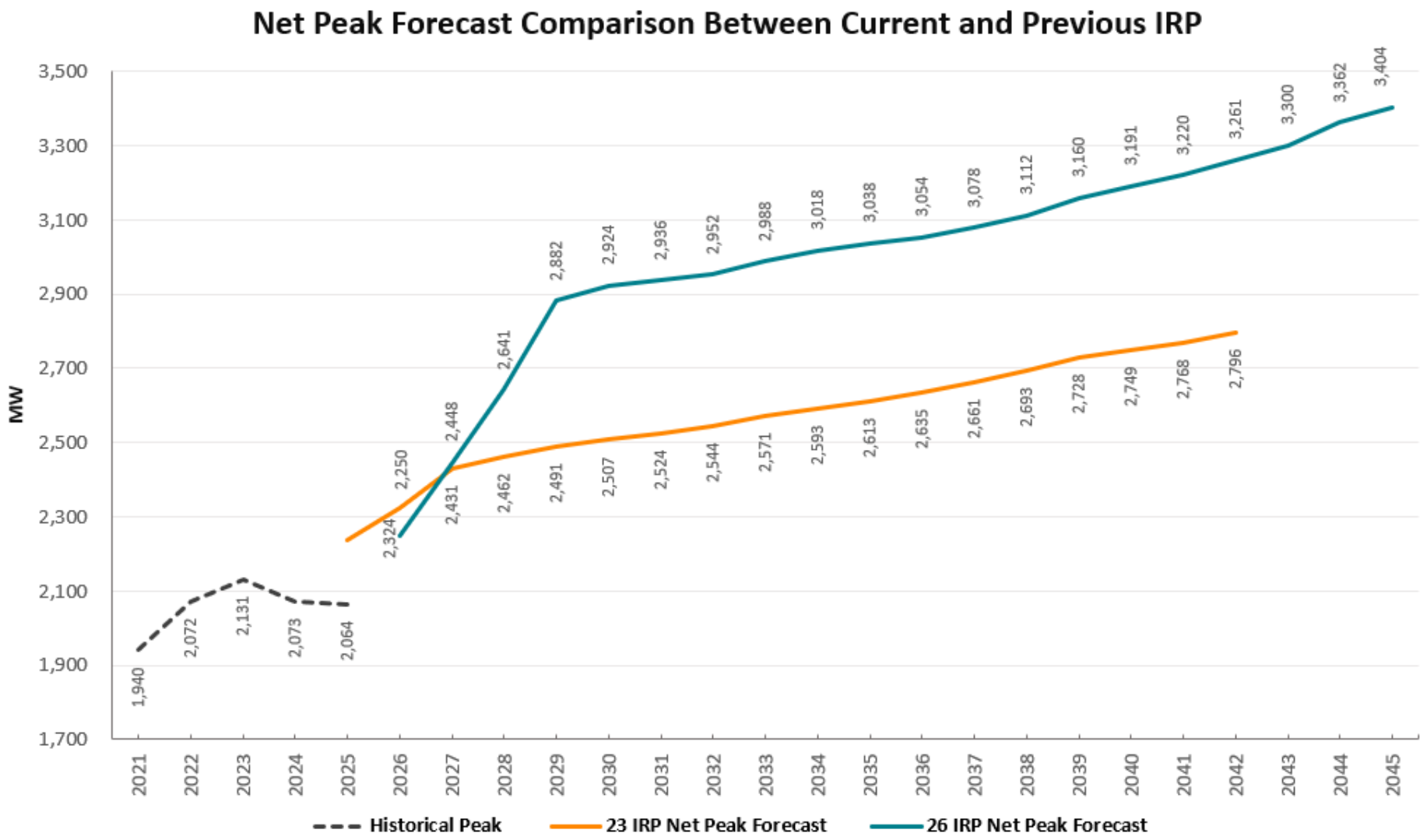
High-wage Jobs Tax Credit

Local Economic Development Act

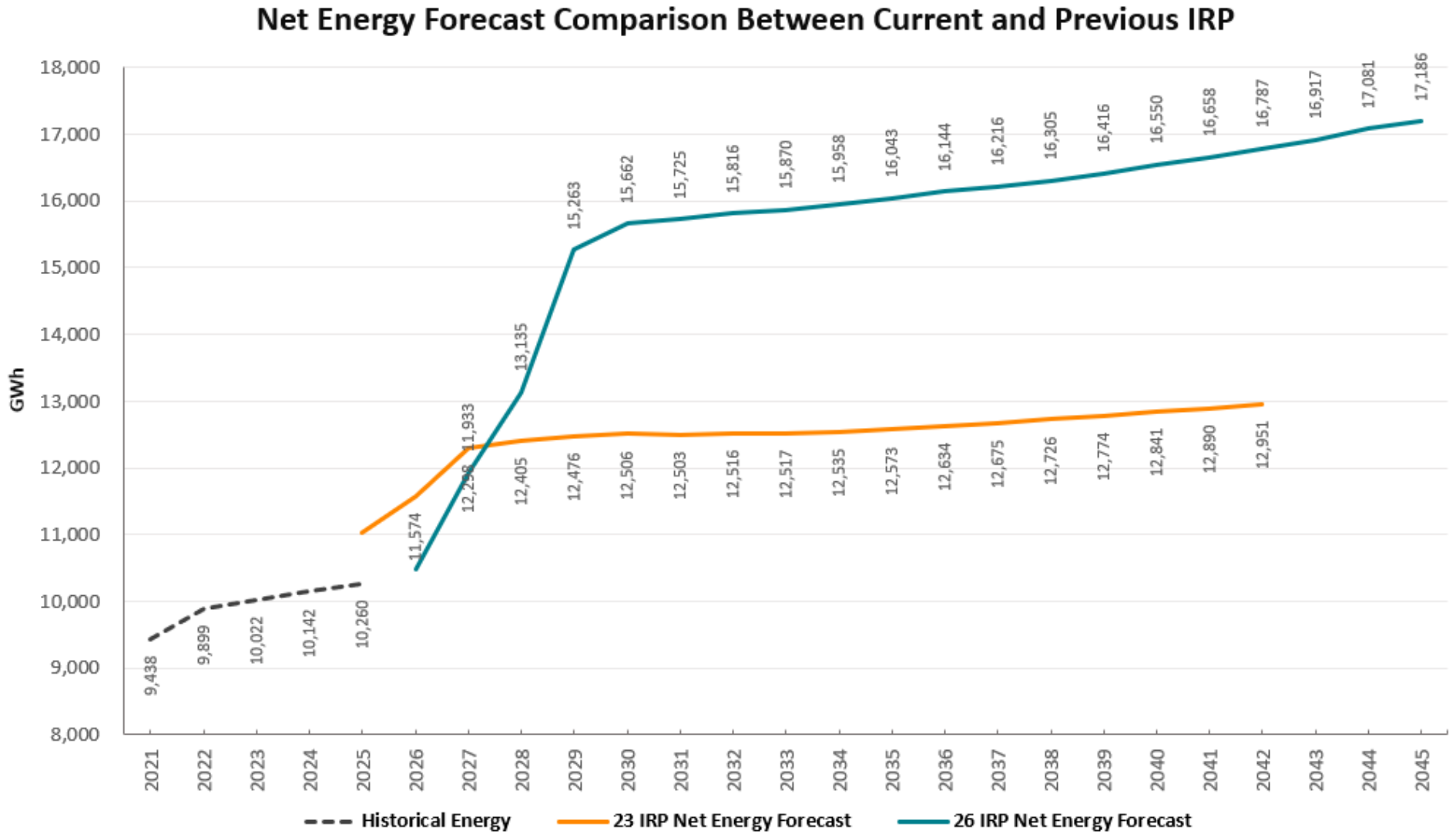
Local Incentives:

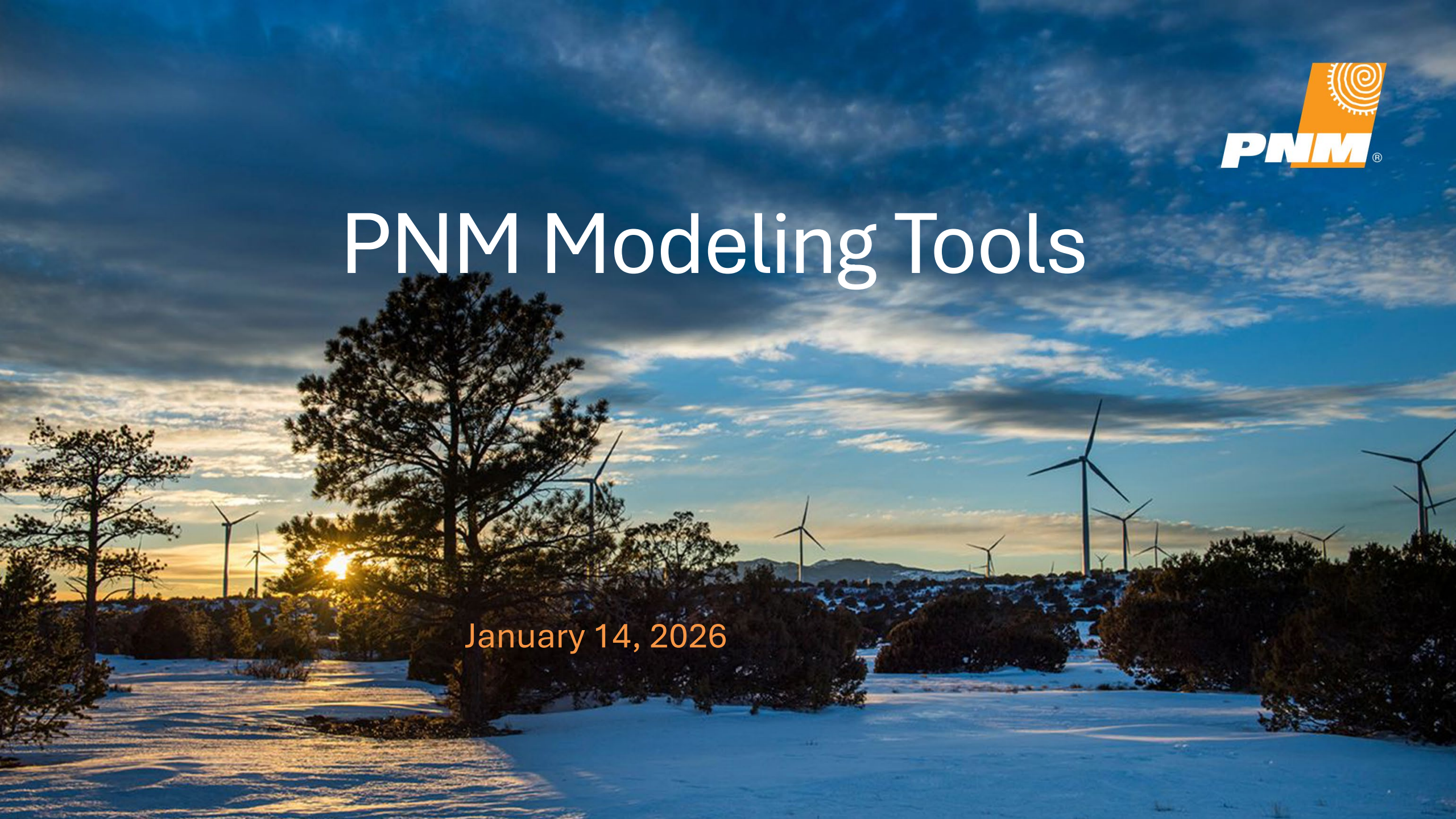
Industrial Revenue Bond Abatements

IRP Net Peak Comparison



IRP Net Energy Comparison





PNM Modeling Tools

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Modeling Tools

Modeling Tools Cont.

EnCompass™

Optimize long-term resource portfolio

Simulates system operating costs

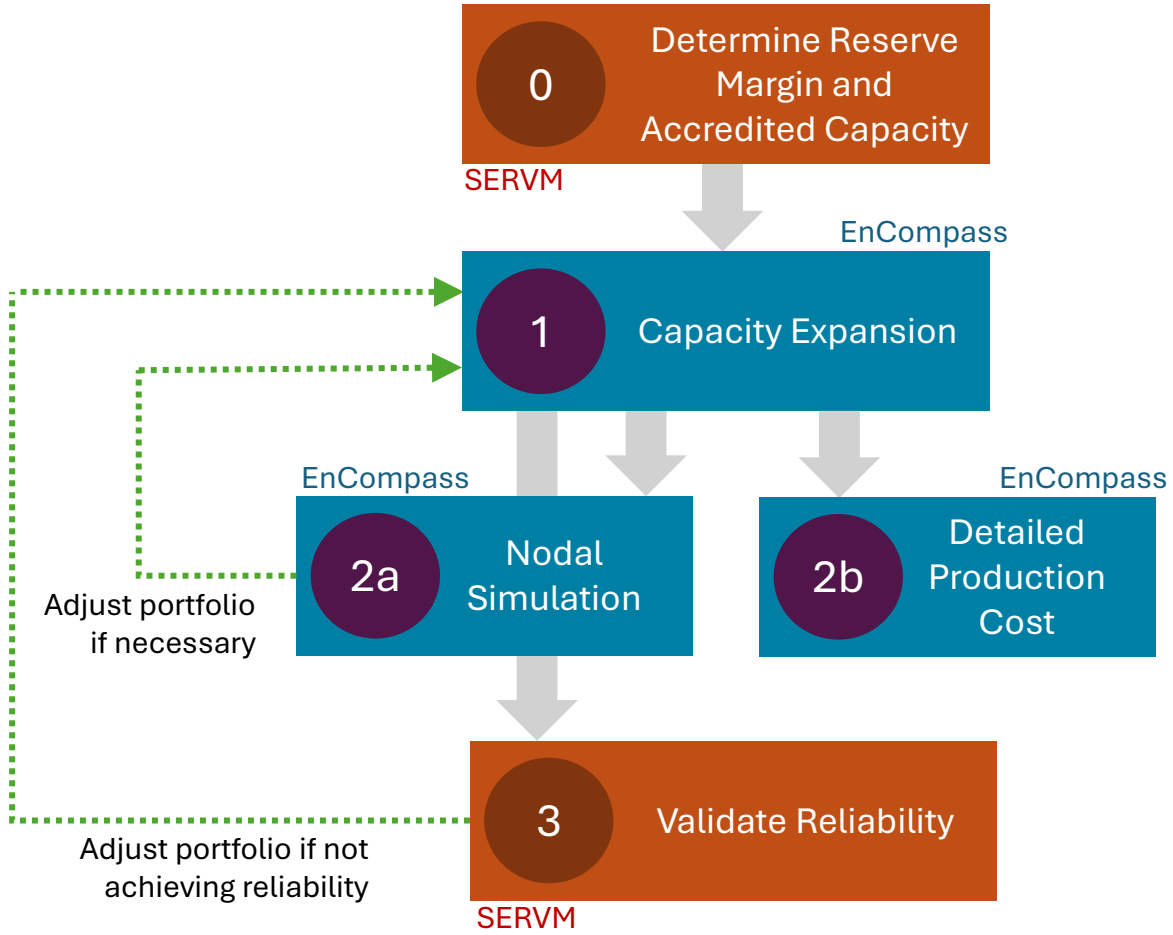
Integrated transmission system capability (nodal)

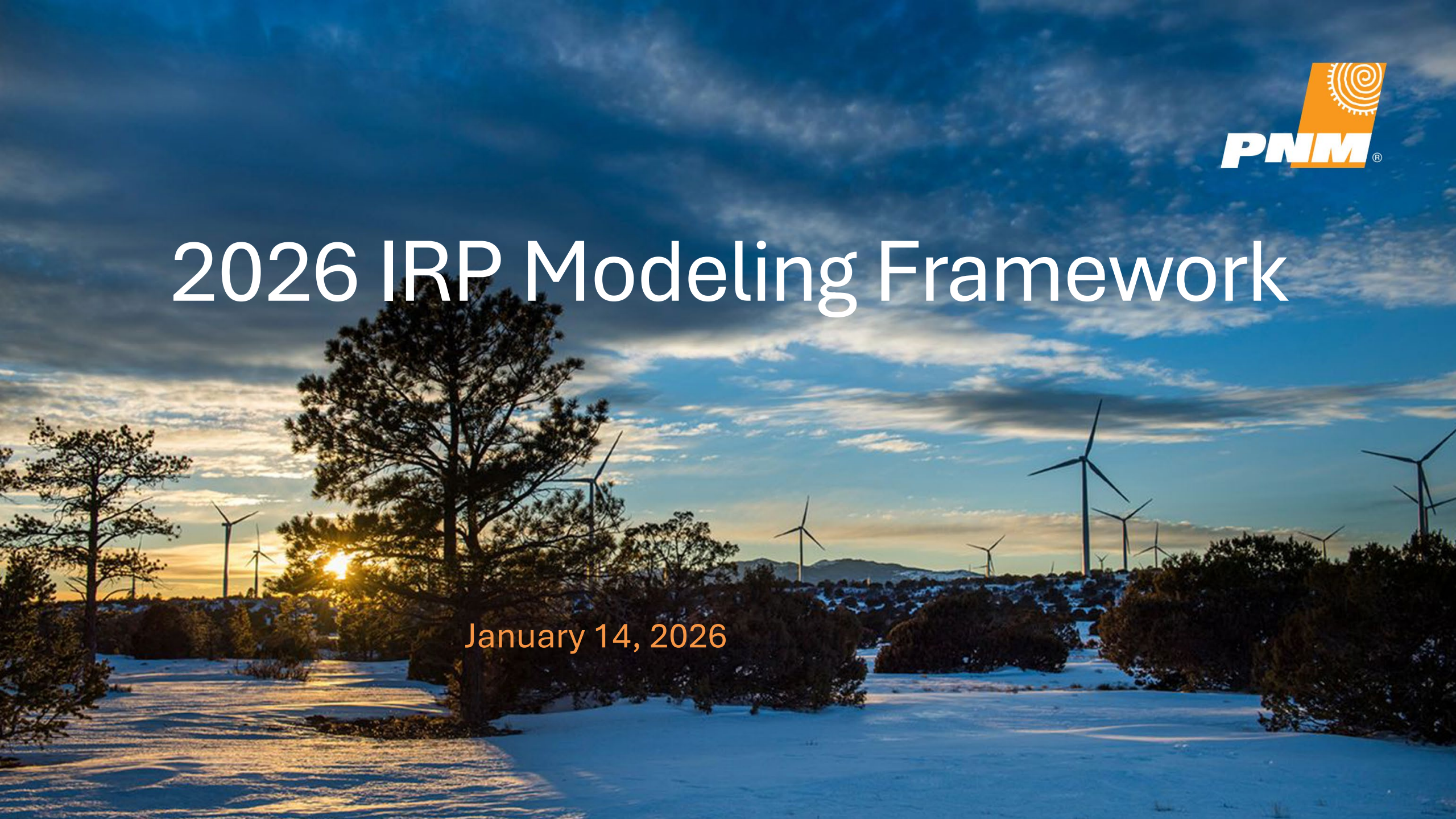
Assess system resource adequacy

Can define planning targets for reliability

Quantifies capacity value for resources

Modeling Tool Interaction





2026 IRP Modeling Framework

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2026 IRP ANALYTICAL APPROACH

Future

A combination of forecasts and projections creating a planning landscape (vary several components across categories)

Scenario

Explores a specific set of choices to evaluate to determine best path forward *(vary several components in a category)*

Sensitivity

Varying a single element within a given future to understand impacts (vary one item in a category)

2026 IRP ANALYTICAL APPROACH - FUTURES

Assumption	Current Trends and Policy	High Economic Growth	Low Economic Growth
Load Forecast	Reference	High	Low
BTM Solar Forecast	Reference	Low	High
EV Adoption Forecast	Reference	High	Low
Building Electrification Forecast	Reference	High	Low
Economic Development Forecast	Reference	High	Low
Gas Price Forecast	Reference	Reference	Reference
Carbon Price Forecast	Reference	Reference	Reference
Technology Cost Forecast	Reference	Reference	Reference

2026 IRP ANALYTICAL APPROACH - SCENARIOS

2023 IRP

Table 26. Scenarios considered in Phase 3 of analysis

ID	Name	Description & Rationale for Inclusion
1	Base Technologies Only	• Referent to 2020 IRP "No New Combustion" scenario
2	Base Technologies & Long-Duration Storage	• Requested by stakeholders
3	Base Technologies & Hydrogen Ready CTs	• Referent to 2020 IRP "Technology Neutral" scenario • Least cost scenario among Stage One scenarios reliant exclusively on mature technologies
4	Base Technologies, Hydrogen-Ready CTs, and Long Duration Storage	• Combination of Scenarios 2 and 3 • Created to understand if synergies exist across limited range of technologies
5	All Resource Options	• Combination of Scenarios 1 through 4 • Created to understand if synergies exist across greater range of technologies
6	Base Technologies & Hydrogen Electrolysis	• Variant upon 2020 IRP "Technology Neutral" scenario • Deep dive into implications of hydrogen-related tax credits in IRA for PNM customers (includes explicit representation of hydrogen electrolysis and storage)

All-Technologies scenario provides most diversity and flexibility for PNM to meet its planning requirements at the lowest cost.

2026 IRP

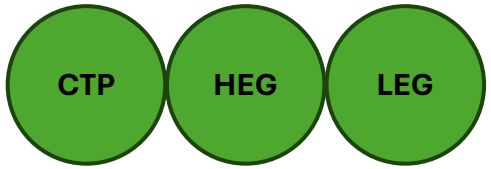
2026 IRP New Resource Options	Capital Cost ($/kW)	Year Available
Battery Storage (long duration)	$2,400/kW	2029
Battery Storage (short duration)	$1,700/kW	2029
Compressed Air Energy Storage	$4,000/kW	2035
Natural Gas	$1,900-$2,500/kW	2030/31
Natural Gas with Carbon Capture	$5,000/kW	2031
Linear Generator	$3,000/kW	2029
Iron Air Storage	$5,000/kW	2029
Pumped Hydro	$3,500/kW	2034
Enhanced Geothermal	$15,700/kW	2033
Solar	$1,500/kW	2029
Wind	$2,300/kW	2033
Electrolysis & Storage only	TBD	2031
Small Modular Reactor	$6,300/kW	2035
Demand-Side Resources	Varies	2029

Technology costs and assumptions subject to change

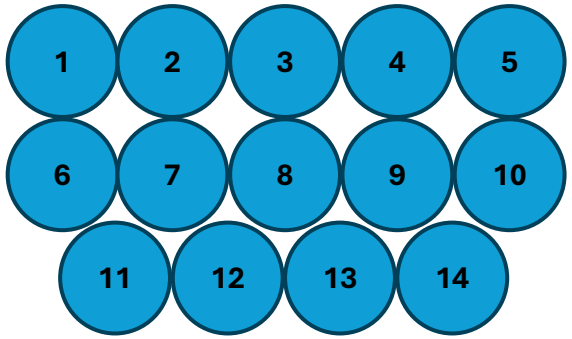
Leverage results from 2023 IRP MCEP and include all resource technologies in all futures and sensitivities modeled

2026 IRP Analytical Approach - Sensitivities

Futures



Sensitivities



No	Current Trends & Policy (CTP)	High Economic Growth (HEG)	Low Economic Growth (LEG)
1	None	None	None
2	High Electric Vehicles	TOU	TOU
3	NG Volatility	Extreme Economic Development	ETA 400 thru 2044
4	TOU	Transmission - Rio Sol	No ETA
5	DERMS	Transmission - SunZia	
6	Transmission - Rio Sol	Transmission - Blackwater DC Tie	
7	Transmission - SunZia	Transmission - Four Corners	
8	Transmission - Blackwater DC Tie	Late LD Storage Maturity	
9	Transmission - Four Corners	ETA 400 thru 2044	
10	Late LD Storage Maturity	No ETA	
11	No New Natural Gas Resources		
12	No ETA		
13	ETA 400 thru 2044		
14	Federal CO2 tax beginning 2030		

List of sensitivities subject to change

Addressing 2023 IRP Stakeholder Comments

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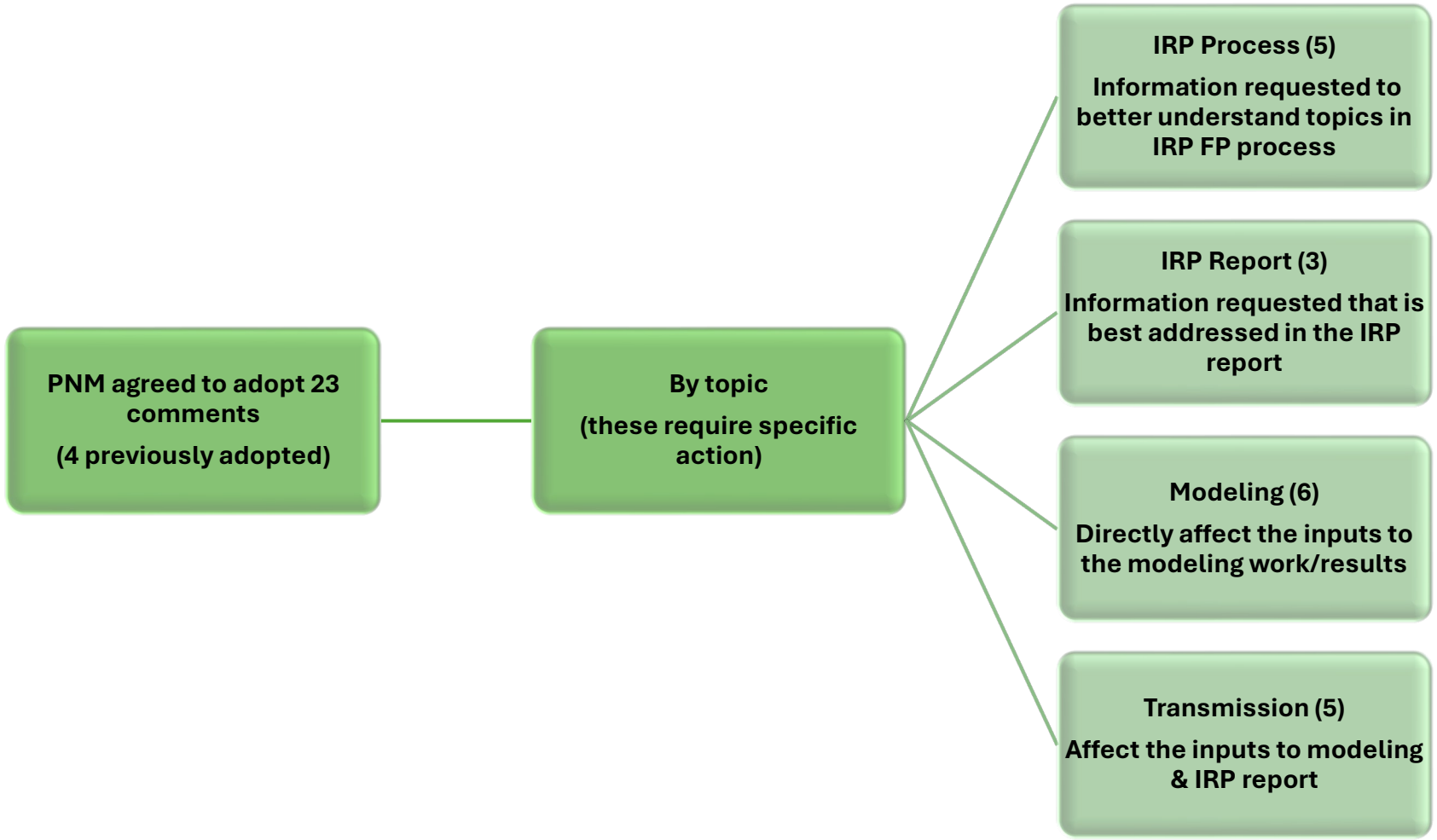
2023 IRP Stakeholder Feedback/Comments



2023 IRP Feedback/Comments – IRP Process

Topic	Comment/Feedback	PNM's Response	PNM's Task/Activity
IRP Process	Provide a better understanding of how TOU rates implementation/customers' electricity usage behaviors impacts	Agree	Provide clarity in reviewing Demand Side options in 2026 IRP stakeholder meetings and IRP report.
IRP Process	Provide a better understanding concerning "Behind the meter" data collection	Agree	Provide clarity in reviewing Demand Side options in 2026 IRP stakeholder meetings and IRP report.
IRP Process	Develop and include an overview table of generating resources	Agree	Two-page overview of generating resources will be provided in Workshop Meeting #2
IRP Process	Provide analysis of impact of distributed generation with local storage backup	Agree	*TBD*
RFP Process	Present a clear process for the RFP	Agree	PNM will address with Stakeholders during development of the Statement of Need to clarify how the Statement of Need will be used in guiding the RFP request.

2023 IRP Feedback/Comments – IRP Report

Topic	Comment/Feedback	PNM's Response	PNM's Task/Activity
IRP Report	Clearly articulate how federal rebates and tax credits reduce costs of different resources	Agree	PNM will provide clearer information on how tax rebates and credits affect the cost of resources in its 2026 IRP report.
IRP Report	Specifically Identify All Resources Chosen in the MCEP	Agree	PNM will include in the IRP report a detailed table identifying all resources chosen in the MCEP.
IRP Report	Collaborate on Pilot Projects for Emerging Technological Solutions	Action Plan Update	PNM participated in a pilot project announcement on advanced geothermal in 2025 and is collaborating on next steps. PNM is investigating pilot project potential for other technologies.

2023 IRP Feedback/Comments - Modeling

Topic	Comment/Feedback	PNM's Response	PNM's Task/Activity
Modeling	Include a detailed study of gas price volatility	Agree	PNM will hold a special workshop early in the 2026 IRP facilitated process on several topics where stakeholders indicated interest in having input to development of the information. The workshop will address scoping a gas volatility study, preliminary analysis on thermal ELCCs and review preliminary proposals on EE cost bundles and DR programs. Stakeholders will be able to provide input to these studies which will flow through the modeling.
Modeling	Perform and utilize an ELCC study for thermal generation	Agree	
Modeling	Provide clarity/allow for input for EE cost bundles	Previously Adopted	
Modeling	Provide more clarity from the beginning of the process about what scenarios and sensitivities PNM plans to model.	Agree	This preliminary scenario framework will be presented in Workshop 2 (provided above).
Modeling	Expand modeling sensitivities regarding electrification	Agree	PNM will work with interested stakeholders during scenario building exercise with stakeholders.
Modeling	Alignment of EE bundles and PNM EE programs	Agree	Will be addressed in an early 2026 IRP Facilitated process workshop

2023 IRP Feedback/Comments - Transmission

Topic	Comment/Feedback	PNM's Response	PNM's Task/Activity
Transmission	Provide detailed information regarding regional transmission planning,	Agree	PNM agrees to include details of neighboring utility plans for transmission expansion that include opportunities for interconnection with PNM's service territory in the 2026 IRP filing.
Transmission	Provide potential expansions of transmission connectivity to other utilities and analysis.	Agree	PNM is including analysis of increased transmission interconnection with other utilities in the 2026 IRP Facilitated Stakeholder Process.
Transmission	Analyze information regarding advanced transmission technologies and grid-enhancing technologies	Agree	PNM will include this topic in its 2026 IRP with discussion of existing implementations and potential additional applications.
Transmission	Integrate the Transmission Plan with the IRP	Agree	PNM is including nodal transmission analysis in the 2026 IRP to better capture integration of the transmission system uses. Results will be provided in a future Facilitated Stakeholder Process meeting
Transmission	More complex and transparent transmission modeling	Agree	

Wrap-Up

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Utility challenges and opportunities