

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF THE APPLICATION OF NEW)
MEXICO GAS COMPANY, INC. FOR APPROVAL)
OF ITS 2026-2028 ENERGY EFFICIENCY)
PROGRAM PLAN PURSUANT TO THE NEW)
MEXICO PUBLIC UTILITY AND EFFICIENT USE)
OF ENERGY ACT)
)
NEW MEXICO GAS COMPANY, INC., APPLICANT.)**

Case No. 25-00061-UT

FINAL ORDER

July 2, 2026

1. EXECUTIVE SUMMARY

(1) In its Application for Approval of its 2026-2028 Energy Efficiency Program (“Application”),¹ filed on September 2, 2025, New Mexico Gas Company (“NMGC”) asks the New Mexico Public Regulation Commission (“Commission”) to approve its 2026-2028 Energy Efficiency (“EE”) Plan, which includes the reauthorization or modification of certain previously approved EE Programs, approval of its budget, recovery of costs via Rate Rider No. 15, and its proposed performance incentive structure.

(2) Specifically, NMGC proposes to modify four existing programs: the Space Heating Program, the Water Heating Program, the New Homes Program, and the Home Energy Reports Program. NMGC proposes to expand its Space Heating and Water Heating Program to provide additional offerings focused on community outreach and education, including a high school and senior citizen education program, promotion and education in rural communities, and a customer link rebate tool.² For the New Homes Program, NMGC proposes to expand the scope to include new manufactured homes and new multi-family homes.³ For the Home Energy Reports Program, NMGC proposes technological enhancements to provide customers with more personalized and useful information.⁴

(3) NMGC also proposes the addition of a Single-Family offering under the Income Qualified Program to allow NMGC to provide additional low-income customers with more expedient access to weatherization services than NMGC’s current EnergySmart Weatherization Assistance Program

¹ New Mexico Gas Company, Inc.’s, Application for Approval of Its 2026-2028 Energy Efficiency Program Plan (“Application”) (Sept. 2, 2025) at 1.

² Application at 3.

³ *Id.*

⁴ *Id.*

alone.⁵ NMGC proposes the addition of an Agricultural Program to increase rural commercial customer participation in NMGC’s energy efficiency programs by providing rebates for the installation of high efficiency farm and agricultural equipment.⁶

(4) NMGC seeks to recover program costs from service customer classes that are eligible to participate in the efficiency programs, including sales service customers receiving service under NMGC’s Residential Service Rate No. 10, Small Volume Service Rate No. 54, and Medium Volume Service Rate No. 56, and transportation customers in the corresponding rate classes under Transportation Rate No. 70.⁷ NMGC also seeks to recover an incentive rate in future tariff rate riders, and proposes an incentive rate of 6.79 percent of its overall portfolio costs.⁸

(5) As for approval of its budget, for Plan Year 2026, NMGC is proposing a program portfolio budget of \$20,932,759, and earning a performance incentive amount of \$1,421,334.⁹ The proposed program budget is 37 percent higher than Plan Year 2025,¹⁰ but also 250 percent higher than the proposed budget that was approved for Plan Year 2017.¹¹ Although the Application does not seek approval of an increase to its EE cost program cost and incentive recovery rider, it does alert the Commission that it will request an increase from the current rate of \$0.0380¹² to \$0.0426 in 2026,

⁵ *Id.* at 4.

⁶ *Id.*

⁷ *Id.* at 5.

⁸ *Id.* at 6.

⁹ *Id.*

¹⁰ Direct Testimony of Carey Salaz (“Salaz Direct”); *see also* Application, Ex. CJS-2, 2026-2028 Energy Efficiency Plan (“2026-2028 EE Plan”) at 4.

¹¹ The proposed and approved budget for Plan Year 2017 was \$5,898,173. *See* Docket No. 16-00100-UT, Final Order (Feb. 15, 2017).

¹² Application at 5.

an increase of 12 percent, when it seeks to change its tariff rider through the filing of a new Advice Notice.¹³

(6) For NMGC's Application to be granted, the Commission must determine whether NMGC complies with the required elements of the Efficient Use of Energy Act ("EUEA") and the Commission's Energy Efficiency Rule. Among other things, which are further detailed below, the Commission must determine if NMGC provides sufficient evidence that its EE portfolio is cost-effective, whether the EE portfolio is designed for its customers to participate and benefit from its EE programs, and whether NMGC's proposed performance incentive mechanism and cost recovery are just and reasonable.

(7) In this matter, based on the evidentiary record, NMGC's proposed plan provides evidence that it satisfies the various procedural and formal requirements required by statute and rule. Regarding its 2026-2028 EE Plan requests, NMGC demonstrates with sufficient evidence that the overall portfolio is cost-effective and designed to provide every affected customer class with the opportunity to participate and benefit economically from the EE programs. It also demonstrates with affirmative evidence that the performance incentive mechanism that it proposes and the recovery of its costs through Rate Rider No. 15 would be just and reasonable. Commission Utility Division Staff ("Staff") supports the Application entirely with only a few minor recommendations that NMGC has agreed to adopt and are incorporated in this Order.

(8) Western Resource Advocates ("WRA"), the only other party to file testimony, critiques NMGC's design and calculations of the Water, Space, and New Homes Programs. WRA recommends, among other things, that the Commission require the denial, modification, or

¹³ *Id.*

eventual elimination of NMGC's proposed rebate structures, and the adoption of different energy efficiency standards and reporting. These changes, WRA argues, are in the public interest as they would facilitate more cost-effective programs and contribute economic value and market competitiveness in New Mexico. WRA also requests that the Commission alter the proposed recovery incentive mechanism to require payments only after reaching higher percentage EE savings targets.

(9) In rebuttal, NMGC opposes each recommendation of WRA, with a pointed objection to allowing electric space and water heater appliances to qualify for rebates. To grant WRA's recommendations, NMGC contends, would upend the entire plan and cause significant disruption at this point in the proceedings. Staff, in its rebuttal, asserts that the Commission should not require the off-cycle adoption of updated energy efficiency standards.

(10) As further explained below, ultimately, the Commission finds that NMGC has provided sufficient information, documentation, and analyses for the Commission to approve NMGC's proposed 2026-2028 EE Plan and budget, its performance incentive structure, and cost-recovery via Rate Rider No. 15. The Commission also addresses each of WRA's Exceptions in the body of this Order.

2. PROCEDURAL BACKGROUND¹⁴

(11) NMGC filed its Application for approval of its 2026-2028 Energy Efficiency Program Plan on September 2, 2025. NMGC's Application requests the following:

- a. Approval of NMGC's 2026-2028 EE Plan, including:
 - i. the modification of NMGC's Space Heating, Water Heating, New Homes and Home Energy Reports Programs;

¹⁴ This order summarizes relevant background. The full electronic record of this proceeding is available at <https://e360.prc.nm.gov/portal/public/>.

- ii. the addition of a Single-Family Home offering under the Income Qualified Program; and
 - iii. the addition of an Agricultural Program;
- b. Approval of NMGC’s proposed 2026-2028 EE Plan budget;
 - c. Approval of a performance incentive pursuant to the EUEA;
 - d. Approval for NMGC to recover 2026-2028 EE Plan costs and the proposed incentive through NMGC’s Second Revised Rule No. 37 – Rate Rider No. 15 Details; and
 - e. All other approvals, authorizations and actions that may be necessary to implement the 2026-2028 EE Plan.¹⁵

(12) While the Coalition for Clean Affordable Energy, Prosperity Works, and WRA filed motions to intervene, only WRA submitted testimony and appeared at the evidentiary hearing.

(13) The public hearing was conducted on January 5, 2026, as scheduled. Appearing as witnesses for NMGC were Ms. Carey J. Salaz (“NMGC Witness Salaz”) and Mr. Andrew Cottrell (“NMGC Witness Cottrell”); for WRA, Mr. Edward Carley (“WRA Witness Carley”); and for Staff, Dr. Bamadou Ouattara (“Staff Witness Ouattara”) and Dr. Edison Jimenez (“Staff Witness Jimenez”).

(14) On February 27, 2026, the Hearing Examiners issued the Recommended Decision in this matter. The Recommended Decision finds that NMGC provided sufficient evidence to support the approval of NMGC’s 2026-2028 EE Plan, and recommends approval of the EE Plan, with Staff’s recommendations.¹⁶

(15) On March 12, 2026, WRA filed six Exceptions to the Recommended Decision. WRA states it takes exception to the following determinations made in the Recommended Decision:

¹⁵ Application at 1-2.

¹⁶ Recommended Decision at 48-49.

- a. The Recommended Decision's Reliance on the Opportunity to Participate in Public Advisory Meetings as Grounds to Reject WRA's Recommendations;
- b. The Recommended Decision's Finding that WRA's Recommendations are Too Complex and Disruptive to Approve;
- c. The Recommended Decision's Finding that WRA's Proposal Regarding NMGC's Performance Incentive Mechanism Would Require a Statutory or Rule Change;
- d. The Recommended Decision's Approval of NMGC's Rebate Increases in its Modified Water Heating and Space Heating Programs;
- e. The Recommended Decision's Approval of NMGC's New Homes Program without Considering WRA's Recommendation Regarding the Home Energy Rating System; and
- f. The Recommended Decision's Failure to Accept WRA's Recommendation to Correct the Commission's Outdated Technical Resource Manual.¹⁷

(16) WRA requests the Commission adopt its Exceptions.¹⁸

(17) On March 20, 2026, NMGC filed its Response to WRA's Exceptions. NMGC generally asserts that WRA fails to demonstrate the Hearing Examiners erred legally or factually in the determinations made in the Recommended Decision and explains that the record before the Commission demonstrates why WRA's arguments fail.¹⁹

(18) NMGC requests the Commission deny WRA's Exceptions and adopt the findings and conclusions contained in the Recommended Decision.²⁰

(19) No other intervenors filed Exceptions to the Recommended Decision.

¹⁷ Western Resource Advocates' Exceptions to the Recommended Decision ("WRA's Exceptions") at 3.

¹⁸ *Id.* at 22.

¹⁹ NMGC's Response to Western Resource Advocates' Exceptions to the Recommended Decision ("NMGC's Responses to WRA's Exceptions") at 4.

²⁰ *Id.* at 24.

3. LEGAL STANDARDS

3.1. Statutory and Regulatory Standards

(20) The EUEA rests on three fundamental pillars. Firstly, it requires that public utilities implement cost-effective energy efficiency and load management programs in their energy resource portfolios.²¹ Cost-effectiveness means that the energy efficiency or load management program meets the utility cost test (“UCT”).²² The UCT, in turn, means a standard that is met if the monetary costs that are borne by the public utility and that are incurred to develop, acquire and operate energy efficiency or load management resources on a life-cycle basis are less than the avoided monetary costs associated with developing, acquiring and operating the associated supply-side resources.²³

(21) Stated differently, a proposed EE program meets the UCT so long as the avoided costs resulting from energy savings, i.e., the financial benefits, remain greater than the EE program costs. This means that, at least formally, a program is cost effective if the ratio of avoided costs to program costs is greater than one (i.e., when $UCT > 1.0$). It is important to note that the calculation of the UCT also requires the application of discount rates and Net-to-Gross (“NTG”) ratios to determine the Net Present Value (“NPV”) of avoided costs and program costs.

(22) The second pillar of the EUEA rests on the requirement that it be designed to provide every affected customer class with the opportunity to participate and benefit economically.²⁴ It requires that the Commission provide public utilities an opportunity to earn a profit on cost-effective energy

²¹ NMSA 1978, § 62-17-5(B); 17.7.2.8(F) NMAC.

²² NMSA 1978, § 62-17-4(F).

²³ NMSA 1978, § 62-17-4(Q).

²⁴ NMSA 1978, § 62-17-5(C); 17.7.2.8(G) NMAC.

efficiency and load management resources that, with satisfactory program performance, is financially more attractive to the utility than supply-side resources.²⁵

(23) In pursuing approval of an EE Plan, the utility must satisfy additional requirements set forth in statutes and rules. The rule that governs the approval of EE Plans is Rule 17.7.2 NMAC (“EE Rule”). One important requirement concerns the total amount of program costs that a utility can seek to recover as well as the minimum amount of program costs that are directed to Low Income (“LI”) Programs. The first necessitates that estimated plan year program costs for a public gas utility shall not exceed 5 percent of customers’ bills estimated to be billed during the plan year.²⁶ The second necessitates that a public utility shall direct at least 10 percent of its plan year funding, during each year of the plan period, to programs for low-income customers.²⁷ Another signature requirement is that utilities proposing new energy efficiency and load management programs shall, before seeking Commission approval, solicit nonbinding recommendations on the design and implementation of those programs from Commission Staff, the New Mexico Department of Justice, the Energy, Minerals and Natural Resources Department, and other interested parties.²⁸

(24) New Mexico regulation further requires an extensive formal and substantive detail in a utility’s application. These are listed fully in Rule 17.7.2.8 NMAC.

²⁵ NMSA 1978, § 62-17-3.

²⁶ NMSA 1978, § 62-17-6(A)(2); 17.7.2.8(C)(3) NMAC.

²⁷ 17.7.2.9(B) NMAC.

²⁸ NMSA 1978, § 62-17-5(E); 17.7.2.8(B)(1) NMAC.

3.2. Burden of Proof

(25) As the applicant in this administrative adjudication, NMGC's burden of proof is established as a matter of law.²⁹ The rule in administrative proceedings in general, and adjudications before this Commission in particular, is that unless a statute provides otherwise, the proponent of an order or moving party has the burden of proof.³⁰

(26) The burden of proof is two-pronged: it includes both the prima facie burden of adducing sufficient evidence to go forward with a claim and the burden of ultimate persuasion. The quantum of proof in administrative adjudications is, unless expressly provided otherwise, a preponderance of record evidence.³¹

²⁹ See, e.g., Southwestern Public Service Company's Application Requesting: (1) Acceptance of its 2014 Annual Energy Efficiency and Load Management Report; (2) Approval of its 2016 EE/LM Plan and Associated Programs; (3) Approval of its Cost Recovery Tariff Rider; and (4) a Determination Whether a Separate Process Should be Established to Analyze a Smart-Meter Pilot Program, Docket No. 15-00119-UT, Certification of Stipulation, at 16 (Dec. 18, 2015) (citing *Gray v. State ex rel. Wyoming Workers' Safety and Compensation Div.*, 193 P.3d 246, 251 (Wyo. 2008)). See also NMSA 1978 § 62-8-7(A) ("At any hearing involving an increase in rates or charges sought by a public utility, the burden of proof to show that the increased rate or charge is just and reasonable shall be upon the utility.").

³⁰ 3 Davis, Kenneth Culp, *Administrative Law Treatise* § 16.9 at 255-57 (2d ed. 1980). See *Int'l Minerals and Chemical Corp. v. N.M. Pub. Serv. Comm'n*, 81 N.M. 280, 283, 466 P.2d 557, 560 (1970) ("Although the statute does not specifically place any burden of proof on [complainant] International, the courts have uniformly imposed on administrative agencies the customary common-law rule that the moving party has the burden of proof.").

³¹ See Davis, *supra*, § 16.9 at 256 ("One can never prove a fact by something less than a preponderance of the evidence") (emphasis in original); *El Paso Electric Co. et al. v. N.M. Pub. Serv. Comm'n*, 1985-NMSC-085, ¶ 12 ("This Court, however, does express its deep concern regarding the reasonableness of this heightened standard of proof ['clear and convincing evidence'], especially since a 'preponderance of evidence' standard is customary in administrative and other civil proceedings.") (emphasis added); Re: Southwestern Public Service Co., Case No. 2678, Recommended Decision (Nov. 15, 1996) ("No matter how the Commission describes its standard of review, SPS bears the burden of proof in this case. SPS must demonstrate that a preponderance of evidence exists in the record on which to base approval of the requested authorizations surrounding the merger.").

(27) The general rule in administrative law is that, unless a statute otherwise assigns the burden of proof, the proponent of an order has the burden of proof.³² The quantum of proof in administrative adjudications is a preponderance of the evidence in the record.³³

4. DISCUSSION

(28) NMGC’s proposed 2026-2028 EE Plan presents a series of considerations and evidence for the Commission to evaluate before determining whether to approve the Application. Firstly, the EE Plan must satisfy a range of pre-filing and formal attributes detailed in New Mexico statute and regulation. No party in this proceeding contests these matters. Secondly, the EE Plan proposes a range of programmatic and related budgetary and financial requests that, while supported by Staff, are contested and subject to critiques and counterproposals by WRA. Despite these criticisms, NMGC provides sufficient evidence to approve its requests.

4.1. The Application Satisfies Prefiling, Filing, and Formal Content Standards

(29) The evidentiary record confirms, without objection, that NMGC’s proposed plan satisfies various procedural and formal requirements, such as holding public advisory meetings with specific participants prior to filing the 2026-2028 EE Plan,³⁴ detailed plan year funding, costs, and expenditures,³⁵ and detailed descriptions of each measure and plan.³⁶

³² *JM v. Dep’t of Fam. Servs.*, 922 P.2d 219, 221 (Wyo. 1996); see also *Int’l Minerals and Chemical Corp. v. N.M. Pub. Serv. Comm’n*, 81 N.M. 280, 283, 466 P.2d 557, 560 (1970) (“Although the statute does not specifically place any burden of proof on [complainant] International, the courts have uniformly imposed on administrative agencies the customary common-law rule that the moving party has the burden of proof.”)

³³ See *El Paso Electric Co. et al. v. N.M. Pub. Serv. Comm’n*, 1985-NMSC-085, ¶ 12 (“This Court, however, does express its deep concern regarding the reasonableness of this heightened standard of proof [‘clear and convincing evidence’], especially since a ‘preponderance of evidence’ standard is customary in administrative and other civil proceedings.”) (emphasis added).

³⁴ 17.7.2.8(B)(1) NMAC.

³⁵ 17.7.2.8(C) NMAC.

³⁶ 17.7.2.8(E) NMAC.

(30) The evidentiary record indicates that NMGC, prior to filing its Application, complied with the requirements of both NMSA 1978, Section 62-17-5(E) and Rule 17.7.2.8(B) NMAC to solicit nonbinding recommendations on the design, implementation, and use of third-party service contractors on the programs from interested parties as well as competitive bids for energy efficiency and load management resources. NMGC also held three public advisory meetings with the requisite parties before filing its Application, while also documenting the stakeholder process, including identifying dates and participant categories prior to filing its Plan.³⁷

(31) NMGC Witness Salaz states that meetings were held on August 14, 2024, April 10, 2025, and July 21, 2025, and that those in attendance included the Commission’s Utility Division Staff, the New Mexico Department of Justice, Prosperity Works, Western Resource Advocates, Public Service Company of New Mexico, El Paso Electric Company, Southwest Energy, Zia Natural Gas, Xcel Energy, United States Department of Energy, Mortgage Finance Authority (“MFA”), Coalition for Clean Affordable Energy, Los Alamos National Laboratory, ICF, CLEAResult, ICAST, EnergyWorks, and Franklin Energy.³⁸ Staff Witness Jimenez reviewed this evidence and confirms that it satisfies the relevant legal requirements.³⁹

(32) With respect to the requirement to solicit competitive bids, cited above, NMGC provides sufficient evidence that it solicited competitive bids for its energy efficiency and load management resources. Specifically, in her Direct Testimony, NMGC Witness Salaz explains that NMGC issued two Requests for Proposals (“RFPs”) for Energy Efficiency Programs and Load

³⁷ See Salaz Direct at 51-54; *see also* Application at 21-22.

³⁸ *Id.* 51:11-17.

³⁹ Direct Testimony of Edison Jimenez, PhD., (“Jimenez Direct”) at 26:8-12.

Management/Demand Response (“DR”) Programs on February 11, 2025.⁴⁰ Bids were submitted, she states, to NMGC for both Programs on March 31, 2025.⁴¹ Subsequently, and upon review of the RFPs, NMGC selected a combination of implementers for its Energy Efficiency Programs who offered the best programs and resulted in a cost-effective portfolio.⁴²

(33) With respect to the detailed funding costs and detailed program characteristics, NMGC provides information in the 2026-2028 EE Plan and through the testimony of its principal witness, NMGC Witness Salaz. Staff Witness Jimenez states that NMGC met these requirements, and no other party opposes.⁴³

(34) Given this evidence, the Commission finds that NMGC satisfied all pre-filing, plan year funding, and program detail requirements of the EE Rule.

4.2. The Proposed EE Plan is Cost Effective

(35) Beyond the initial filing and formal requirements, the heart of any energy efficiency application centers on the extent to which its proposed program costs comply with the requirement that the portfolio is cost-effective.⁴⁴ To be cost effective, the net present costs of avoided supply side resources must always remain larger than the net present EE program costs on a plan year basis, thereby satisfying the UCT. To demonstrate that the UCT is met for its EE programs, NMGC first provides a description of how it calculates avoided therms, followed by the methods used to price those future therms, and the ultimate application of a discount rate and NTG ratios to determine the NPV and adjust for program performance.

⁴⁰ Salaz Direct at 6:9-12.

⁴¹ *Id.* at 6:17-18.

⁴² *Id.* at 6:13-20.

⁴³ Jimenez Direct at 27:9-12.

⁴⁴ NMSA 1978, § 62-17-5(C);17.7.2.8(G) NMAC.

Avoided Therm Calculations

(36) As discussed above, the heart of the determination of cost-effectiveness turns on the net present cost of avoided supply side resources always remaining larger than the net present EE program costs on a Plan Year basis. In order to establish this, NMGC must first calculate the proposed amount of energy saved. In this case, NMGC bases its avoided costs on the amount of therms saved, where one therm is 100,000 Btu (a measure of heat) and equivalent energy content of approximately 100 cubic feet of natural gas.⁴⁵

(37) Specifically, NMGC estimates that the performance of its EE programs will yield significant savings in therms saved, i.e., therms that, because of customer participation in the proposed EE programs, will not be consumed.⁴⁶ Here, NMGC calculates that its therm savings for the Plan Years 2026-2028 will be between approximately 5.8 and 5.9 million therms.⁴⁷

Table 1: NMGC Estimated Therm Savings for Plan Years 2026-2028

Year	Estimated Therms Saved
2026	5,829,787
2027	5,918,850
2028	5,903,094 ⁴⁸

(38) These estimated therm savings, according to NMGC, represent an increase from its prior, 2022-2025 EE Plan.⁴⁹ For comparison, the anticipated net energy savings for 2023 was 4,531,970

⁴⁵ Therm, Definition <https://www.eia.gov/tools/glossary/index.php>, last visited Feb. 27, 2025.

⁴⁶ Salaz Direct at 3:8-12; *see also* Application, NMGC Ex. CJS-2, Projected 2026-2028 Gas Savings By Program.

⁴⁷ Application, NMGC Ex. CJS-3, 2026-2028 EE Plan at 19, ¶ iii.

⁴⁸ Salaz Direct at 34:5.

⁴⁹ *Id.* at 8:13-15.

therms.⁵⁰ NMGC also states that the 2026 Plan Year estimate is an increase of 27 percent in therm savings over Program Year 2025.⁵¹

(39) NMGC provides sufficient information regarding how it calculates its therms saved estimates. Throughout its proposed 2026-2028 EE Plan, and throughout the testimony of NMGC Witness Salaz, NMGC provides the final estimated therm savings. Further, NMGC Witness Salaz says that “[e]xpected therm savings values for the existing, modified, and new residential programs were based on previous years’ experience and discussions with NMGC’s energy efficiency contractors.”⁵²

Avoided Therm Cost Calculation

(40) NMGC presents the Commission with a detailed explanation of the use of its future price modelling to determine a total cost of avoided therms.⁵³ The avoided cost of the gas, NMGC states, is developed primarily through the use of pricing curves published for the El Paso San Juan Index and the El Paso Permian Index (“Indices”) by S&P Global,⁵⁴ an adder to account for transportation and storage costs,⁵⁵ as well as the avoided gross receipts taxes and franchise fees that would not be paid.⁵⁶

(41) NMGC provides further descriptions on various elements of its forecasting methods. First, NMGC states the calculation of future pricing is grounded across multiple other utility cost

⁵⁰ *Id. see also* Application at 4.

⁵¹ *Id.*

⁵² *Id.* at 35:1-3.

⁵³ *See id.* at 41-43.

⁵⁴ *Id.* at 41:10-12.

⁵⁵ *Id.* at 41:12-13.

⁵⁶ *Id.* at 42:2-6.

applications, such as supply chain analysis, financial and budgetary modeling, and the Purchased Gas Adjustment Clause Gas Cost Factor.⁵⁷ Second, NMGC justifies the shift from Energy Information Administration future price inputs to the use of the El Paso San Juan and El Paso Permian Indices, and explains the way in which the split in volumes sourced from either of the Indices affects the future price.⁵⁸ Third, NMGC elucidates elements of the adder, that it relies on the costs of firm transportation on interstate pipelines, underground storage costs, and anticipated future hedging costs.⁵⁹ Through the application of these inputs and the methods of future price calculations, NMGC determines the total unadjusted amount for the cost of future avoided terms that would be saved due to the application of the proposed energy efficiency programs over the course of their lifecycle.⁶⁰

(42) Based on these cost and pricing structures, NMGC projects that the net avoided costs of energy will start at \$5.41 per MMBtu or \$0.541 per therm in Plan Year 2026 and increase to \$8.32 per MMBtu or \$0.832 per therm in 2050, an increase of 53.62 percent.⁶¹ NMGC further provides what the total NPV avoided costs would be per program and for all programs, particularly Appendix H, Energy Efficiency Programs UCT Analysis Output Tables.⁶² There, those costs are labeled NPV Benefits.⁶³

⁵⁷ *Id.* at 40:21-22;41:1-6.

⁵⁸ *Id.* at 43:1-17.

⁵⁹ *See id.* at 41-43.

⁶⁰ *Id.*

⁶¹ Application, NMGC Ex. CJS-3, 2026-2028 EE Plan at 85.

⁶² *Id.* at 91-93.

⁶³ *Id.*

Proposed Discount Rate and NTG Ratios

(43) The next step in determining the estimated avoided costs requires the application of a discount rate, to adjust for the present value of future costs, i.e., the NPV of estimated avoided costs. As discussed previously, a higher discount rate reduces the present value of future savings (reduces the numerator, the avoided costs), whereas a lower rate increases it, often making long-term efficiency projects appear more cost-effective. In presenting its 2026-2028 EE Plan for approval, NMGC proposes the use of a certain discount rate, which it states is based on the same reasoning for the discount rate approved in its prior 2023-2025 EE Plan.⁶⁴ In that case, NMGC argued for the use of a 30-year fixed mortgage rate because it aligned and better reflected customer capital costs and the lifetime of the EE programs.⁶⁵ At that time, the proposed rate was 4.0 percent, which was the average for a 30-year mortgage within a 52-week period ending August 4, 2022.⁶⁶

(44) In the present case, NMGC proposes to update the discount rate. It bases this proposal to update the rate on three reasons, namely, that the updated rate:

- a. More accurately reflects the cost of capital of NMGC's customers for long-term investments in their home;
- b. Matches the average useful life of NMGC's energy efficiency measures;
and,
- c. Enables NMGC to offer more energy efficiency programs to customers thereby maintaining a similar level of programming dedicated to low-income customers.⁶⁷

⁶⁴ See Docket No. 22-00232-UT, Final Order (Mar. 22, 2023) at 8 (approving the Recommended Decision in total, including NMGC's proposed 30-year mortgage discount rate).

⁶⁵ Docket No. 22-00232-UT, New Mexico Gas Company, Inc.'s Application for Approval of its 2023 Energy Efficiency Program (Aug. 31, 2022), NMGC Ex. SLC-2 at 67.

⁶⁶ Salaz Direct at 44:6-7.

⁶⁷ *Id.* at 44:10-14.

(45) Specifically, NMGC is proposing to update the prior approved 30-year discount rate of 4.0 percent in the 2023-2025 EE Plan to a 15-year discount rate of 4.91 percent, which is based both on the average mortgage rate as of August 26, 2025, and on information obtained from Bankrate.com and JP Morgan.⁶⁸

(46) As discussed above, NMGC provides adequate evidence to support the calculation of the avoided therms, their projected cost, and the application of NTG ratios and the discount rate (to calculate the NPV of avoided costs).

Calculation of Program Costs and Satisfying the UCT

(47) To determine whether NMGC's proposed EE portfolio is cost-effective, it must be compared to the NPV of the avoided costs. If the portfolio is cost-effective, it will yield a UCT greater than 1.0. In the present Application, NMGC proposes total program costs of \$20,932,759 in Plan Year 2026, \$21,235,761 in Plan Year 2027, and \$21,717,790 in Plan Year 2028.⁶⁹ NMGC presents detailed cost determinations in its 2026-2028 EE Plan for each of its individual programs that constitute its entire program portfolio.⁷⁰ As stated above, NMGC provides overall program costs and cost per program in Appendix H, Programs UCT Analysis Output Tables.⁷¹

(48) In testimony, NMGC Witness Salaz states that when avoided costs are compared to program costs, the estimated EE Plan yields a UCT of 1.18, thereby satisfying the legal minimum.⁷² In its 2026-2028 EE Plan, NMGC states it performed the UCT calculations for the efficiency programs using the GDS Associates Screening Tool, which is the same model that it has used in

⁶⁸ *Id.* at 44:19-21.

⁶⁹ Salaz Direct at 35:13-15.

⁷⁰ Application, NMGC Ex. CJS-3, 2026-2028 EE Plan at 91-93.

⁷¹ *Id.*

⁷² *Id.* at 54:20-21.

each of its energy efficiency cases filed with the Commission since 2009.⁷³ Further, NMGC states that “[a]voided cost assumptions are provided in Section X.B and Section X.V.” of the Plan.⁷⁴

(49) In his review, Staff Witness Jimenez states that NMGC’s estimated cost-effectiveness of the Plan satisfies the requirements of the UCT standard. With respect to cost-effectiveness, Staff Witness Jimenez states that NMGC’s 2026-2028 EE Plan portfolio of programs is projected to meet and exceed the UCT with an overall UCT ratio of 1.18 for each of the plan years 2026-2028.⁷⁵ While Staff Witness Jimenez accepts the portfolio UCT result (1.18), he also notes that specific programs, specifically the LI programs, are not cost-effective in 2026.⁷⁶ Staff Witness Jimenez expresses concern that NMGC may be increasing budgets for cost-effective programs to compensate for non-cost-effective ones, and recommends NMGC work to improve low-income program UCT ratios in the next plan.⁷⁷ Nonetheless, Staff Witness Jimenez supports approval because low-income programs are important for EUEA goals and affordability, and the overall portfolio remains projected cost-effective.⁷⁸

(50) The Commission recognizes that the overall portfolio is cost-effective, even though certain individual programs fall below a 1.0 UCT on a standalone basis. The Commission approves those programs as part of the broader cost-effective portfolio in light of statutory low-income funding requirements, affordability and access considerations, and the policy goals of the EUEA. However, because the low-income sector UCT remains below 1.0, NMGC shall identify in their next EE

⁷³ Application, NMGC Ex. CJS-3, 2026-2028 EE Plan at 28.

⁷⁴ *Id.*

⁷⁵ Jimenez Direct at 28:7-10.

⁷⁶ *Id.* at 4:16-22; 5:1-2.

⁷⁷ *Id.* at 25:6-15.

⁷⁸ *Id.* at 26:1-5.

filing specific measures to improve low-income program effectiveness, participation, delivery costs, and documentation of non-energy benefits.

Budget Limitations and Minimum Spending on Low Income Programs

(51) In addition to the elements constituting cost-effectiveness of the budget, NMGC provides evidence that the proposed budget complies with percentage cost limitations and requirements, specifically, that the EE program costs, as required by NMSA 1978, Section 62-17-6(A)(2) and Rule 17.7.2.8(C)(3) NMAC, may not exceed more than 5 percent of annual revenues, and that no less than 10 percent of the Plan costs must specifically be directed to Low Income customers, as required by Rule 17.7.2.9(B) NMAC.

(52) In presenting the Plan's proposed budgets, NMGC Witness Salaz, in her Direct Testimony, states that the 2026 Program Year energy efficiency program budget (\$20,932,759) is approximately 4.31 percent of average historical billings for the prior three-years, and is under the 5 percent cap as directed under NMSA 1978, Section 62-17-6(A)(2).⁷⁹ Staff Witness Jimenez, after his review, confirms that NMGC's proposed budget also complies with Rule 17.7.2.8(C)(3) NMAC.⁸⁰

(53) Regarding the minimum expenditure requirement for LI Customers, NMGC Witness Salaz points out that the Income Qualified Program budget for Plan Year 2026 is \$6,035,101, approximately 29 percent of the total EE program portfolio costs.⁸¹ NMGC Witness Salaz also indicates that, in addition to the overall budget for LI programs, the Multi-Family Program has allocated 50 percent of its budget to target LI properties, and that the High School and Senior

⁷⁹ Salaz Direct at 29:17-19; Application, NMGC Ex. CJS-3, 2026-2028 EE Program Plan at 26.

⁸⁰ Jimenez Direct at 29:9-12.

⁸¹ Salaz Direct at 29:9-17; *see also* Application, NMGC Ex. CJS-3, 2026-2028 EE Plan at 49.

Citizen Education Program in the Space Heating Program and Water Heating Program will benefit low-income customers who are located in Title V school districts.⁸² In his review of this evidence presented by NMGC, Staff Witness Jimenez states in his testimony that the Plan meets the minimum amount of costs directed to LI programs, complying with Rule 17.7.2.9(B)(1) NMAC.⁸³

Administrative Costs

(54) As for administrative costs, in a different section of the EE Plan, and as discussed in the testimony of NMGC Witness Salaz, NMGC offers greater insight into the component costs of all programs and each individual program.⁸⁴ In her testimony, NMGC Witness Salaz states that these program costs are comprised of NMGC's administrative costs (including internal labor costs), third-party administrative costs (including third-party promotion), customer incentive and rebate costs, promotional costs incurred by NMGC, and portfolio costs which include costs not directly related to any one individual program.⁸⁵

(55) Specifically, NMGC provides the total breakdown of these costs across all programs for each Plan Year.⁸⁶ In her testimony, NMGC Witness Salaz provides evidence for the millions of dollars in administrative costs. In asserting that they are reasonable, NMGC Witness Salaz refers to an industry practice where the incentive and rebate costs comprise over half of the EE program cost.⁸⁷ In the present Application, NMGC's rebate and incentive costs are approximately 53 percent

⁸² *Id.* at 29:9-17.

⁸³ Jimenez Direct at 29:19-21.

⁸⁴ *See* Application, NMGC Ex. CSJ-3, 2026-2028 EE Plan at 47-48.

⁸⁵ Salaz Direct at 35:18-22.

⁸⁶ *Id.* at 36:1.

⁸⁷ *Id.* at 40:18-19.

for each Plan Year.⁸⁸ The other costs are “in line” with prior administrative costs approvals in NMGC’s previous EE Plan. NMGC provides sufficient evidence to justify these assertions.

4.3. The Proposed EE Programs Allow for Participation and Economic Benefit

(56) NMGC currently offers seven programs: Water Heating, Space Heating, New Homes, Income Qualified, Multi-Family, Efficient Buildings, and Home Energy Reports, and proposes to continue all of them.⁸⁹ The present Application asks the Commission to reauthorize these seven EE programs that were authorized previously in Docket No. 22-00232-UT.⁹⁰ NMGC provides evidence, in the testimony of NMGC Witness Salaz and in the 2026-2028 EE Plan, of the principal elements of each program, covering the programs’ background, description and objectives, implementation conditions, incentive structure, documentation and inspections, contractor and retailer responsibilities, target market, marketing and outreach, relation to existing programs energy savings, and measurement and verification.⁹¹ This evidence demonstrates, and no other party contests, that each of these seven current programs are designed such that every customer class affected by the cost recovery for the EE programs has an opportunity to participate and benefit economically.

(57) In its current Application, NMGC also proposes to modify:

- a. The Space Heating Program and Water Heating Program by providing additional offerings focused on community outreach and education, including a high school and senior citizen education program, promotion and education in rural communities, and a customer link rebate tool;
- b. The New Homes Program by expanding the scope to include new manufactured homes and new multi-family homes;

⁸⁸ *Id.* at 40:18-19.

⁸⁹ Salaz Direct at 4:14-16 and 8:20-21.

⁹⁰ Application at 3.

⁹¹ See Salaz Direct at 9-17; see also Application, NMGC Ex. CJS-3, 2026-2028 EE Plan at 57-84.

- c. The Home Energy Reports Program to provide technological enhancements that will provide customers with more personalized and useful information;
- d. The Income Qualified Program by adding a Single-Family Energy Efficiency Program which will provide additional low-income customers with more expedient access to weatherization services than NMGC's current EnergySmart Weatherization Assistance Program alone; and
- e. The program portfolio by adding an Agricultural Program to increase rural commercial customer participation in EE programs by providing rebates for the installation of high efficiency farm and agricultural equipment.⁹²

(58) For the Water Heating and Space Heating Programs, NMGC Witness Salaz states NMGC proposes increased rebates, a new high school and senior citizen education program, program promotion and education in rural communities, bilingual local staff, a customer link rebate tool, and a sophisticated HVAC contractor portal.⁹³

(59) With respect to rebates, NMGC states that it plans to increase rebates for customers who install tank or tankless water heaters from \$115-\$300 to \$200-\$500; Tier II and III furnaces and boilers from \$325-\$375 to \$540-\$625; and ENERGY STAR gas dryers from \$25 to \$55 beginning in Program Year 2026.⁹⁴ NMGC also states that it plans to increase rebates for customers who participate in its Furnace Tune Up Program from \$85 (\$110 low-income) to \$100 (\$150 low-income).⁹⁵ Based on these rebates and the other changes to the Water and Space Heating Programs, NMGC estimates that there will be a net savings of 625,234 therms in Program Year 2026, an increase of approximately 175,970 therms over 2023's savings expectations.⁹⁶

⁹² Application at 3-4.

⁹³ See Salaz Direct 18-20.

⁹⁴ *Id.* at 18:7-10.

⁹⁵ *Id.* at 18:10-12.

⁹⁶ *Id.* at 20:19-21.

(60) Staff Witness Jimenez summarizes the same modifications and recommends approval of the Water Heating and Space Heating enhancements, including the rural education and promotion elements.⁹⁷ Staff also recommends that NMGC provide the number of site visitors and number of rebates processed through the customer link rebate tool and sophisticated HVAC Contractor Portal in NMGC's Annual EE Reports.⁹⁸ In turn, NMGC, through NMGC Witness Salaz, accepts this recommendation.⁹⁹

(61) NMGC Witness Salaz also describes the proposed changes to the New Homes Program in her testimony. NMGC Witness Salaz states that NMGC is proposing to expand the program to include new manufactured homes, as well as construction of new multi-family homes.¹⁰⁰ The manufactured homes expansion is intended to improve reach in rural markets and to create participation opportunities for low- and middle-income customers in underserved communities.¹⁰¹ NMGC Witness Salaz also states the multi-family expansion is intended to encourage efficient new construction measures, including incentives for efficient space and water heating appliances and smart thermostats.¹⁰²

(62) NMGC Witness Salaz states the New Homes expansion is projected to produce net savings of 603,554 therms annually and to increase savings expectations by approximately 202,802 therms,

⁹⁷ Jimenez Direct at 6, 10.

⁹⁸ *Id.* at 12:19-22.

⁹⁹ Rebuttal Testimony of Carey Salaz ("Salaz Rebuttal") at 3:1-3.

¹⁰⁰ *Id.* at 21:4-5.

¹⁰¹ *Id.*

¹⁰² *Id.* at 21:7-17.

or 51 percent, compared with 2023 expectations.¹⁰³ Staff Witness Jimenez supports expanding the New Homes Program to include new manufactured and new multi-family homes.¹⁰⁴

(63) With respect to modifications to the Home Energy Reports (“HER”) Program, NMGC Witness Salaz states that they are intended to enhance highly accurate and detailed insights into a customer’s energy use through advanced algorithms to provide more detailed usage insights and tailored tips, together with a QR code feature that links customers to an interactive web portal for additional energy-saving information.¹⁰⁵ Staff Witness Jimenez supports the proposed HER Program enhancements and notes that the program only incurs one-time startup costs in Plan Year 2026.¹⁰⁶

(64) NMGC Witness Salaz also describes a new Single-Family Energy Efficiency Program within the Income Qualified portfolio to provide direct-install weatherization services for low-income customers in single-family homes.¹⁰⁷ NMGC Witness Salaz states the direct-install services include safety and carbon monoxide measures, water-saving devices, water heater insulation, thermostats, and building shell improvements such as air sealing, duct sealing, and attic insulation.¹⁰⁸ In her testimony, NMGC Witness Salaz demonstrates that the program is intended to address delays associated with the Weatherization Assistance Program pathway and to reach customers more quickly while continuing coordination with the MFA.¹⁰⁹ NMGC Witness Salaz

¹⁰³ *Id.* at 22:8-18.

¹⁰⁴ Jimenez Direct at 14:16-19.

¹⁰⁵ Salaz Direct at 22:6-18.

¹⁰⁶ Jimenez Direct at 14:16-19.

¹⁰⁷ Salaz Direct at 23:4-15.

¹⁰⁸ *Id.* at 23:4-15.

¹⁰⁹ *Id.* at 25:6-10.

states NMGC estimates a 2026 budget of \$1,671,754 and annual therm savings of 240,162 for each plan year for 2026–2028.¹¹⁰

(65) Staff recommends approval of this new program, and believes it will accelerate the deployment of EE measures for LI customers that are not in need of new appliances or major home repairs, but that would greatly benefit from the energy savings from direct-install weatherization measures.¹¹¹ Staff states that NMGC indicated that it would reduce the budget assigned for the MFA program to \$1,000,000, to increase funding for its LI programs and that Staff considers this approach efficient since the goal with the EE Plan funds is for them to be used in EE programs by customers in a timely manner.¹¹²

(66) NMGC Witness Salaz further describes the proposal for the new Agricultural Energy Efficiency Program directed to customers, such as dairy farms, indoor agriculture and greenhouses, and crop farms, with the stated intent to provide information and incentives that encourage installation of high-efficiency measures during maintenance and new construction.¹¹³ NMGC Witness Salaz states that agricultural customers are dispersed and operations vary, and she describes targeted outreach and marketing including materials at farm sales counters and county offices, attendance at rural agricultural events, and direct contact at agricultural establishments.¹¹⁴ In her testimony, NMGC Witness Salaz points out that NMGC estimates a 2026 budget of \$731,729, including \$126,000 dollars in one-time startup costs, and annual therm savings of 160,843 for each plan year 2026–2028.¹¹⁵ Staff Witness

¹¹⁰ *Id.* at 25:14-16.

¹¹¹ Jimenez Direct at 16:6-8.

¹¹² *Id.* at 16:8-12.

¹¹³ Salaz Direct at 25:22-23; 26:1-3.

¹¹⁴ *Id.* at 26:15-19.

¹¹⁵ *Id.* at 27:1-5.

Jimenez supports the creation of the new Agricultural Energy Efficiency Program as a pilot offering, and recommends approval.¹¹⁶

(67) In reviewing the level of cooperation between electric and natural gas utilities in similar programs nationwide, Staff Witness Jimenez recommends that NMGC explore coordinated efforts with other utilities to provide coordinated measures and rebates in NMGC's next filing.¹¹⁷ NMGC, in the Rebuttal Testimony of NMGC Witness Salaz, agrees to proceed in the manner which Staff recommends and accepts this recommendation.¹¹⁸

(68) Looking at the foregoing, the evidentiary record indicates that, as part of an overall cost-effective portfolio, NMGC's current, modified, and new EE programs provide an opportunity for every affected customer class to participate and benefit economically. Additionally, Staff supports the Commission's approval of these programs, while making two minor recommendations regarding the Agricultural Energy Efficiency Program and the Space and Water Heating Programs that NMGC has indicated that it would accept. Based on the evidence in the record, the Commission determines that these EE program proposals and Staff modifications are consistent with the statutory and regulatory requirements.

4.4. WRA's Critiques and Counterproposals, and NMGC's and Staff's Rebuttal

(69) While Staff fully supports NMGC's requests for approval of its requested program modifications and additions, WRA finds them deficient and articulates a series of counterproposals, specifically within the Space and Water Heating Programs and New Homes

¹¹⁶ Jimenez Direct at 18:2-3.

¹¹⁷ *Id.* at 18:3-7.

¹¹⁸ Salaz Rebuttal at 2:7-13.

Program.¹¹⁹ WRA offers a critique of these programs' rebate and incentive structure, calculation of cost-effectiveness, and application of certain efficiency standards and policy choices. Specifically, WRA argues that rebates are not truly cost-effective in these programs because reporting demonstrates that they have limited influence on customer choices (i.e., high free ridership), are based on outdated appliance efficiency standards, and miss opportunities to advance the market for EE goods and services in New Mexico.¹²⁰ Of note is WRA's proposal to request that the Commission require NMGC to allow rebates for electric heat and water pumps.¹²¹ Additionally, WRA provides critiques and alternatives to the use of certain NTG ratios (when determining cost-effectiveness),¹²² and to the efficiency standards from the New Mexico Technical Resource Manual ("TRM"), and elsewhere.¹²³

(70) Within its rebuttal, NMGC provides testimony that WRA, though having attended all three public advisory sessions in advance of NMGC's EE filing, did not mention its critique or recommendations to NMGC until it filed its direct testimony in the present case.¹²⁴ NMGC Witness Salaz states that WRA did not, for example, request that NMGC conduct a program participation study, that it eliminate or modify rebate structures, or replace the New Homes Program during those meetings.¹²⁵ NMGC Witness Salaz characterizes WRA's alternative as a major portfolio redesign involving electric heat pump rebates and a new codes training program.¹²⁶ NMGC

¹¹⁹ Carley Direct at 2:12-16.

¹²⁰ *Id.* at 7:1-8.

¹²¹ *Id.* at 3:3-10; 27:11-17.

¹²² *Id.* at 15:3-9.

¹²³ *Id.* at 58:8-12.

¹²⁴ Salaz Rebuttal at 28:10-21; 29:1-2.

¹²⁵ *Id.* at 28:15-21.

¹²⁶ *Id.* at 26:19-21; 27:1-7.

Witness Salaz objects that these proposals were not presented to NMGC before WRA Witness Carley's testimony, were not part of implementor RFP proposals, and have unknown costs and unknown UCT impacts.¹²⁷

Water Heating Program

(71) WRA primarily recommends that the Commission require that NMGC phase out gas water heater rebates and pivot to Heat Pump Water Heaters ("HPWH").¹²⁸ WRA Witness Carley first argues in his testimony that the Water Heating Program appears to support a high percentage of free riders, and has a very limited and ineffective influence on customer purchase decisions.¹²⁹ WRA Witness Carley also argues that NMGC should shift rebates toward HPWH as the "more efficient" option and align programs with state policy (specifically, the Sustainable Buildings Tax Credit) so ratepayers are not paying for "two competing" rebate structures.¹³⁰ Additionally, WRA Witness Carley asserts that NMGC rebates and incentives rely on incorrect efficiency figures from the New Mexico TRM for the Calculation of Energy Efficiency Savings when describing ENERGY STAR efficiency specifications.¹³¹

(72) NMGC opposes WRA's recommendation to sunset or eliminate rebates for gas water heaters, and NMGC Witness Salaz, in her Rebuttal Testimony, emphasizes customer affordability and asserts that WRA provides no workable three-year sunset pathway with unit counts and

¹²⁷ *Id.*

¹²⁸ Carley Direct at 16:11-15; 17:1-3.

¹²⁹ *Id.*

¹³⁰ *Id.* at 17:1-18.

¹³¹ *Id.* at 7:2-6.

budgets.¹³² NMGC Witness Salaz adds that NMGC cannot determine how a mid-plan sunset would affect implementor bids obtained through the RFP process or the overall portfolio UCT.¹³³

(73) NMGC Witness Salaz also rejects WRA's proposal to replace gas water heater rebates with electric heat pump rebates, stating NMGC is a natural gas utility and does not offer rebates for electric equipment.¹³⁴ NMGC Witness Salaz also emphasizes customer choice and notes electric utilities and state programs already offer heat pump rebates and tax credits.¹³⁵ NMGC Witness Salaz argues that eliminating gas rebates would push customers toward less efficient gas appliances, which is contrary to the goals of a natural gas efficiency program.¹³⁶ NMGC Witness Cottrell also provides Rebuttal Testimony, and responds that gas-only utilities generally should not provide rebates for electric efficiency measures, and that using gas ratepayer funds for electric heat pump measures would create cross-subsidization and cost-shifting risks for customers who remain on the gas system.¹³⁷

(74) In its continued critique of the Water Heating Program, WRA seeks to highlight a high degree of free-ridership. According to WRA Witness Carley, NMGC's 2024 Measurement and Verification ("M&V") Report for the Water Heating Program found a free ridership rate of 0.4512, or 45 percent.¹³⁸ This means that more than 45 percent of participants would have likely selected

¹³² Salaz Rebuttal at 5:12-18.

¹³³ *Id.* at 5:18-20; 6:1-2.

¹³⁴ *Id.* at 10:1-5.

¹³⁵ *Id.* at 10:6-21; 11:1-3.

¹³⁶ *Id.* at 11:7-16.

¹³⁷ Rebuttal Testimony of Andrew Cottrell (Dec. 22, 2025) at 10-11.

¹³⁸ Carley Direct at 7:11-14 (citing Docket No. 22-00232-UT, New Mexico Gas Company, Inc.'s 2024 Annual Energy Efficiency Report (June 27, 2025), Appendix C at 56).

the more efficient equipment, even in the absence of NMGC's rebate.¹³⁹ WRA Witness Carley's testimony also notes that while the report assigned a free ridership rate of 45 percent, it found that 90 percent of participants reported they would have likely purchased an appliance with the same level of efficiency without the rebate.¹⁴⁰ In WRA Witness Carley's view, this indicates that NMGC's rebates have very limited influence on the ratepayers' decisions about equipment purchases.¹⁴¹

(75) Responding to WRA's free-ridership critique, NMGC Witness Salaz states that free-ridership percentages in the 2024 M&V report are one reason why NMGC proposes increased rebates plus a customer rebate tool and a more sophisticated contractor portal.¹⁴² NMGC Witness Salaz argues that the M&V report does not capture customers who could not afford a more efficient water heater under current rebates, and asserts higher rebates will draw in customers who otherwise would not buy efficient units, reducing free ridership and improving program success.¹⁴³

(76) In addition to this critique of free-ridership, WRA also argues that NMGC EE programs use outdated energy efficiency standards that are found in the New Mexico TRM, rather than the current ENERGY STAR requirements.¹⁴⁴ The TRM cites ENERGY STAR or in some instances the Consortium for Energy Efficiency ("CEE") Tier 1 specification as the basis for its efficiency figures but does not reflect current ENERGY STAR or CEE Tier 1 requirements.¹⁴⁵ WRA Witness

¹³⁹ *Id.*

¹⁴⁰ *Id.* at 7:15-16.

¹⁴¹ *Id.* at 7:16-17.

¹⁴² Salaz Rebuttal at 6:4-11.

¹⁴³ *Id.* at 6:11-19.

¹⁴⁴ Carley Direct at 8:3-6.

¹⁴⁵ *Id.* at 8:6-9.

Carley's testimony argues that NMGC should use the most current U.S. EPA ENERGY STAR or CEE Tier 1 requirements to avoid consumer and market confusion.¹⁴⁶ WRA Witness Carley points out that the commercial water heating equipment standards for ENERGY STAR Program Requirements for Commercial Water Heaters Partner Commitments referenced by the TRM have been out of date since October 2018.¹⁴⁷

(77) WRA recommends that the contractor who prepared the 2025-2026 edition of the New Mexico TRM should be directed to complete a thorough review of the TRM to ensure that the efficiency requirements accurately reflect the current relevant ENERGY STAR and CEE performance requirements, and submit the updated manual to the Commission for posting on its website within 60 days of the Commission's issuance of its Final Order in this matter.¹⁴⁸

(78) Staff believes that updates to the TRM are important, but should follow the established process.¹⁴⁹ As explained by EcoMetric, the current process allows evaluation consultants to provide final versions of the annual evaluation report for the electric utilities in April and for the gas utilities in June.¹⁵⁰ The planning portion of the TRM review begins in June so that all utilities have the opportunity to focus on annual reports and TRM updates separately.¹⁵¹

(79) Staff believes that the TRM is currently up to date and does not require the changes suggested by WRA to reflect higher ENERGY STAR tier standards.¹⁵² Staff states the TRM's

¹⁴⁶ *Id.* at 8:9-10.

¹⁴⁷ *Id.* at 9:4-6

¹⁴⁸ *Id.* at 56:21-22.

¹⁴⁹ Jimenez Rebuttal at 5:25-27.

¹⁵⁰ *Id.* at 5:27-31.

¹⁵¹ *Id.*

¹⁵² *Id.* at 6:6-10.

ENERGY STAR table provides default values when actual unit efficiency is unknown and is not intended as a required minimum threshold.¹⁵³ The purpose of the New Mexico TRM is to ensure that baselines are consistent with current federal or state energy codes and standards, which it does.¹⁵⁴ In Staff's opinion, the analysis provided by NMGC in its EE Plan continues to be reasonable and with it, the rebates proposed for the Water Heating Program in its portfolio.¹⁵⁵ Accordingly, Staff stands by its recommendation for approval of the Application's requests.¹⁵⁶

(80) In addition to these critiques, WRA also states that NMGC is using incorrect (i.e., higher) NTG ratios.¹⁵⁷ WRA Witness Carley treats NTG corrections as material to cost-effectiveness: lowering NTG reduces the UCT for the program and portfolio.¹⁵⁸ Regarding this NTG misapplication and the effect it has on calculating the UCT and cost-effectiveness, WRA Witness Carley contends NMGC's assigned NTG for water heating (65 percent) does not reflect the most recent M&V result (NTG 0.5488, to be applied beginning in 2025).¹⁵⁹ WRA Witness Carley states that reducing the NTG ratio reduces the UCT value of the proposed program and portfolio, and in his analysis, correcting the NTG attribution and removing the rebates and savings for equipment that does not achieve ENERGY STAR or CEE performance requirements results in NMGC's proposed Water Heating Program achieving a UCT ratio of 0.91, meaning it is not cost effective.¹⁶⁰

¹⁵³ *Id.* at 4:1-6.

¹⁵⁴ *Id.* at 6:10-12.

¹⁵⁵ *Id.* at 6:14-16.

¹⁵⁶ *Id.* at 6:16-17.

¹⁵⁷ Carley Direct at 5:7-8.

¹⁵⁸ *Id.* at 16:2-7.

¹⁵⁹ *Id.* at 15:5-9.

¹⁶⁰ *Id.* at 16:4-8.

(81) In rebuttal, NMGC Witness Salaz rejects using the 2024 M&V water-heating NTG for the proposed plan, asserting the M&V value reflects the current program and does not capture the proposed enhancements.¹⁶¹ NMGC Witness Salaz states the 65 percent NTG projection is based on implementor experience and expects the enhancements will enable that outcome.¹⁶² NMGC Witness Salaz also rejects WRA's claim that water-heating savings are overstated, emphasizing annual independent M&V review and asserting overstatement would not benefit NMGC because failing UCT could cause NMGC to forgo the incentive.¹⁶³ NMGC Witness Salaz states the water-heating therm savings inputs match those used in the prior plan and reflect actual achieved savings.¹⁶⁴ Finally, NMGC Witness Salaz finds fault with WRA Witness Carley's observations, stating that WRA's reliance on external consumption survey data as potentially unrepresentative of NMGC's service territory, and asserts that participating customers typically use more natural gas than average.¹⁶⁵

(82) Lastly, WRA requests that the Commission require a separate study of actual savings resulting from the Water Heating Program.¹⁶⁶ WRA Witness Carley asserts that NMGC, in addition to relying on incorrect NTG ratios in its Water Heating Programs, does not provide sufficient and reliable sources or calculations.¹⁶⁷ Consequently, WRA Witness Carley requests that the Commission require NMGC to file actual savings no later than September 1, 2027.¹⁶⁸ NMGC

¹⁶¹ Salaz Rebuttal at 11:19-21; 12:1-4.

¹⁶² *Id.* at 12:4-7.

¹⁶³ *Id.* at 13:5-7.

¹⁶⁴ *Id.* at 13:7-12.

¹⁶⁵ *Id.* at 13:14-19.

¹⁶⁶ Carley Direct at 19:1-3.

¹⁶⁷ *Id.* at 19:2-5; *see also* WRA Ex. EC-4.

¹⁶⁸ *Id.* at 19:3-4.

Witness Salaz opposes WRA's request for a separate study of actual savings impacts by September 1, 2027, stating that it is unnecessary because NMGC's programs and savings are already subject to independent M&V and annual reporting.¹⁶⁹

Space Heating Program

(83) WRA provides three general recommendations to the Commission regarding the NMGC's Space Heating Program. Firstly, WRA asks that the Commission direct NMGC to eliminate or sunset boiler rebates, or in the alternative, if furnace rebates continue, to tighten minimum efficiency requirements.¹⁷⁰ Secondly, WRA asks that if gas appliance rebates are not eliminated, remove rebates for ≤ 96 percent Annual Fuel Utilization Efficiency¹⁷¹ ("AFUE") furnaces, sunset 97 percent AFUE furnace rebates, and replace them with rebates for dual-fuel heat pumps.¹⁷² Thirdly, WRA asks that the Commission direct NMGC to introduce rebates for electric heat pumps and dual-fuel heat pumps as more efficient options, arguing that these new incentives can build market awareness and contractor knowledge because heat pump markets are "not as well-developed" as furnace markets.¹⁷³ Finally, WRA requests that if NMGC is not required to sunset its rebates for gas-fired furnaces and boilers, then the Commission deny NMGC's request for increased rebate levels.¹⁷⁴

(84) WRA asserts that NMGC's current proposal for large increases in furnace and boiler rebate levels (66 percent–92 percent) are not justified because customers appear to be purchasing high-

¹⁶⁹ Salaz Rebuttal at 14:6-8.

¹⁷⁰ Carley Direct at 28:16-20.

¹⁷¹ AFUE refers to the rating for heating equipment that has earned the ENERGY STAR label. It is the percentage of fuel that is converted into heat; a higher AFUE is more efficient.

¹⁷² Carley Direct at 27:9-17.

¹⁷³ *Id.* at 27:21 -28:17.

¹⁷⁴ *Id.* at 29:11-12.

efficiency equipment regardless of rebates.¹⁷⁵ WRA Witness Carley contends that these purchases would occur anyway, given strong market adoption of high-efficiency equipment and M&V evidence that many customers report rebates were “not at all influential.”¹⁷⁶ WRA Witness Carley warns that higher rebates can increase free ridership, which he notes is already reported at about 29 percent.¹⁷⁷

(85) NMGC Witness Salaz rejects WRA’s recommendation to sunset boiler and furnace rebates, repeating her affordability and implementation concerns, and disputing WRA’s criticisms of the program.¹⁷⁸ On WRA’s proposed minimum furnace efficiency threshold of at least 97 percent AFUE, NMGC Witness Salaz responds that NMGC follows the New Mexico TRM, which permits furnaces and boilers with AFUE of 90 percent or greater.¹⁷⁹ NMGC Witness Salaz states NMGC will revise if the TRM changes and adds uncertainty regarding federal standards.¹⁸⁰

(86) NMGC also rejects restricting rebates to dual-fuel systems, arguing it would remove incentives for customers who have already decided to buy a natural gas furnace or boiler to choose higher-efficiency models.¹⁸¹ NMGC Witness Salaz points to a reported high UCT for the Space Heating Program in the 2024 annual report and argues sunseting successful measures would be counterproductive.¹⁸² Likewise, NMGC Witness Salaz rejects WRA’s proposal that NMGC create a new program offering rebates for air- or ground-source heat pumps, again stating NMGC is not

¹⁷⁵ *Id.* at 20:11-31.

¹⁷⁶ *Id.* at 20:31-38.

¹⁷⁷ *Id.*

¹⁷⁸ Salaz Rebuttal at 15:3-9.

¹⁷⁹ *Id.* at 15:11-17.

¹⁸⁰ *Id.* at 15:15-20.

¹⁸¹ *Id.* at 16:1-7.

¹⁸² *Id.* at 16:4-11.

an electric utility, that electric utilities already offer those measures, and that gas customers should not lose incentives to use natural gas more efficiently.¹⁸³

(87) In response to WRA’s call for a potential study, NMGC Witness Salaz states NMGC does not oppose a Commission directive for an M&V contractor to study the potential for adoption of efficient gas appliances, but opposes requiring NMGC customers to pay for a study of electric heat pumps.¹⁸⁴ NMGC Witness Salaz recommends any such study be pursued through a Commission process with input from other affected utilities and with costs allocated among utilities and recovered as M&V costs.¹⁸⁵

New Homes Program

(88) The New Homes Program offers home builders two pathways to receive a rebate for building more efficient new homes.¹⁸⁶ The first path is a prescriptive path where the builder can receive a rebate for installing higher efficiency equipment than required by code.¹⁸⁷ The second pathway allows the builder to demonstrate that the whole home achieves energy performance at least 10 percent better than required by code using a tool called the Home Energy Rating System (“HERS”) index.¹⁸⁸ WRA proposes discontinuing NMGC’s current New Homes Program structure and replacing it with a comprehensive building energy code compliance training program focusing on high-impact building features, including HVAC sizing, envelope tightness, duct tightness,

¹⁸³ *Id.* at 17:11-16.

¹⁸⁴ *Id.* at 16:13-21.

¹⁸⁵ *Id.* at 16:17-2; 17:1-5.

¹⁸⁶ Carley Direct at 29:13-16.

¹⁸⁷ *Id.* at 29:16-17.

¹⁸⁸ *Id.* at 29:17-20.

insulation quality, and water heating.¹⁸⁹ WRA Witness Carley observes that while NMGC's baseline for rebates in the New Homes Program is for a home meeting 2018 International Energy Conservation Code ("IECC"), requirements, New Mexico has adopted two new successive updates to the energy code since 2017.¹⁹⁰ In 2020, New Mexico adopted the 2018 IECC and in January 2024, adopted a new energy code based on the 2021 IECC.¹⁹¹

(89) In WRA Witness Carley's view, the lack of due diligence and rigor in reporting HERS scores, the use of the outdated 2018 energy code as a baseline, and inclusion of outdated ENERGY STAR and CEE appliance specifications to receive rebates in the prescriptive path rebates, suggest the program is due for change.¹⁹² For WRA Witness Carley, this change would see the Commission directing NMGC to sunset the New Homes program as it currently exists and launch a new building energy code training program either alone or in collaboration with overlapping regulated electric utilities in New Mexico.¹⁹³ The new building energy code training should provide training to builders, building officials, tradespeople, building designers, engineers, and architects to ensure that newly constructed buildings in New Mexico comply with the code in place when the building receives the appropriate permits.¹⁹⁴

(90) With respect to the rebates and incentives in the New Homes Program, WRA Witness Carley recommends that they be eliminated over time for gas appliances and replaced with rebates for air- or ground-source heat pumps and heat pump water heaters, and require rebated appliances

¹⁸⁹ *Id.* at 38:10-14; 39:1-2.

¹⁹⁰ *Id.* at 30:3-6.

¹⁹¹ *Id.*

¹⁹² *Id.* at 32:15-18.

¹⁹³ *Id.* at 32:19; 33:1-3.

¹⁹⁴ *Id.* at 33:1-7.

to meet the most current ENERGY STAR or CEE Tier 1 specifications at the time rebates are issued.¹⁹⁵

(91) Furthermore, WRA Witness Carley states that the New Homes Program uses an inflated and incorrect NTG ratio.¹⁹⁶ While the program uses a NTG ratio of 80 percent, he observes that the 2023, 2024, and 2025 EE reports found an actual NTG ratio of 69.17 percent.¹⁹⁷ WRA Witness Carley asserts the consequence of using accurate NTG ratios would lower the UCT of the New Homes Program.¹⁹⁸ According to WRA Witness Carley, NMGC's present Application assigns the New Homes Program a UCT of 1.52 for 2026, 1.67 for 2027, and 1.67 for 2028.¹⁹⁹ Using the actual NTG ratio of 69.17 and removing appliances that WRA Witness Carley argues are inefficient, he calculates that the UCT for the program will be reduced to 1.18 in 2026, 1.32 in 2027, and 1.32 in 2028.²⁰⁰

(92) NMGC rejects WRA's recommendation to discontinue the New Homes Program and replace it with a building energy code training program, asserting the New Homes Program is one of NMGC's most successful and cost-effective offerings.²⁰¹ NMGC Witness Salaz cites UCT performance in 2023 and 2024, and argues that high-UCT programs support inclusion of lower-UCT offerings, such as low-income programs.²⁰²

¹⁹⁵ *Id.* at 39:16-22.

¹⁹⁶ *Id.* at 32:1-3.

¹⁹⁷ *Id.* at 32:3-6 (citing Docket No. 22-00232-UT, NMGC's 2023 Annual Energy Efficiency Report (June 26, 2024) Appendix C, at 66; and NMGC's 2024 Annual Energy Efficiency Report (June 27, 2025) Appendix C, at 17).

¹⁹⁸ *Id.* at 32:6-12.

¹⁹⁹ *Id.* at 32:9-11.

²⁰⁰ *Id.* at 32:9-12.

²⁰¹ *Id.* at 32:6-9.

²⁰² Salaz Rebuttal at 18:11-21.

(93) NMGC does, however, agree with WRA that the baseline for the New Homes Program should reflect the 2021 IECC, and acknowledges an error in its Application in Exhibit CJS-3, and in her prior description.²⁰³ NMGC Witness Salaz states New Mexico adopted the 2021 IECC in January 2024 and homes permitted on or after June 30, 2024 must comply, and she states NMGC aligned the program with that change and filed an errata.²⁰⁴

(94) NMGC also rejects WRA's claim of limited due diligence in the New Homes Program HERS performance path option.²⁰⁵ NMGC Witness Salaz describes how third-party HERS raters are accredited by RESNET, including training, exams, probationary ratings, quality assurance review requirements, and recertification.²⁰⁶ NMGC Witness Salaz adds that the EE program implementor confirms raters are in good standing and that HERS submissions are also filed with RESNET, and that the implementor performs its own quality assurance including visual inspections and blower door tests of a minimum of 5 percent of new homes.²⁰⁷ NMGC Witness Salaz reiterates that reliance on the current TRM is appropriate and should not be the basis for eliminating rebates.²⁰⁸

(95) On NTG, NMGC rejects using NTG ratios from the 2023 and 2024 annual reports because those reflect the current New Homes Program and not NMGC's proposed changes, including adding manufactured and multifamily homes.²⁰⁹ NMGC Witness Salaz asserts those additions

²⁰³ *Id.* at 19:10-14.

²⁰⁴ *Id.* at 19-20; *see also* New Mexico Gas Company, Inc.'s Errata to the Direct Testimony of Carey Salaz (Dec. 22, 2025).

²⁰⁵ *See id.* at 20:4-21; 21:1-20.

²⁰⁶ *Id.*

²⁰⁷ *Id.* at 21:16-20.

²⁰⁸ *Id.* at 22:5-8.

²⁰⁹ *Id.* at 22:10-17.

benefit low-income customers and notes low-income measures are typically assigned 100 percent NTG, supporting NMGC's use of 80 percent NTG for the revised program.²¹⁰ NMGC Witness Salaz also states that even using the 2024 M&V NTG, the program would still exceed a UCT of 1.0.²¹¹

(96) The Commission appreciates WRA's thorough review, participation, and recommendations throughout this proceeding. Ultimately, while WRA raised important points the Commission considered, namely, the elimination or modification of rebate structures, revising the use of NTGs, and updating efficiency standards, the Commission does not accept WRA's recommendations. It is unclear the overall effects WRA's proposed modifications would have on the UCT and low-income customer participation. The Commission's statutory responsibility is to promote and approve cost-efficient energy efficiency plans. The Commission finds that NMGC met its burden of proof by providing sufficient evidence for the proposals in its 2026-2028 EE Plan to be approved. WRA does not demonstrate that NMGC's EE programs are not energy efficient, nor has it persuaded that its critiques and modifications to the EE programs, if adopted by the Commission, would remain cost-effective. As set forth in this Final Order, the Commission will not adopt WRA's recommendations.

4.5. The Proposed Performance Incentive Mechanism and Cost Recovery under Rate Rider No. 15 are Just and Reasonable

(97) Lastly, NMGC may recover additional costs through an incentive mechanism if certain avoided therm savings targets are achieved as a result of the EE program performance are met. In the present Application, NMGC proposes to increase its incentive rate from 6.65 percent to 6.79

²¹⁰ *Id.* at 22:17-19; 23:1-2.

²¹¹ *Id.* at 23:4-6.

percent of total program portfolio costs for program years 2026-2028, and asks that the Commission find the increase to be just and reasonable.²¹² NMGC notes that its current incentive is 6.65 percent of its overall portfolio costs, which matched the weighted average cost of capital (“WACC”) from its 2020 rate case filing.²¹³

(98) However, NMGC’s most recent approved rate case, filed in 2023 and approved in 2024, resulted in a WACC of 6.79 percent.²¹⁴ Therefore, NMGC states, it is proposing to change the incentive rate to 6.79 percent of the overall portfolio costs for its 2026-2028 portfolio.²¹⁵ Based on the program portfolio costs proposed by NMGC for Plan Year 2026, this new incentive rate would yield an additional \$1,421,334 in cost recovery for NMGC if all savings targets are achieved, leading to a total potential cost recovery of \$22,354,093 (i.e., 2026 Plan Year program costs of \$20,932,759 plus \$1,421,334 of incentives).²¹⁶

(99) Staff Witness Ouattara states that he is not opposed to the Commission approving NMGC’s incentive proposal, but that he recommends two modifications.²¹⁷ First, Staff recommends that NMGC’s incentive be calculated as a percentage of NMGC’s actual expenditures on EE programs, not the approved budget.²¹⁸ Staff Witness Ouattara states this approach pays for work performed and benefits delivered, avoids rewarding unspent budget, and encourages prudent, full use of approved EE funds in line with Rule 17.7.2.8(H) NMAC.²¹⁹

²¹² Application at 7.

²¹³ Salaz Direct at 48:10-11.

²¹⁴ *Id.* at 48:11-12.

²¹⁵ *Id.* at 48:12-14.

²¹⁶ *Id.* at 48:16.

²¹⁷ Ouattara Direct at 4:13-14.

²¹⁸ *Id.* at 4:18-19.

²¹⁹ *Id.* at 5:14-16.

(100) Second, Staff Witness Ouattara recommends that the percentage used to calculate the incentive amount be set according to a performance-based sliding scale tied to NMGC's verified annual therm savings, with the incentive capped at NMGC's currently authorized WACC (6.79 percent).²²⁰ This approach is consistent with the Commission's prior approval of a performance-based mechanism for NMGC in Docket No. 22-00232-UT.²²¹ Specifically, he proposes that under this sliding scale NMGC may begin earning an incentive at 35 percent of the plan-year savings target, with an incentive of 5.29 percent of actual EE expenditures at that level.²²² From here, the incentive rate would increase by 0.30 percentage points for each additional 5 percent of the plan-year target achieved, reaching a maximum of 6.79 percent at 60 percent of the target.²²³ Finally, Staff Witness Ouattara adds for clarity that the incentive is payable only if the UCT for the overall portfolio is greater than or equal to 1.0 and is awarded after M&V verification through Rate No. 15.²²⁴ NMGC states, in the Rebuttal Testimony of NMGC Witness Salaz, that it is agreeable to accepting these two proposed modifications.²²⁵

(101) On the other hand, WRA challenges NMGC's proposed incentive approach, explaining that the prior plan used a graduated incentive tied to therm savings, and that NMGC's described eligibility for maximum incentive at 60 percent of expected savings does not incentivize higher performance when compared to electric utility practice.²²⁶ WRA Witness Carley also recommends

²²⁰ *Id.* at 4:19-21; 5:1-3.

²²¹ *Id.* at 8:14-16.

²²² *Id.* at 6:3-5.

²²³ *Id.* at 6:5-7.

²²⁴ *Id.* at 6:7-9.

²²⁵ *See* Salaz Rebuttal at 3-4.

²²⁶ Carley Direct at 53:1-3.

reforms to NMGC's performance incentive mechanism so that NMGC earns incentives only at higher levels of verified performance more comparable to electric utility practice.²²⁷ WRA recommends aligning NMGC's incentive scale with electric utilities by beginning incentive eligibility at 80 percent of expected annual savings and reaching maximum incentive at 102 percent of expected savings.²²⁸

(102) NMGC Witness Salaz states NMGC is not agreeable to WRA's recommended incentive scale that begins eligibility at 80 percent of annual savings and reaches maximum at 102 percent.²²⁹

NMGC Witness Salaz argues that such a proposal would require NMGC to exceed the therm savings the portfolio is designed to deliver to fully recover an incentive, and she contends this would discourage innovation and make NMGC more conservative in plan design.²³⁰ NMGC Witness Salaz also argues the proposal would discourage low-income programming because low-income offerings tend to have lower UCT performance, and WRA's structure would incentivize NMGC to reduce low-income access.²³¹ NMGC Witness Salaz contrasts WRA's recommendations with Staff's approach and states that the latter better aligns with the EUEA due to the fact that electric-utility incentive scales have statutory savings goals while gas utilities do not.²³²

(103) Finally, NMGC asks the Commission to find that its proposal to recover the cost of the modified energy efficiency programs and those previously approved programs that will be continued, as well as the program incentive amounts, through a surcharge factor, is just and

²²⁷ *See id.* 52:18; 53:1-3.

²²⁸ *Id.* at 53:8-11.

²²⁹ Salaz Rebuttal at 24:18-22; 25:1

²³⁰ *Id.* at 25:2-9.

²³¹ *Id.* at 25:9-15.

²³² *Id.* at 25:6.

reasonable under Rate Rider No. 15.²³³ Specifically, NMGC proposes to recover these costs from the application of Rate Rider No. 15 to service customer classes that are eligible to participate in the efficiency programs, including customers receiving service under NMGC's Residential Service Rate No. 10, Small Volume Service Rate No. 54, and Medium Volume Service Rate No. 56, and transportation customers in the corresponding rate classes under Transportation Rate No. 70.²³⁴

(104) The calculation of the surcharge factor, NMGC states in its 2026-2028 EE Plan, is composed of three parts: (1) the 2026 program budget and incentive amounts as described above; (2) reconciliation of the over or under-recovered actual expenses including carrying charges for the period ending March 31, 2026; and, (3) actual or estimated collections for the April 2026 through July 2026 time period.²³⁵ NMGC estimates that the proposed surcharge factor will be approximately \$0.0426 per therm beginning in August 2026 (increasing from the current rate of \$0.0380), and would be about 3.3 percent of a residential customer's bill, or approximately \$2.20 per month.²³⁶ NMGC estimates that it will seek a change to Rate Rider No. 15 in June 2026.²³⁷ In reviewing the proposal, Staff Witness Ouattara recommends a continuation of Rate Rider No. 15 as requested by NMGC, with an Advice Notice to be filed in June 2026 and implementation targeted for August 5, 2026, subject to the Commission's approval, so that recovery occurs through the same tariff mechanism already in place.²³⁸

²³³ Application at 8.

²³⁴ *Id.* at 5.

²³⁵ *Id.* NMGC Ex. CJS-3, 2026-2028 EE Plan at 27.

²³⁶ *Id.*

²³⁷ *Id.* at 5.

²³⁸ Ouattara Direct at 13:4-7.

(105) Considering the foregoing, NMGC has demonstrated, with sufficient evidence, that its proposed performance incentive mechanism and the proposal to recover program costs and performance incentive earnings through Rate Rider No. 15 are just and reasonable. Additionally, the record indicates that Staff's recommendation, accepted by NMGC, that NMGC's performance incentive should be calculated as a percentage of actual EE expenditures, with the applicable percentage determined by verified annual therm savings, payable only if the overall portfolio UCT is at least 1.0 contributes further to the just and reasonable nature of the performance incentive structure.

(106) For all of the reasons set forth above, the Hearing Examiners recommend approval of NMGC's 2026-2028 EE Plan. The Commission agrees that NMGC's 2026-2028 EE Plan should be approved, subject to Staff's recommendations, and addresses each of WRA's Exceptions below.

5. EXCEPTIONS TO THE RECOMMENDED DECISION

(107) The Commission has reviewed and analyzed WRA's Exceptions and NMGC's Response. Resolution of WRA's Exceptions turns on several key issues. Specifically, the Commission must determine whether the Recommended Decision: (1) improperly relied on the public advisory process, (2) erred in finding WRA's proposals too complex and disruptive, (3) incorrectly concluded that WRA's proposed performance incentive would require changes beyond the framework applied in this proceeding, (4) lacked substantial evidence in the record to support the approval of rebate increases, (5) improperly rejected WRA's recommendations regarding the New Homes Program, and (6) erred in declining to address revisions to the TRM.²³⁹

²³⁹ WRA's Exceptions at 2-3.

(108) As further discussed below, the Commission finds the Recommended Decision relied on the sufficiency of the evidence presented on the record and the Hearing Examiners did not err in providing their recommendations. Therefore, the Commission denies WRA's Exceptions.

a. The Recommended Decision does not rely on the opportunity to participate in the public advisory meetings as grounds to reject WRA's recommendations

(109) In its First Exception, WRA asserts that the Recommended Decision improperly relied on WRA's lack of participation in NMGC's public advisory meetings as a basis to reject its recommendations.²⁴⁰ WRA also argues that such a reliance as the basis for declining to adopt any of WRA's recommended program modifications is contrary to law and a due process violation.²⁴¹ Specifically, WRA argues that it was not given notice that failure to participate in the stakeholder process would foreclose it from bringing up its recommendations later.²⁴² WRA also argues that advisory meetings are not a meaningful opportunity for WRA to protect its interests, and to accept the Recommended Decision's reliance on WRA's lack of participation would violate Commission precedent.²⁴³

(110) In its Response to WRA's Exceptions, NMGC states that the stakeholder process is mandated by the EUEA and reiterated by the Commission's energy efficiency rule.²⁴⁴ NMGC states that WRA's argument that the stakeholder process has no meaning would render the requirements set forth in the EUEA by the Legislature "superfluous."²⁴⁵ Next, NMGC asserts that WRA's due process rights are not violated because WRA had opportunities to provide input prior to the filing

²⁴⁰ *Id.* at 3-7.

²⁴¹ *Id.* at 4-7.

²⁴² *Id.* at 6-7.

²⁴³ *Id.*

²⁴⁴ NMGC's Response to WRA's Exceptions at 5.

²⁴⁵ *Id.* at 6.

of the 2026-2028 EE Plan, and chose not to do so.²⁴⁶ NMGC states that the record demonstrates that WRA attended each of these stakeholder meetings, and that WRA Witness Carley specifically attended two of the public meetings.²⁴⁷ Furthermore, when questioned by the Hearing Examiners, WRA Witness Carley admitted that he did not review relevant items in preparation for those meetings, including NMGC's prior EE Plan, the New Mexico energy efficiency rule, the EUEA, or the TRM.²⁴⁸ NMGC states that review of NMGC's prior plan would have provided WRA with sufficient information to raise questions and concerns, as NMGC proposed to continue all seven of its existing programs, with no modifications to three of them.²⁴⁹ NMGC asserts that the evidence demonstrates that WRA was provided with an opportunity to be heard, but failed to take advantage of it.²⁵⁰

(111) As to WRA's First Exception, the Commission is not persuaded by WRA's arguments. Although both WRA and NMGC address WRA's participation at the public advisory meetings and the Hearing Examiners recognize that NMGC pointed out that WRA's critiques and counterproposals were not raised at the three public advisory meetings,²⁵¹ it is not the reason the Hearing Examiners did not recommend WRA's suggested approaches to the Commission. Rather, the Recommended Decision asserts that WRA raised important points for both the Commission and NMGC to consider, i.e. the modification of outdated rebate structures, revising the use of

²⁴⁶ *Id.*

²⁴⁷ *Id.* at 8.

²⁴⁸ *Id.*

²⁴⁹ *Id.*

²⁵⁰ *Id.*

²⁵¹ Recommended Decision at 43, ¶ 98.

NTGs, and updating efficiency standards,²⁵² but when weighing the evidence as a whole, found that NMGC satisfies its burden of proof to approve its EE Plan.

(112) The Commission agrees with WRA that participation in the public advisory process is not required for the Commission to adopt its recommendations. However, the Commission finds value in the stakeholder process, which is required under the EUEA, and further enumerated by the Commission's Rules. The stakeholder process is meaningful because it allows the utility to evaluate stakeholder input on a proposed plan in a timely manner.

(113) The Commission does not read the Recommended Decision to impose participation in stakeholder meetings as a prerequisite to raising issues in this proceeding, as WRA contends. Rather, the Recommended Decision evaluates the feasibility and development of WRA's proposals in the context of the record and NMGC's EE Plan development as a whole. Accordingly, the Commission finds that the Recommended Decision reasonably considered the development of WRA's proposals in evaluating their feasibility.

(114) Moreover, the EUEA requires the Commission to direct public utilities to evaluate and implement cost-effective programs that reduce energy demand and consumption.²⁵³ The Commission finds that NMGC has met its burden of proof by providing sufficient evidence on the record that its 2028-2028 EE Plan should be approved. It is unclear, however, the effects WRA's suggested modifications would have on NMGC's EE Plan if adopted, including whether the modifications would allow NMGC's energy efficiency portfolio to remain cost-effective, and meet the requirements of the UCT.

(115) For the reasons stated above, WRA's First Exception is denied.

²⁵² *Id.* at 43, ¶ 98.

²⁵³ NMSA 1978, § 62-17-5(B).

b. The Recommended Decision’s finding that WRA’s recommendations are “too complex” at this stage in the proceeding is supported by substantial evidence

(116) In its Second Exception, WRA challenges the evidence used to support the Recommended Decision’s finding that WRA’s proposals are “too complex” and “disruptive” to approve.²⁵⁴ WRA argues that many proceedings involve difficult questions that Hearing Examiners must resolve, and that WRA offered its analysis and recommendations to support that its suggestions are in the public interest and serve the purposes of the EUEA.²⁵⁵ Specifically, WRA contends the issues it raised in the proceeding were properly identified and litigated, and that they were not “too broad and deep from a legal, budgetary, and policy perspective” as stated in the Recommended Decision.²⁵⁶ WRA argues that the Commission should reject the Recommended Decision’s findings that WRA’s suggestions are too complex and that they would substantially disrupt the development of the program costs and cost-effectiveness, because such findings are not supported by substantial evidence.²⁵⁷

(117) In its Response to WRA’s Exceptions, NMGC argues that the Hearing Examiners’ findings are supported by substantial evidence.²⁵⁸ Specifically, NMGC states that the Recommended Decision’s approval of NMGC’s rebate increases in the Space and Water Heating Programs and approval of NMGC’s New Homes Program are supported by information provided in NMGC’s witness testimony and Staff’s witness testimony.²⁵⁹ NMGC argues that the Hearing Examiners

²⁵⁴ WRA’s Exceptions at 7-13.

²⁵⁵ *Id.* at 8.

²⁵⁶ *Id.* at 9.

²⁵⁷ *Id.* at 11-12.

²⁵⁸ NMGC’s Response to WRA’s Exceptions at 9.

²⁵⁹ *Id.* at 9-13.

considered the whole record,²⁶⁰ and that the Commission should not disregard the Recommended Decision because WRA disagrees with the outcome.²⁶¹

(118) As to WRA's Second Exception, the Commission is not persuaded by WRA's arguments. WRA is correct that Commission proceedings often involve complex, technical issues and that Hearing Examiners regularly evaluate such matters. However, the Recommended Decision does not conclude that WRA's proposals are too complex to understand; rather, the Recommended Decision determined that WRA's recommendations are "broad and deep" and would "substantially disrupt" the cost-effectiveness of NMGC's energy efficiency plan, if the recommendations were to be adopted now.²⁶²

(119) The Commission agrees with NMGC that "it is very difficult to make substantial changes" [to an energy efficiency plan] "once a utility has gone through the process to develop and propose a plan."²⁶³ This is not to say the Commission is unwilling to implement changes offered late in the process in the future, but in this matter, the Commission finds the Hearing Examiners weighed the record as a whole when issuing its recommendations, and the Hearing Examiners did not err in their recommendations by doing so. WRA does not demonstrate the contrary.

(120) For the reasons stated above, WRA's Second Exception is denied.

c. The Hearing Examiners did not err by rejecting WRA's proposed performance incentive structure

(121) In its Third Exception, WRA asserts that the Hearing Examiners erred in rejecting its proposed performance incentive structure, and argues that the Recommended Decision's finding

²⁶⁰ *Id.* at 12.

²⁶¹ *Id.* at 9.

²⁶² Recommended Decision at 42-43.

²⁶³ NMGC's Response to WRA's Exceptions at 6.

that adopting such a structure would require a statutory or rule change is incorrect.²⁶⁴ Specifically, WRA recommends that NMGC should not begin earning an incentive until it achieves 80 percent of its estimated savings, with the maximum incentive earned when it achieves 105 percent, instead of NMGC's proposal to begin at 35 percent of its proposed therm savings, earning the maximum incentive at 60 percent.²⁶⁵ WRA states that there is no basis in rule or statute that NMGC, or any other utility for that matter, starts to earn an incentive at a particular percentage or level of achieved savings, or that the incentive is awarded on a sliding scale basis.²⁶⁶ WRA states that the EUEA and Commission Rules state only that the utility must be provided the "opportunity" to earn a profit on cost-effective energy efficiency and load management resource development, and that the standard is "satisfactory program performance."²⁶⁷ WRA states that this standard applies to both electric and gas utilities, and that the only statutory difference between electric and gas utility treatment under the EUEA is that electric utilities have specific energy savings targets.²⁶⁸

(122) In its Response to the Exceptions, NMGC states that the findings made in relation to NMGC's proposed incentive mechanism in the Recommended Decision should stand, as the Hearing Examiners correctly determined that the proposed incentive is just and reasonable, as supported by the evidentiary record and Staff's agreement with the incentive.²⁶⁹ NMGC also argues that WRA's recommendations are premised on the misunderstanding of the EUEA as it applies to

²⁶⁴ WRA's Exceptions at 14.

²⁶⁵ *Id.*

²⁶⁶ *Id.*

²⁶⁷ *Id.* at 14-15.

²⁶⁸ *Id.* at 15.

²⁶⁹ NMGC's Response to WRA's Exceptions at 19.

gas versus electric utilities.²⁷⁰ NMGC states that while the EUEA sets minimum energy savings for electric utilities relating to “satisfactory program performance,” it does not establish such a requirement for natural gas utilities.²⁷¹ As such, NMGC states that the Commission has already evaluated the “satisfactory performance” requirement relating to incentive requests for natural gas utilities by determining whether the overall EE Plan satisfies the UCT.²⁷² NMGC asserts that WRA’s proposal would have the Commission “abandon” the UCT as the satisfactory performance standard.²⁷³

(123) As to WRA’s Third Exception, the Commission is not persuaded by WRA’s arguments, and finds that the Hearing Examiners did not err. The Recommended Decision finds that NMGC demonstrated, with sufficient evidence, that NMGC’s performance incentive mechanism and proposal to recover costs and performance incentive earnings through Rate Rider No. 15 are just and reasonable.²⁷⁴ The Recommended Decision also finds the record indicates that Staff’s recommendation accepted by NMGC that the incentive should be calculated as a percentage of actual EE expenditures, with the applicable percentage determined by verified annual therm savings, payable only if the overall portfolio UCT is at least 1.0, contributes to the just and reasonable nature of the performance incentive structure.²⁷⁵

(124) The Commission agrees that NMGC demonstrates with sufficient evidence that its proposed incentive mechanism and proposal to recover program costs and performance incentive

²⁷⁰ *Id.*

²⁷¹ *Id.* at 20.

²⁷² *Id.*

²⁷³ *Id.*

²⁷⁴ Recommended Decision at 47.

²⁷⁵ *Id.*

earnings through Rate Rider No. 15, with the adoption of Staff's recommendations, are just and reasonable. Additionally, WRA does not show that NMGC's proposed incentive mechanism and cost recovery under Rate Rider No. 15 is not supported by substantial evidence in the record. Rather, WRA argues that NMGC's incentive scale should be aligned with that of electric utilities.²⁷⁶ Specifically, WRA contends that NMGC's proposed maximum incentive at 60 percent of expected savings does not incentivize higher performance when compared to electric utility practice, and if adopted, will result in less energy efficiency.²⁷⁷ WRA's argument does not demonstrate, however, that NMGC's proposed incentive mechanism would result in non-satisfactory program performance.

(125) As to WRA's assertion that no statutory or rule change is required to adopt WRA's recommendation, the Commission agrees. The Commission, however, finds that the best incentive structure is in the proposal provided by Staff and accepted by NMGC.

(126) For the reasons set forth above, WRA's Third Exception is denied.

d. The Recommended Decision's approval of NMGC's rebate increases in the Modified Water Heating and Space Heating Programs are supported by substantial evidence

(127) In its Fourth Exception, WRA challenges the Recommended Decision's approval of NMGC's rebate increases in the Water Heating and Space Heating Programs, and asserts that such increases are not supported by substantial evidence in the record.²⁷⁸ WRA claims that the Hearing Examiners' approval of rebates in the Space and Water Heating Programs is not supported by

²⁷⁶ *Id.* at 45 (citing to Carley Direct at 53:8-11).

²⁷⁷ *See id.* (citing to Carley Direct at 53:1-3).

²⁷⁸ WRA's Exceptions at 16.

substantial evidence because of NMGC's use of an incorrect NTG ratio, NMGC's reliance on outdated specifications in the TRM, and due to unsupported assertions regarding free-ridership.²⁷⁹

(128) Specifically, WRA contends that the Recommended Decision acknowledges WRA's critique that NMGC used incorrect (i.e., higher) NTG ratios, instead of the most recent M&V results to inflate the cost-effectiveness of its Water Heating Program.²⁸⁰ Further, WRA argues that the equipment performance requirements rely on outdated TRM specifications to determine which products are eligible for ratepayer funded rebates, including certain specifications which are more than seven years out of date.²⁸¹ WRA also states that NMGC's Witness Salaz asserts that increased rebates would lower free-ridership, but provides no evidence to support that claim.²⁸²

(129) WRA further points to the specific evidence that, in its view, undermines the rebate increases, including its claim that the Water Hearing Program would fall below cost-effectiveness, with a UCT of 0.91, later corrected to 0.89. WRA also cites to NMGC's own M&V materials, showing 45 percent free ridership and survey results indicating that 90 percent of participants likely would have purchased the same efficiency application without the rebate.²⁸³ Separately, WRA argues that the Space Heating Program already has a 29.9 percent free ridership and that 45 percent of participants reported that the rebate was not at all influential.²⁸⁴

(130) In its Response to the Exceptions, NMGC states that WRA Witness Carley proposed utilizing the NTG from the program year 2024 M&V report for the Water Heating Program, but

²⁷⁹ *Id.* at 16-18.

²⁸⁰ *Id.* at 16.

²⁸¹ *Id.*

²⁸² *Id.* at 16-17.

²⁸³ *Id.*

²⁸⁴ *Id.*

NMGC Witness Salaz responded that the NTG from that report does not reflect the proposed enhancements to the programs.²⁸⁵ NMGC Witness Salaz also states that the proposed NTG was based on the proposal from NMGC's implementor based on experience in other jurisdictions for a similar program.²⁸⁶ For these reasons, NMGC asserts that approval of NMGC's proposed NTG is supported by evidence in the record.²⁸⁷

(131) Additionally, NMGC argues that WRA's criticism that the Hearing Examiners relied on NMGC Witness Salaz's testimony while providing no evidence in the testimony is without merit and that WRA ignores that NMGC provided sufficient evidence through testimony provided by NMGC Witness Salaz and NMGC Witness Cottrell.²⁸⁸ In NMGC Witness Cottrell's testimony, he stated that increasing incentives allows rebates to be applicable to a larger pool of customers and decrease free-ridership because those customers would not have the opportunity to participate if not for the increased rebates.²⁸⁹ NMGC asserts that the Hearing Examiners' approval of the Space and Water Heating Programs is supported by testimony of not only NMGC's witnesses, but that of Commission Staff's as well.²⁹⁰ NMGC also states that this docket is not the appropriate venue to resolve WRA's critique of the TRM as NMGC appropriately utilized the current TRM, and that the use of the TRM should not be a basis for removal or limitations on NMGC's rebates.²⁹¹

²⁸⁵ NMGC's Response to Exceptions at 10.

²⁸⁶ *Id.*

²⁸⁷ *Id.*

²⁸⁸ *Id.* at 10-11.

²⁸⁹ *Id.* at 11.

²⁹⁰ *Id.*

²⁹¹ *Id.* at 10.

(132) As to WRA's Fourth Exception, the Commission does not find WRA's arguments persuasive. The Recommended Decision reflects that the Hearing Examiners weighed the evidence, and considered WRA's critiques as well as NMGC's rebuttal regarding rebate effectiveness. Commission Staff also directly evaluated the rebate increases and found that the proposed rebates are reasonable,²⁹² and recommends approval.²⁹³ After weighing the evidence, the Hearing Examiners found NMGC's proposals meet the applicable cost effectiveness requirements, and determined that NMGC provided sufficient evidence to recommend approval of NMGC's rebate increases.

(133) In reaching this determination, the Commission specifically considered WRA's free-ridership, NTG, and TRM critiques, but accepts NMGC's prospective program design assumptions and Staff's support for this plan cycle. The Commission finds that NMGC provided evidence in the record which supports that the proposed rebate increases, customer rebate tool, and contractor portal may allow for broader participation and reduce free-ridership, and that the 2024 M&V NTG results do not necessarily capture the proposed program enhancements. The Commission also finds that NMGC's reliance on the current New Mexico TRM is reasonable for purposes of this proceeding, while recognizing that TRM update issues are more appropriately addressed through the established TRM update process.

(134) The Commission finds that the Hearing Examiners properly weighed the evidence on the record to come to their findings and conclusions, properly found that NMGC provided sufficient evidence the record, and that WRA does not demonstrate that: there is insufficient evidence for approval of the rebate programs, that the rebate programs fail to meet applicable cost effectiveness

²⁹² Jimenez Direct at 7:18-20.

²⁹³ *Id.* at 8:14.

requirements, or that the Recommended Decision's findings are unsupported. As for WRA's argument that the TRM specifications are out of date, the Commission further addresses the parties' arguments surrounding the TRM in WRA's Sixth Exception below.

(135) To allow future review of whether the program design improvements materialize, NMGC shall track and report actual NTG ratios, free ridership, rebate influence survey results, participation levels, and program level cost effectiveness for the Water Heating and Space Heating Programs in their annual EE reports and next triennial EE Plan filing. Additionally, this information should be available through the established M&V reporting cycles.

(136) For the reasons set forth above, WRA's Fourth Exception is denied.

e. The Recommended Decision's approval of NMGC's New Homes Program is supported by substantial evidence

(137) In its Fifth Exception, WRA asserts that the Recommended Decision erred in approving NMGC's New Homes Program without considering WRA's recommendation to replace the program with a building energy code compliance training program.²⁹⁴ Specifically, WRA states that its alternative recommendations would ensure the home builder rebates satisfy the requirement to achieve an efficiency rating of 10 percent by establishing a set maximum HERS index score, with and without solar, and by requiring inspection of participating homes.²⁹⁵ WRA also argues that the Prescriptive Incentive and Performance Incentive Paths of NMGC's New Homes Program are not supported by substantial evidence because they rely on outdated specifications and use an

²⁹⁴ WRA's Exceptions at 18.

²⁹⁵ *Id.*

inflated NTG, rather than those established in the 2023 and 2024 EE Reports.²⁹⁶ WRA states that these increases should be denied because they are an inappropriate use of ratepayer funds.²⁹⁷

(138) In its Response to the Exceptions, NMGC argues that the Hearing Examiners considered the record as a whole and that the Recommended Decision's findings are supported by substantial evidence.²⁹⁸ NMGC states that any arguments not addressed by the Recommended Decision should be deemed denied.²⁹⁹ NMGC also states that NMGC's NTG ratio and the use of the TRM are supported by substantial evidence for the same reasons the Space and Water Heating Programs are supported by substantial evidence.³⁰⁰ NMGC Witness Salaz responded to WRA Witness Carley's recommendation that the NTG from the 2024 EE Report for the New Homes Program should be utilized, and asserts that the NTG from that report does not reflect the proposed enhancements to that program, which includes the addition of multi-family and manufactured homes.³⁰¹ NMGC Witness Salaz also states that NMGC expects the additions to benefit low-income programs, which are typically assigned 100 percent of the NTG ratio.³⁰² NMGC asserts it considered these factors when creating its proposal, and the Hearing Examiners' approval of the NTG should not be disturbed.³⁰³

(139) As to WRA's Fifth Exception, the Commission does not find WRA's arguments persuasive. The Commission finds that the Hearing Examiners weighed the evidence presented by the parties,

²⁹⁶ *Id.* at 18-19.

²⁹⁷ *Id.* at 19.

²⁹⁸ NMGC's Response to WRA's Exceptions at 11-12.

²⁹⁹ *Id.* at 12.

³⁰⁰ *Id.* at 13.

³⁰¹ *Id.*

³⁰² *Id.*

³⁰³ *Id.*

including WRA's recommendation that NMGC discontinue the current New Homes Program structure and replace it with a comprehensive building energy code compliance training program that focuses on high-impact building features.³⁰⁴ The Recommended Decision acknowledges that WRA raised important points, but that revising the use of the NTGs is complex at this point in the process of developing and submitting the EE Plan.³⁰⁵ The Commission agrees that the Hearing Examiners' approval of the NTG should not be disturbed as NMGC provided sufficient evidence on the record for approval, and WRA does not demonstrate the contrary.

(140) For the reasons set forth above, WRA's Fifth Exception is denied.

f. The Recommended Decision did not err in its denial of WRA's recommendations to correct the TRM during this proceeding

(141) Finally, in its Sixth Exception, WRA argues that the Commission should require revisions to the TRM in this proceeding as the current TRM does not include the latest efficiency standards.³⁰⁶ Specifically, WRA states that the TRM is outdated because it does not include the current ENERGY STAR and CEE Tier I performance specifications and asks the Commission to direct Staff to ensure that the contractor update the TRM, to use the most recent or most efficient ENERGY STAR or CEE standards, and to file a report in this matter upon completion.³⁰⁷ WRA argues that failure to update the TRM will result in inefficient energy usage program performance, and urges the Commission to include guidance in its Final Order that establishes a stakeholder

³⁰⁴ Recommended Decision at 39-41.

³⁰⁵ *Id.* at 42.

³⁰⁶ WRA's Exceptions at 19.

³⁰⁷ *Id.* at 19-20.

advisory group to participate in TRM updates and that the TRM should use the most recent or most efficient standards for covered appliance types.³⁰⁸

(142) In its Response to WRA's Exceptions, NMGC states that this proceeding is not the appropriate forum for the Commission to make rulings on the TRM as it affects other utilities, aside from NMGC, and updating the TRM in this matter would deprive other affected parties of due process.³⁰⁹ NMGC states that WRA does not identify sufficient grounds to disrupt the current schedule, as the next TRM update is scheduled to occur in the fourth quarter of 2026.³¹⁰ NMGC also argues that the difference between new ENERGY STAR specifications and the TRM's energy savings calculations do not invalidate the current TRM, and there is no basis to conclude that the TRM is outdated or that NMGC should not have based its EE Plan on the current TRM.³¹¹

(143) As for WRA's Sixth Exception, the Commission does not find WRA's arguments persuasive. Although the Commission agrees that updates to the TRM should continue, there is already an established process in place for doing so. The TRM is updated on a regular, biennial schedule coordinated with program evaluation cycles and other utilities. The Commission agrees with Staff's assessment that "updates are important but should follow the established process,"³¹² as "[f]requent updates to the TRM would create confusion" and affect program implementation.³¹³ This process need not be deviated from in this proceeding, and WRA does not demonstrate that deviation from this established process is required for NMGC's EE Plan to be approved.

³⁰⁸ *Id.* at 20.

³⁰⁹ NMGC's Response to Exceptions at 22.

³¹⁰ *Id.* at 23.

³¹¹ *Id.*

³¹² Prepared Rebuttal Testimony of Edison Jimenez, PhD (Dec. 22, 2025) at 5:25-27.

³¹³ *Id.* at 5:34-45; 6:1-3.

(144) For the reasons stated above, WRA's Sixth Exception is denied.

(145) Lastly, the Commission acknowledges that WRA's arguments presented throughout the proceedings were not completely without merit. When weighing the evidence on the record, the Recommended Decision suggests that the Hearing Examiners also questioned whether NMGC's supporting evidence satisfied its burden of proof for its EE Plan to be approved. In fact, the Recommended Decision suggests that the Commission require NMGC to include "specific transparent data, inputs, and methodologies, used to calculate avoided terms, select its proposed discount rate, and determine the EE program administrative costs"³¹⁴ in NMGC's future EE Plan filings. Ultimately, the Hearing Examiners found, and the Commission agrees, that NMGC's EE Plan should be approved. However, the Commission expects NMGC's future EE Plan filings to provide clear and transparent support for its proposals.

6. FINDINGS OF FACT AND CONCLUSIONS OF LAW

The Commission finds and concludes:

(146) The foregoing executive and background summaries, discussion of the Application's substantive legal sufficiency, and all findings and conclusions contained therein, whether or not numbered or designated as such, are incorporated herein as findings of fact and conclusions of law of the Commission.

(147) NMGC is authorized to conduct the business of providing natural gas public utility service within the State of New Mexico and therefore is a public utility subject to the jurisdiction of the Commission under the Public Utility Act. As a public utility, NMGC is required to furnish

³¹⁴ Recommended Decision at 49-50, ¶ 119.

adequate, efficient and reasonable service at just and reasonable rates in conformity with NMSA 1978, § 62-8-1 and § 62-8-2.

(148) The Commission has jurisdiction over the parties and the subject matter of this case.

(149) Reasonable, proper, and adequate notice of this matter has been given.

(150) NMGC's Application and supporting testimony and exhibits demonstrate that it considered the criteria set forth in the EUEA and the EE Rule.

(151) NMGC demonstrates that it has satisfied the requirements of NMSA 1978, § 62-17-5(E) and 17.7.2.8(B) NMAC to solicit nonbinding recommendations from required and interested parties.

(152) NMGC demonstrates that its overall EE program portfolio is cost effective and that the programs in its 2026-2028 EE Plan are designed to provide every affected customer class with the opportunity to participate and benefit economically in satisfaction of NMSA 1978, § 62-17-5 and § 62-17-6.

(153) NMGC has provided sufficient evidence that its overall EE program portfolio cost satisfies the UCT standard and should be accepted.

(154) The EE programs costs for which NMGC seeks recovery are just and reasonable. NMGC demonstrates that the programs do not exceed the limits established by NMSA 1978, § 62-17-6(A)(2) nor do they fall below the minimum expenditure limit for LI programs set by 17.7.2.9(B) NMAC.

(155) NMGC provides sufficient evidence to determine that its performance incentive mechanism is just and reasonable. NMGC further accepts Staff's recommendation that the incentive should be calculated as a percentage of actual EE expenditures, with the applicable

percentage determined by verified annual therm savings, payable only if the overall portfolio UCT is at least 1.0.

(156) NMGC establishes with sufficient evidence that it may recover program costs and performance incentive earnings consistent with NMSA 1978, § 62-17-6 through a tariff rider, specifically Rate Rider 15.

(157) NMGC's Application, supporting testimony, and exhibits demonstrate that its EE programs, as proposed, satisfy the requirements of the EUEA and the EE Rule.

(158) NMGC's Application, including the following, should be approved:

- a. NMGC's 2026-2028 EE Plan, including the modifications to the Water and Space Programs and the New Homes Program, the addition of the Single Family Home Offering under the Income Qualified Program, and the addition of the Agricultural Program, as well as the reauthorizations of the previously approved EE programs;
- b. 2026-2028 EE Plan budget;
- c. Performance Incentive Mechanism; and,
- d. Recovery of EE program costs and incentive earnings through Rate Rider No. 15.

(159) In future EE Plan filings, NMGC should provide specific and transparent information to support its proposals, including in NMGC's attached data, inputs, and methodologies that are used to: calculate avoided therms, select the proposed discount rate, and determine the EE programs' administrative costs.

(160) In addition, NMGC shall address the low-income cost effectiveness issues identified and shall include the Water Heating and Space Heating Program tracking information required above in its annual EE reports and next triennial EE Plan filing.

(161) NMGC's proposed corrections to the transcript are accepted pursuant to Rule 1.2.2.34 NMAC.

7. IT IS THEREFORE ORDERED:

- (A) The findings, conclusions, analyses, determinations, and rulings made and construed herein are hereby adopted and approved as the findings, conclusions, analyses, determinations, and rulings of the Commission.
- (B) NMGC's Application is hereby **APPROVED** consistent with the foregoing findings and conclusions.
- (C) NMGC shall comply with all requirements established in this Order, including but not limited to matters involving future cases before the Commission.
- (D) The evidentiary record is closed.
- (E) Any argument, issue, or matter not specifically addressed or ruled on during this proceeding is resolved consistent with the findings and conclusions of this Final Order and the Commission's Rules.
- (F) In accordance with 1.2.2.35(D) NMAC, the Commission has taken administrative notice of all Commission orders, rules, decisions, and other relevant materials in all Commission proceedings cited in this Order.
- (G) Motions for rehearing shall be timely if filed by **August 3, 2026**. Responses to motions for rehearing shall be timely if filed by **August 7, 2026**. Replies to responses shall not be filed.
- (H) If no motions for rehearing are filed, or if all motions for rehearing are denied by operation of law, this Docket shall close.
- (I) This Order is effective immediately.
- (J) In computing time in accordance with statute, regulation, or Commission order, the computation shall begin on the date that this Order is filed.

**SIGNED under the Seal of the Commission at Santa Fe, New Mexico, this 2nd day of
July, 2026.**

NEW MEXICO PUBLIC REGULATION COMMISSION

/s/ Gabriel Aguilera, electronically signed
GABRIEL AGUILERA, COMMISSIONER

/s/ Greg Nibert, electronically signed
GREG NIBERT, COMMISSIONER

/s/ Patrick J. O'Connell, electronically signed
PATRICK J. O'CONNELL, COMMISSIONER

