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.	**Case No. 25-_____-UT**
Applicant.	

NEW MEXICO GAS COMPANY, INC.'S APPLICATION FOR APPROVAL OF ITS 2026-2028 ENERGY EFFICIENCY PROGRAM PLAN

New Mexico Gas Company, Inc. ("NMGC"), respectfully applies to the New Mexico Public Regulation Commission ("Commission" or "NMPRC"), pursuant to the New Mexico Public Utility Act, NMSA 1978, Chapter 62, Articles 1 through 6 and 8 through 13 ("PUA"), the New Mexico Efficient Use of Energy Act, NMSA 1978, Sections 62-17-1 through -12 ("EUEA"), and the Commission's Energy Efficiency Rule, 17.7.2 NMAC, for the following approvals and authorizations necessary to institute NMGC's 2026-2028 Energy Efficiency Program Plan ("2026-2028 EE Plan"):

1. Approval of NMGC's 2026-2028 EE Plan, including: 1) the modification of NMGC's Space Heating, Water Heating, New Homes and Home Energy Reports Programs; 2) the addition of a Single-Family Home offering under the Income Qualified Program; and 3) the addition of an Agricultural Program;

2. Approval of NMGC's proposed 2026-2028 EE Plan budget;

3. Approval of an incentive pursuant to the EUEA;

4. 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

5. All other approvals, authorizations and actions that may be necessary to implement the 2026-2028 EE Plan.

Because NMGC needs to implement the 2026-2028 EE Plan by April 1, 2026, and needs lead time to work with its outside administrators, NMGC respectfully requests that the Commission issue a final order by February 1, 2026.

In support of this Application, NMGC states the following:

I. BACKGROUND

6. NMGC is a New Mexico headquartered Delaware corporation that owns, operates, and controls public utility plant, property and facilities, including natural gas transmission and distribution facilities that provide retail gas utility service in New Mexico. NMGC is a public utility subject to the jurisdiction of the Commission.

7. The EUEA establishes the State's policy that public utilities include cost-effective energy efficiency investments in their energy resource portfolios. NMSA 1978, § 62-17-3.

8. In furtherance of that policy, the EUEA requires the Commission to direct public utilities to evaluate and implement cost-effective programs that reduce energy demand and consumption. NMSA 1978, § 62-17-5(B). Public utilities must obtain the Commission's approval of energy efficiency programs before implementing those programs. NMSA 1978, § 62-17-5(E). The EUEA authorizes a public utility that undertakes cost-effective energy efficiency programs to recover the costs of all programs through an approved tariff rider or in base rates, or by a combination of the two. NMSA 1978 § 62-17-6(A).

9. The EUEA also establishes the State's policy that the Commission provide public utilities an opportunity to earn a profit on cost-effective energy efficiency resource development

that, with satisfactory program performance, is financially more attractive to the utility than supply-side utility resources. *See* NMSA 1978, § 62-17-3 and 62-17-5(F).

10. NMGC's present energy efficiency program portfolio was approved by the Commission in NMPRC Case No. 22-00232-UT. NMGC proposes to continue all of the major programs approved in that case, while making modifications to four of the existing programs, adding an additional offering under another existing program, and adding one new program.

11. NMGC held multiple public advisory meetings to solicit nonbinding recommendations related to the 2026-2028 EE Plan, and invited interested stakeholders.

II. PROPOSED CHANGES TO ENERGY EFFICIENCY PROGRAMS

NMGC is proposing to modify four existing programs: the Space Heating Program, the Water Heating Program, the New Homes Program, and the Home Energy Reports Program. NMGC is also proposing to add a Single-Family offering under the Income Qualified Program and to add an Agricultural Program.

12. NMGC is proposing to expand its Space Heating Program and Water Heating Program to provide additional offerings focused on community outreach and education. These offerings include a high school and senior citizen education program; promotion and education in rural communities; and a customer link rebate tool.

13. NMGC is proposing to modify its New Homes Program by expanding the scope to include new manufactured homes and new multi-family homes.

14. NMGC is proposing to modify its Home Energy Reports Program to provide technological enhancements that will provide customers with more personalized and useful information.

15. NMGC is proposing the addition of a fifth offering in NMGC's Income Qualified Program called the Single-Family Energy Efficiency Program. This new program will allow NMGC to provide additional low-income customers with more expedient access to weatherization services than NMGC's current Energy$mart Weatherization Assistance Program alone.

16. NMGC is also proposing to add a new Agricultural Program to increase rural commercial customer participation in NMGC's energy efficiency programs by proving rebates for the installation of high efficiency farm and agricultural equipment.

17. NMGC is not proposing any changes to its Multi-Family Program or Efficient Buildings Program.

18. NMGC's proposed 2026-2028 EE Plan as a whole meets the Utility Cost Test ("UCT"), the cost-effectiveness test established by the EUEA.

19. The 2026-2028 EE Plan programs are designed to give all customers in the targeted customer classes the opportunity to participate in the programs and obtain energy efficiency benefits in relation to natural gas usage.

20. The 2026-2028 EE Plan programs, with the exception of the Native American program and the mid-stream measure, will be available to customers throughout NMGC's service territory.

III. PROGRAM COST TARIFF RIDER

21. The EUEA authorizes public utilities offering cost-effective energy efficiency and load management programs to recover all program costs through an approved tariff rider.

22. NMGC's energy efficiency programs will result in incremental costs that NMGC's currently authorized rates and charges are not designed to recover.

23. NMGC proposes to recover these 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.

24. NMGC is not proposing any adjustment to NMGC's Rate Rider No. 1-15 ("Rate No. 15") as shown below. The tariff rider rate will remain as currently set until the NMPRC approves otherwise.

Rate Class	**Current Rate Per Therm**	**Change in Rate Per Therm**
Residential Customers (Rate No. 10)	$0.0380	$0.0000
Small Volume—General Service Customers (Rate No. 54)	$0.0380	$0.0000
Medium Volume—General Service Customers (Rate No. 56)	$0.0380	$0.0000
Transportation Service (Rate No. 70) for A. Rate No. 10 B. Rate No. 54 C. Rate No. 56	$0.0380	$0.0000

25. NMGC will file a new Advice Notice when it seeks to change its tariff rider. Currently, NMGC estimates that it will seek a change to Rate No. 15 in June 2026, and will likely request a rate per therm charge of $0.0426.

26. Pursuant to the requirements of 17.7.2.8 NMAC, 17.7.2.9 NMAC, and 17.7.2.13 NMAC, NMGC is filing NMGC Witness Carey J. Salaz's Pre-filed Direct Testimony and Exhibits concurrently with this Application providing the required information.

IV. INCENTIVE PROGRAM

27. NMGC is seeking approval to recover an incentive rate in future tariff rate rider filings pursuant to the EUEA. *See* NMSA 1978, § 62-17-3 and 62-17-5(F). NMGC proposes an incentive rate of 6.79% of its overall portfolio costs. NMGC's proposed 2023 EE Plan costs are estimated to be between $20.9 and $21.7 million for program years 2026 through 2028. A 6.79% incentive for each program year is shown in the table below.

	2026	2027	2028
Total Energy Efficiency Costs	$20,932,759	$21,235,761	$21,717,790
Incentive (6.79%)	$1,421,334	$1,441,908	$1,474,638
Total Energy Efficiency Budget	***$22,354,093***	***$22,677,669***	***$23,192,428***

V. REQUESTED APPROVALS FOR THE IMPLEMENTATION OF ENERGY EFFICIENCY PROGRAM PLAN, RECOVERY OF PROGRAM COSTS, AND IMPLEMENTATION OF AN INCENTIVE

28. NMGC requests that the Commission make the following findings and grant the following approvals:

A. Determine that NMGC's portfolio of existing and modified energy efficiency programs is cost-effective and designed to provide every affected customer class with the opportunity to participate and benefit economically and approval of the current and modified programs, pursuant to NMSA 1978, Section 62-17-5(C), 17.7.2.8(H)(1) NMAC, and 17.7.2.8(J) NMAC;

B. Approve the 2026-2028 EE Plan;

C. Approve NMGC's proposal to recover the 2026-2028 EE Plan budgeted costs going forward, pursuant to 17.7.2.13(C) NMAC;

D. Determine that NMGC's proposed incentive is just and reasonable;

E. Pursuant to Section NMSA 1978, Sections 62-17-6(A) and 62-8-1, and 17.7.2.13(B) NMAC, determine that NMGC's proposal to recover the cost of the modified energy efficiency programs and those previously approved programs that will be continued is just and reasonable under Rate No. 15.

VI. OTHER MATTERS

29. NMGC includes and incorporates as if fully set forth in this Application the Direct Testimony and Exhibits of NMGC Witness Carey J. Salaz. NMGC's 2026-2028 EE Plan is NMGC Exhibit CJS-3 and is attached to the Direct Testimony of NMGC Witness Salaz. In addition to serving this filing on those listed in the Certificate of Service, NMGC will send courtesy copies of this Application and supporting Direct Testimony and Exhibits to the participants in NMGC's energy efficiency public advisory group meetings.

30. The following designated corporate representatives and legal counsel for NMGC should receive all notices, discovery requests, objections and responses, briefs, and all other documents related to this case:

Nicole V. Strauser
Vice President and General Counsel
Dominic A. Martinez
New Mexico Gas Company, Inc.
P.O. Box 97500
Albuquerque, NM 87199-7500
Office: (505) 697-3809
nicole.strauser@nmgco.com
dominic.martinez@nmgco.com

Gerald Weseen
Anita Hart
Carey J. Salaz
New Mexico Gas Company, Inc.
P.O. Box 97500
Albuquerque, NM 87199-7500
Telephone No.: (505) 697-3832
Telefax No.: (505) 797-7901
gerald.weseen@nmgco.com
Anita.Hart@nmgco.com
carey.salaz@nmgco.com

Brian J. Haverly
Julianna T. Hopper
Jennings Haug Keleher McLeod
Waterfall LLP
P.O. Box AA
Albuquerque, NM 87103
Office: (505) 346-4646
bjh@jkwlawyers.com
jth@jkwlawyers.com

WHEREFORE, NMGC respectfully requests that the Commission enter a final order granting the following relief:

1. Approval of NMGC's proposed 2026-2028 EE Plan;

2. Approval of the annual budget for the 2026-2028 EE Program Years;

3. Approval of NMGC's proposal to recover an incentive pursuant to the provisions of the EUEA;

4. Approval for NMGC to recover 2026-2028 EE Plan costs and the proposed incentive through Rate No. 15; and

5. Such other approvals, authorizations and actions that may be required under the PUA, EUEA, Commission Rules, or Commission Orders to implement the proposed 2026-2028 EE Plan.

Respectfully submitted this 2nd day of September 2025.

By:*/s/Nicole V. Strauser*

NICOLE V. STRAUSER
DOMINIC A. MARTINEZ
Vice President and General Counsel
P. O. Box 97500
Albuquerque, NM 87199-7500
Phone: (505) 697-3809
Fax: (505) 797-4752
nicole.strauser@nmgco.com

dominic.martinez@nmgco.com

JENNINGS HAUG KELEHER MCLEOD
WATERFALL LLP

BRIAN J. HAVERLY
JULIANNA T. HOPPER
P.O. Box AA
Albuquerque, NM 87103
Phone: (505) 346-4646
Fax: (505) 346-1370
bjh@jkwlawyers.com
jth@jkwlawyers.com
Attorneys for New Mexico Gas Company, Inc.

NMGC#4964532

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	)	**Case No. 25-_____-UT**
NEW MEXICO GAS COMPANY, INC.	)	
Applicant.	)	

PROPOSED FORM OF NOTICE TO CUSTOMERS

To New Mexico Gas Company, Inc. ("NMGC") Customers: This document is required by the New Mexico Public Regulation Commission ("NMPRC" or the "Commission"). The purpose of this document is to provide you with notice of NMGC's proposed Energy Efficiency Program Plan for 2026 through 2028. This notice:

- Describes the NMPRC process to consider NMGC's proposed plan; and
- Describes how you can participate in this process if you wish to do so.

PARTICIPATION IS COMPLETELY VOLUNTARY. IF YOU DO NOT WANT TO PARTICATE IN THIS PROCESS, YOU DO NOT NEED TO DO ANYTHING FURTHER. IF YOU WANT TO PARTICIPATE, PLEASE READ THE FOLLOWING INFORMATION AND INSTRUCTIONS.

NOTICE is hereby given by the NMPRC of the following:

On September 2, 2025, NMGC filed with the Commission its Application requesting approvals and authorizations necessary to implement its Energy Efficiency Program Plan for the years 2026 through 2028 ("2026 EE Plan"). The Application requests (i) the continuation of all seven of NMGC's current energy efficiency programs as developed and approved in NMPRC Case No. 22-

00232-UT, with modifications to four of them, (ii) approval of two new programs; (iii) approval of an annual budget of between $20.9 and $21.7; (iv) approval of a 6.79% incentive, in the amount of approximately $1.4 million; and (v) approval for NMGC to recover 2026 EE Plan costs and the proposed incentive through NMGC's Second Revised Rule No. 37 - Rate Rider No. 15 Details.

NMGC proposes the following modifications and additions:

A. NMGC is proposing to expand its Space Heating Program and Water Heating Program to provide additional offerings focused on community outreach and education. These offerings include a high school and senior citizen education program; promotion and education in underserved communities; and a customer link rebate tool.

B. NMGC is proposing to modify its New Homes Program by expanding the scope to include new manufactured homes and new multi-family homes.

C. NMGC is proposing to modify its Home Energy Reports Program to provide technological enhancements that will provide customers with more personalized and useful information.

D. NMGC is proposing the addition of a fifth offering in NMGC's Income-Qualified Program called the Single-Family Energy Efficiency Program. This new program will allow NMGC to provide additional low-income customers with more expedient access to weatherization services than NMGC's current Energy$mart Weatherization Assistance Program alone.

E. NMGC is also proposing to add a new 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.

The New Mexico Efficient Use of Energy Act allows NMGC to recover costs incurred as a result of implementing, funding and administering energy efficiency programs through a tariff rider. NMGC proposes to recover its program costs through its Rate Rider No. 15 as a per therm rate.

NMGC is requesting that the proposed programs and overall portfolio annual budgets be approved for the 2026 through 2028 program years.

NMGC proposes to recover costs of its 2026 EE Plan in the future by applying for a revision to its current NMGC Rate Rider No. 15. Customers in the following rate classes will be affected by this change: (1) Rate No. 10 - Residential Customers; (2) Rate No. 54 – Small Volume Service; (3) Rate 56 – Medium Volume Service; and (4) Rate No. 70 – Transportation Service. NMGC estimates that the future revisions to NMGC Rate Rider No. 15 will result in the following changes to NMGC's customers:

Rate Class	**Current Rate Per Therm**	**Projected Rate Per Therm**
Residential Customers (Rate No. 10)	$0.0380	$0.0426
Small Volume—General Service Customers (Rate No. 54)	$0.0380	$0.0426
Medium Volume—General Service Customers (Rate No. 56)	$0.0380	$0.0426
Transportation Service (Rate No. 70) for A. Rate No. 10 B. Rate No. 54 C. Rate No. 56	$0.0380	$0.0426

For Residential Customers, the proposed future revisions to Rate Rider No. 15 will result in the following anticipated changes to customers' monthly bills for each level of consumption:

CONSUMPTION LEVEL	**CURRENT COST**	**PROJECTED COST**
0 therms	$0.00	$0.00
50 therms	$1.90	$2.13
100 therms	$3.80	$4.26
200 therms	$7.60	$8.51
300 therms	$11.40	$12.77

The anticipated changes to NMGC Rate Rider No. 15, and the resulting change in customer rates by class, and for Residential Customers by consumption levels, are for informational purposes

only. The final rate design may vary the rates ultimately charged to each class for each consumption level.

The Commission has assigned Case No. 25-_____-UT to this proceeding and all inquiries or written comments concerning this proceeding should refer to that case number.

The Hearing Examiner has established the following schedule for this case:

A. Any person who desires to become a party to this case must file a Motion for Leave to Intervene, pursuant to 1.2.2.23 NMAC, by _____, 2025.

B. The Commission Utility Division Staff shall, and Intervenors may, file Direct Testimony by _____, 2025.

C. Rebuttal Testimony may be filed by _____, 2025.

D. A public hearing will begin at 9:30 A.M. on _____, 2025 on the Zoom platform. Participation in the evidentiary hearing shall be limited to party-participants (i.e. counsel, witnesses, and other representatives of the parties), and the Commissioners. Interested persons may view the evidentiary hearing via a live stream on YouTube provided on the Commission's website at https://www.prc.nm.gov/.

E. The procedural dates and requirements provided herein are subject to further Order of the Commission or the Hearing Examiner.

F. Interested persons should contact the Commission for confirmation of the hearing date, time and place, since hearings are occasionally rescheduled.

G. The Commission's Rules of Procedure, found at 1.2.2 NMAC, shall apply to this case except as modified by Order of the Commission or Hearing Examiner. The rules of procedure and other NMPRC rules are available online at the New Mexico Compilation Commission at https://nmonesource.com/nmos/en/nav.do.

H. Interested persons may examine the Joint Application with exhibits and related papers at NMGC's offices, 7120 Wyoming Blvd NE, Suite 20, Albuquerque, New Mexico, 87109, telephone number (505) 697-3879, or at the offices of the Commission located at 142 W. Palace Ave, Santa Fe, NM 87501, 1-888-427-5772. Further information regarding this case can be obtained at the Commission's website, http://www.nmprc.state.nm.us/.

I. Interested persons who are not affiliated with a party may make written and oral comments as allowed by Rule 1.2.2.23(F) NMAC. Oral comments shall be taken [as part of the public hearing on _____, 2025 via the Zoom platform. Persons wishing to make oral comments must register no later than _____, 2025 with Ana Kippenbrock at Ana.Kippenbrock@prc.nm.gov.] [at a time and place to be scheduled by the Commission]. Comments shall be limited to three minutes per person. Additionally, oral comments will be taken at public comment hearing to be scheduled by the Commission on a date and time yet to be determined. Such comments will not be considered as evidence.

J. Any person filing prepared testimony under 1.2.2.35(I) NMAC on behalf of a party shall attend the hearing and submit to examination under oath.

K. Anyone filing pleadings, documents, or testimony in this case shall comply with the Commission's electronic filing policy which is amended from time to time. This includes compliance with the following (not exhaustive) set of requirements. Filings must be in pdf format. They must include an electronic signature and be sent to the Record Management Bureau's email address: prc.records@prc.nm.gov. Any filing must be submitted within regular business hours of the due date in order to be considered timely filed. Regular Commission business hours are from 8:00 a.m. to 5:00 p.m. MT. Parties shall serve a copy on all parties of record and Staff. All filings shall be emailed on the date they are filed with the Commission.

L. Anyone filing pleadings or testimony in this case shall serve copies thereof on all parties of record and Staff via email. Any such filings shall also be sent to _____, the Hearing Examiner, via email at _____. Whenever possible, all electronically transmitted documents shall be in Word or native format. If necessary, discovery responses may be transmitted in some other readily searchable format.

M. The service of discovery requests and responses shall be exclusively via electronic transmission unless agreed or ordered. Exhibits to discovery responses shall be served at the same time and in the same manner as such responses unless otherwise agreed or ordered.

N. ANY PERSON WITH A DISABILITY REQUIRING ACCOMMODATIONS TO PARTICIPATE IN THIS PROCEEDING SHOULD CONTACT THE COMMISSION AT 505-827-8019 AT LEAST 14 DAYS PRIOR TO THE COMMENCEMENT OF THE HEARING.

I S S U E D at Santa Fe, New Mexico this ___ day of September, 2025.

NEW MEXICO PUBLIC REGULATION COMMISSION

_____

Hearing Examiner

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	**Case No. 25-_____-UT**
NEW MEXICO GAS COMPANY, INC.	
Applicant.	

DIRECT TESTIMONY AND EXHIBITS

OF

CAREY J. SALAZ

September 2, 2025

DIRECT TESTIMONY OF
CAREY J. SALAZ
NMPRC CASE NO. 25-_____-UT

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NMGC Exhibit CJS – 4	August 26, 2025 - Mortgage Interest Rates
NMGC Exhibit CJS – 5	Rider 15 Reconciliation
NMGC Exhibit CJS – 6	Public Advisory Group Attendees

Affidavit of Carey J. Salaz

DIRECT TESTIMONY OF
CAREY J. SALAZ
NMPRC CASE NO. 25-_____-UT

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.

A. My name is Carey J. Salaz. I am the Director of Energy Efficiency for New Mexico Gas Company, Inc. ("NMGC" or "Company"). My business address is 7120 Wyoming Boulevard, Suite 20, Albuquerque, NM 87109.

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL QUALIFICATIONS.

A. My educational background, professional qualifications, and work experience are described in NMGC Exhibit CJS – 1.

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY TO THE NEW MEXICO PUBLIC REGULATION COMMISSION ("NMPRC" OR "COMMISSION")?

A. Yes, I filed testimony on behalf of NMGC in support of Advice Notice No. 108, NMGC's annual reconciliation of its Rate Rider No. 1-15 – Energy Efficiency Rider ("Rider 15").

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. The purpose of my Direct Testimony is to present NMGC's 2026 – 2028 Energy Efficiency Program Plan ("2026 – 2028 Program Plan") and support NMGC's

Application for Commission approval thereof. As in the past, NMGC is also seeking Commission approval of the proposed budgets for the 2026 - 2028 program years. My Direct Testimony will:

i. provide an overview of NMGC's application;

ii. summarize NMGC's current energy efficiency plan offerings;

iii. describe NMGC's proposal for modifications to its energy efficiency plan offerings;

iv. detail NMGC's proposal to add new programs; and

v. provide an explanation of the 2026 – 2028 Program Plan.

II. OVERVIEW OF NMGC'S APPLICATION

Q. PLEASE PROVIDE AN OVERVIEW OF NMGC'S APPLICATION IN THIS CASE.

A. NMGC is making this filing consistent with the Efficient Use of Energy Act ("EUEA") and the Commission's Energy Efficiency Rule, 17.7.2 NMAC ("Rule"). NMGC is requesting that the Commission approve NMGC's 2026 – 2028 Program Plan, approve NMGC's proposal to recover the 2026 – 2028 Program Plan budgeted costs going forward, determine that NMGC's proposed incentive is just and reasonable, and determine that NMGC's proposal to recover the costs of the 2026 – 2028 Program Plan is just and reasonable under Rider 15.

NMGC is requesting an increase in its approved energy efficiency budget for its 2026 Program Plan from $15,293,203 to $20,932,759, and additional moderate increases for the 2027 and 2028 Program Plans. NMGC is proposing enhancements to its Space and Water Heating Programs, New Homes Program and Home Energy Reports Program and is proposing two new programs: a Single-Family Low-Income Program under NMGC's Income Qualified Program; and an Agricultural Program.

Q. HAVE YOU PREPARED ANY ADDITIONAL EXHIBITS?

A. Yes. Attached to my Direct Testimony as NMGC Exhibit CJS – 2 is the projected 2026 – 2028 gas savings by program indicating the various energy efficiency measures by program that NMGC expects to offer under the 2026 – 2028 Program Plan. NMGC Exhibit CJS – 3 is the Company's 2026 - 2028 Energy Efficiency Program Plan. This exhibit covers the subjects I discuss in much greater detail and includes a glossary of terms. NMGC Exhibit CJS – 4 contains mortgage rate information that supports the discount rate utilized in NMGC's utility cost test ("UCT") calculation. NMGC Exhibit CJS – 5 is the estimated reconciliation and Rider 15 calculations that include the proposed 2026 program budget, to project the impact it will have on the energy efficiency factor. NMGC Exhibit CJS - 6 is the list of attendees of the Public Advisory Group meetings held by NMGC in October 2024, March 2025, and July 2025.

Q. WHAT ENERGY EFFICIENCY PROGRAMS ARE CURRENTLY OFFERED BY NMGC?

A. In NMPRC Case No. 22-00232-UT, the Commission approved NMGC's energy efficiency plan, which contained the following programs:

1. Water Heating Program,
2. Space Heating Program,
3. New Homes Program,
4. Income Qualified Program,
5. Multi-Family Program,
6. Efficient Buildings Program, and
7. Home Energy Reports Program.

Q. ARE YOU PROPOSING TO CONTINUE THESE PROGRAMS?

A. Yes, NMGC is proposing to continue all seven existing programs with modifications to four of them: the Space Heating Program, the Water Heating Program, the New Homes Program, and the Home Energy Reports Program. NMGC is also proposing two new programs: an additional program offered under the Income Qualified Program (Single-Family Energy Efficiency Program) and a new Agricultural Program.

Q. PLEASE BRIEFLY DESCRIBE THE MODIFICATIONS TO CURRENT PROGRAMS THAT NMGC IS PROPOSING.

A. NMGC is proposing to expand its Space Heating Program and Water Heating Program to provide additional offerings focused on community outreach and education. These offerings include a High School and Senior Citizen Education Program, promotion and education in underserved communities, and a customer link rebate tool.

NMGC is proposing to modify its New Homes Program by expanding the scope to include new manufactured homes and new multifamily homes. NMGC is proposing to modify its Home Energy Reports Program to provide technological enhancements to provide customers with more personalized and useful information.

NMGC is not proposing any changes to its Multi-Family Program or Efficient Buildings Program.

Q. PLEASE BRIEFLY DESCRIBE THE NEW PROGRAMS NMGC IS PROPOSING.

A. NMGC proposes the additional offering of a fifth program in NMGC's Income Qualified Program called the "Single-Family Energy Efficiency Program." This new program will provide direct installation of weatherization measures to low-income customers and allow NMGC to provide additional low-income customers with more

access to weatherization services than NMGC's current Energy$mart Weatherization Assistance Program does alone.

NMGC is also proposing to add a new 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.

Q. HOW DID NMGC SELECT THE THIRD-PARTY ADMINISTRATORS TO IMPLEMENT ITS PROGRAMS?

A. NMGC selected implementers through a competitive bid process. On February 11, 2025, NMGC issued two Requests for Proposals ("RFP"):

1. General Energy Efficiency Programs: seeking bids for third-party implementation of energy efficiency programs to increase customer participation and energy savings in NMGC's existing programs, propose enhancements or modifications to NMGC's current programs, and provide proposals for new programs and initiatives. On March 31, 2025, proposals in response to this RFP were submitted to NMGC. After a thorough review process, NMGC selected a combination of implementers who offered the best programs and resulted in a cost-effective portfolio.
2. Load Management/Demand Response ("DR") Programs: seeking proposals from organizations with proven experience in natural gas load management

programs, i.e., DR programs defined as measures or programs that target equipment or devices to decrease peak demand or shifting demand from peak to off-peak periods. NMGC explained that its energy efficiency portfolio does not currently offer DR programs and that the Company was pursuing possible programs to maximize natural gas savings to benefit its customers. On March 31, 2025, two proposals for DR programs were submitted to NMGC. After a thorough review process, NMGC determined that the proposals would not lead to effective energy efficiency savings. Neither of the proposals received would result in a savings of 10,000 therms (1,000 MMBtu) or more in a given event (i.e. a day when supply curtailment due to supply constraints or market pricing would be beneficial). Neither proposal provided guaranteed load reductions. Both proposals provided estimated potential, as opposed to guaranteed, reduction of only 6,500 therms (650 MMBtu) or less. For context, the Company's typical peak demand during the heating season is approximately 6,000,000 therms (600,000 MMBtu).

Q. WHY IS NMGC PROPOSING TO EXPAND ITS ENERGY EFFICIENCY PORTFOLIO?

A. NMGC is continually evaluating its programs for improvements and researching potential new programs or measures that may benefit all customers affected by the energy efficiency rider. The Company has decided to expand energy efficiency plan

offerings to provide customers with more options that are projected to increase energy savings.

Q. HOW WILL THE PROPOSED MODIFICATIONS AND ADDITIONS IMPACT BOTH THE COST OF THE PLAN AND CUSTOMER SAVINGS?

A. NMGC proposes to increase its budget from approximately $15.3 million (approved in NMPRC Case No. 22-00232-UT) to between $20.9 and $21.7 million per year for program years 2026 through 2028. The increased budget is in alignment with the 2019 change to the EUEA, which permits funding for gas utility energy efficiency programs of up to 5% of total annual revenues. NMGC estimates that 5% of its total revenues, based on a three-year historical average is $24.3 million.

In comparison with NMGC's 2023 Program Plan, approved in Case No. 22-00232-UT, NMGC estimates an increase in net energy savings from 4,531,970 to 5,829,787 therms in Program Year 2026.

III. NMGC'S CURRENT ENERGY EFFICIENCY PLAN OFFERINGS

Q. PLEASE PROVIDE AN OVERVIEW OF NMGC'S CURRENT ENERGY EFFICIENCY PROGRAM.

A. NMGC currently offers seven programs. The approved budget for each program approved in NMPRC Case No. 22-00232-UT is detailed in the table below.

Program	Rebates	Internal Admin.	External Admin.	Promotion	M&V	Total Cost
Water Heating	$487,646	$100,850	$605,295	$20,000	$22,000	$1,235,791
Space Heating	$485,965	$100,850	$554,069	$20,000	$22,000	$1,182,884
New Homes	$741,558	$100,850	$232,254	$35,000	$30,000	$1,139,662
Income Qualified	$3,401,666	$201,700	$378,333	$65,000	$50,000	$4,096,699
Multi-Family	$1,700,000	$201,700	$300,000	$15,000	$50,000	$2,266,700
Efficient Buildings	$1,397,456	$210,700	$2,707,566	$35,000	$55,000	$4,405,722
Home Energy Reports	$0	$100,850	$599,895	$5,000	$22,000	$727,745
Portfolio Costs	N/A	$238,000	N/A	N/A	N/A	$238,000
Total	*$8,214,291*	*$1,255,500*	*$5,377,412*	*$195,000*	*$251,000*	*$15,293,203*

Q. PLEASE BRIEFLY DESCRIBE THE WATER HEATING PROGRAM.

A. NMGC's current Water Heating Program provides homeowners with incentives up to $300 to install ENERGY STAR® tankless or storage tank water heaters. HVAC contractors can also participate in the program and are eligible to receive an incentive of $225 per water heater. Homeowners are eligible to receive this incentive regardless of where they purchase the eligible equipment.

NMGC also offers in-store instant rebates for the purchase of low flow showerheads at participating Lowe's and Home Depot stores in NMGC's service territory.

In addition, NMGC offers a free energy efficient showerhead package. The package includes a low-flow showerhead, two faucet aerators and one swivel-head kitchen aerator, as well as weather stripping. NMGC customers can request a package online and it will be shipped to them free of charge. The packages are also distributed to local food pantries throughout NMGC's service territory.

NMGC also supplies the materials contained in its showerhead package in collaboration with Public Service Company of New Mexico's ("PNM") Home Energy Checkup ("HEC") program. Under the HEC program, NMGC pays for the materials and manpower to install these measures in homes that utilize natural gas to heat water.

NMGC selected Franklin Energy to implement the Water Heating Program for the 2026 – 2028 program years.

Q. PLEASE BRIEFLY DESCRIBE THE SPACE HEATING PROGRAM.

A. NMGC's current Space Heating Program provides residential HVAC contractors plumbers and homeowners with incentives to install ENERGY STAR® furnaces or boilers, insulation, air and duct sealing, ENERGY STAR® dryers and smart thermostats.

The Space Heating Program has two tiers of incentives for furnaces and boilers. NMGC uses the tier rating system developed by the Consortium for Energy Efficiency ("CEE") which mirrors the mandates required for ENERGY STAR® qualification. NMGC provides rebates to customers that purchase boilers and furnaces in Tiers II and III. NMGC discontinued rebates for Tier I furnaces and boilers in NMPRC Case No. 22-00232-UT.

An insulation measure is available under the Space Heating Program that provides a rebate of 40% of the cost (up to $800) to install a minimum of R-19 ("R" stands for thermal resistance) to the roof or attic of a home that has existing insulation rated R-11 or less, a rebate of 40% of the cost (up to $500) to bring the insulation value up to R-38 for homes with existing insulation rated R-12 to R-19, and a rebate of up to $200 to install a minimum of R-19 or greater insulation to the crawl space of a home. NMGC also provides incentives of up to $200 each for duct and air sealing measures.

The Space Heating Program includes a smart thermostat offering that provides a $50 rebate for the purchase or installation of an ENERGY STAR rated smart thermostat. In-store instant rebates are also available at participating Lowe's and Home Depot stores located in NMGCG's service territory.

NMGC also offers furnace tune-ups with rebates of $85 for market rate customers (meaning customers that are not low to moderate income) and $110 for low to moderate income ("LMI") customers. NMGC selected Franklin Energy to implement the Space Heating Program for the 2026 – 2028 program years.

Q. PLEASE BRIEFLY DESCRIBE THE EFFICIENT BUILDINGS PROGRAM.

A. The Efficient Buildings Program provides all commercial customers, including public schools and municipalities, with on-site technical assistance and review of

their natural gas applications, as well as education on financing energy efficiency projects and incentives for energy efficiency measures. This program includes:

i. Direct installation of energy savings measures including high efficiency showerheads, high efficiency faucet aerators, and insulation of bay doors;

ii. Commercial prescriptive equipment rebates for high efficiency water heaters, boilers, furnaces, commercial clothes washers, and commercial kitchen appliances;

iii. Commercial custom incentives of $0.60 per therm saved or $0.90 per therm saved for the estimated first year savings for implementation of energy-efficient custom upgrades; and

iv. Strategic Energy Management ("SEM") which trains participants on industry best practices and how to identify and implement low/no cost projects including the optimization of building management systems, changes to operation set points and employee behavioral changes. The program also includes workshops, one-on-one coaching, engineering support, and program materials to each of the participants.

NMGC selected CLEAResult Consulting, Inc. ("CLEAResult") as the implementer for the Efficient Buildings Program for the 2026 – 2028 program years.

Q. PLEASE BRIEFLY DESCRIBE THE NEW HOMES PROGRAM.

A. The New Homes Program is provided in collaboration with PNM and offers two incentive options for home builders:

i. New Homes Prescriptive Incentive Path – The New Homes Prescriptive Path provides incentives to install energy-efficient, above-code products in newly built homes. This includes rebates for Tier I, II, and III appliances ranging from $200 to $300 for ENERGY STAR® furnaces or boilers with AFUE ratings between 92%-97%. NMGC uses the tier rating system developed by the Consortium for Energy Efficiency ("CEE") which mirrors the mandates required for ENERGY STAR® qualification. And rebates, between $100 to $225 for certain ENERGY STAR® tank and tankless water heaters as well as $50 rebates for ENERGY STAR® certified smart thermostats.

ii. New Homes Performance Incentive Path – The New Homes Performance Path provides homebuilders with incentives to build high performance energy-efficient homes which are verified by a Home Energy Rating System Rater. The New Homes Performance Path is a whole house approach that captures additional benefits such as envelope tightness, duct tightness, location of units and insulation values which affect the performance of the natural gas units. Incentives are paid based on the reduction of therms when compared to a baseline home. The maximum incentive per home is $3,000 (or $1,500 each from PNM and NMGC).

In addition to rebates the New Homes Program also offers free sales and technical training courses to home builders. Marketing support to homebuilders is also provided, which includes free marketing materials as well as support from a

dedicated program manager. NMGC selected ICF Resources as the implementer for the New Homes Program for the 2026 – 2028 program years.

Q. PLEASE BRIEFLY DESCRIBE THE INCOME QUALIFIED PROGRAM.

A. NMGC's Income Qualified Program currently consists of four programs;

i. The New Mexico Energy$mart/Weatherization Assistance Program
ii. the Native American Energy Efficiency Program ("NAEEP"),
iii. the Community Energy Efficiency Projects ("CEEP"), and
iv. the Manufactured Homes Communities Program ("MHCP").

The New Mexico Energy$mart program, also known as the Weatherization Assistance Program, is administered by Housing New Mexico, formerly known as New Mexico Mortgage Finance Authority ("MFA"), to weatherize qualifying NMGC customers' residences. MFA combines funding from NMGC, the federal government, as well as other utilities, for this program. NMGC funding is utilized for a range of repairs and improvements, including furnace repair and replacement, installation of insulation, sealing and repairing ducts, window repair and replacement, thermostat replacement, low-flow showerheads and aerators, and incidental repairs related to natural gas-saving measures.

The second program is the NAEEP, which offers similar measures as the Weatherization Assistance Program but is exclusive to Native American communities.

The third program is the CEEP, which provides funding to community service organizations throughout NMGC's service territory that have been successful at securing separate funding for low-income energy efficiency projects. This allows NMGC to support these projects with supplemental funding for services that reduce natural gas usage.

The fourth program is the MHCP, which provides high efficiency showerheads, high efficiency faucet aerators, water heater tank and pipe insulation, air and duct sealing, programmable thermostats, and insulation to NMGC customers living in manufactured homes. In addition to the installation of energy-efficient measures, carbon monoxide detectors are also installed in homes where one is not present, and the customer is provided with educational materials about energy use, a review of all services, and training for proper use and maintenance of all products installed in the home.

NMGC selected EnergyWorks as the implementer for the NAEEP, CEEP, and MHCP programs for the 2026 – 2028 program years.

Q. PLEASE BRIEFLY DESCRIBE THE MULTI-FAMILY PROGRAM.

A. The Multi-Family program offers energy-efficient upgrades for natural gas end uses for both low-income and market rate properties. The program seeks to mitigate drafts, hot/cold zones, dangerous carbon monoxide levels, and overall leakage, from buildings. The program makes residences more comfortable, potentially safer, and decreases future energy bills.

The program starts with an energy assessment, helps the owner access financing, and evaluates all available relevant rebates incentives, and other programs that can be leveraged to help offset costs. NMGC selected CLEAResult as the implementer for the Multi-Family Program for the 2026 – 2028 program years.

Q. PLEASE BRIEFLY DESCRIBE THE HOME ENERGY REPORTS PROGRAM.

A. The Home Energy Reports ("HER") Program is a behavioral-based program that provides an opportunity to have a dialog with a large group of NMGC customers about their energy use and builds trust through personalized outreach and recommendations on how to save energy. The program provides residential customers with reports, either by direct mail or e-mail, regarding their energy usage five to six times per year and is designed to drive cost-effective behavioral savings and to increase engagement in saving energy and participation in other programs

and services from NMGC. NMGC selected Bidgley as the implementer for the HER Program for the 2026 – 2028 program years.

Q. DOES NMGC CONTINUE TO HAVE A PROCESS IMPLEMENTING LARGE CUSTOMER SELF-DIRECTED PROGRAMS AS AUTHORIZED BY THE ACT AND THE RULE?

A. Yes; however, NMGC has not received any requests from eligible customers to participate in a self-directed program. NMGC has only a handful of customers whose usage is large enough to entitle them to pursue such self-directed programs. These customers are in classes that do not pay Rider 15 against which their efficiency expenditures could be credited. Nevertheless, NMGC does have a procedure in place for large customers as defined by the Act. This procedure and NMGC's Self-Directed Energy Efficiency Program Application Form have not changed since they were presented in Case No. 09-00256-UT.

IV. MODIFICATIONS TO EXISTING PROGRAMS

Q. WHICH OF THE EXISTING PROGRAMS APPROVED IN NMGC'S LAST ENERGY EFFICIENCY PLAN CASE, NMPRC CASE NO. 22-00232-UT, IS NMGC PROPOSING TO MODIFY?

A. NMGC is proposing modifications to the Space Heating Program, the Water Heating Program, the New Homes Program, and the Home Energy Reports Program.

Q. WHAT CHANGES IS NMGC PROPOSING TO MAKE IN ITS WATER AND SPACE HEATING PROGRAMS?

A. NMGC plans to continue its current Water Heating Program and Space Heating Program (explained in Section III, above) with the following enhancements:

i. Increased Rebates – NMGC plans to increase many of its current rebates to customers who participate in the Space Heating Program and Water Heating Program. NMGC will 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. NMGC will also increase rebates for customers who participate in its Furnace Tune Up Program from $85 ($110 low-income) to $100 ($150 low-income).

ii. New High School and Senior Citizen Education Program – NMGC will add a high school and senior citizen energy education measure to the Water Heating Program and Space Heating Program to provide energy efficiency education to students and senior citizens, along with free water and natural gas savings kits, including instructions for installation of materials in the kits and energy saving tips. This program will be implemented throughout NMGC's service territory including in rural communities.

iii. Program Promotion and Education in Rural Communities – NMGC along with its implementer plans to host events at public facilities throughout the state. These events would provide customers with gas and water saving kits,

educate customers on ways to save energy, and inform NMGC customers on the availability of rebates and energy efficiency programs. This would help NMGC's rural residential customers, who may have limited or no access to internet or cellular service, participate in NMGC programs.

iv. Bilingual Local Staff – To remove language barriers and reach more customers, Franklin Energy has agreed to hire bilingual local staff to implement NMGC's Space Heating Program and Water Heating Program.

v. Customer Link Rebate Tool – Franklin Energy will provide a customer link rebate tool that will streamline the rebate application process by allowing customers to conveniently complete a rebate application on their mobile device by snapping pictures of eligible product receipts. Through this tool, customers will also be able to track the status of their rebate as well as receive automated rebate status notifications.

vi. Sophisticated HVAC Contractor Portal – Franklin Energy offers a highly sophisticated contractor portal for HVAC and other local participating contractors that will assist them in all aspects of their work, including applying for rebates for customers they install gas appliances for, maintaining project records, tracking applications and obtaining rebate status, as well staying current with NMGC's other energy efficiency programs and receiving updates on programs that they are already participating in. The portal will also provide NMGC with real-time

information for its HVAC and local contractors who participate in NMGC's energy efficiency programs.

Additionally, Franklin Energy will provide NMGC with advanced program management technology that will allow NMGC to provide better service and information to its customers by allowing NMGC on demand insight into the implementation of its Space Heating Program and Water Heating Program including the ability to track customer rebates and obtain information on customer participation in these programs for auditing, analytics and reporting. NMGC currently obtains information regarding its Space Heating Program and Water Heating Program through monthly reports or by requesting information from its current implementer.

Q. WHAT RESULTS DOES NMGC ANTICIPATE FROM THE MODIFICATIONS TO THE SPACE AND WATER HEATING PROGRAMS?

A. The enhancements to the Space Heating Program and Water Heating Program, including the addition of the High School and Senior Citizen Education Program, are estimated to deliver net savings of 625,234 therms in Program Year 2026. This is an increase of approximately 175,970 therms over 2023 savings expectations for NMGC's Space and Water Heating programs.

Q. WHAT CHANGES IS NMGC PROPOSING TO MAKE IN ITS NEW HOMES PROGRAM?

A. NMGC is proposing to expand its New Homes Program (explained in Section III, above) to include new manufactured homes, as well as construction of new multi-family homes.

Expansion of the New Homes Program to include new manufactured homes is expected to help NMGC reach more customers in rural markets as well as provide residential customers in low- or middle-income brackets with the opportunity to participate in NMGC's New Homes Program and help reduce the energy burden for customers in NMGC's underserved communities.

The expansion of the New Homes Program to include new multi-family housing is intended to incentivize efficient new construction measures for multi-family homes including incentives for energy-efficient space and water heating appliances as well as smart thermostats. This will reduce energy consumption and promote the ENERGY STAR® standard.

Q. WHAT RESULTS IS NMGC ANTICIPATING FROM THE MODIFICATIONS TO THE NEW HOMES PROGRAM?

A. Expanding the New Homes Program to include new manufactured homes and new multi-family homes is estimated to create a net savings of 603,554 therms annually.

This is an increase of approximately 202,802 therms, or 51%, above the 2023 savings expectations for NMGC's New Homes Program.

Q. WHAT CHANGES IS NMGC PROPOSING TO MAKE IN ITS HER PROGRAM?

A. NMGC plans to continue its HER Program (explained in Section III, above) with the enhancements listed below, which are offered by Bidgley:

i. Increased Personalization – Bidgley utilizes advanced algorithms to provide highly accurate and detailed insights into customer energy usage. This will help provide customers with more information regarding their energy use and specific tips to reduce their energy consumption. Additional modules of information can be included in the HER including customer usage charts graphed against temperature or bill comparisons between their most recent usage and bills and prior year's usage and bill.

ii. QR Code Journey – With the QR Code Journey, all HERs sent will include a unique QR Code that will take customers to an interactive web portal that will allow them to fill out a home profile and receive energy saving tips and products.

V. ADDITION OF NEW PROGRAMS

A. Single-Family Energy Efficiency Program

Q. PLEASE DESCRIBE THE SINGLE-FAMILY ENERGY EFFICIENCY PROGRAM THAT NMGC IS PROPOSING TO ADD TO ITS INCOME QUALIFIED PROGRAM.

A. NMGC is proposing a new Single-Family Energy Efficiency Program to augment its Income Qualified Program, which provides comprehensive direct-install weatherization services to low-income customers residing in single-family homes. This program will offer the following services:

i. natural gas safety inspection;
ii. installation of carbon monoxide detector;
iii. high efficiency showerheads and faucet aerators;
iv. water heater tank and pipe insulation;
v. programmable or smart thermostats;
vi. air sealing;
vii. duct sealing; and
viii. attic insulation.

Q. HOW IS THIS PROGRAM DIFFERENT FROM THE WEATHERIZATION ASSISTANCE PROGRAM THAT MFA PROVIDES?

A. MFA's Program is much more extensive than what NMGC is proposing for the Single-Family Energy Efficiency Program. The funding NMGC provides for MFA's program is combined with federal, state, and other utility funding and can assist low-

income customers with much more extensive energy efficiency needs such as new appliances, window replacements and major home repairs.

The Single-Family Energy Efficiency Program is designed to focus on the typical low-income customer that is not in need of new appliances or major home repairs but would greatly benefit from the energy savings from direct install weatherization measures.

Q. DOES NMGC PLAN TO CONTINUE THE WEATHERIZATION PROGRAM WITH MFA?

A. Yes. NMGC will continue to participate, but on a more limited basis, in MFA's weatherization program.

Q. WHY ARE TWO PROGRAMS FOR SINGLE-FAMILY LOW-INCOME CUSTOMERS NECESSARY?

A. MFA's Weatherization Assistance Program and the Single-Family Energy Efficiency Program are both necessary as they serve different needs for low-income customers. Additionally, during the course of discovery in NMGC's last energy efficiency case, Case No. 22-00232-UT, the parties learned that MFA was experiencing a backlog of requests for weatherization. Much of MFA's funding comes from the Department of Energy and the State of New Mexico. Because federal funds are utilized for this program, MFA must follow the criteria set forth by

the Department of Energy, including a prioritization process that determines which customers will receive measures and in what order those measures will be provided. Customers with the highest needs in the direst circumstances are served first and other low-income customers, such as low-income senior citizens, can end up on a waiting list (sometimes for years) before they are able to obtain any low-income energy efficiency assistance. NMGC's Single-Family Energy Efficiency Program will be provided to customers upon request and will allow NMGC to provide services to low-income customers that MFA is unable to reach quickly. These programs will work in conjunction to allow NMGC to assist more low-income customers.

Q. WHAT ARE THE SAVINGS TARGETS AND BUDGETS FOR THE SINGLE-FAMILY ENERGY EFFICIENCY PROGRAM?

A. The total budget for the Single-Family Energy Efficiency Program is $1,671,754 in program year 2026. NMGC anticipates annual therm savings of 240,162 for each of the three program years.

B. Agricultural Program

Q. PLEASE DESCRIBE THE AGRICULTURAL ENERGY EFFICIENCY PROGRAM THAT NMGC IS PROPOSING TO ADD TO ITS PORTFOLIO.

A. NMGC proposes launching an agricultural program directed to NMGC customers such as dairy farms, indoor agriculture and greenhouses, and crop farms. This

program will provide NMGC's agricultural customers with information regarding energy efficiency as well incentives to encourage the installation of high efficiency measures during maintenance and new construction.

Q. WHY IS AN AGRICULTURAL PROGRAM NECESSARY?

A. NMGC's agricultural customers are often overlooked in traditional utility incentive programs as they are widely dispersed geographically, located mostly in rural areas, and have operations that vary. As such that there is not an individual marketing message or single trade ally available to easily reach the agricultural sector. For example, there is no ENERGY STAR® label for farm equipment or online calculators available to use farm-specific variables to help determine energy and cost savings.

Q. HOW WILL THE AGRICULTURAL PROGRAM BE IMPLEMENTED?

A. NMGC's Agricultural Program will be implemented using targeted marketing to meet agricultural customers where they are. This includes placement of marketing material at farm sales counters and county agricultural offices, NMGC attendance at rural agricultural events such as farm shows and county fairs, and direct contact with farmers at their agricultural establishments.

Q. WHAT ARE THE SAVINGS TARGETS AND BUDGETS FOR THE AGRICULTURAL ENERGY EFFICIENCY PROGRAM?

A. As this is a new program to a limited customer base, NMGC estimates a budget of 3.5% of its 2026 Program Year costs, or $731,729. This amount includes first year one-time start-up costs of $126,000. NMGC estimates it will achieve annual therm savings for in the Agricultural Program of 160,843 therms for each of the three program plan years 2026 - 2028.

Q. HAS NMGC PROVIDED AN EXHIBIT FOR EACH OF ITS PROPOSED PROGRAMS THAT INCLUDES A BREAKDOWN OF PROGRAM PLAN MEASURES, SAVINGS, REBATES AND PARTICIPATION FOR EACH OF THE THREE PROGRAM PLAN YEARS?

A. Yes, this information is provided in NMGC Exhibit CJS – 2.

VI. NMGC'S PROGRAM PLAN

Q. WHAT ADDITIONAL INFORMATION IS CONTAINED IN NMGC'S PROGRAM PLAN?

A. The program plan, NMGC Exhibit CJS – 3, contains information that, to my understanding, meets the requirements for program approval contained in Section 8 of the Rule. In addition, the program plan describes the targeted customer segment and provides details about implementation and administration of each program including specific program measures and anticipated participants. Finally, the program plan provides additional detail regarding promotion and performance measurement, including Measurement and Verification ("M&V").

Q. HOW WERE THE CRITERIA IDENTIFIED IN THE EFFICIENCY RULE APPLIED IN THE PROGRAM PLAN SELECTION PROCESS?

A. NMGC developed a program plan that will have broad application within eligible customer classes, including the low-income, rural and residential customer segments, which results in an overall portfolio UCT above 1.0. NMGC's proposed portfolio of programs are available to a wide variety of residential and commercial customers throughout NMGC's service territory and can be utilized by homebuilders for all types of new home construction as well. The enhancements to the Space Heating Program and Water Heating Program will provide customers higher rebates with more convenient access to obtain those rebates, as well as a High School and Senior Citizen Education Program. The addition of the Single-Family Energy Efficiency Program offering under the Income Qualified program greatly expands the outreach of installing energy efficiency measures in low-income communities. The Efficient Buildings Program will continue to benefit commercial customers and has seen increased participation. The addition of the Agricultural Program to the portfolio will ensure agricultural customers, and NMGC's rural communities, benefit from NMGC's energy efficiency programs. The continuation of Home Energy Report Program will enable NMGC to educate and communicate with a significant portion of its residential customers on energy efficiency programs and how to reduce their energy use. The new enhancements to this program will provide more personalized communications to customers and the addition of an online energy saving tool. The addition of the manufactured and multi-family component

to the New Homes Program will provide an opportunity for every new home in NMGC's service territory to participate in the program. Collaboration with PNM and El Paso Electric Company ("EPE") in the New Homes Program will continue to allow for increased efficiency in program delivery with customers, contractors, architects, and engineers and with marketing materials and rebate forms.

Q. DOES NMGC'S PROPOSED PLAN MEET OTHER CRITERIA IDENTIFIED IN THE RULE?

A. Yes, as per 17.7.2.8(K) NMAC, funding for measures and program costs directed to low-income customers shall be no less than 5% of the overall budget.[1] NMGC's Income Qualified Program, a total of $6,035,101 or approximately 29% of the overall budget of NMGC's portfolio, is directed solely at low-income measures and programs. In addition to the figures above, the Multi-Family Program has allocated 50% of its budget to target low-income properties and the High School and Senior 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. Also, the energy efficiency budget of $20,932,759 is approximately 4.31% of average historical billings for the prior three years. This is under the 5% cap as directed under NMSA 1978, Section 62-17-6(A)(2).

[1] NMGC is aware of a pending revision to this Rule, which will raise this threshold to 10% of the overall budget. Even under the revised Rule, NMGC's Income Qualified Program would still be compliant.

C. NMGC's Program meets the UCT

Q. PLEASE DESCRIBE THE UTILITY COST TEST.

A. The Utility Cost Test or UCT is referred to in 17.7.2.8(G) of the Rule as the standard for determining whether an energy efficiency or load management program is cost-effective. Additionally, the EUEA states that the UCT is met if the costs of energy efficiency or load management resources are less than the avoided costs of supply-side resources. NMSA 1978, § 62-17-4(K) (2019).

Q. HOW ARE THE UCT VALUES CALCULATED?

A. Under the statute as I understand it, the UCT is the ratio of the present value of savings associated with a given energy efficiency program and the present value of costs associated with that program. As a matter of simple mathematics, this means that the statutory test is met and a program is cost-effective if the UCT is greater than 1.00. Generally speaking, savings used in the UCT calculation are the avoided supply costs of natural gas energy. The UCT costs include utility costs, but not participant costs associated with the program. The overall portfolio UCT includes non-program specific portfolio costs. As described later in my Direct Testimony, NMGC utilized the anticipated future costs of gas for the San Juan and Permian basins to develop its avoided costs and calculate the UCTs for each program and the overall portfolio UCT. The relevant inputs for the UCT calculation for the NMGC programs are shown in Section X of NMGC Exhibit CJS – 3.

Q. WHAT IS THE UCT RATIO FOR EACH OF THE PROGRAMS BASED ON NMGC'S ESTIMATED COSTS?

A. The UCT ratios for each of NMGC's proposed programs and overall portfolio for the 2026-2028 Energy Efficiency Plan by year are shown in the table below.

	2026	2027	2028
Program Name	UCT	UCT	UCT
Water Heating Program	1.04	1.06	1.07
Space Heating Program	1.28	1.34	1.38
School and Senior Kits	0.75	0.77	0.78
New Homes Program	1.52	1.67	1.67
Income Qualified Program			
Weatherization Assistance Program	0.72	0.73	0.73
Community Energy Efficiency Program	0.82	0.82	0.82
Manufactured Homes Program	0.86	0.86	0.86
Native American Program	0.86	0.87	0.87
Single Family Home Program	0.88	0.88	0.89
Multi-Family Program	0.98	0.99	1.00
Efficient Buildings Program	1.77	1.59	1.57
Agricultural Program	1.17	1.39	1.37
Home Energy Reports Program	0.81	1.06	0.96
Residential Sector Subtotals:	*1.16*	*1.23*	*1.23*
Low Income Sector Subtotals:	*0.84*	*0.84*	*0.85*
C/I Sector Subtotals:	*1.69*	*1.57*	*1.55*
Totals:	***1.18***	***1.18***	***1.18***

Q. IN NMGC'S LAST ENERGY EFFICIENCY PROGRAM PLAN FILING, NMGC PROPOSED A PORTFOLIO WITH AN ANTICIPATED UCT OF 1.55. WHY IS NMGC PROPOSING A LOWER UCT IN THIS PROGRAM PLAN FILING?

A. There are three primary factors that have contributed to a lower anticipated UCT for NMGC's 2026 – 2028 Energy Efficiency Plan than its prior plan.

- First, the discount rate NMGC is utilizing in this case has substantially increased from prior cases, resulting in a lower UCT. In NMGC's 2019 energy efficiency case, NMGC utilized a discount rate of 3.9%, and in NMGC's 2022 Case NMGC utilized a discount rate of 4.0%. In this case NMGC is utilizing a discount rate of 4.91%. This is a 23% increase in the discount rate since NMGC's last case. In calculating the UCT, a higher discount rate results in a lower UCT.
- Second, costs of materials utilized in NMGC's programs have increased. Many of the direct installation measures, such as showerheads, faucet aerators and weatherization strips, along with NMGC's energy savings kits, are made overseas. Recent tariffs have resulted in a rapid increase in costs related to many of NMGC's programs.
- Lastly, the avoided cost of gas for the first year of this program is lower than the first year of the program approved in NMPRC Case. 22-0232-UT. In calculating the UCT, a lower avoided cost rate results in a lower UCT.

These three factors combined have lowered NMGC's anticipated overall UCT and resulted in a UCT of under 1.0 for all of NMGC programs that offer services to low-income customers. However, NMGC still projects that its total portfolio will have a UCT higher than 1.

Q. IF NMGC IS ANTICIPATING A LOWER UCT FOR THE 2026 THROUGH 2028 PROGRAM YEARS, WHY IS NMGC REQUESTING AN INCREASED BUDGET, NEW PROGRAMS, AND ADDITIONS TO ITS EXISTING PROGRAMS?

A. NMGC believes it is important to continue to offer a portfolio with roughly a third of its energy efficiency measures dedicated to low-income customers, as well as offer programs that ensure that every affected customer class throughout NMGC's service territory can participate and benefit economically from NMGC's energy efficiency programs.

NMGC's 2023 – 2025 Program Plan has 35% of its program plan funds directed to programs for low-income customers. In order for NMGC to dedicate a similar amount of its program funding to low-income programs for the 2026 – 2028 program years, NMGC has to increase its other offerings (such as other commercial and residential programs) that have UCTs of over 1.0 to offset the lower UCTs expected in NMGC's low-income programs. UCT's broken down by Residential, Low-Income and Commercial are provided in the table below.

	2026	2027	2028
	UCT	UCT	UCT
Residential Sector Subtotals:	*1.16*	*1.23*	*1.23*
Low Income Sector Subtotals:	*0.84*	*0.84*	*0.85*
C/I Sector Subtotals:	*1.69*	*1.57*	*1.55*
Totals:	***1.18***	***1.18***	***1.18***

i. Estimated Program Costs

Q. WHAT ARE THE ESTIMATED COSTS AND ANNUAL SAVINGS FOR EACH PROGRAM FOR EACH OF THE NEXT THREE PLAN YEARS?

A. The anticipated annual savings and budgeted cost for each program for the 2026-2028 program years is included in the table below.

	2026		2027		2028	
Program Name	Annual Savings (Therms)	NPV Costs	Annual Savings (Therms)	NPV Costs	Annual Savings (Therms)	NPV Costs
Water Heating Program	259,705	$1,416,505	255,861	$1,432,465	256,811	$1,503,618
Space Heating Program	231,129	$1,154,783	245,899	$1,188,254	258,840	$1,229,878
School and Senior Kits	134,400	$781,085	156,800	$880,913	179,200	$981,238
Income Qualified Program						
New Homes	603,554	$2,833,711	610,922	$2,632,106	620,204	$2,695,743
Weatherization Assistance Program	94,031	$862,881	94,031	$866,806	94,031	$870,849
Community Energy Efficiency Program	96,035	$721,041	96,035	$724,666	96,035	$728,400
Manufactured Homes Program	240,352	$1,642,588	240,352	$1,646,814	240,352	$1,651,166
Native American Program	160,177	$1,136,837	160,177	$1,140,912	160,177	$1,145,110
Single Family Home Program	240,162	$1,671,754	240,162	$1,676,879	240,162	$1,682,158
Multi-Family Program	343,683	$1,949,422	360,867	$2,037,399	378,051	$2,126,060
Efficient Buildings Program	1,984,369	$4,651,461	1,982,934	$5,190,165	1,983,264	$5,264,502
Agricultural Program	160,843	$731,729	160,843	$617,515	160,843	$629,692
Home Energy Reports Program	1,281,346	$869,531	1,313,968	$687,855	1,235,124	$692,674
Program & Innovation Costs	0	$509,430	0	$513,013	0	$516,703
Residential Sector Subtotals:	*2,853,817*	*$9,005,038*	*2,944,317*	*$8,858,991*	*2,928,229*	*$9,229,211*
Low Income Sector Subtotals:	*830,757*	*$6,035,101*	*830,757*	*$6,056,077*	*830,757*	*$6,077,683*
C/I Sector Subtotals:	*2,145,212*	*$5,383,190*	*2,143,777*	*$5,807,679*	*2,144,107*	*$5,894,194*
Totals:	***5,829,787***	***$20,932,759***	***5,918,850***	***$21,235,761***	***5,903,094***	***$21,717,790***

**Start-up costs are included in the external administration costs in year one for the Water Heating Program, Space Heating Program, New Homes Program, Agricultural Program and the Home Energy Reports Program.*

Q. HOW DID NMGC ESTIMATE THERM SAVINGS FOR EACH OF THESE PROGRAMS?

A. Expected 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.

Q. ARE THERE NON-ENERGY BENEFITS ASSOCIATED WITH THESE PROGRAMS?

A. Yes, based on results from NMGC's Annual Report for Program Year 2024, NMGC estimates that over 54,000,000 gallons of water will be saved annually and a reduction of over 291,000 metric tons of CO_2 annually will be realized from its 2026 – 2028 measures and programs.

Q. WHAT ARE THE ANTICIPATED COSTS ASSOCIATED WITH THESE PROGRAMS?

A. The projected total program cost for the 2026 Program Year is $20,932,759, for the 2027 Program Year is $21,235,761, and 2028 Program Year is $21,717,790, based on projected participation rates.

Q. WHAT COMPRISES THESE PROGRAM COSTS?

A. These program costs are comprised of NMGC's administrative costs (including internal labor costs), third-party administrative costs (including third-party promotion), customer incentive/rebate costs, promotional costs incurred by NMGC, and portfolio costs which include costs not directly related to any one individual program. The table below provides a breakdown of the total costs.

	2026	2027	2028
Internal Administration	$1,570,951	$1,618,080	$1,666,622
External Administration	$7,457,735	$7,473,945	$7,650,948
Rebates	$11,084,643	$11,311,423	$11,554,638
Promotion	$509,430	$513,013	$516,703
Portfolio and Innovation Costs	$310,000	$319,300	$328,879
Total Energy Efficiency Costs	*$20,932,759*	*$21,235,761*	*$21,717,790*

Q. WHAT COMPRISES THE INTERNAL ADMINISTRATIVE COSTS?

A. Internal administrative costs are the labor and administrative costs NMGC's Energy Efficiency staff expends on its programs in research, development, and oversight of the program plan, communication and coordination with internal personnel, administration of contracts and invoices associated with the program, as well as NMPRC compliance reporting and ongoing interface with NMGC's program administrators and M&V activity.

Q. HOW DID NMGC ESTIMATE INTERNAL ADMINISTRATIVE COSTS?

A. Internal administration costs include labor and administrative costs NMGC's Energy Efficiency staff expends on energy efficiency programs in research, program development, invoice processing, and oversight of the program plan. Invoice processing for third-party administration, outsourced marketing, and promotional materials were based on the administrative resources required to process and account for monthly invoices. A portion of the labor cost is based on NMGC's estimate of the time that will be needed to administer, track, and report on these programs per

NMPRC compliance requirements, and the time necessary to interact and interface with customers, third-party implementers, M&V evaluators, and stakeholders on an on-going basis. NMGC developed its year-over-year budget by establishing its budget for Program Year 2026 and then escalating the 2026 Program Year budget by 3% for the 2027 and 2028 program years.

Q. WHAT COMPRISES EXTERNAL ADMINISTRATIVE COSTS?

A. The external administrative costs are third-party administration costs that include labor and other direct expenses related to program implementation planning, website and customer portal maintenance, outreach to eligible participants about the programs, energy efficiency opportunity identification and assessment, energy engineering and energy savings validation, rebate processing and quality control inspections as well as direct installation of energy efficiency measures.

Q. HOW DID NMGC ESTIMATE THE EXTERNAL ADMINISTRATIVE COSTS?

A. The external administrative estimates were derived from the proposals received through the RFP process and subsequent discussions with each of the program implementers on their specific scope of work.

Q. WHAT COMPRISES REBATE COSTS?

A. Rebate costs encompass the amounts provided to fund the rebates given to customers for energy efficiency measures. Rebates are meant to entice, or incentivize, customers to purchase energy-efficient equipment or adopt measures that they may not have purchased if not for the rebate. Incremental costs for energy-efficient equipment are typically higher than standard equipment and the rebate is meant to offset some of those costs to encourage customers to select the higher efficiency choice. Between the rebate and the reduced energy usage the purchase is meant to produce a worthwhile payback.

Q. HOW DID NMGC ESTIMATE THE REBATE COSTS?

A. Rebates vary depending on the equipment or measure purchased and the amount of savings the customer will realize. In most cases, NMGC has determined the proper rebate based on its own experience, experience from its implementers, or through the experience of other utilities as well as recommendations and suggestions made through the annual M&V process.

Q. WHAT COMPRISES PROMOTIONAL COSTS?

A. Promotional costs are costs for NMGC to promote programs by educating and engaging customers regarding its programs. They also include costs to train HVAC and plumbing contractors, vendors, and distributors to promote the programs to the end-use customer. NMGC will also utilize NMGC's bill inserts, walk-in centers,

NMGC's website, and on-line tools. NMGC incurs some direct promotional costs related to efforts by its own personnel to promote its programs; however, most of the promotion for these programs will be conducted by the third-party administrators and will be reflected in external administration costs. Promotional materials may also include billboards, radio, television, and advertising in trade and business publications.

Q. HOW DID NMGC ESTIMATE THE PROMOTIONAL COSTS?

A. NMGC estimated the costs of producing forms and brochures for the program, as well as the costs of print and social media advertising, based on previous experience utilizing these methods. NMGC also included a budget for promotional sponsorships as they have been effective in promoting its energy efficiency programs.

Q. WHAT COMPRISES THE PORTFOLIO AND INNOVATION COSTS?

A. Portfolio costs are all costs that are associated with the overall portfolio but that are non-program specific. Examples of these costs include, but are not limited to, 1) NMGC's online Home Energy Analyzer Tool, 2) memberships, dues, training and supplies for NMGC's staff, 3) legal expenses associated with its annual and tri-annual filings as well as participation in other NMPRC cases related to energy efficiency.

Q. HOW DID NMGC ESTIMATE THE PORTFOLIO AND INNOVATION COSTS?

A. NMGC reviewed its past actual portfolio costs to establish its estimated portfolio costs. Legal invoices spent specifically on regulatory matters (such as energy efficiency rulemakings and annual energy efficiency filings and reconciliations) not directly related to promoting or administering its programs were among items considered. Costs associated with NMGC's online Home Energy Analyzer Tool also fall into this category, as well as costs associated with training, supplies, memberships and dues. Additional NMGC labor spent on energy efficiency regulatory matters from NMGC employees who are not in the Energy Efficiency Department are not included in the energy efficiency portfolio nor are any of their costs paid out of Rate 15. Additionally, NMGC is budgeting $250,000 in each of the three program years, or approximately 1.2% of its Program Year 2026 costs, to focus on innovation. These funds can be focused on energy efficiency pilot projects as well as to provide funds for studies related to energy efficiency.

Q. ARE THE COSTS TO IMPLEMENT THESE PROGRAMS REASONABLE?

A. Yes. The incentive/rebate levels are consistent with industry practice and comprise over half the portfolio budget or 53%. The promotional/marketing costs are based on the level of promotion or marketing needed to support each program. The internal administrative costs, excluding portfolio costs, are approximately 7.5% of the total cost. This is in line with the administrative costs percentage approved in NMGC's

2022 Energy Efficiency three-year program plan filing. External administrative costs are in line with programs administered by third parties to help achieve program success and to reduce internal administrative costs. All costs associated with the development and implementation of NMGC's energy efficiency programs are excluded from NMGC's cost of service used to determine base rates.

ii. Avoided Costs

Q. HOW DID NMGC DEVELOP THE AVOIDED GAS COSTS FOR THE PROGRAM PLAN?

A. The avoided costs for this filing were developed by using forward pricing curves published for the El Paso San Juan Index and the El Paso Permian Index by S&P Global. An adder was then applied to the forecasted gas pricing to account for costs including transportation and storage costs. NMGC then added gross receipts taxes and franchise fees that are also avoided as a result of the energy savings. The resulting avoided cost is the amount that the gas supply component of a customer's bill will be reduced for each therm saved.

Q. WHY DID NMGC USE THE EL PASO SAN JUAN INDEX AND THE EL PASO PERMIAN INDEX AS THE BASIS FOR ITS AVOIDED COST CALCULATIONS?

A. NMGC used the El Paso San Juan and El Paso Permian indices as the basis for its avoided cost calculation because these are the two basins from which NMGC

purchases the vast majority of its natural gas supply, and therefore they best reflect actual gas purchases made by NMGC. This is consistent with the methodology NMGC uses for various financial and budgeting models as well as analysis related to its annual supply plan. Additionally, NMGC uses forward pricing in the Company's monthly Purchased Gas Adjustment Clause Gas Cost Factor determination.

Q. HOW DID NMGC DETERMINE THE SPLIT BETWEEN THE FORECASTED PRICING FOR THE EL PASO SAN JUAN INDEX AND THE EL PASO PERMIAN INDEX?

A. NMGC utilized a split of 65% for the El Paso San Juan Index and 35% for the El Paso Permian index. This split is based on a historical average of NMGC's purchases from those market regions. Additionally, NMGC weighted the forecasted pricing based on historical monthly purchases.

Q. PLEASE EXPLAIN HOW NMGC DEVELOPED THE ADDER THAT ACCOUNTS FOR COSTS ASSOCIATED WITH STORAGE AND TRANSPORTATION.

A. The adder utilizes forecasted pricing for firm transportation on interstate pipelines, underground storage costs, and anticipated future hedging costs. Additionally, NMGC included gas supply cost adders for baseload gas and demand fees for swing gas contracts.

Q. IN PRIOR CASES NMGC UTILIZED PRICE PROJECTIONS FROM THE ENERGY INFORMATION ADMINISTRATION. WHY DID NMGC CHANGE THE SOURCE OF PRICING INFORMATION FOR THE DEVELOPMENT OF ITS AVOIDED GAS COST IN THIS FILING?

A. NMGC changed the source of its pricing information for the development of its avoided costs of gas in this filing for the following reasons:

- NMGC utilizes the El Paso San Juan Index and El Paso Permian Index for various financial and budgeting models as well as analysis related to its annual supply plan. Additionally, NMGC uses this forward pricing in the Company's monthly Purchased Gas Adjustment Clause Gas Cost Factor determination.
- In prior cases NMGC has utilized the Energy Information Administration's price projections for the Rocky Mountain region, which covers the states of Arizona, Colorado, Idaho, Nevada, Utah, Wyoming, and Western New Mexico. NMGC believes that utilizing pricing based on more regionally specific gas basins that reflect NMGC's actual gas purchases is a better representation of the anticipated gas prices.

iii. *Discount Rate*

Q. IS NMGC USING THE SAME DISCOUNT RATE AS ITS LAST CASE?

A. No. NMGC is proposing an updated discount rate in this case. The basis and reasoning for the discount rate remain similar to NMGC's last energy efficiency

program case, NMPRC Case No. 22-00232-UT, which the Commission approved in its Final Order.

Q. WHAT DISCOUNT RATE DID NMGC USE IN ITS LAST ENERGY EFFICIENCY PROGRAM FILING?

A. NMGC used a discount rate of 4.0%, which was based on the average 30-year fixed mortgage rate over the 52-week period ending August 4, 2022.

Q. DID NMGC UPDATE THE DISCOUNT RATE FOR THIS CASE?

A. Yes. NMGC updated the discount rate to (i) more accurately reflect the cost of capital of NMGC's customers for long-term investments in their home, (ii) match the average useful life of NMGC's energy efficiency measures, and (iii) enable NMGC to offer more energy efficiency programs to customers thereby maintaining a similar level of programing dedicated to low-income customers.

Q. WHAT DISCOUNT RATE IS NMGC PROPOSING TO USE IN THIS CASE?

A. In calculating the UCT for the 2026 – 2028 EE Plan, consistent with the Commission's approval of NMGC's last energy efficiency plan filing, NMGC is proposing to use a discount rate of 4.91%, referred to herein as a Ratepayer Discount Rate, which is the same rate as the average 15-year mortgage rate as of August 26, 2025 and is based on information obtained from Bankrate.com and JP Morgan. Please see NMGC Exhibit CJS – 4.

Q. HOW DID NMGC DETERMINE THE VALUE OF THE 15-YEAR MORTGAGE RATE FOR NMGC'S PROPOSED UPDATED DISCOUNT RATE IN THIS CASE?

A. Similar to NMGC's 2019 and 2022 Energy Efficiency Cases, NMGC utilized publicly available information from Bankrate.com which provided reliable data on mortgage rates. According to information on Bankrate as of August 26, 2025, 15-year residential mortgage rates ranged between 4.49% and 5.4%, with a median rate of 4.8%. NMGC also utilized mortgage rates published by JP Morgan Chase ("JPM"). JPM is a large global banking institution that offers competitive mortgage rates to residential customers and publishes these rates by zip code. NMGC utilized this tool for several zip codes across its service territories and determined that the average 15-year residential mortgage rate on August 26, 2025, was 5.125%. NMGC averaged the 15-year residential Bankrate.com rates and the JPM rate to develop its discount rate of 4.91%.

Q. WHY DOES NMGC BELIEVE THAT A 15-YEAR MORTGAGE RATE IS A REASONABLE DISCOUNT RATE?

A. First, in regard to adherence to policy goals, the Ratepayer Discount Rate serves to promote cost-effective programs, rather than to restrict them. NMGC believes that a 15-year mortgage rate is reasonable because it reflects a borrowing rate customers would experience when making long-term investment decisions in their home and also aligns with the average useful life of NMGC's energy efficiency measures.

Since the decision to invest in energy efficiency measures is ultimately that of the customer, a discount rate that is comparable to how a customer might finance that cost and tied to the expected life of the products under the energy efficiency program is appropriate. Additionally, the proposed discount rate allows NMGC the opportunity to provide more energy efficiency programs to customers. Using this rate allows NMGC to maintain a similar percentage of program costs to be attributed to low-income customer programs.

Q. IS NMGC'S WEIGHTED AVERAGE COST OF CAPITAL ("WACC") AN APPROPRIATE DISCOUNT RATE?

A. No. As NMGC demonstrated in its past two energy efficiency program cases in 2019 and 2022, the WACC is not an appropriate discount rate because it represents the perspective of utility investors, not average residential customers. Additionally, if NMGC's WACC (at 6.79%) were to be used as the discount rate, NMGC would have to substantially decrease the energy efficiency offerings, primarily those available to its low-income customers, as those are the offerings that do not meet the UCT, in order to provide a cost-effective portfolio. This would negatively impact NMGC's low-income customers across the state. NMGC believes that the public policy favors maximizing energy efficiency opportunities for customers, especially those that struggle the most with energy costs.

Q. DID NMGC CONSIDER RATES OTHER THAN THE 15-YEAR FIXED RATE MORTGAGE RATE THAT COULD BE USED FOR ITS RATEPAYER DISCOUNT RATE?

A. Yes. NMGC's customers likely have multiple options when considering financial decisions related to energy efficiency improvements to their homes and businesses, including: savings, investments, loans from financial institutions, and credit cards. Since the investment in energy efficiency is long-term, a credit card interest rate, which is normally related to shorter-term repayment periods, would not be appropriate. Other customer-related rates that could be considered include passbook savings account rates and returns on security investments ranging from money market rates to stock and bond yields. NMGC does not support using these customer-related rates for evaluating energy efficiency programs because they vary widely from security to security and from customer to customer, and they don't match the relationship between energy efficiency measures and improvement decisions like the mortgage rate does.

Q. DOES NMGC'S PROPOSED DISCOUNT RATE OF 4.91% CONFORM TO THE EFFICIENT USE OF ENERGY ACT, AS AMENDED IN APRIL 2019, AND THE NMPRC RULES REGARDING DISCOUNT RATES TO BE USED IN EVALUATING ENERGY EFFICIENCY PROGRAMS?

A. Yes. NMGC's ratepayer discount rate is appropriate for the reasons explained above. It meets the requirements of the NMPRC rules regarding energy efficiency

program evaluation. The EUEA was enacted into law for the purpose of promoting energy efficiency to utility ratepayers in New Mexico. A discount rate that is too high will prevent utility customers from participating or becoming aware of energy efficiency programs in which they may have been able to participate.

D. Incentive

Q. DOES NMGC INTEND TO CONTINUE THE INCENTIVE RATE THAT WAS APPROVED IN NMPRC CASE NO. 22-00232-UT?

A. No. NMGC's current incentive is 6.65% of its overall portfolio costs, which matched NMGC's WACC from its 2020 rate case filing. NMGC's most recent approved rate case, filed in 2023 and approved in 2024, resulted in a WACC of 6.79%. Therefore, NMGC is proposing to change the incentive rate to 6.79% of its overall portfolio costs for its 2026 – 2028 portfolio. This equates to $1,421,334 for program year 2026 as shown in the table below.

	2026	2027	2028
Total Energy Efficiency Costs	$20,932,759	$21,235,761	$21,717,790
Incentive (6.79%)	$1,421,334	$1,441,908	$1,474,638
Total Energy Efficiency Budget	*$22,354,093*	*$22,677,669*	*$23,192,428*

E. Cost Recovery

Q. HOW IS NMGC ACCOUNTING FOR M&V COSTS?

A. NMGC is treating M&V costs as a regulatory asset because of the plain reading of 17.7.2.15(D) NMAC, which states:

> *D. Funding for services of the independent program evaluator's completion of a comprehensive measurement and verification report will be paid initially by the public utility and treated as a regulatory asset; to be recovered through rates established in the public utility's next general rate proceeding.*[2]

In compliance with this regulation, NMGC has recorded a regulatory asset for tracking M&V costs and will seek recovery of these costs in its next base rate case.

Q. WHAT ARE NMGC ESTIMATED M&V COSTS?

A. As in NMGC's 2022 Energy Efficiency Case, NMGC estimates M&V costs to be no more than 2% of its energy efficiency budget or no more than $420,000 for Program Years 2026 – 2028, plus carrying costs.

Q. WERE THE M&V COSTS INCLUDED IN NMGC'S UCT CALCULATION?

A. No. By rule, the M&V costs are a mandatory cost that NMGC incurs conducting business and they are treated separately from the normal costs of NMGC's Energy Efficiency program. NMGC will record the M&V costs for the Program Years 2026 – 2028 as a regulatory asset for inclusion in a future rate case. As these costs will be recovered through NMGC's base rates in the future, they will not impact the costs of the Program.

[2] NMGC is aware of a pending revision to this Rule, which may change the citation to this Rule when it is effective.

Q. HOW IS THE M&V CONDUCTED IN NEW MEXICO?

A. M&V is conducted by an independent program evaluator. Rule 17.7.2.15 requires the NMPRC develop RFPs and select an M&V firm. The NMPRC selected Ecometric Consulting LLC to evaluate NMGC utility programs in New Mexico that fall under the Act for NMGC's 2023 – 2025 program years. NMGC is unsure who the NMPRC will select to evaluate programs beyond the 2025 Program Year.

Q. IS NMGC REQUESTING AN INCREASE IN THE COST TARIFF FACTOR IN THIS FILING?

A. No. NMGC is requesting a continuance of its existing Rider 15, that was approved by the NMPRC and went into effect on July 28, 2025. A new tariff rider will be calculated in June 2026 with expected implementation in August 2026. The calculation will be composed of three parts: 1) the 2026 program budget as described below; 2) reconciliation of the over or under-recovered actual expenses including carrying charges for the period ending March 31, 2026; and 3) actual and/or estimated collections for the April 2026 through July 2026 time frame.

Q. ASSUMING NMGC'S 2026 - 2028 PROGRAM YEAR BUDGETS WILL BE APPROVED, HAS NMGC CALCULATED AN ESTIMATE FOR WHAT THE NEW PROPOSED TARIFF FACTOR WILL BE ONCE THE COMPONENTS ABOVE HAVE BEEN CALCULATED?

A. Yes, as seen in NMGC Exhibit CJS – 5, NMGC is estimating a projected factor of $0.0426 per therm beginning in August 2026. NMGC estimates it will equate to approximately $2.20 or 3.3% of the average residential customer's bill.

VII. PUBLIC ADVISORY GROUP PROCESS

Q. HAS NMGC SOLICITED RECOMMENDATIONS ON THE DESIGN AND IMPLEMENTATION OF THE PROGRAM?

A. Yes, as specified in the EUEA and Section 8.B of the Rule, on three occasions NMGC hosted Public Advisory meetings to discuss existing programs, the proposed new programs, and solicited recommendations regarding NMGC's portfolio. Meetings were held on August 14, 2024, April 10, 2025, and July 21, 2025. Those in attendance at these meetings included the Commission's utility staff, the New Mexico Department of Justice, Prosperity Works, Western Resource Advocates, Public Service Company of New Mexico, EPE, Southwest Energy, Zia Natural Gas, Xcel Energy, United States Department of Energy, MFA, Coalition for Clean Affordable Energy, Los Alamos National Laboratory, ICF, CLEAResult, ICAST, EnergyWorks, and Franklin Energy. A list of attendees is contained in NMGC Exhibit CJS – 6.

Q. ARE THE PROGRAMS LISTED IN THE PROGRAM PLAN THE SAME AS THOSE MOST RECENTLY PRESENTED TO THE GROUP?

A. Yes. The proposal to expand the Water Heating Program and Space Heating Program with the addition of High School and Senior Citizen Education Program, and the addition of the Agricultural Program and the Single-Family Energy Efficiency Program to the Income Qualified Program was presented and discussed with the Public Advisory Group in the most recent meeting.

Q. DID NMGC RECEIVE FEEDBACK FROM THE GROUP REGARDING ANY OF ITS PROPOSALS?

A. Yes. A concern was raised regarding NMGC's proposed Agricultural Program regarding whether it could be viewed as discriminatory.

Q. HAS NMGC DETERMINED WHETHER THE AGRICULTURAL PROGRAM WOULD BE DISCRIMINATORY?

A. Yes, NMGC considered this concern and determined that an agricultural focused energy efficiency program would not be discriminatory to other customers that are paying the energy efficiency rider. On the contrary, NMGC sees this as an opportunity to bring general awareness of NMGC energy efficiency programs to rural communities, as well as ensure that NMGC's agricultural customers, who also pay the energy efficiency rider just like other commercial customers, are not overlooked due to their unique use of natural gas.

Q. DID NMGC RECEIVE ANY FEEDBACK FROM THE PUBLIC ADVISORY GROUP REGARDING ITS NEXT ENERGY EFFICIENCY FILING?

A. Yes. During the Public Advisory Group meetings requests were made for NMGC, in its next energy efficiency plan filing, to provide year by year breakdowns of its budgets, and further breakdowns of the program measures offered in NMGC's programs.

Q. HOW DID NMGC ADDRESS THESE REQUESTS?

A. In this filing, NMGC has provided a breakdown of its three-year program plan by each plan year, including anticipated yearly savings, budgets and participation. Additionally, NMGC has further broken down its Income Qualified Program by each of its proposed "sub" programs (Weatherization Assistance Program, Native American Energy Efficiency Program, Community Energy Efficiency Program, Manufactured Homes Energy Efficiency Program, and Single-Family Energy Efficiency Program) and the measures for each program. This information is contained in tables throughout my testimony as well as attachments to NMGC Exhibit CJS – 3.

Q. DID NMGC RECEIVE ANY OTHER FEEDBACK FROM THE PUBLIC ADVISORY GROUP?

A. Yes. During a Public Advisory Group meeting a comment was made encouraging NMGC to design its programs to remove barriers to low-income energy efficiency

program participation and make it as easy as possible for those customers to participate in energy efficiency programs.

Q. HOW WILL NMGC ADDRESS THIS COMMENT?

A. First, NMGC agrees that removing barriers for low-income customers to participate in energy-efficiency programs is essential for NMGC's customers. This feedback encouraged NMGC to develop its new Single-Family Energy Efficiency Program to allow more low-income customers to obtain weatherization measures. Additionally, NMGC commits to continue to analyze its existing programs under the Income Qualified Program to identify and remove barriers and stigma associated with low-income customer participation.

Q. PLEASE SUMMARIZE YOUR DIRECT TESTIMONY.

A. NMGC is proposing to continue all seven of its existing energy efficiency programs with modifications to four of them. NMGC is also proposing to add two new programs to its energy-efficiency portfolio. This set of programs offers the potential to reduce the energy consumption of NMGC's residential and retail customers and provides the opportunity for broad participation among eligible customer classes. In addition, NMGC's portfolio of programs is cost effective as measured by the UCT. The UCT for the entire portfolio of programs for program years 2026 - 2028 is estimated to be 1.18. NMGC held three meetings with the Group which consists of

numerous stakeholders. For these reasons, NMGC's 2026 – 2028 Program Plan is consistent with the EUEA and the Rule.

NMGC anticipates offering these energy efficiency measures for at least three years. NMGC is proposing that all programs and the overall portfolio annual budget be approved for the Program Years 2026, 2027, 2028.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

NMGC#4964557

CAREY J. SALAZ

DIRECTOR OF ENERGY EFFICIENCY, NEW MEXICO GAS COMPANY

7120 WYOMING BOULEVARD, SUITE 20, ALBUQUERQUE, NM 87109
CAREY.SALAZ@NMGCO.COM

EXPERIENCE

2024-Present

Director of Energy Efficiency
New Mexico Gas Company, Albuquerque NM

Responsible for directing internal and external resources related to the development, marketing, implementation and evaluation of all aspects of NMGC's energy efficiency programs to achieve customer participation and energy savings goals. Ensures corporate compliance with NMPRC orders and regulations related to Energy Efficiency and is accountable for directing/coordinating the preparation of required regulatory filings.

2008-2024

Director of Regulatory Policy and Case Management
Public Service Company of New Mexico, Albuquerque NM

Employed in PNM's regulatory department for over 16 years. Started career at PNM in 2008 as a Regulatory Research Analyst. Promoted in 2012 to Research and File Analyst, promoted in 2015 to Project Manager, promoted in 2016 to Senior Project Manager, promoted in 2019 to Regulatory Policy and Case Management Manager and promoted in 2021 to Director of Regulatory Policy and Case Management.

Director of Regulatory Policy and Case Management duties included:

- Ensured corporate compliance with orders and regulations.
- Oversaw regulatory team that prepared, filed and managed PNM's NMPRC cases.
- Provided oversight of large NMPRC cases.
- Provided regulatory guidance and input on day-to-day corporate operations.

2006-2008

Financial Examiner
State of New Mexico, Santa Fe NM

Performed examinations of financial institutions which included state-chartered banks and credit unions. Discussed examination findings with the financial institution board of directors and developed action plans with the institutions to address findings.

2005-2006 **Director of Campus Life**
Clovis Community College, Clovis NM

Managed the Campus Life department and the coordination of campus activities including new student and new employee orientations. Oversaw and advised student organizations and provided academic advising to students.

EDUCATION

2005 **Bachelors of Business Administration**
Eastern New Mexico University, Portales NM

2008 **FDIC Financial Analysis School**
FDIC, Washington D.C.

Core training course for bank examiners in the development of examination skills. Designed to develop ability to analyze financial institutions and to present conclusions in an appropriate manner.

2008 **Federal Reserve Financial Analysis School**
Federal Reserve, Denver, CO

Training course for bank examiners to develop basic financial examination skills. Designed to develop ability to analyze financial institutions and to present conclusions in an appropriate manner.

2009 **Public Utilities Training Course**
New Mexico State University, Las Cruces NM

New Mexico State University College of Business, Center for Public Utilities Training for the changing electric, telecommunication, natural gas and water industries.

LEADERSHIP EXPERIENCE

2023	**Albuquerque Business First 40 Under 40** Albuquerque the Magazine, Albuquerque NM Selected as one of Albuquerque Business First's 40 outstanding individuals under 40.
2023	**Women's Energy Summit Awards 2023, Rising Star** WES Women's Energy, Chicago IL Selected as a "Rising Star" in the energy industry for the 2023 Women's Energy Summit.
2018	**Connect New Mexico** Leadership New Mexico, Albuquerque NM Applied and was accepted to attend and complete Leadership New Mexico's 2018 Connect program for individuals under 40 which is designed to offer professionals an opportunity to develop leadership skills and explore the critical issues facing New Mexico.

COMMUNITY ENGAGEMENT

2025-Present	**NM Museum of Natural History Foundation Board Member** Albuquerque, NM
2020-2023	**Amy Biehl High School Foundation Board Member** Albuquerque, NM
2016-2018	**Los Lunas Chamber of Commerce Board Member** Los Lunas, NM
2013-2014	**PNM Team Lead for United Way** Albuquerque, NM
2011-2012	**Valencia County Chamber of Commerce** Los Lunas, NM
2012-2016	**PNM Light the Night Team (Leukemia and Lymphoma Society)** Albuquerque, NM
2005-2006	**Community Outreach Council Board Member** Clovis, NM

NMGC#4964563

New Mexico Gas Company, Inc.

Projected 2026 – 2028 Gas Savings by Program

Water Heating Program

Measure Name	PER UNIT SAVINGS ASSUMPTIONS			Annual Installations		
	Gas Savings (therm)	Measure EUL	Measure Incentive	2026	2027	2028
Midstream - Res Tank WH	86.0	15	$200	369	424	488
Midstream - Res Tankless WH	139.0	20	$500	619	712	819
Midstream - Com Small Storage WH	194.0	15	$190	20	23	26
Midstream - Com Sm Tankless WH	510.0	20	$500	38	44	51
Midstream - Com Larg Storage WH	510.0	15	$500	11	13	15
Midstream - Com Lg Tankless WH	561.0	15	$550	11	13	15
Midstream - Com XL storage WH	816.0	20	$800	11	13	15
Midstream - Com Xl Tankless WH	1,020.0	20	$1,000	11	13	15
IQ Kits	14.6	10	$21	7,000	5,000	3,000
Kits- Single Pack	9.8	10	$21	100	100	100
Kits - Double Pack	16.7	10	$21	900	900	900
WaterSense Shower head POP	3.8	10	$5	1,528	1,528	1,528
PNM HEC Collaboration	21.0	10	$20	982	982	982
Gas Dryer	1.3	15	$55	62	62	62
Res Tank WH	86.0	15	$200	92	106	122
Res Tankless	139.0	20	$500	155	178	205
Com Small Storage WH	194.0	15	$190	5	6	7
Com Sm Tankless WH	510.0	20	$500	10	11	13
Com Larg Storage WH	510.0	15	$500	3	3	4
Com Lg Tankless WH	561.0	15	$550	3	3	4
Com XL storage WH	816.0	20	$800	3	3	4
Com Xl Tankless WH	1,020.0	20	$1,000	3	3	4

New Mexico Gas Company, Inc.

Projected 2026 – 2028 Gas Savings by Program

Space Heating Program

Measure Name	PER UNIT SAVINGS ASSUMPTIONS			Annual Installations		
	Gas Savings (therm)	Measure EUL	Measure Incentive	2026	2027	2028
Midstream - 95% Furnace	327.0	18	$540	22	24	26
Midstream - 96% Furnace	396.0	18	$540	123	135	149
Midstream - 97% Furnace	433.0	18	$625	21	23	25
Midstream - 98% Furnace	512.0	18	$625	10	11	12
Midstream - 99% Furnace	512.0	18	$625	10	11	12
Midstream - Boiler 95%	289.0	20	$540	85	94	103
Midstream - Boiler 97%	269.0	20	$625	3	3	3
Smart Thermostat POP	49.6	10	$50	185	185	185
Smart Thermostat Post Purchase	49.6	10	$50	1,236	1,236	1,236
Smart Thermostat Greenlite IQ	46.0	10	$50	494	494	494
Insulation - Attic	166.0	30	$510	195	195	195
Insulation - Crawl Space	39.9	30	$225	52	52	52
Insulation - Air Sealing	32.4	18	$680	21	21	21
Duct Sealing	21.4	18	$642	30	30	30
Furnace Tune Up	31.2	3	$100	62	62	62
Furnace Tune Up - LMI	31.2	3	$150	103	103	103
Midstream - Boiler 85 <300	160.9	20	$150	3	3	3
Midstream - Boiler 92 <300	248.0	20	$400	5	6	7
Midstream - Boiler 83 3-2500	1,573.0	20	$1,050	5	6	7
Midstream - Boiler 92 3-2500	2,696.2	20	$2,800	10	11	12
Midstream - Boiler 83 >2500	3,370.9	20	$2,250	2	2	2
Midstream - Boiler 92 >2500	5,777.7	20	$6,000	1	1	1
Midstream - com Furn 95%	551.0	18	$625	5	6	7
Midstream - com Furn 96%	637.7	18	$625	5	6	7
95% Furn	327.0	18	$540	6	6	7
96% Furn	396.0	18	$540	31	34	37
97% Furn	433.0	18	$625	5	6	6
98% Furn	512.0	18	$625	3	3	3
99% Furn	512.0	18	$625	3	3	3
Boiler 95%	289.0	20	$540	21	24	26
Boiler 97%	269.0	20	$625	1	1	1
Boiler 85 <300	160.9	20	$150	1	1	1
Boiler 92 <300	248.0	20	$400	1	2	2
Boiler 83 3-2500	1,573.0	20	$1,050	1	2	2

New Mexico Gas Company, Inc.

Projected 2026 – 2028 Gas Savings by Program

	PER UNIT SAVINGS ASSUMPTIONS			Annual Installations		
Measure Name	Gas Savings (therm)	Measure EUL	Measure Incentive	2026	2027	2028
Boiler 92 3-2500	2,696.2	20	$2,800	3	3	3
Boiler 83 >2500	3,370.9	20	$2,250	1	1	1
Boiler 92 >2500	5,777.7	20	$6,000	0	0	0
com Furn 95%	551.0	18	$625	1	2	2
com Furn 96%	637.7	18	$625	1	2	2

New Mexico Gas Company, Inc.

Projected 2026 – 2028 Gas Savings by Program

School and Senior Kits Program

Measure Name	PER UNIT SAVINGS ASSUMPTIONS			Annual Installations		
	Gas Savings (therm)	Measure EUL	Measure Incentive	2026	2027	2028
High School Kit (Water Heating Measures)	7.0	10	$18	7,000	8,500	10,000
Senior Kit (Water Heating Measures)	7.0	10	$18	5,000	5,500	6,000
High School Kit (Space Heating Measures)	7.0	10	$18	7,000	8,500	10,000
Senior Kit (Space Heating Measures)	7.0	10	$18	5,000	5,500	6,000

New Mexico Gas Company, Inc.

Projected 2026 – 2028 Gas Savings by Program

New Homes Program

Measure Name	PER UNIT SAVINGS ASSUMPTIONS			Annual Installations		
	Gas Savings (therm)	Measure EUL	Measure Incentive	2026	2027	2028
Maximum Incentive for Performance-Based Incentives (base kWh + Bonus)	444.9	23	$877	900	900	900
ENERGY STAR Certified Smart Thermostat	80.4	10	$50	900	900	900
ENERGY STAR Furnaces AFUE 92%	254.3	20	$400	400	400	400
ENERGY STAR Boilers AFUE 95%	154.7	20	$500	1	1	1
ENERGY STAR Smart Thermostat	75.0	10	$50	400	400	400
ENERGY STAR Tankless Water Heater, UEF ≥ 0.87	170.8	20	$450	20	20	20
ENERGY STAR Boiler AFUE 92%-94% (per MBH) - Centralized (2026)	1.8	20	$5	2	0	0
ENERGY STAR Boiler AFUE 95%-96% (per MBH) - Centralized (2026)	2.3	20	$6	2	0	0
ENERGY STAR Boiler AFUE 97%+ (per MBH) - Centralized (2026)	2.6	20	$6	2	0	0
ENERGY STAR Furnace AFUE 92%-94% (per MBH) - Centralized (2026)	2.1	20	$5	5	0	0
ENERGY STAR Furnace AFUE 95%-96% (per MBH) - Centralized (2026)	2.6	20	$6	4	0	0
ENERGY STAR Furnace AFUE 97%+ (per MBH) - Centralized (2026)	3.0	20	$6	3	0	0
ENERGY STAR Boiler AFUE 92%-94% (per MBH) - Centralized (2027 & 2028)	1.8	20	$6	0	2	2
ENERGY STAR Boiler AFUE 95%-96% (per MBH) - Centralized (2027 & 2028)	2.3	20	$7	0	2	2
ENERGY STAR Boiler AFUE 97%+ (per MBH) - Centralized (2027 & 2028)	2.6	20	$7	0	2	2
ENERGY STAR Furnace AFUE 92%-94% (per MBH) - Centralized (2027 & 2028)	2.1	20	$6	0	5	5
ENERGY STAR Furnace AFUE 95%-96% (per MBH) - Centralized (2027 & 2028)	2.6	20	$7	0	4	4
ENERGY STAR Furnace AFUE 97%+ (per MBH) - Centralized (2027 & 2028)	3.0	20	$7	0	3	3
ENERGY STAR Boiler AFUE 92%-94%	69.6	20	$200	5	5	10
ENERGY STAR Boiler AFUE 95%-96%	93.5	20	$300	5	5	10
ENERGY STAR Boiler AFUE 97%+	108.6	20	$400	2	2	5
ENERGY STAR Furnace AFUE 92%-94%	150.0	20	$200	30	30	25
ENERGY STAR Furnace AFUE 95%-96%	176.3	20	$300	25	25	50
ENERGY STAR Furnace AFUE 97%+	193.8	20	$400	5	5	10
ENERGY STAR Smart Thermostat	51.7	11	$50	70	70	100

New Mexico Gas Company, Inc.

Projected 2026 – 2028 Gas Savings by Program

	PER UNIT SAVINGS ASSUMPTIONS			Annual Installations		
Measure Name	Gas Savings (therm)	Measure EUL	Measure Incentive	2026	2027	2028
ENERGY STAR Tankless Water Heater, UEF ≥ 0.87	80.0	20	$200	50	50	75
ENERGY STAR Tank Water Heater, 55 gallons or less, UEF ≥ 0.78	63.1	11	$150	50	50	75
ENERGY STAR Multifamily New Construction V1.1 Certification Bonus	0.0	23	$100	10	15	20
ENERGY STAR Furnace (up to 225 MBH, AFUE ≥ 95%)	143.7	20	$750	5	5	5
ENERGY STAR Furnace (up to 225 MBH, AFUE ≥ 96%)	153.3	20	$1,000	5	5	5
ENERGY STAR Boiler (up to 300 MBH, AFUE ≥ 92%)	394.7	20	$750	5	5	5
ENERGY STAR Condensing Boiler (up to 300 MBH, AFUE ≥ 95%)	499.4	20	$1,000	5	5	5
ENERGY STAR Small Storage Water Heater, (40-75 MBH, UEF ≥ 0.80)	154.0	15	$350	10	5	0
ENERGY STAR Large Storage Water Heater, (75-300 MBH, Et ≥ 0.90)	292.0	15	$600	10	10	0
ENERGY STAR Large Storage Water Heater, (75-300 MBH, Et ≥ 0.95)	392.0	15	$800	10	10	15
ENERGY STAR Small Tankless Water Heater, (50-200 MBH, EF ≥ 0.94)	507.0	20	$1,200	5	5	5
ENERGY STAR Large Tankless Water Heater, (200-300 MBH, Et ≥ 0.90)	366.0	20	$1,000	5	5	0
ENERGY STAR Large Tankless Water Heater, (200-300 MBH, Et ≥ 0.94)	490.0	20	$1,500	5	5	5
ENERGY STAR Certified Smart Thermostat	63.1	11	$50	20	20	20
Multifamily Custom ($x/Therm)	1.0	15	$1	8,000	10,000	12,000
ENERGY STAR Boiler AFUE 92%-94% (per MBH) - Centralized - LI (2026)	1.8	20	$6	2	0	0
ENERGY STAR Boiler AFUE 95%-96% (per MBH) - Centralized - LI (2026)	2.3	20	$7	2	0	0
ENERGY STAR Boiler AFUE 97%+ (per MBH) - Centralized - LI (2026)	2.6	20	$7	2	0	0
ENERGY STAR Furnace AFUE 92%-94% (per MBH) - Centralized - LI (2026)	2.1	20	$6	5	0	0
ENERGY STAR Furnace AFUE 95%-96% (per MBH) - Centralized - LI (2026)	2.6	20	$7	5	0	0
ENERGY STAR Furnace AFUE 97%+ (per MBH) - Centralized - LI (2026)	3.0	20	$7	5	0	0
ENERGY STAR Boiler AFUE 92%-94% (per MBH) - Centralized - LI (2027 & 2028)	1.8	20	$7	0	2	2
ENERGY STAR Boiler AFUE 95%-96% (per MBH) - Centralized - LI (2027 & 2028)	2.3	20	$8	0	2	2

New Mexico Gas Company, Inc.

Projected 2026 – 2028 Gas Savings by Program

	PER UNIT SAVINGS ASSUMPTIONS			Annual Installations		
Measure Name	Gas Savings (therm)	Measure EUL	Measure Incentive	2026	2027	2028
ENERGY STAR Boiler AFUE 97%+ (per MBH) - Centralized - LI (2027 & 2028)	2.6	20	$8	0	2	2
ENERGY STAR Furnace AFUE 92%-94% (per MBH) - Centralized - LI (2027 & 2028)	2.1	20	$7	0	5	5
(2027 & 2028)	2.6	20	$8	0	5	5
ENERGY STAR Furnace AFUE 97%+ (per MBH) - Centralized - LI (2027 & 2028)	3.0	20	$8	0	5	5
ENERGY STAR Boiler AFUE 92%-94% - LI	69.6	20	$300	10	10	10
ENERGY STAR Boiler AFUE 95%-96% - LI	93.5	20	$500	10	10	10
ENERGY STAR Boiler AFUE 97%+ - LI	108.6	20	$700	5	5	5
ENERGY STAR Furnace AFUE 92%-94% - LI	150.0	20	$300	75	50	25
ENERGY STAR Furnace AFUE 95%-96% - LI	176.3	20	$500	50	75	75
ENERGY STAR Furnace AFUE 97%+ - LI	193.8	20	$700	15	25	50
ENERGY STAR Smart Thermostat - LI	51.7	11	$50	100	125	125
ENERGY STAR Tankless Water Heater, UEF ≥ 0.87 - LI	80.0	20	$300	150	150	150
ENERGY STAR Tank Water Heater, 55 gallons or less, UEF ≥ 0.78 - LI	63.1	11	$300	150	150	150
ENERGY STAR Furnace (up to 225 MBH, AFUE ≥ 95%) - LI	143.7	20	$1,500	10	10	10
ENERGY STAR Furnace (up to 225 MBH, AFUE ≥ 96%) - LI	153.3	20	$2,500	5	5	5
ENERGY STAR Boiler (up to 300 MBH, AFUE ≥ 92%) - LI	394.7	20	$1,000	5	5	5
ENERGY STAR Condensing Boiler (up to 300 MBH, AFUE ≥ 95%) - LI	499.4	20	$2,000	5	5	5
ENERGY STAR Small Storage Water Heater, (40-75 MBH, UEF ≥ 0.80) - LI	154.0	15	$600	20	15	15
ENERGY STAR Large Storage Water Heater, (75-300 MBH, Et ≥ 0.90) - LI	292.0	15	$1,000	25	30	30
ENERGY STAR Large Storage Water Heater, (75-300 MBH, Et ≥ 0.95) - LI	392.0	15	$1,500	15	15	15
ENERGY STAR Small Tankless Water Heater, (50-200 MBH, EF ≥ 0.94) - LI	507.0	20	$1,700	5	10	10
ENERGY STAR Large Tankless Water Heater, (200-300 MBH, Et ≥ 0.90) - LI	366.0	20	$2,000	10	10	10
ENERGY STAR Large Tankless Water Heater, (200-300 MBH, Et ≥ 0.94) - LI	490.0	20	$2,500	5	5	5
ENERGY STAR Certified Smart Thermostat - LI	63.1	11	$50	25	25	25
ENERGY STAR Smart Thermostat	51.7	10	$50	61	67	74

New Mexico Gas Company, Inc.

Projected 2026 – 2028 Gas Savings by Program

	PER UNIT SAVINGS ASSUMPTIONS			Annual Installations		
Measure Name	Gas Savings (therm)	Measure EUL	Measure Incentive	2026	2027	2028
ES_MFG_v3_Single_Section_gas_CZ2_NM_Albuquerque w/ Gas WH	100.1	17	$350	1	1	1
ES_MFG_v3_Single_Section_gas_CZ2_NM_Albuquerque w/ Elec WH	99.0	17	$350	2	2	2
Single-Section_Albq_ZERH v1 - Gas Furnace + HPWH Opt 1 (90 AFUE)	119.1	17	$350	6	7	9
Single-Section_Albq_ZERH v1 - Gas Furnace + HPWH Opt 2 (95 AFUE)	101.6	17	$350	6	7	9
Multi-Section_Albq_ES v3 - Envelope Package	117.2	17	$350	1	1	1
Multi-Section_Albq_ES v3 - Gas Package Opt 1 (90 AFUE)	96.7	17	$350	1	1	1
Multi-Section_Albq_ES v3 - Gas Package Opt 2 (95 AFUE)	84.0	17	$450	1	1	1
Multi-Section_Albq_ZERH v1 - Gas Furnace + HPWH Opt 1 (90 AFUE)	97.0	17	$350	0	0	0
Multi-Section_Albq_ZERH v1 - Gas Furnace + HPWH Opt 2 (95 AFUE)	84.0	17	$450	22	25	25
ES_MFG_v3_Single_Section_gas_CZ2_NM_Santa Fe w/ Gas WH	133.9	17	$350	1	1	1
ES_MFG_v3_Single_Section_gas_CZ2_NM_Santa Fe w/ Elec WH	133.7	17	$350	1	1	1
Single-Section_SanFe_ZERH v1 - Gas Furnace + HPWH Opt 1 (90 AFUE)	153.1	17	$350	3	3	4
Single-Section_SanFe_ZERH v1 - Gas Furnace + HPWH Opt 2 (95 AFUE)	130.1	17	$350	3	3	4
Multi-Section_SanFe_ES v3 - Envelope Package	151.9	17	$350	1	1	1
Multi-Section_SanFe_ES v3 - Gas Package Opt 1 (90 AFUE)	120.6	17	$350	1	1	1
Multi-Section_SanFe_ES v3 - Gas Package Opt 2 (95 AFUE)	102.2	17	$450	1	1	1
Multi-Section_SanFe_ZERH v1 - Gas Furnace + HPWH Opt 2 (95 AFUE)	84.0	17	$450	10	11	12

New Mexico Gas Company, Inc.

Projected 2026 – 2028 Gas Savings by Program

Weatherization Assistance Program (Income Qualified)

	PER UNIT SAVINGS ASSUMPTIONS			Annual Installations		
Measure Name	Gas Savings (therm)	Measure EUL	Measure Incentive	2026	2027	2028
Furnace Replacement	226.0	18	$2,149	39	39	39
Replacement Heater	223.0	18	$2,589	42	42	42
Attic Insulation	221.0	25	$1,170	55	55	55
Floor Insulation	198.0	20	$856	28	28	28
Window Replacement	170.0	25	$2,238	59	59	59
Wall Insulation	102.0	25	$505	2	2	2
General air sealing	100.0	11	$289	133	133	133
Infiltration	100.0	11	$395	4	4	4
Low E Window	74.0	20	$1,534	2	2	2
Duct Sealing	64.0	18	$131	98	98	98
Duct Insulation	56.0	18	$388	3	3	3
DWH Low Flow Shower Head	43.0	10	$57	11	11	11
DHW Tank Insulation	42.0	10	$113	124	124	124
Door Replacement	34.0	25	$459	58	58	58
Seal Ducts	30.0	18	$159	5	5	5
Water Heater Replacement	29.0	18	$1,831	23	23	23
Low Flow Shower Heads	25.0	10	$51	52	52	52
Faucet Aerator	17.0	7	$22	61	61	61
Other	15.0	1	$286	14	14	14
DHW Pipe Insulation	10.0	10	$40	89	89	89
Incidental Repairs	1.6	1	$450	32	32	32
CO Detector	0.0	1	$103	35	35	35
Dryer Venting (H&S)	0.0	1	$54	19	19	19
Furnace Tuneup	0.0	5	$219	10	10	10
Heating system tune up	0.0	5	$128	2	2	2
Mechanical Ventilation	0.0	1	$967	42	42	42
Smart Thermostat	0.0	10	$26	1	1	1
Smoke Detectors	0.0	1	$87	36	36	36

New Mexico Gas Company, Inc.

Projected 2026 – 2028 Gas Savings by Program

Commercial Energy Efficiency Program (Income Qualified)

	PER UNIT SAVINGS ASSUMPTIONS			Annual Installations		
Measure Name	Gas Savings (therm)	Measure EUL	Measure Incentive	2026	2027	2028
Low Flow Showerheads	11.0	10	$74	395	395	395
1.5 GPM Faucet Aerators	1.3	10	$9	200	200	200
1.0 GPM Faucet Aerators	1.7	10	$12	373	373	373
Water Heater Tank Insulation	18.8	7	$127	242	242	242
Water Heater Pipe Insulation	1.1	13	$7	206	206	206
Programmable Thermostat	40.9	10	$276	159	159	159
Smart Thermostat	36.9	10	$249	40	40	40
Infiltration Reduction	31.5	11	$213	258	258	258
Duct Sealing	205.8	18	$1,389	228	228	228
Ceiling Insulation	99.2	30	$669	70	70	70

Manufactured Homes Program (Income Qualified)

	PER UNIT SAVINGS ASSUMPTIONS			Annual Installations		
Measure Name	Gas Savings (therm)	Measure EUL	Measure Incentive	2026	2027	2028
Low Flow Showerheads	11.0	10	$74	731	731	731
1.5 GPM Faucet Aerators	1.3	10	$9	436	436	436
1.0 GPM Faucet Aerators	1.7	10	$12	641	641	641
Water Heater Tank Insulation	18.8	7	$127	478	478	478
Water Heater Pipe Insulation	1.1	13	$7	432	432	432
Programmable Thermostat	40.9	10	$276	436	436	436
Smart Thermostat	36.9	10	$249	44	44	44
Infiltration Reduction	50.5	11	$341	598	598	598
Duct Sealing	257.2	18	$1,736	511	511	511

New Mexico Gas Company, Inc.

Projected 2026 – 2028 Gas Savings by Program

Native American Energy Efficiency Program (Income Qualified)

	PER UNIT SAVINGS ASSUMPTIONS			Annual Installations		
Measure Name	Gas Savings (therm)	Measure EUL	Measure Incentive	2026	2027	2028
Low Flow Showerheads	12.2	10	$82	544	544	544
1.5 GPM Faucet Aerators	1.5	10	$10	315	315	315
1.0 GPM Faucet Aerators	2.0	10	$14	535	535	535
Water Heater Tank Insulation	19.3	7	$130	326	326	326
Water Heater Pipe Insulation	1.1	13	$7	306	306	306
Programmable Thermostat	47.0	10	$317	218	218	218
Smart Thermostat	42.5	10	$287	59	59	59
Infiltration Reduction	37.9	11	$255	335	335	335
Duct Sealing	245.6	18	$1,657	344	344	344
Ceiling Insulation	118.4	30	$799	74	74	74

Single Family Energy Efficiency Program (Income Qualified)

	PER UNIT SAVINGS ASSUMPTIONS			Annual Installations		
Measure Name	Gas Savings (therm)	Measure EUL	Measure Incentive	2026	2027	2028
Low Flow Showerheads	11.0	10	$74	987	987	987
1.5 GPM Faucet Aerators	1.3	10	$9	501	501	501
1.0 GPM Faucet Aerators	1.7	10	$12	933	933	933
Water Heater Tank Insulation	18.8	7	$127	605	605	605
Water Heater Pipe Insulation	1.1	13	$7	516	516	516
Programmable Thermostat	40.9	10	$276	397	397	397
Smart Thermostat	36.9	10	$249	99	99	99
Infiltration Reduction	31.5	11	$213	645	645	645
Duct Sealing	205.8	18	$1,389	571	571	571
Ceiling Insulation	99.2	30	$669	175	175	175

New Mexico Gas Company, Inc.

Projected 2026 – 2028 Gas Savings by Program

Multi-Family Program

Measure Name	PER UNIT SAVINGS ASSUMPTIONS			Annual Installations		
	Gas Savings (therm)	Measure EUL	Measure Incentive	2026	2027	2028
Kitchen Low-Flow Faucet Aerator	1.4	10	$10	1,500	1,575	1,650
Bathroom Low-Flow Faucet Aerator	2.6	10	$10	1,500	1,575	1,650
Low-flow Showerhead	9.9	10	$15	1,500	1,575	1,650
Programmable Thermostat	45.5	10	$100	300	315	330
Smart Thermostat	74.8	10	$200	600	630	660
Programmable to Smart Thermostat	52.1	10	$200	500	525	550
Water Heater Pipe Insulation (R-value=5)	4.8	13	$10	750	788	825
Infiltration reduction (air sealing)	22.2	11	$30	500	525	550
Duct Sealing	50.2	18	$100	750	788	825
Water Heater Tank insulation (unconditioned)	28.7	7	$100	400	420	440
Water Heater Tank insulation (conditioned)	23.8	7	$100	200	210	220
High-Efficiency Gas Furnace (Condensing)	172.5	20	$750	500	525	550
ENERGY STAR-rated Gas Storage Water Heater	108.4	11	$350	500	525	550
Ceiling insulation	0.0	30	$1	200,000	210,000	220,000
Dual Fuel Heat Pump	200.0	20	$1,500	75	79	83

New Mexico Gas Company, Inc.

Projected 2026 – 2028 Gas Savings by Program

Efficient Buildings Program

Measure Name	PER UNIT SAVINGS ASSUMPTIONS			Annual Installations		
	Gas Savings (therm)	Measure EUL	Measure Incentive	2026	2027	2028
Envelope: Bay Door WX	31.0	11	$34	17,600	17,600	17,600
Envelope: Exterior Door WX	7.0	11	$9	2,000	2,000	2,000
Water: Aerators 0.5	7.0	10	$15	20	20	20
Water: Aerators 1.0	7.0	10	$15	35	35	35
Water: Pre-Rinse Spray Valve	75.0	5	$155	4	4	4
Water: PRSV 1.11	75.0	5	$155	15	15	15
Water: Showerheads 1.5	7.0	10	$15	10	10	10
M&V NC: Boiler Calibration	2,539.0	2	$2,400	10	10	10
M&V NC: Boiler Replacement	16,179.0	20	$14,561	8	8	8
M&V RTR: Boiler Calibration	3,626.0	2	$2,300	1	1	1
M&V RTR: Boiler Economizer	20,944.0	15	$18,850	2	2	2
M&V RTR: Boiler Replacement	7,618.0	20	$6,883	10	10	10
M&V RTR: Burner Replacement	29,442.0	20	$26,498	3	3	3
M&V RTR: Chiller Replacement	108,036.0	15	$97,232	1	1	1
M&V RTR: CHP Cogen	222,050.0	20	$135,000	1	1	1
M&V RTR: Steam Boiler	27,168.0	20	$24,451	4	4	4
M&V RTR: DHW Tankless	389.0	20	$800	10	11	12
M&V RTR: Building Controls	2,078.0	12	$1,870	6	5	5
Stipulated NC: Steam Trap Replacement	35,362.0	6	$32,000	3	3	3
Stipulated RTR: Pipe Insulation	19,764.0	20	$17,559	3	3	3
Stipulated RTR: Steam Leaks	23,738.0	10	$18,000	2	2	2
Stipulated RTR: Steam Trap Repair	4,482.0	6	$3,822	1	1	1
Stipulated RTR: Space Heating Boilers	1,700.0	20	$1,530	2	2	2
Stipulated RTR: Steam Trap Audit	104,168.0	6	$70,000	1	1	1
Stipulated RTR: Steam Trap Replacement	25,056.0	6	$20,000	1	1	1
Stipulated RTR: Boiler Descale	5,078.0	15	$4,000	1	1	1
Stipulated RTR: Roof insulation	441.0	20	$397	2	2	2
Boiler Replacement	5,233.0	20	$4,710	2	2	2
DHW	4,433.0	15	$4,137	2	2	2
Fryer	945.0	12	$900	1	1	1
Water Heater_Storage	1,601.0	20	$1,480	2	2	2
CFS Fryer	897.0	12	$800	7	7	7
Space Heating Boilers	8,170.0	20	$7,353	5	5	5
DHW Tankless	738.0	20	$800	3	3	3

New Mexico Gas Company, Inc.

Projected 2026 – 2028 Gas Savings by Program

	PER UNIT SAVINGS ASSUMPTIONS			Annual Installations		
Measure Name	Gas Savings (therm)	Measure EUL	Measure Incentive	2026	2027	2028
CFS Convection Oven	129.0	12	$300	1	1	1
DHW Heating Boilers	1,966.0	20	$2,100	1	1	1
Audit	0.0	1	$10,000	6	6	6
TA Bonuses and LTO	0.0	1	$10,000	5	5	5
SEM	500,000.0	1	$125,000	1	1	1

New Mexico Gas Company, Inc.

Projected 2026 – 2028 Gas Savings by Program

Agricultural Program

Measure Name	PER UNIT SAVINGS ASSUMPTIONS			Annual Installations		
	Gas Savings (therm)	Measure EUL	Measure Incentive	2026	2027	2028
Greenhouse IR film	3,502.6	5	$350	12	12	12
Greenhouse condensing unit heaters	894.7	20	$1,600	28	28	28
Greenhouse/Indoor Ag Boiler Tune-ups	487.0	20	$500	10	10	10
Greenhouse Steam Leak Repair	532.0	10	$1,333	20	20	20
Greenhouse Under Bench Hydronic Heating	2,107.0	15	$10,000	1	1	1
Chiller Heat Recovery for Indoor Ag Dehumidification	11,159.0	15	$7,500	3	3	3
High Efficiency Grain Dryer	3,698.0	13	$7,500	0	0	0
Grain Dryer Heat Recovery	5,671.0	20	$15,000	0	0	0
Grain Dryer Tune-ups	588.0	14	$250	10	10	10
Heat recovery water heaters (dairy)	1,048.0	15	$2,000	10	10	10
High Efficiency Gas water heater - Storage (dairy)	1,449.0	13	$105	15	15	15
High Efficiency Gas water heater (dairy) - Instant	1,523.0	20	$575	15	15	15
Milk Pre Cooler Heat Exchanger	10,968.0	15	$1,250	2	2	2

Home Energy Reports Program

Measure Name	PER UNIT SAVINGS ASSUMPTIONS			Annual Installations		
	Gas Savings (therm)	Measure EUL	Measure Incentive	2026	2027	2028
Home Energy Reports	6.6	1	$0	176,494		
Home Energy Reports	7.2	1	$0		165,905	
Home Energy Reports	7.2	1	$0			155,950

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2026 - 2028
Energy Efficiency Program Plan

September 2, 2025

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I. Executive Summary

New Mexico Gas Company, Inc. ("NMGC" or the "Company") is submitting its Application to the New Mexico Public Regulation Commission ("NMPRC" or the "Commission") for its Energy Efficiency Program Plan for years 2026, 2027, and 2028 ("Program Year"). This proposal will primarily reference Program Year 2026 throughout the document since the overall budgets and individual scope of work by NMGC's program implementers are expected to remain similar through Program Years 2027 and 2028. NMGC is proposing changes to its current energy efficiency program plan, pursuant to the Public Utility Act, the Efficient Use of Energy Act ("Act"), and consistent with the Commission's Energy Efficiency Rule 17.7.2 NMAC ("Rule"). These include enhancements to its Space Heating Program and Water Heating Program, New Homes Program and Home Energy Reports Program and the addition of two new programs; a new Single-Family Energy Efficiency Program under NMGC's current Income Qualified Program; and an Agricultural Program.

The projected annual budget for all energy efficiency programs under Program Year 2026 is $20,932,759. The $20,932,759 equates to an increase of 37% over the current approved budget of $15,293,203 for Program Year 2025. The proposed overall budget for Program Year 2026, including the proposed Incentive Rate, is $22,354,093 as compared to Program Year's 2025 approved overall budget of $16,310,201.

The Utility Cost Test ("UCT") ratio for the portfolio of programs between 2026-2028 is 1.18. The annual net energy savings associated with these programs for Program Year 2026 is estimated to be 5,829,787 therms which is an increase of 27% in savings over Program Year 2025. The average cost per lifetime therm saved is $.33 per therm.

NMGC convened meetings on August 14, 2024, April 10, 2025 and July 21, 2025, with its Public Advisory Group ("Advisory Group") to discuss the Company's existing programs and proposed new programs, and to solicit recommendations regarding NMGC's portfolio. Those in attendance at these meetings 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 Energy, Southwest Energy, Zia Natural Gas, Xcel Energy, United States Department of Energy, Housing New Mexico, formerly known as New Mexico Mortgage Finance Authority ("MFA"), Coalition for Clean Affordable Energy, Los Alamos National Laboratory, ICF Resources ("ICF"), CLEAResult, ICAST, EnergyWorks, and Franklin Energy. A list of attendees is contained in NMGC Exhibit CJS – 6.

II. Introduction

This document contains the description and rationale to continue all seven of NMGC's existing programs with modifications to four of them: the Space Heating Program, the Water Heating Program, the New Homes Program, and the Home Energy Reports Program. NMGC is also proposing two new programs: an addition to the Income Qualified Program of a Single-Family Energy Efficiency Program, and an Agricultural Program. The program descriptions include estimated participation, energy savings, cost-effectiveness testing, all program assumptions, and a description of the independent measurement and verification ("M&V") process. A glossary of terms used in this plan can be found under Section XI.

III. Existing Programs

On March 22, 2023, the Commission issued its Final Order in NMPRC Case No. 22-00232-UT approving a set of energy efficiency programs for NMGC's residential and commercial customers. The following is a list of the programs that are currently available to customers:

A. Residential

(1) The Water Heating Program provides homeowners with a $300 incentive to install ENERGY STAR® tankless or storage tank water heaters. Home builders can also participate in the program and are eligible to receive an incentive of $225 per water heater. Homeowners

are eligible to receive this incentive regardless of where they purchase the eligible equipment.

NMGC also offers in-store instant rebates for the purchase of low-flow showerheads at participating Lowe's and Home Depot stores in NMGC's service territory.

In addition, NMGC offers a free energy efficient showerhead package. The package includes a low-flow showerhead, two faucet aerators and one swivel-head kitchen aerator as well as weather stripping. NMGC customers can request a package online and it will be shipped to them free of charge. The packages are also distributed to local food pantries throughout NMGC's service territory.

NMGC also supplies the materials contained in its showerhead package in collaboration with Public Service Company of New Mexico's ("PNM") Home Energy Checkup ("HEC") program. Under the HEC program, NMGC pays for the materials and manpower to install these measures in homes that utilize natural gas to heat water.

(2) NMGC's current Space Heating Program provides residential HVAC contractors plumbers and homeowners with incentives to install ENERGY STAR® furnaces or boilers, insulation, air and duct sealing, ENERGY STAR® dryers and smart thermostats.

The Space Heating Program has two tiers of incentives for furnaces and boilers. NMGC uses the tier rating system developed by the Consortium for Energy Efficiency ("CEE") which mirrors the mandates required for ENERGY STAR® qualification. NMGC provides rebates to customers that purchase boilers and furnaces in Tiers II and III. NMGC discontinued rebates for Tier I furnaces and boilers in NMPRC Case No. 22-00232-UT.

An insulation measure is available under the Space Heating Program that provides a rebate of 40% of the cost (up to $800) to install a minimum of R-19 ("R" stands for thermal resistance) to the roof or attic of a home that has existing insulation rated R-11 or less, a rebate of 40% of the cost (up to $500) to bring the insulation value up to R-38 for homes with existing insulation rated R-12 to R-19, and a rebate of up to $200 to install a minimum of R-19 or greater insulation to the crawl space of a home. NMGC also provides incentives of up to $200 each for duct and air sealing measures.

The Space Heating Program includes a smart thermostat offering that provides a $50 rebate for the purchase or installation of an ENERGY STAR® rated smart thermostat. In-store instant rebates are also available at participating Lowe's and Home Depot stores located in NMGC's service territory.

NMGC also offers furnace tune-ups with rebates of $85 for market rate customers (meaning customers that are not low to moderate income) and $110 for low to moderate income ("LMI") customers.

(3) NMGC's Income Qualified Program currently consists of four programs;

i. The New Mexico Energy$mart/Weatherization Assistance Program,

ii. the Native American Energy Efficiency Program ("NAEEP"),

iii. the Community Energy Efficiency Projects ("CEEP"), and

iv. the Manufactured Homes Communities Program ("MHCP").

The New Mexico Energy$mart Program, also known as the Weatherization Assistance Program, is administered by MFA, to

weatherize qualifying NMGC customers' residences. MFA combines funding from NMGC, the federal government, as well as other utilities, for this program. NMGC funding is utilized for a range of repairs and improvements, including: furnace repair and replacement, installation of insulation, sealing and repairing ducts, window repair and replacement, thermostat replacement, low-flow showerheads and aerators, and incidental repairs related to natural gas-saving measures.

The second program is the NAEEP, which offers similar measures as the Weatherization Assistance Program but is exclusive to Native American communities.

The third program is the CEEP, which provides funding to community service organizations throughout NMGC's service territory that have been successful at securing separate funding for low-income energy efficiency projects. This allows NMGC to support these projects with supplemental funding for services that reduce natural gas usage.

The fourth program is the MHCP, which provides high efficiency showerheads, high efficiency faucet aerators, water heater tank and pipe insulation, air and duct sealing, programmable thermostats, and insulation to NMGC customers living in manufactured homes. In addition to the installation of energy-efficient measures, carbon monoxide detectors are also installed in homes where one is not present, and the customer is provided with educational materials about energy use, a review of all services, and training for proper use and maintenance of all products installed in the home.

(4) The New Homes Program is provided in collaboration with PNM and offers two incentive options for home builders:

i. New Homes Prescriptive Incentive Path – The New Homes Prescriptive Path provides incentives to install energy-efficient, above-code products in newly built homes. This includes rebates for Tier I, II, and III appliances ranging from $200 to $300 for ENERGY STAR® furnaces or boilers with AFUE ratings between 92%-97%. NMGC uses the tier rating system developed by the Consortium for Energy Efficiency ("CEE") which mirrors the mandates required for ENERGY STAR® qualification. And rebates, between $100 to $225 for certain ENERGY STAR® tank and tankless water heaters as well as $50 rebates for ENERGY STAR® certified smart thermostats.

ii. New Homes Performance Incentive Path – The New Homes Performance Path provides homebuilders with incentives to build high performance energy-efficient homes which are verified by a Home Energy Rating System Rater. The New Homes Performance Path is a whole house approach that captures additional benefits such as envelope tightness, duct tightness, location of units and insulation values which affect the performance of the natural gas units. Incentives are paid based on the reduction of therms when compared to a baseline home. The maximum incentive per home is $3,000 (or $1,500 each from PNM and NMGC).

In addition to rebates the New Homes Program also offers free sales and technical training courses to home builders. Marketing support to the homebuilders includes free marketing materials as well as support from a dedicated program manager.

(5) The Multi-Family Program offers energy-efficient upgrades for natural gas end uses for both low-income and market rate properties. The program seeks to mitigate drafts, hot/cold zones, dangerous carbon

monoxide levels, and overall leakage, from buildings. The program makes residences more comfortable, potentially safer, and decreases future energy bills.

The program starts with an energy assessment, helps the owner access financing, and evaluates all available relevant rebates incentives, and other programs that can be leveraged to help offset costs.

(6) The Home Energy Reports ("HER") Program is a behavioral-based program that provides an opportunity to have a dialog with a large group of NMGC customers about their energy costs and builds trust through personalized outreach and recommendations on how to save energy. The program provides approximately 195,000 residential customers with reports, either by direct mail or e-mail, regarding their energy usage, five to six times per year and is designed to drive cost-effective behavioral savings and to increase engagement in saving energy and participation in other programs and services from NMGC.

B. Commercial

(7) The Efficient Buildings Program provides all commercial customers, including public schools and municipalities, with on-site technical assistance and review of their natural gas applications and education on financing energy efficiency projects and incentives for energy efficiency measures. This program includes:

i. Direct installation of energy savings measures including high efficiency showerheads, high efficiency faucet aerators, and insulation of bay doors;

ii. Commercial prescriptive equipment rebates for high efficiency water heaters, boilers, furnaces, commercial clothes washers, and commercial kitchen appliances;

iii. Commercial custom incentives of $0.60 per therm saved or $0.90 per therm saved for the estimated first year savings for implementation of energy-efficient custom upgrades; and

iv. Strategic Energy Management ("SEM") which trains participants on industry best practices and how to identify and implement low/no cost projects include optimization of building management systems, changes to operation set points and employee behavioral changes. The program also includes workshops, one-on-one coaching, engineering support, and program materials to each of the participants.

IV. Proposed Changes to Existing Programs

A. Water Heating and Space Heating Program

NMGC plans to continue its current Water Heating Program and Space Heating Program with the following enhancements:

(8) Increased Rebates – NMGC along with its implementer plans to increase many of its current rebates to customers that participate in the Space Heating Program and Water Heating Program. NMGC will increase rebates for customers that 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. NMGC will also increase rebates for customers that participate in its furnace tune-up program from $85 ($100 low-income) to $100 ($150 low-income).

i. New High School and Senior Citizen Education Program – NMGC will add a high school and senior citizen energy education measure to the Water Heating Program and Space Heating Program to provide energy efficiency education to students and senior citizens along with free water and natural gas savings kits, as well as instructions for installation of the materials in the kits and energy saving tips. This program will be implemented throughout NMGC's service territory including in NMGC's rural communities.

(9) Program Promotion and Education in Rural Communities – NMGC, along with its implementer, plans to host events at public

facilities throughout the state. These events would provide customers with gas and water saving kits, educate customers on ways to save energy, and inform NMGC customers of the availability of rebates and energy efficiency programs. This would ensure that NMGC's rural residential customers, who may have limited or no access to internet or cellular service, can participate in NMGC programs.

ii. Bilingual Local Staff – To remove language barriers and reach more customers, NMGC's new implementer has agreed to hire bilingual local staff to implement NMGC's Space Heating Program and Water Heating Program.

iii. Customer Link Rebate Tool – NMGC's new program implementer will provide a customer link rebate tool that will streamline the rebate application process by allowing customers to complete a rebate application conveniently on their mobile device by snapping pictures of eligible product receipts. Through this tool, customers will also be able to track the status

of their rebate as well as receive automated rebate status notifications.

(10) Sophisticated HVAC Contractor Portal – NMGC's new program implementer offers a highly sophisticated contractor portal for HVAC and other local participating contractors that will assist them in all aspects of their work, including applying for rebates for customers for whom they install gas appliances, maintaining project records, tracking applications and obtaining rebate status, as well staying current with NMGC's other energy efficiency programs and receiving updates on programs in which they are already participating. The portal will also provide NMGC with real-time information for its

HVAC and local contractors that participate in NMGC's energy efficiency programs.

Additionally, Franklin Energy, NMGC's new program implementer, will provide advanced program management technology that will allow NMGC to provide better service and information to its customers by allowing NMGC on-demand insight into the implementation of its Space Heating Program and Water Heating Program, including the ability to track customer rebates and obtain information on customer participation in these programs for auditing, analytics and reporting. NMGC currently obtains information regarding its Space Heating Program and Water Heating Program through monthly reports or by requesting information from its current implementer.

B. New Homes Program

NMGC is proposing to expand its New Homes Program to include new manufactured homes, as well as construction of new multifamily homes. Expansion of the New Homes Program to include new manufactured homes is expected to help NMGC reach more customers in rural markets as well as provide residential customers in low- or middle-income brackets with the opportunity to participate in NMGC's New Homes Program and help reduce the energy burden for customers in NMGC's underserved communities.

The expansion of the New Homes Program to include new multi-family housing is intended to incentivize efficient new construction measures for multi-family homes including incentives for energy-efficient space

and water heating appliances as well as smart thermostats. This will reduce energy consumption and promote the ENERGY STAR® standard.

C. Home Energy Reports ("HER") Program

NMGC plans to continue its HER Program with the enhancements listed below, which are offered by Bidgley:

i. Increased Personalization – Bidgley utilizes advanced automated intelligence algorithms to provide highly accurate and detailed insights into customer energy usage. This will help provide customers with more information regarding their energy use and specific tips to reduce their energy consumption. In utilizing a new implementer for the HER, additional modules of information can be included in the HER including customer usage charts graphed against temperature or bill comparisons between their most recent usage and bills and prior year's usage and bill.

ii. QR Code Journey – With the QR Code Journey, all HERs sent will include a unique QR Code that will take customers to an interactive web portal that will allow them to fill out a home profile and receive energy saving tips and products.

V. New Program Proposals

A. Single Family Energy Efficiency Program to Income Qualified Program

NMGC is proposing a new Single Family Energy Efficiency Program for low-income customers to add to its Income Qualified Program, that provides comprehensive direct-install weatherization services to low-income customers residing in single-family homes.

The Single-Family Energy Efficiency Program is designed to focus on the typical low-income customer that is not in need of new appliances or

major home repairs but would greatly benefit from the energy savings from direct install weatherization measures.

This program will offer the following services:

i. natural gas safety inspection;
ii. installation of carbon monoxide detector;
iii. high efficiency showerheads and faucet aerators;
iv. water heater tank and pipe insulation;
v. programmable or smart thermostats;
vi. air sealing;
vii. duct sealing; and
viii. attic insulation.

The total budget for the Single-Family Energy Efficiency Program is $1,671,754 in program year 2026. NMGC anticipates annual therm savings of 240,162 for each of the three program years. Anticipated participation numbers by year and measure are included below in Section X.B.1.i.

B. Agricultural Program

NMGC's agricultural customers are often overlooked in traditional utility incentive programs as they are widely dispersed geographically, located mostly in rural areas, and have operations that vary. As such, there is not an individual marketing message or single trade ally available to easily reach the agricultural sector. For example, there is no ENERGY STAR® label for farm equipment, or online calculators available to use farm-specific variables to help determine energy and cost savings.

NMGC proposes launching an agricultural program directed to NMGC customers such as dairy farms, indoor agriculture and greenhouses, and crop farms. This program will provide NMGC's agricultural customers with information regarding energy efficiency as well incentives to encourage the

installation of high efficiency measures during maintenance and new construction.

As this is a new program to a limited customer base, NMGC estimates a budget of 3.5% of its 2026 Program Year costs, or $731,729. This amount includes first year one-time start-up costs of $126,000. NMGC anticipates it will be able to achieve annual therm savings for in the Agricultural program of 160,843 therms for each of the three program plan years 2026 - 2028. Anticipated participation numbers by year and measure are included below in Section X.B.1.l.

VI. Program Rationale and Selection Criteria

NMGC continuously considers adding new energy efficiency programs to its portfolio. NMGC researches programs with proven success at other natural gas utilities and receives information from sources such as the Environmental Protection Agency and Department of Energy's research related to ENERGY STAR®, the American Gas Association, and the Consortium for Energy Efficiency.

On February 11, 2025, NMGC issued a Request for Proposal ("RFP") seeking bids for third-party implementation of energy efficiency programs to increase customer participation and energy savings in NMGC's existing programs, propose enhancements or modifications to NMGC's current programs, and provide proposals for new programs and initiatives. On March 31, 2025, proposals for these programs were submitted to NMGC. The responses were thorough and ambitious and after a thorough review process, NMGC selected a combination of implementers who offered the best program. The threshold test for program consideration was assurance that the program in combination with NMGC's other offerings, would result in a cost-effective portfolio. Along with cost-effectiveness, NMGC considered the criteria listed below.

1) UCT – the portfolio of programs being proposed has a UCT greater than 1.00.
2) Additional selection criteria

i. System benefits – All of the programs deliver system benefits through savings in energy. The magnitude of the benefit is related to the total amount of savings which is discussed under item iv. below.

ii. Widespread participation potential – The programs were selected so that the total portfolio of energy efficiency programs, including the existing, revised and new programs, will provide the opportunity for broad participation among eligible customer classes. The residential Water Heating Program, Space Heating Program, and New Homes Program are designed to reach residential customers and home builders throughout NMGC's service territory. The increased rebates and technological enhancements to the Water Heating Program and Space Heating Program are expected to increase customer participation and make it easier to obtain rebates. The Income Qualified Program targets NMGC's low-income residential customers, including those in Native American and manufactured home communities, and assists with community energy efficiency projects. The Multi-Family Program will reach both low-income and market rate customers. The Efficient Buildings Program will be attractive to a wide range of commercial segments including lodging, restaurant, grocery, retail, laundry, medical, office, educational and governmental facilities. These programs are designed for eligible sales service and transportation service customers and end-users, including residential customers receiving service under NMGC Rate Nos. 10 and 70 and small and medium sized commercial customers receiving service under Rate Nos. 54, 56 and 70..

iii. Total estimated energy savings – Collectively, the programs have the potential to reduce total net energy consumption by 5,829,787 annual therm savings or 63,770,171 lifetime therm savings in 2026.

iv. Existence of substantial non-energy benefits – The addition of the new Single-Family Energy Efficiency Program under the Income Qualified Program will allow NMGC to provide services to low-income customers quickly. The installation of high efficiency showerheads and faucet aerators

package will provide non-energy benefits. A savings of 4,778 gallons per year per unit will be realized. NMGC's current residential and commercial programs include installation of shower heads, faucet aerators, low flow pre-rinse spray valves, and efficient water heaters and contribute to enormous water savings. These measures accounted for more than 54,000,000 gallons of water saved in Program Year 2024 alone. The Agricultural Program has the potential to allow rural businesses to allocate money saved from reduced energy costs to other resources and, depending upon the specific measures selected, could result in water savings, improved comfort, and other non-energy benefits.

v. Administrative ease of program deployment – NMGC has selected programs that have proven track records with other utilities. Additionally, NMGC has chosen third-party contractors with proven technologies that are experienced with residential, low-income, and commercial programs.

vi. Overall portfolio development considerations – The portfolio of revised and new programs provides incentives for a diverse mix of technologies and customer segments and targets significant residential and commercial end-uses. Incentives and/or rebates that are offered depend on the individual facts and circumstances of each program as well as NMGC's experience with them. NMGC looks at incremental costs to customers, successful similar programs in other states and particularly the experience of the M&V evaluators. This is the generally accepted method for determining rebates and incentives in the industry. Residential space heating use will be reduced through the Space Heating Program, Income Qualified Programs, Multi-Family Program and New Homes Program. Residential water heating use will be reduced through the Water Heating Program, Income Qualified Programs, Multi-Family Program, and New Homes Program. The Efficient Buildings Program and Agricultural Program will give all commercial, educational, agricultural and governmental customers the option of applying energy efficiency measures to any natural gas application used in

their operations through custom, direct-install, prescriptive or strategic energy management measures.

vii. Performance risk of the technologies – All of the programs selected use proven technology.

VII. Public Advisory Process

NMGC solicited input from the Advisory Group at several points during the development of the existing and proposed programs. Those in attendance at these Advisory Group meetings 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 Energy, Southwest Energy, Zia Natural Gas, Xcel Energy, United States Department of Energy, MFA, Coalition for Clean Affordable Energy, Los Alamos National Laboratory, ICF, CLEAResult, ICAST, EnergyWorks, and Franklin Energy.

NMGC convened and held a meeting with the Advisory Group on August 14, 2024. NMGC provided an overview of its current programs and 2023 Program Year performance and solicited comments and feedback from participants on its Energy Efficiency Portfolio.

On April 10, 2025, NMGC held a meeting with the Advisory Group to provide an overview of RFP issued February 11, 2025, and summarize the proposals that NMGC received on March 31, 2025. NMGC also provided a high-level overview of its 2024 program year-end expectations and gave participants an opportunity to provide feedback and comments regarding NMGC's Energy Efficiency programs.

On July 21, 2025, NMGC held a meeting to provide its program proposals for its 2026 - 2028 Program Year filing in order to solicit comments and feedback from the participants. At that meeting NMGC also provided a summary of its 2024 Program Year performance.

VIII. Program Goals

The primary long-term goal of the portfolio of programs is to induce lasting structural and behavioral changes in the marketplace, which will result in the increased adoption of energy-efficient technologies by NMGC's customers throughout NMGC's service territory. This is accomplished by promoting the purchase of energy efficient products and services, increasing customer awareness of energy efficiency measures, and providing incentives to change behaviors. The proposed programs will address these objectives by:

- Increasing rebates offered for many Space Heating Program measures and Water Heating Program Measures;
- Providing additional opportunities to educate NMGC customers about how to save energy through a new School and Senior Education Kits Program;
- Modernizing and simplifying the rebate process to make participation easy for customers and other eligible participants;
- Implementing promotional campaigns that increase customer awareness of energy efficiency products and benefits;
- Providing opportunities for participation to our low-income customers and to enhance customer awareness of energy efficient products; and
- Providing opportunities to engage both residential and commercial customers located in rural areas of NMGC's service territory.

Achieving these long-term goals requires an aggressive promotional effort. Promotions will use multiple channels to increase customers' awareness. Participating vendors and contractors are important partners for a successful program. NMGC will work with its employees and third-party implementers to provide ongoing information and training to vendors, HVAC and plumbing contractors, manufacturer representatives and other affiliates that are involved with the sales and installations of energy efficient equipment to help build awareness and participation in the community. NMGC will also participate in public forums and partner with community-based organizations that have an interest in energy efficiency, and their support will be solicited to help educate and inform customers.

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Providing access to information about cost-effective energy efficiency measures is an important step to help overcome some of the market barriers to improving energy efficiency. These barriers include the cost and effort of searching for information, the uncertainty of performance, and the initial cost of installing measures. NMGC and NMPRC endorsement gives customers confidence about the effectiveness of the measures they may be willing to consider. Successful programs will result in greater consumer demand for energy efficiency products and services in New Mexico. This in turn should help stimulate the market for energy-efficiency products as retailers and contractors respond to the increased consumer demand.

A. Program Budget and UCT Results

NMGC has established expected customer participation and expected energy savings for each program in the near-term. As summarized in the table below, the proposed first full year budget for the portfolio of programs is $20,932,759 not including the Incentive Rate, and the projected UCT is 1.18. The tables below also highlight some of the program assumptions and UCT calculations. Expected participation for each program is in terms of number of measures or projects installed or rebated, not necessarily number of customers. Portfolio Costs are costs associated with the energy efficiency portfolio but are non-program specific. For the entire 2026 - 2028 Program Plan portfolio, the average cost per therm for the energy saved ranges from $$.33 cents per therm, as shown below:

	2026				
Program Name	Participation	Lifetime Savings (Therms)	Total Cost	UCT Ratio	Cost Per Therm
Water Heating Program	11,936	3,816,160	$1,416,505	1.04	$0.37
Space Heating Program	2,767	4,005,553	$1,154,783	1.28	$0.29
School and Senior Kits Program	12,000	1,344,000	$781,085	0.75	$0.58
New Homes Program	3,814	11,868,171	$2,833,711	1.52	$0.24
Income Qualified Program					
Weatherization Assistance Program	124	1,701,193	$862,881	0.72	$0.51
Community Energy Efficiency Program	260	1,572,015	$721,041	0.82	$0.46

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Manufactured Homes Program		600	3,670,967	$1,642,588	0.86	$0.45
Native American Program		350	2,616,897	$1,136,837	0.86	$0.43
Single Family Home Program		650	3,931,566	$1,671,754	0.88	$0.43
Multi-Family Program		2,000	4,934,479	$1,949,422	0.98	$0.40
Efficient Buildings Program		310	20,822,398	$4,651,461	1.77	$0.22
Agricultural Program		126	2,205,426	$731,729	1.17	$0.33
Home Energy Reports Program		176,494	1,281,346	$869,531	0.81	$0.68
Program & Innovation Costs		--	0	$509,430	--	--
Totals:			***63,770,171***	***$20,932,759***		$0.33

	2027				
Program Name	Participation	Lifetime Savings (Therms)	Total Cost	UCT Ratio	Cost Per Therm
Water Heating Program	10,140	3,958,365	$1,432,465	1.06	$0.36
Space Heating Program	2,810	4,285,149	$1,188,254	1.34	$0.28
School and Senior Kits Program	14,000	1,568,000	$880,913	0.77	$0.56
New Homes Program	3,866	11,994,726	$2,632,106	1.67	$0.22
Income Qualified Program					
Weatherization Assistance Program	124	1,701,193	$866,806	0.73	$0.51
Community Energy Efficiency Program	260	1,572,015	$724,666	0.82	$0.46
Manufactured Homes Program	600	3,670,967	$1,646,814	0.86	$0.45
Native American Program	350	2,616,897	$1,140,912	0.87	$0.44
Single Family Home Program	650	3,931,566	$1,676,879	0.88	$0.43
Multi-Family Program	2,000	5,181,203	$2,037,399	0.99	$0.39
Efficient Buildings Program	310	20,807,816	$5,190,165	1.59	$0.25
Agricultural Program	126	2,205,426	$617,515	1.39	$0.28
Home Energy Reports Program	165,905	1,313,968	$687,855	1.06	$0.52
Program & Innovation Costs	--	--	$513,013	--	--
Totals:		***64,807,290***	***$21,235,761***		$0.33

	2028				
Program Name	Participation	Lifetime Savings (Therms)	Total Cost	UCT Ratio	Cost Per Therm
Water Heating Program	8,379	4,189,889	$1,503,618	1.07	$0.36
Space Heating Program	2,850	4,528,872	$1,229,878	1.38	$0.27

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School and Senior Kits Program		16,000	1,792,000	$981,238	0.78	$0.55
New Homes Program		3,988	12,151,914	$2,695,743	1.67	$0.22
Income Qualified Program						
Weatherization Assistance Program		124	1,701,193	$870,849	0.73	$0.51
Community Energy Efficiency Program		260	1,572,015	$728,400	0.82	$0.46
Manufactured Homes Program		600	3,670,967	$1,651,166	0.86	$0.45
Native American Program		350	2,616,897	$1,145,110	0.87	$0.44
Single Family Home Program		650	3,931,566	$1,682,158	0.89	$0.43
Multi-Family Program		2,000	5,427,927	$2,126,060	1.00	$0.39
Efficient Buildings Program		310	20,814,429	$5,264,502	1.57	$0.25
Agricultural Program		126	2,205,426	$629,692	1.37	$0.29
Home Energy Reports Program		155,950	1,235,124	$692,674	0.96	$0.56
Program & Innovation Costs		--	0	$516,703	--	--
Totals:			*65,838,218*	*$21,717,790*		$0.33

B. Program Changes and Budget beginning in Program Year 2026

The following paragraphs discuss proposed changes to the approved programs and present the estimated 2026 Program Year budget.

1. Changes to Current Portfolio

In this filing, NMGC is proposing changes or enhancements to its portfolio in an effort to ensure that NMGC's energy efficiency programs are available to customers throughout NMGC's service territory and are easy for customers to participate in. NMGC is proposing modifications to the Water Heating Program, Space Heating Program, Home Energy Reports Program, and New Homes Program and adding the Single-Family Energy Efficiency Program under the existing Income Qualified Program, and a new Agricultural Program. The difference between the 2026 Program Plan portfolio budget as compared to the prior approved 2023 Program Year budget is an increase of 37%. NMGC's budget is mainly driven by the incentives offered to participate in its programs with 53% of the budget allotted for that purpose.

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2. Projected Program Year 2026 Budget and Expected Participation

The tables below present the projected energy efficiency participation and budget for Program Year 2026 as well as the overall 2026 Program Year budget that includes the Incentive Rate. The Incentive Rate approved in NMPRC Case 22-00232-UT was based on the Weighted Average Cost of Capital ("WACC") of 6.65% from NMGC's previous rate case. NMGC's most recent rate case had an approved WACC of 6.79%. Therefore, NMGC is changing the incentive to 6.79% in calculating the incentive for this proposed budget to match the most recently approved WACC.

	2026	2027	2028
Internal Administration	$1,570,951	$1,618,080	$1,666,622
External Administration	$7,457,735	$7,473,945	$7,650,948
Rebates	$11,084,643	$11,311,423	$11,554,638
Promotion	$509,430	$513,013	$516,703
Portfolio and Innovation Costs	$310,000	$319,300	$328,879
Total Energy Efficiency Costs	*$20,932,759*	*$21,235,761*	*$21,717,790*
Incentive (6.79%)	$1,421,334	$1,441,908	$1,474,638
Total Energy Efficiency Budget	*$22,354,093*	*$22,677,669*	*$23,192,428*

The 2026 Program Year energy efficiency budget of $20,932,759 is approximately 4.31% of average historical billings for the prior three-years. This is under the 5% cap as directed under NMSA 1978, Section 62-17-6(A)(2).

This budget reflects a range of estimated participation. All programs have several measures in which a customer can participate. Please see Section X.B.1 of this document for an individualized estimate of measure participation. It is important to note that all programs have a low and high range of estimated expected participation, and a program may still be cost-effective even if it does not reach the estimated participation. In order to establish a budget, each

measure requires NMGC to input a singular expected participation value that falls within that range. The participation figures under the Efficient Buildings Program represent the number of *projects* estimated to be achieved under the program. A single participant in the Efficient Buildings Program often receives more than one program measure and can have multiple locations. Participation figures under the Multi-Family program represent estimated number of *units* that will receive energy efficiency measures. Participation figures under each of the Income Qualified Programs represent the anticipated number of *households* that are expected to participate in the programs. Participation figures under the remaining programs represent the number of *measures* that are expected to be installed annually. The estimated participation value for each program, by year, is shown in the tables above.

C. Tariff Rider and Customer Bill Impact

NMGC's current Rate No. 1-15 – Rate Rider No. 15 – Energy Efficiency Rider is $ 0.0257 per therm and will remain in effect through the end of March 2026. The calculation of a potential surcharge factor will be calculated in or about June 2026 with expected implementation in August 2026. The calculation will be composed of three parts: 1) the 2026 program budget as described above; 2) reconciliation of the over or under-recovered actual expenses including carrying charges for the period ending March 31, 2026; and actual and/or estimated collections for the April 2024 through July 2026 time period. Based on the proposed 2026 Program Year budget, and assuming a net zero balance as of the end of March 2026, NMGC estimates that the proposed surcharge factor will be approximately $0.0426 per therm beginning in August 2026. The surcharge of $0.0426 would be about 3.3% of a residential customer's bill or approximately $2.20 per month.

IX. Program Cost / Benefit Analysis

A. UCT Analysis –Inputs and Results

The Act establishes the UCT as the standard to be used to determine if efficiency measures are cost-effective. The UCT compares the present value of the savings to the costs of an

efficiency program. Under the Rule, and Commission precedent, a portfolio that achieves a UCT of 1.00 or greater meets the Act's standard for cost-effectiveness.

NMGC performed the UCT calculations for the efficiency programs using the GDS Associates ("GDS") Screening Tool. This is the same model, with additional updates, that NMGC has used in each of its energy efficiency cases filed with the NMPRC since its inception in 2009. Avoided cost assumptions are provided in Section X.B and Section X.V. of this document. The avoided gas costs have been updated since the previous filing in NMPRC Case No. 22-00232-UT. All inputs and calculations have been developed using methods and assumptions that are generally accepted in the natural gas industry.

The following set of tables presents the program-specific inputs and the program-level results from the energy efficiency UCT analyses. Please see Section XVIII for the UCT analysis output table.

B. Program UCT Results

The following table presents the summary results of the UCT calculation for each energy efficiency program, including annual energy savings, present value of the costs and benefits (savings) over the life of the program, and the UCT.

	2026				
Program Name	Annual Savings (Therms)	Lifetime Savings (Therms)	NPV Benefits	NPV Costs	BC Ratio
Water Heating Program	259,705	3,816,160	$1,478,519	$1,416,505	1.04
Space Heating Program	231,129	4,005,553	$1,479,938	$1,154,783	1.28
School and Senior Kits Program	134,400	1,344,000	$582,406	$781,085	0.75
New Homes Program	603,554	11,868,171	$4,298,913	$2,833,711	1.52
Income Qualified Program					
Weatherization Assistance Program	94,031	1,701,193	$625,541	$862,881	0.72
Community Energy Efficiency Program	96,035	1,572,015	$588,745	$721,041	0.82
Manufactured Homes Program	240,352	3,670,967	$1,405,374	$1,642,588	0.86
Native American Program	160,177	2,616,897	$981,874	$1,136,837	0.86
Single Family Home Program	240,162	3,931,566	$1,472,412	$1,671,754	0.88

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Multi-Family Program	343,683	4,934,479	$1,919,400	$1,949,422	0.98
Efficient Buildings Program	1,984,369	20,822,398	$8,228,571	$4,651,461	1.77
Agricultural Program	160,843	2,205,426	$856,593	$731,729	1.17
Home Energy Reports Program	1,281,346	1,281,346	$700,941	$869,531	0.81
Program & Innovation Costs	0	0	$0	$509,430	0.00
Totals:	*5,829,787*	*63,770,171*	*$24,619,228*	*$20,932,759*	*1.18*

	2027				
Program Name	Annual Savings (Therms)	Lifetime Savings (Therms)	NPV Benefits	NPV Costs	BC Ratio
Water Heating Program	255,861	3,958,365	$1,522,368	$1,432,465	1.06
Space Heating Program	245,899	4,285,149	$1,594,937	$1,188,254	1.34
School and Senior Kits Program	156,800	1,568,000	$676,339	$880,913	0.77
New Homes Program	610,922	11,994,726	$4,391,681	$2,632,106	1.67
Income Qualified Program					
Weatherization Assistance Program	94,031	1,701,193	$630,867	$866,806	0.73
Community Energy Efficiency Program	96,035	1,572,015	$592,736	$724,666	0.82
Manufactured Homes Program	240,352	3,670,967	$1,413,932	$1,646,814	0.86
Native American Program	160,177	2,616,897	$988,727	$1,140,912	0.87
Single Family Home Program	240,162	3,931,566	$1,482,395	$1,676,879	0.88
Multi-Family Program	360,867	5,181,203	$2,023,311	$2,037,399	0.99
Efficient Buildings Program	1,982,934	20,807,816	$8,251,293	$5,190,165	1.59
Agricultural Program	160,843	2,205,426	$858,701	$617,515	1.39
Home Energy Reports Program	1,313,968	1,313,968	$731,796	$687,855	1.06
Program & Innovation Costs	0	0	$0	$513,013	0.00
Totals:	*5,918,850*	*64,807,290*	*$25,159,085*	*$21,235,761*	*1.18*

	2028				
Program Name	Annual Savings (Therms)	Lifetime Savings (Therms)	NPV Benefits	NPV Costs	BC Ratio
Water Heating	256,811	4,189,889	$1,602,624	$1,503,618	1.07
Space Heating	258,840	4,528,872	$1,697,820	$1,229,878	1.38
School and Senior Kits	179,200	1,792,000	$766,185	$981,238	0.78
New Homes	620,204	12,151,914	$4,496,314	$2,695,743	1.67
Income Qualified					
Weatherization Assistance Program	94,031	1,701,193	$635,503	$870,849	0.73
Community Energy Efficiency Program	96,035	1,572,015	$596,228	$728,400	0.82

Manufactured Homes Program	240,352	3,670,967	$1,421,153	$1,651,166	0.86
Native American Program	160,177	2,616,897	$994,844	$1,145,110	0.87
Single Family Home Program	240,162	3,931,566	$1,491,134	$1,682,158	0.89
Multi-Family	378,051	5,427,927	$2,124,078	$2,126,060	1.00
Efficient Buildings	1,983,264	20,814,429	$8,253,301	$5,264,502	1.57
Agricultural	160,843	2,205,426	$860,782	$629,692	1.37
Home Energy Reports	1,235,124	1,235,124	$667,544	$692,674	0.96
Program & Innovation Costs	0	0	$0	$516,703	0.00
Totals:	*5,903,094*	*65,838,218*	*$25,607,510*	*$21,717,790*	*1.18*

Inputs to the UCT calculation include internal administration costs, program level inputs, benefits, and costs. Internal administration costs include labor to research, select, design, implement, and maintain programs. Program level inputs include the life of the measure, energy savings, incentives, and anticipated participation rates. Benefits include avoided energy costs. Program costs include the cost of each measure, internal administration, third-party administration, and promotional costs. The overall portfolio UCT includes all program costs and portfolio costs borne by NMGC.

1. Program Level Inputs

The following tables present the program level inputs used in the UCT analysis. The inputs include measure life, per unit energy savings, and forecasted participation rates. Inputs are based on the previous M&V evaluations, or the New Mexico Technical Resource Manual ("TRM"), or on industry standards. Please see Section XVII for program performance assumptions.

Several factors were considered in estimating expected participation. In order to establish a budget, each program measure requires NMGC to input a singular expected participation value that falls within that range. Expected participation values for the existing, revised, and new residential programs were based on previous years' experience and discussions with manufacturer representatives, and the implementer's experience implementing programs

with other utilities. MFA provided its estimate to NMGC on participants for the Energy$mart portion of the Income Qualified program through MFA's years of experience and familiarization with NMGC's programs for low-income customers. EnergyWorks provided estimated participation in the Income Qualified Program based on its experience administering NMGC Income Qualified programs over the last eight years. For the Multi-Family Program, Efficient Buildings Program and Agricultural Program, expected participation values were estimated through discussions with CLEAResult, based on its experience with existing NMGC programs and with other utilities. ICF provided estimated participation in the New Homes Program based on its experience in implementing this program for NMGC and PNM. Franklin Energy provided estimated participation rates in the Space Heating Program, Water Heating Program and Senior and School Kits Program based on its experience in implementing similar programs for other New Mexico utilities as well as its experience in implementing programs nationally.

Key inputs for each program are shown in the tables below. Many programs have multiple measures that have a wide range of various components that affect each of these categories. Specific criteria used to set the incentive levels for each program are discussed under the program details, Section XIV.

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A) WATER HEATING PROGRAM

Measure Name	PER UNIT SAVINGS ASSUMPTIONS			Annual Installations		
	Gas Savings (therm)	Measure EUL	Measure Incentive	2026	2027	2028
Midstream - Res Tank WH	86.0	15	$200	369	424	488
Midstream - Res Tankless WH	139.0	20	$500	619	712	819
Midstream - Com Small Storage WH	194.0	15	$190	20	23	26
Midstream - Com Sm Tankless WH	510.0	20	$500	38	44	51
Midstream - Com Larg Storage WH	510.0	15	$500	11	13	15
Midstream - Com Lg Tankless WH	561.0	15	$550	11	13	15
Midstream - Com XL storage WH	816.0	20	$800	11	13	15
Midstream - Com Xl Tankless WH	1,020.0	20	$1,000	11	13	15
IQ Kits	14.6	10	$21	7,000	5,000	3,000
Kits- Single Pack	9.8	10	$21	100	100	100
Kits - Double Pack	16.7	10	$21	900	900	900
WaterSense Shower head POP	3.8	10	$5	1,528	1,528	1,528
PNM HEC Collaboration	21.0	10	$20	982	982	982
Gas Dryer	1.3	15	$55	62	62	62
Res Tank WH	86.0	15	$200	92	106	122
Res Tankless	139.0	20	$500	155	178	205
Com Small Storage WH	194.0	15	$190	5	6	7
Com Sm Tankless WH	510.0	20	$500	10	11	13
Com Larg Storage WH	510.0	15	$500	3	3	4
Com Lg Tankless WH	561.0	15	$550	3	3	4
Com XL storage WH	816.0	20	$800	3	3	4
Com Xl Tankless WH	1,020.0	20	$1,000	3	3	4

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B) SPACE HEATING PROGRAM

Measure Name	PER UNIT SAVINGS ASSUMPTIONS			Annual Installations		
	Gas Savings (therm)	Measure EUL	Measure Incentive	2026	2027	2028
Midstream - 95% Furnace	327.0	18	$540	22	24	26
Midstream - 96% Furnace	396.0	18	$540	123	135	149
Midstream - 97% Furnace	433.0	18	$625	21	23	25
Midstream - 98% Furnace	512.0	18	$625	10	11	12
Midstream - 99% Furnace	512.0	18	$625	10	11	12
Midstream - Boiler 95%	289.0	20	$540	85	94	103
Midstream - Boiler 97%	269.0	20	$625	3	3	3
Smart Thermostat POP	49.6	10	$50	185	185	185
Smart Thermostat Post Purchase	49.6	10	$50	1,236	1,236	1,236
Smart Thermostat Greenlite IQ	46.0	10	$50	494	494	494
Insulation - Attic	166.0	30	$510	195	195	195
Insulation - Crawl Space	39.9	30	$225	52	52	52
Insulation - Air Sealing	32.4	18	$680	21	21	21
Duct Sealing	21.4	18	$642	30	30	30
Furnace Tune Up	31.2	3	$100	62	62	62
Furnace Tune Up - LMI	31.2	3	$150	103	103	103
Midstream - Boiler 85 <300	160.9	20	$150	3	3	3
Midstream - Boiler 92 <300	248.0	20	$400	5	6	7
Midstream - Boiler 83 3-2500	1,573.0	20	$1,050	5	6	7
Midstream - Boiler 92 3-2500	2,696.2	20	$2,800	10	11	12
Midstream - Boiler 83 >2500	3,370.9	20	$2,250	2	2	2
Midstream - Boiler 92 >2500	5,777.7	20	$6,000	1	1	1
Midstream - com Furn 95%	551.0	18	$625	5	6	7
Midstream - com Furn 96%	637.7	18	$625	5	6	7
95% Furn	327.0	18	$540	6	6	7
96% Furn	396.0	18	$540	31	34	37
97% Furn	433.0	18	$625	5	6	6
98% Furn	512.0	18	$625	3	3	3
99% Furn	512.0	18	$625	3	3	3
Boiler 95%	289.0	20	$540	21	24	26
Boiler 97%	269.0	20	$625	1	1	1
Boiler 85 <300	160.9	20	$150	1	1	1
Boiler 92 <300	248.0	20	$400	1	2	2
Boiler 83 3-2500	1,573.0	20	$1,050	1	2	2
Boiler 92 3-2500	2,696.2	20	$2,800	3	3	3

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Measure Name	PER UNIT SAVINGS ASSUMPTIONS			Annual Installations		
	Gas Savings (therm)	Measure EUL	Measure Incentive	2026	2027	2028
Boiler 83 >2500	3,370.9	20	$2,250	1	1	1
Boiler 92 >2500	5,777.7	20	$6,000	0	0	0
com Furn 95%	551.0	18	$625	1	2	2
com Furn 96%	637.7	18	$625	1	2	2

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C) SCHOOL AND SENIOR KITS PROGRAM

	PER UNIT SAVINGS ASSUMPTIONS			Annual Installations		
Measure Name	Gas Savings (therm)	Measure EUL	Measure Incentive	2026	2027	2028
High School Kit (Water Heating Measures)	7.0	10	$18	7,000	8,500	10,000
Senior Kit (Water Heating Measures)	7.0	10	$18	5,000	5,500	6,000
High School Kit (Space Heating Measures)	7.0	10	$18	7,000	8,500	10,000
Senior Kit (Space Heating Measures)	7.0	10	$18	5,000	5,500	6,000

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D) NEW HOMES PROGRAM

Measure Name	PER UNIT SAVINGS ASSUMPTIONS			Annual Installations		
	Gas Savings (therm)	Measure EUL	Measure Incentive	2026	2027	2028
Maximum Incentive for Performance-Based Incentives (base kWh + Bonus)	444.9	23	$877	900	900	900
ENERGY STAR Certified Smart Thermostat	80.4	10	$50	900	900	900
ENERGY STAR Furnaces AFUE 92%	254.3	20	$400	400	400	400
ENERGY STAR Boilers AFUE 95%	154.7	20	$500	1	1	1
ENERGY STAR Smart Thermostat	75.0	10	$50	400	400	400
ENERGY STAR Tankless Water Heater, UEF ≥ 0.87	170.8	20	$450	20	20	20
ENERGY STAR Boiler AFUE 92%-94% (per MBH) - Centralized (2026)	1.8	20	$5	2	0	0
ENERGY STAR Boiler AFUE 95%-96% (per MBH) - Centralized (2026)	2.3	20	$6	2	0	0
ENERGY STAR Boiler AFUE 97%+ (per MBH) - Centralized (2026)	2.6	20	$6	2	0	0
ENERGY STAR Furnace AFUE 92%-94% (per MBH) - Centralized (2026)	2.1	20	$5	5	0	0
ENERGY STAR Furnace AFUE 95%-96% (per MBH) - Centralized (2026)	2.6	20	$6	4	0	0
ENERGY STAR Furnace AFUE 97%+ (per MBH) - Centralized (2026)	3.0	20	$6	3	0	0
ENERGY STAR Boiler AFUE 92%-94% (per MBH) - Centralized (2027 & 2028)	1.8	20	$6	0	2	2
ENERGY STAR Boiler AFUE 95%-96% (per MBH) - Centralized (2027 & 2028)	2.3	20	$7	0	2	2
ENERGY STAR Boiler AFUE 97%+ (per MBH) - Centralized (2027 & 2028)	2.6	20	$7	0	2	2
ENERGY STAR Furnace AFUE 92%-94% (per MBH) - Centralized (2027 & 2028)	2.1	20	$6	0	5	5
ENERGY STAR Furnace AFUE 95%-96% (per MBH) - Centralized (2027 & 2028)	2.6	20	$7	0	4	4
ENERGY STAR Furnace AFUE 97%+ (per MBH) - Centralized (2027 & 2028)	3.0	20	$7	0	3	3
ENERGY STAR Boiler AFUE 92%-94%	69.6	20	$200	5	5	10
ENERGY STAR Boiler AFUE 95%-96%	93.5	20	$300	5	5	10
ENERGY STAR Boiler AFUE 97%+	108.6	20	$400	2	2	5
ENERGY STAR Furnace AFUE 92%-94%	150.0	20	$200	30	30	25
ENERGY STAR Furnace AFUE 95%-96%	176.3	20	$300	25	25	50
ENERGY STAR Furnace AFUE 97%+	193.8	20	$400	5	5	10
ENERGY STAR Smart Thermostat	51.7	11	$50	70	70	100
ENERGY STAR Tankless Water Heater, UEF ≥ 0.87	80.0	20	$200	50	50	75

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Measure Name	PER UNIT SAVINGS ASSUMPTIONS			Annual Installations		
	Gas Savings (therm)	Measure EUL	Measure Incentive	2026	2027	2028
ENERGY STAR Tank Water Heater, 55 gallons or less, UEF ≥ 0.78	63.1	11	$150	50	50	75
ENERGY STAR Multifamily New Construction V1.1 Certification Bonus	0.0	23	$100	10	15	20
ENERGY STAR Furnace (up to 225 MBH, AFUE ≥ 95%)	143.7	20	$750	5	5	5
ENERGY STAR Furnace (up to 225 MBH, AFUE ≥ 96%)	153.3	20	$1,000	5	5	5
ENERGY STAR Boiler (up to 300 MBH, AFUE ≥ 92%)	394.7	20	$750	5	5	5
ENERGY STAR Condensing Boiler (up to 300 MBH, AFUE ≥ 95%)	499.4	20	$1,000	5	5	5
ENERGY STAR Small Storage Water Heater, (40-75 MBH, UEF ≥ 0.80)	154.0	15	$350	10	5	0
ENERGY STAR Large Storage Water Heater, (75-300 MBH, Et ≥ 0.90)	292.0	15	$600	10	10	0
ENERGY STAR Large Storage Water Heater, (75-300 MBH, Et ≥ 0.95)	392.0	15	$800	10	10	15
ENERGY STAR Small Tankless Water Heater, (50-200 MBH, EF ≥ 0.94)	507.0	20	$1,200	5	5	5
ENERGY STAR Large Tankless Water Heater, (200-300 MBH, Et ≥ 0.90)	366.0	20	$1,000	5	5	0
ENERGY STAR Large Tankless Water Heater, (200-300 MBH, Et ≥ 0.94)	490.0	20	$1,500	5	5	5
ENERGY STAR Certified Smart Thermostat	63.1	11	$50	20	20	20
Multifamily Custom ($x/Therm)	1.0	15	$1	8,000	10,000	12,000
ENERGY STAR Boiler AFUE 92%-94% (per MBH) - Centralized - LI (2026)	1.8	20	$6	2	0	0
ENERGY STAR Boiler AFUE 95%-96% (per MBH) - Centralized - LI (2026)	2.3	20	$7	2	0	0
ENERGY STAR Boiler AFUE 97%+ (per MBH) - Centralized - LI (2026)	2.6	20	$7	2	0	0
ENERGY STAR Furnace AFUE 92%-94% (per MBH) - Centralized - LI (2026)	2.1	20	$6	5	0	0
ENERGY STAR Furnace AFUE 95%-96% (per MBH) - Centralized - LI (2026)	2.6	20	$7	5	0	0
ENERGY STAR Furnace AFUE 97%+ (per MBH) - Centralized - LI (2026)	3.0	20	$7	5	0	0
ENERGY STAR Boiler AFUE 92%-94% (per MBH) - Centralized - LI (2027 & 2028)	1.8	20	$7	0	2	2
ENERGY STAR Boiler AFUE 95%-96% (per MBH) - Centralized - LI (2027 & 2028)	2.3	20	$8	0	2	2

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Measure Name	PER UNIT SAVINGS ASSUMPTIONS			Annual Installations		
	Gas Savings (therm)	Measure EUL	Measure Incentive	2026	2027	2028
ENERGY STAR Boiler AFUE 97%+ (per MBH) - Centralized - LI (2027 & 2028)	2.6	20	$8	0	2	2
ENERGY STAR Furnace AFUE 92%-94% (per MBH) - Centralized - LI (2027 & 2028)	2.1	20	$7	0	5	5
(2027 & 2028)	2.6	20	$8	0	5	5
ENERGY STAR Furnace AFUE 97%+ (per MBH) - Centralized - LI (2027 & 2028)	3.0	20	$8	0	5	5
ENERGY STAR Boiler AFUE 92%-94% - LI	69.6	20	$300	10	10	10
ENERGY STAR Boiler AFUE 95%-96% - LI	93.5	20	$500	10	10	10
ENERGY STAR Boiler AFUE 97%+ - LI	108.6	20	$700	5	5	5
ENERGY STAR Furnace AFUE 92%-94% - LI	150.0	20	$300	75	50	25
ENERGY STAR Furnace AFUE 95%-96% - LI	176.3	20	$500	50	75	75
ENERGY STAR Furnace AFUE 97%+ - LI	193.8	20	$700	15	25	50
ENERGY STAR Smart Thermostat - LI	51.7	11	$50	100	125	125
ENERGY STAR Tankless Water Heater, UEF ≥ 0.87 - LI	80.0	20	$300	150	150	150
ENERGY STAR Tank Water Heater, 55 gallons or less, UEF ≥ 0.78 - LI	63.1	11	$300	150	150	150
ENERGY STAR Furnace (up to 225 MBH, AFUE ≥ 95%) - LI	143.7	20	$1,500	10	10	10
ENERGY STAR Furnace (up to 225 MBH, AFUE ≥ 96%) - LI	153.3	20	$2,500	5	5	5
ENERGY STAR Boiler (up to 300 MBH, AFUE ≥ 92%) - LI	394.7	20	$1,000	5	5	5
ENERGY STAR Condensing Boiler (up to 300 MBH, AFUE ≥ 95%) - LI	499.4	20	$2,000	5	5	5
ENERGY STAR Small Storage Water Heater, (40-75 MBH, UEF ≥ 0.80) - LI	154.0	15	$600	20	15	15
ENERGY STAR Large Storage Water Heater, (75-300 MBH, Et ≥ 0.90) - LI	292.0	15	$1,000	25	30	30
ENERGY STAR Large Storage Water Heater, (75-300 MBH, Et ≥ 0.95) - LI	392.0	15	$1,500	15	15	15
ENERGY STAR Small Tankless Water Heater, (50-200 MBH, EF ≥ 0.94) - LI	507.0	20	$1,700	5	10	10
ENERGY STAR Large Tankless Water Heater, (200-300 MBH, Et ≥ 0.90) - LI	366.0	20	$2,000	10	10	10
ENERGY STAR Large Tankless Water Heater, (200-300 MBH, Et ≥ 0.94) - LI	490.0	20	$2,500	5	5	5
ENERGY STAR Certified Smart Thermostat - LI	63.1	11	$50	25	25	25
ENERGY STAR Smart Thermostat	51.7	10	$50	61	67	74

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Measure Name	PER UNIT SAVINGS ASSUMPTIONS			Annual Installations		
	Gas Savings (therm)	Measure EUL	Measure Incentive	2026	2027	2028
ES_MFG_v3_Single_Section_gas_CZ2_NM_Albuquerque w/ Gas WH	100.1	17	$350	1	1	1
ES_MFG_v3_Single_Section_gas_CZ2_NM_Albuquerque w/ Elec WH	99.0	17	$350	2	2	2
Single-Section_Albq_ZERH v1 - Gas Furnace + HPWH Opt 1 (90 AFUE)	119.1	17	$350	6	7	9
Single-Section_Albq_ZERH v1 - Gas Furnace + HPWH Opt 2 (95 AFUE)	101.6	17	$350	6	7	9
Multi-Section_Albq_ES v3 - Envelope Package	117.2	17	$350	1	1	1
Multi-Section_Albq_ES v3 - Gas Package Opt 1 (90 AFUE)	96.7	17	$350	1	1	1
Multi-Section_Albq_ES v3 - Gas Package Opt 2 (95 AFUE)	84.0	17	$450	1	1	1
Multi-Section_Albq_ZERH v1 - Gas Furnace + HPWH Opt 1 (90 AFUE)	97.0	17	$350	0	0	0
Multi-Section_Albq_ZERH v1 - Gas Furnace + HPWH Opt 2 (95 AFUE)	84.0	17	$450	22	25	25
ES_MFG_v3_Single_Section_gas_CZ2_NM_Santa Fe w/ Gas WH	133.9	17	$350	1	1	1
ES_MFG_v3_Single_Section_gas_CZ2_NM_Santa Fe w/ Elec WH	133.7	17	$350	1	1	1
Single-Section_SanFe_ZERH v1 - Gas Furnace + HPWH Opt 1 (90 AFUE)	153.1	17	$350	3	3	4
Single-Section_SanFe_ZERH v1 - Gas Furnace + HPWH Opt 2 (95 AFUE)	130.1	17	$350	3	3	4
Multi-Section_SanFe_ES v3 - Envelope Package	151.9	17	$350	1	1	1
Multi-Section_SanFe_ES v3 - Gas Package Opt 1 (90 AFUE)	120.6	17	$350	1	1	1
Multi-Section_SanFe_ES v3 - Gas Package Opt 2 (95 AFUE)	102.2	17	$450	1	1	1
Multi-Section_SanFe_ZERH v1 - Gas Furnace + HPWH Opt 2 (95 AFUE)	84.0	17	$450	10	11	12

E) WEATHERIZATION ASSISTANCE PROGRAM (INCOME QUALIFIED)

Measure Name	PER UNIT SAVINGS ASSUMPTIONS			Annual Installations		
	Gas Savings (therm)	Measure EUL	Measure Incentive	2026	2027	2028

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Furnace Replacement	226.0	18	$2,149	39	39	39
Replacement Heater	223.0	18	$2,589	42	42	42
Attic Insulation	221.0	25	$1,170	55	55	55
Floor Insulation	198.0	20	$856	28	28	28
Window Replacement	170.0	25	$2,238	59	59	59
Wall Insulation	102.0	25	$505	2	2	2
General air sealing	100.0	11	$289	133	133	133
Infiltration	100.0	11	$395	4	4	4
Low E Window	74.0	20	$1,534	2	2	2
Duct Sealing	64.0	18	$131	98	98	98
Duct Insulation	56.0	18	$388	3	3	3
DWH Low Flow Shower Head	43.0	10	$57	11	11	11
DHW Tank Insulation	42.0	10	$113	124	124	124
Door Replacement	34.0	25	$459	58	58	58
Seal Ducts	30.0	18	$159	5	5	5
Water Heater Replacement	29.0	18	$1,831	23	23	23
Low Flow Shower Heads	25.0	10	$51	52	52	52
Faucet Aerator	17.0	7	$22	61	61	61
Other	15.0	1	$286	14	14	14
DHW Pipe Insulation	10.0	10	$40	89	89	89
Incidental Repairs	1.6	1	$450	32	32	32
CO Detector	0.0	1	$103	35	35	35
Dryer Venting (H&S)	0.0	1	$54	19	19	19
Furnace Tuneup	0.0	5	$219	10	10	10
Heating system tune up	0.0	5	$128	2	2	2
Mechanical Ventilation	0.0	1	$967	42	42	42
Smart Thermostat	0.0	10	$26	1	1	1
Smoke Detectors	0.0	1	$87	36	36	36

F) COMMERCIAL ENERGY EFFICIENCY PROGRAM (INCOME QUALIFIED)

	PER UNIT SAVINGS ASSUMPTIONS			Annual Installations		
Measure Name	Gas Savings (therm)	Measure EUL	Measure Incentive	2026	2027	2028
Low Flow Showerheads	11.0	10	$74	395	395	395
1.5 GPM Faucet Aerators	1.3	10	$9	200	200	200
1.0 GPM Faucet Aerators	1.7	10	$12	373	373	373
Water Heater Tank Insulation	18.8	7	$127	242	242	242

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Water Heater Pipe Insulation	1.1	13	$7	206	206	206
Programmable Thermostat	40.9	10	$276	159	159	159
Smart Thermostat	36.9	10	$249	40	40	40
Infiltration Reduction	31.5	11	$213	258	258	258
Duct Sealing	205.8	18	$1,389	228	228	228
Ceiling Insulation	99.2	30	$669	70	70	70

G) MANUFACTURED HOMES PROGRAM (INCOME QUALIFIED)

	PER UNIT SAVINGS ASSUMPTIONS			Annual Installations		
Measure Name	Gas Savings (therm)	Measure EUL	Measure Incentive	2026	2027	2028
Low Flow Showerheads	11.0	10	$74	731	731	731
1.5 GPM Faucet Aerators	1.3	10	$9	436	436	436
1.0 GPM Faucet Aerators	1.7	10	$12	641	641	641
Water Heater Tank Insulation	18.8	7	$127	478	478	478
Water Heater Pipe Insulation	1.1	13	$7	432	432	432
Programmable Thermostat	40.9	10	$276	436	436	436
Smart Thermostat	36.9	10	$249	44	44	44
Infiltration Reduction	50.5	11	$341	598	598	598
Duct Sealing	257.2	18	$1,736	511	511	511

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H) NATIVE AMERICAN ENERGY EFFICIENCY PROGRAM (INCOME QUALIFIED)

	PER UNIT SAVINGS ASSUMPTIONS			Annual Installations		
Measure Name	Gas Savings (therm)	Measure EUL	Measure Incentive	2026	2027	2028
Low Flow Showerheads	12.2	10	$82	544	544	544
1.5 GPM Faucet Aerators	1.5	10	$10	315	315	315
1.0 GPM Faucet Aerators	2.0	10	$14	535	535	535
Water Heater Tank Insulation	19.3	7	$130	326	326	326
Water Heater Pipe Insulation	1.1	13	$7	306	306	306
Programmable Thermostat	47.0	10	$317	218	218	218
Smart Thermostat	42.5	10	$287	59	59	59
Infiltration Reduction	37.9	11	$255	335	335	335
Duct Sealing	245.6	18	$1,657	344	344	344
Ceiling Insulation	118.4	30	$799	74	74	74

I) SINGLE FAMILY ENERGY EFFICIENCY PROGRAM (INCOME QUALIFIED)

	PER UNIT SAVINGS ASSUMPTIONS			Annual Installations		
Measure Name	Gas Savings (therm)	Measure EUL	Measure Incentive	2026	2027	2028
Low Flow Showerheads	11.0	10	$74	987	987	987
1.5 GPM Faucet Aerators	1.3	10	$9	501	501	501
1.0 GPM Faucet Aerators	1.7	10	$12	933	933	933
Water Heater Tank Insulation	18.8	7	$127	605	605	605
Water Heater Pipe Insulation	1.1	13	$7	516	516	516
Programmable Thermostat	40.9	10	$276	397	397	397
Smart Thermostat	36.9	10	$249	99	99	99
Infiltration Reduction	31.5	11	$213	645	645	645
Duct Sealing	205.8	18	$1,389	571	571	571
Ceiling Insulation	99.2	30	$669	175	175	175

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J) MULTI-FAMILY PROGRAM

Measure Name	PER UNIT SAVINGS ASSUMPTIONS			Annual Installations		
	Gas Savings (therm)	Measure EUL	Measure Incentive	2026	2027	2028
Kitchen Low-Flow Faucet Aerator	1.4	10	$10	1,500	1,575	1,650
Bathroom Low-Flow Faucet Aerator	2.6	10	$10	1,500	1,575	1,650
Low-flow Showerhead	9.9	10	$15	1,500	1,575	1,650
Programmable Thermostat	45.5	10	$100	300	315	330
Smart Thermostat	74.8	10	$200	600	630	660
Programmable to Smart Thermostat	52.1	10	$200	500	525	550
Water Heater Pipe Insulation (R-value=5)	4.8	13	$10	750	788	825
Infiltration reduction (air sealing)	22.2	11	$30	500	525	550
Duct Sealing	50.2	18	$100	750	788	825
Water Heater Tank insulation (unconditioned)	28.7	7	$100	400	420	440
Water Heater Tank insulation (conditioned)	23.8	7	$100	200	210	220
High-Efficiency Gas Furnace (Condensing)	172.5	20	$750	500	525	550
ENERGY STAR-rated Gas Storage Water Heater	108.4	11	$350	500	525	550
Ceiling insulation	0.0	30	$1	200,000	210,000	220,000
Dual Fuel Heat Pump	200.0	20	$1,500	75	79	83

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K) EFFICIENT BUILDINGS PROGRAM

Measure Name	PER UNIT SAVINGS ASSUMPTIONS			Annual Installations		
	Gas Savings (therm)	Measure EUL	Measure Incentive	2026	2027	2028
Envelope: Bay Door WX	31.0	11	$34	17,600	17,600	17,600
Envelope: Exterior Door WX	7.0	11	$9	2,000	2,000	2,000
Water: Aerators 0.5	7.0	10	$15	20	20	20
Water: Aerators 1.0	7.0	10	$15	35	35	35
Water: Pre-Rinse Spray Valve	75.0	5	$155	4	4	4
Water: PRSV 1.11	75.0	5	$155	15	15	15
Water: Showerheads 1.5	7.0	10	$15	10	10	10
M&V NC: Boiler Calibration	2,539.0	2	$2,400	10	10	10
M&V NC: Boiler Replacement	16,179.0	20	$14,561	8	8	8
M&V RTR: Boiler Calibration	3,626.0	2	$2,300	1	1	1
M&V RTR: Boiler Economizer	20,944.0	15	$18,850	2	2	2
M&V RTR: Boiler Replacement	7,618.0	20	$6,883	10	10	10
M&V RTR: Burner Replacement	29,442.0	20	$26,498	3	3	3
M&V RTR: Chiller Replacement	108,036.0	15	$97,232	1	1	1
M&V RTR: CHP Cogen	222,050.0	20	$135,000	1	1	1
M&V RTR: Steam Boiler	27,168.0	20	$24,451	4	4	4
M&V RTR: DHW Tankless	389.0	20	$800	10	11	12
M&V RTR: Building Controls	2,078.0	12	$1,870	6	5	5
Stipulated NC: Steam Trap Replacement	35,362.0	6	$32,000	3	3	3
Stipulated RTR: Pipe Insulation	19,764.0	20	$17,559	3	3	3
Stipulated RTR: Steam Leaks	23,738.0	10	$18,000	2	2	2
Stipulated RTR: Steam Trap Repair	4,482.0	6	$3,822	1	1	1
Stipulated RTR: Space Heating Boilers	1,700.0	20	$1,530	2	2	2
Stipulated RTR: Steam Trap Audit	104,168.0	6	$70,000	1	1	1
Stipulated RTR: Steam Trap Replacement	25,056.0	6	$20,000	1	1	1
Stipulated RTR: Boiler Descale	5,078.0	15	$4,000	1	1	1
Stipulated RTR: Roof insulation	441.0	20	$397	2	2	2
Boiler Replacement	5,233.0	20	$4,710	2	2	2
DHW	4,433.0	15	$4,137	2	2	2
Fryer	945.0	12	$900	1	1	1
Water Heater_Storage	1,601.0	20	$1,480	2	2	2
CFS Fryer	897.0	12	$800	7	7	7
Space Heating Boilers	8,170.0	20	$7,353	5	5	5
DHW Tankless	738.0	20	$800	3	3	3

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	PER UNIT SAVINGS ASSUMPTIONS			Annual Installations		
Measure Name	Gas Savings (therm)	Measure EUL	Measure Incentive	2026	2027	2028
CFS Convection Oven	129.0	12	$300	1	1	1
DHW Heating Boilers	1,966.0	20	$2,100	1	1	1
Audit	0.0	1	$10,000	6	6	6
TA Bonuses and LTO	0.0	1	$10,000	5	5	5
SEM	500,000.0	1	$125,000	1	1	1

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L) AGRICULTURAL PROGRAM

Measure Name	PER UNIT SAVINGS ASSUMPTIONS			Annual Installations		
	Gas Savings (therm)	Measure EUL	Measure Incentive	2026	2027	2028
Greenhouse IR film	3,502.6	5	$350	12	12	12
Greenhouse condensing unit heaters	894.7	20	$1,600	28	28	28
Greenhouse/Indoor Ag Boiler Tune-ups	487.0	20	$500	10	10	10
Greenhouse Steam Leak Repair	532.0	10	$1,333	20	20	20
Greenhouse Under Bench Hydronic Heating	2,107.0	15	$10,000	1	1	1
Chiller Heat Recovery for Indoor Ag Dehumidification	11,159.0	15	$7,500	3	3	3
High Efficiency Grain Dryer	3,698.0	13	$7,500	0	0	0
Grain Dryer Heat Recovery	5,671.0	20	$15,000	0	0	0
Grain Dryer Tune-ups	588.0	14	$250	10	10	10
Heat recovery water heaters (dairy)	1,048.0	15	$2,000	10	10	10
High Efficiency Gas water heater - Storage (dairy)	1,449.0	13	$105	15	15	15
High Efficiency Gas water heater (dairy) - Instant	1,523.0	20	$575	15	15	15
Milk Pre Cooler Heat Exchanger	10,968.0	15	$1,250	2	2	2

M) HOME ENERGY REPORTS PROGRAM

Measure Name	PER UNIT SAVINGS ASSUMPTIONS			Annual Installations		
	Gas Savings (therm)	Measure EUL	Measure Incentive	2026	2027	2028
Home Energy Reports	6.6	1	$0	176,494		
Home Energy Reports	7.2	1	$0		165,905	
Home Energy Reports	7.2	1	$0			155,950

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2. Program Costs

The following table presents the detailed components of the program costs including administration, third-party implementation, promotion, M&V and incentives. Please see the discussion below for a description of the allocation methods.

	2026				
Program Name	Rebates	NMGC Admin	External Admin.	Marketing & Education	Total Cost
Water Heating	$746,540	$120,842	$509,123	$40,000	$1,416,505
Space Heating	$518,568	$120,842	$455,372	$60,000	$1,154,783
School and Senior Kits	$435,840	$120,842	$214,403	$10,000	$781,085
New Homes	$1,464,137	$120,842	$1,218,732	$30,000	$2,833,711
Weatherization Assistance Program	$632,038	$120,842	$100,000	$10,000	$862,881
Community Energy Efficiency Program	$540,198	$120,842	$60,000	$0	$721,041
Manufactured Homes Program	$1,351,746	$120,842	$150,000	$20,000	$1,642,588
Native American Program	$900,995	$120,842	$100,000	$15,000	$1,136,837
Single Family Home Program	$1,350,911	$120,842	$150,000	$50,000	$1,671,754
Multi-Family	$1,222,500	$120,842	$606,080	$0	$1,949,422
Efficient Buildings	$1,772,809	$120,842	$2,707,809	$50,000	$4,651,461
Agricultural	$148,360	$120,842	$442,527	$20,000	$731,729
Home Energy Reports	$0	$120,842	$743,689	$5,000	$869,531
Program & Innovation Costs	$0	$509,430			$509,430
Totals:	***$11,084,643***		***$7,457,735***	***$310,000***	***$20,932,759***

	2027				
Program Name	Rebates	NMGC Admin	External Admin.	Marketing & Education	Total Cost
Water Heating	$746,540	$124,468	$480,497	$41,200	$1,432,465
Space Heating	$518,568	$124,468	$456,433	$61,800	$1,188,254

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School and Senior Kits	$435,840	$124,468	$237,665	$10,300	$880,913
New Homes	$1,464,137	$124,468	$985,262	$30,900	$2,632,106
Weatherization Assistance Program	$632,038	$124,468	$100,000	$10,300	$866,806
Community Energy Efficiency Program	$540,198	$124,468	$60,000	$0	$724,666
Manufactured Homes Program	$1,351,746	$124,468	$150,000	$20,600	$1,646,814
Native American Program	$900,995	$124,468	$100,000	$15,450	$1,140,912
Single Family Home Program	$1,350,911	$124,468	$150,000	$51,500	$1,676,879
Multi-Family	$1,222,500	$124,468	$629,306	$0	$2,037,399
Efficient Buildings	$1,772,809	$124,468	$3,242,458	$51,500	$5,190,165
Agricultural	$148,360	$124,468	$324,087	$20,600	$617,515
Home Energy Reports	$0	$124,468	$558,237	$5,150	$687,855
Program & Innovation Costs	$0	$513,013			$513,013
Totals:	*$11,311,423*	*$1,618,080*	*$7,473,945*	*$319,300*	*$21,235,761*

	2028				
Program Name	Rebates	NMGC Admin	External Admin.	Marketing & Education	Total Cost
Water Heating	$841,110	$128,202	$491,870	$42,436	$1,503,618
Space Heating	$570,293	$128,202	$467,729	$63,654	$1,229,878
School and Senior Kits	$581,120	$128,202	$261,307	$10,609	$981,238
New Homes	$1,520,577	$128,202	$1,015,138	$31,827	$2,695,743
Weatherization Assistance Program	$632,038	$128,202	$100,000	$10,609	$870,849
Community Energy Efficiency Program	$540,198	$128,202	$60,000	$0	$728,400
Manufactured Homes Program	$1,351,746	$128,202	$150,000	$21,218	$1,651,166
Native American Program	$900,995	$128,202	$100,000	$15,914	$1,145,110
Single Family Home Program	$1,350,911	$128,202	$150,000	$53,045	$1,682,158
Multi-Family	$1,344,750	$128,202	$653,108	$0	$2,126,060
Efficient Buildings	$1,772,539	$128,202	$3,310,716	$53,045	$5,264,502
Agricultural	$148,360	$128,202	$331,912	$21,218	$629,692
Home Energy Reports	$0	$128,202	$559,168	$5,305	$692,674
Program & Innovation Costs	$0	$516,703			$516,703
Totals:	*$11,554,638*	*$1,666,622*	*$7,650,948*	*$328,879*	*$21,717,790*

Pursuant to 17.7.2.9(B) NMAC, funding for measures and program costs directed to low-income customers shall be no less than 5% of the overall budget.[1] NMGC's Income Qualified Program for Program Year 2026, a total of $6,035,101 of NMGC's portfolio, is directed at low-income measures and programs. This equates to approximately 29% of the overall budget. Additionally, the Multi-Family Program has allocated 50% of its budget to target low-income properties and the addition of the High School and Senior Citizen Education Kits to the Space Heating Program and Water Heating Program will benefit low-income customers who are located in Title V school districts.

C. Program Costs Allocation

This section explains the methods and rationale used to allocate program costs to the various programs. Rebates are the amounts paid directly to or on behalf of participating customers and account for 53% of the overall budget for Program Year 2026. The other major cost categories are internal administration, external administration, and promotion.

1. Internal Administration

Internal administration costs include labor and administrative costs NMGC's Energy Efficiency staff expends on energy efficiency programs in research, program development, invoice processing, and oversight of the program plan. Invoice processing for third-party administration, outsourced marketing, and promotional materials were based on the administrative resources required to process and account for monthly invoices. A portion of the labor cost is based on NMGC's estimate of the time that will be needed to administer, track, and report on these programs per NMPRC compliance requirements, and the time necessary to interact and interface with customers, third-party implementers, M&V evaluators, and stakeholders on an ongoing basis. NMGC developed its

[1] NMGC is aware of a pending revision to this Rule, which will raise this threshold to 10% of the overall budget.

year-over-year budget by establishing its budget for Program Year 2026 and then escalating the 2026 Program Year budget by 3% for the 2027 and 2028 program years.

2. External Administration

External administrative costs are the costs of engaging third-party contractors to implement a particular program or programs on behalf of NMGC. The Income Qualified programs will be implemented by MFA and EnergyWorks; CLEAResult will implement the Multi-Family Program, Efficient Buildings Program and new Agricultural Program; Franklin Energy will implement the Water Heating Program, Space Heating Program, and new School and Senior Citizen Education Program; ICF will continue to implement the New Homes Program, and Bidgely will administer the Home Energy Reports Program. External, or third-party, administration costs include labor and other direct expenses related to program implementation planning, program marketing and website materials development and management, outreach about the programs to eligible participants, energy efficiency opportunity identification and assessment, energy engineering and energy savings validation, some direct installation ("DI") of high efficiency showerheads, faucet aerators, weatherstripping, and high efficiency pre-rinse spray valves, rebate processing and quality control inspections. Across the nation, external administration costs for commercial programs, such as NMGC's Efficient Buildings Program, are typically much higher on a percent per program than other programs offered by utilities. This is due to much more labor intensive work for audits, discussions with multiple decisionmakers within a business's organization, back-room engineering of potential applications, pre- and post- inspections of equipment, DI installations, and ongoing interface with M&V evaluators. To the extent that these contracts require the third-parties to conduct promotional activities acceptable to NMGC, those promotional costs are considered third-party administrative costs.

3. Marketing and Education

NMGC anticipates promoting these programs through community outreach activities, the use of walk-in office posters, brochures, print media, social media, and television and radio advertising. MFA, CLEAResult and EnergyWorks are responsible for marketing the programs they administer and conduct extensive outreach programs, but NMGC anticipates including information about the Income Qualified and Multi-Family programs in its marketing materials and has allocated a small budget for its promotion. While some programs will have costs assigned for program specific promotions, general energy efficiency promotional costs to NMGC are mostly allocated equally across the programs.

Additionally, NMGC will take advantage of current Company communication channels to promote these programs. Examples include use of the monthly newsletter, bill inserts, the call center, walk-in offices, back-of-the-envelope, social media, and NMGC personnel who meet with customers at their residences and businesses. NMGC developed its year-over-year budget by establishing its budget for Program Year 2026 and then escalating the 2026 Program Year budget by 3% for the 2027 and 2028 program years.

4. Measurement and Verification

NMGC anticipates Measurement and Verification costs will not exceed 2% of its total budget. NMGC did not include these costs in its overall portfolio budget as NMAC Rule 17.7.2 states that those costs should be recovered through a regulatory asset in NMGC's next rate case.

5. Portfolio and Innovation Costs

Portfolio costs are all costs that are associated with the overall portfolio but that are non-program specific. Examples of these costs include, but are not limited to, 1) NMGC's online Home Energy Analyzer Tool, 2) memberships,

dues, training and supplies for NMGC's staff, 3) legal expenses associated with its annual and tri-annual filings as well as participation in other NMPRC cases related to energy efficiency. Additionally, NMGC is budgeting $250,000 in Program Year 2026, or approximately 1.2% of its Program Year 2026 costs, to focus on innovation. These funds can be focused on energy efficiency pilot projects and can provide funds for studies related to energy efficiency. NMGC developed its year-over-year budget for internal administrative, marketing, and program and innovation costs by establishing its budget for Program Year 2026 and then escalating the 2026 Program Year budget by 3% for the 2027 and 2028 program years.

X. Promotional Approach

The success of the energy efficiency programs rests in large part on effective marketing and promotional campaigns. The campaigns will encourage customers to participate in the programs as well as educate customers about the benefits of energy efficiency. The method that will be employed for promotional campaigns of residential programs is often referred to as a Push-Pull Marketing Strategy. The "push" will aim at educating and bringing awareness to residential customers of program offerings, while the "pull" will come from the contractor and affiliates side when the customer is requesting information or services from them. Developing these affiliates as trade allies will be crucial and is one of the most important components of the third-party administrator's work. The creation and alignment of common goals between the trade allies and NMGC will be the crux to delivering the greatest value to the budget and marketing campaigns.

The promotional approach to commercial programs will vary significantly from that of residential programs, primarily due to the differences in the size and nature of the target markets and the utilization of NMGC personnel that work closely and understand the needs of medium to large commercial customers. However, many of the same contractors, trade allies and affiliates work in both the residential and commercial markets. The proposed third-party implementers will work cooperatively in their outreach to these affiliates

through ongoing meetings and various means of communication to leverage the opportunity to create additional synergies and expand the outreach of NMGC's programs.

In addition, NMGC will continue to collaborate as much as possible with the electric utilities, EPE, SPS, and especially PNM, to promote each of our programs and to provide the best opportunity for customers to increase energy efficiency in their homes and businesses.

A. Residential Programs

NMGC has gained valuable experience about the relative effectiveness of various promotional tactics since beginning the process on January 30, 2009. To date, NMGC's main focus for promoting its energy efficiency programs has been to market its programs to the end-use customer through various means. NMGC's enhancements to its residential programs which include a customer link rebate tool, and a QR code journey are expected to help make programs more accessible to its end-use customers. NMGC will continue to work with its implementers to identify all HVAC and plumbing distributors, wholesalers, contractors, trade associations, and midstream channels that conduct business within NMGC's service territory. Franklin Energy and NMGC will contact each of them directly to explain the programs and provide each with a contractor information packet. Ongoing outreach and group recruitment meetings will leverage the ENERGY STAR® brand and how it aligns with the business practices of these affiliates. Franklin Energy will provide education on how the rebate application and process works not only for their own applications, but so that they can also assist customers that replace existing water heaters and furnaces. The downstream value will be in having an expanded, knowledgeable resource base able to educate end-use customers on the benefits of NMGC's programs and installing energy efficient equipment. Outreach to the end-use customer will continue. The Home Energy Reports program will be issued to approximately 176,000 customers in Program Year 2026, contacting them five to six times annually, promoting energy efficiency. The Company's monthly bill insert, back-of-the-envelope, and customer newsletter, "Natural Gas Pipeline", are among the most cost-effective communication

vehicles, particularly if they are accompanied by simultaneous media advertising. These vehicles will continue to be a major source of information on our programs for our residential customers. Promotional materials will encourage customers to visit NMGC's Energy Efficiency Program website, or to contact the Company's Energy Efficiency Department for more information. Because customers will be drawn to different benefits of energy efficiency (i.e., one person likes the money savings while another enjoys the feeling of doing something good for the environment), NMGC will use its website and social media to highlight a broad spectrum of program benefits in order to appeal to different customers' needs and interests, which is intended to drive increased participation.

The residential market is very large, so a variety of approaches must be used to assure sufficient reach. NMGC intends to continue to employ print advertising, direct mail, radio and television advertising, the NMGC website, and social media, as well as third-party communication channels including implementers, community and professional organizations. NMGC personnel who interface with customers while providing services at their residences or businesses, will also provide brochures of programs that they determine can benefit the customer. The use of many communication channels increases the reach of the message and the level of customer awareness, which will be crucial in the success of these programs. NMGC will be able to take advantage of the promotional materials created for energy efficiency programs by the third-party program administrators by incorporating information in bill inserts and targeted mailings, which will further enhance the public's awareness and participation.

The Income Qualified Program - Weatherization Assistance Program and Multi-Family Program promotion will be primarily administered by MFA and CLEAResult, respectively. Although MFA and CLEAResult will be responsible for qualifying participants and advertising the programs, NMGC will refer customers to its implementers as appropriate. All other Income Qualified Programs will be primarily administered by EnergyWorks, and promotional activities for these programs will be performed by both EnergyWorks and NMGC.

NMGC will continue to work cooperatively with builders, HVAC and plumbing contractors, and retailers in promotional efforts for both residential and the New Homes Program. Participating builders, plumbing and HVAC contractors, vendors, and affiliates will receive rebate materials and training materials regarding NMGC's energy savings programs and will receive updates via the new contractor portal that Franklin Energy has available.

B. Commercial Programs

NMGC will utilize its staff to promote the programs and assist in identifying potential businesses that could benefit from its programs. For the most part, marketing and promotional efforts aimed at commercial customers will not use mass-market channels. Instead, efforts will be focused as described above. CLEAResult has established relationships with many of the same organizations that Franklin Energy will be engaging and in fact has held mutual promotions for contractors, vendors and manufacturer representatives that provide both residential and commercial services. Program information will also be provided to business associations, architects, engineers, facility managers' groups, trade associations, contractor groups, retailer organizations, midstream channels and at trade shows.

XI. Staffing

NMGC Energy Efficiency Program staff will be responsible for the continual monitoring and oversight of the energy efficiency portfolio, reporting and assisting third-party implementers with promotional efforts**,** customer interface, recruitment of trade allies, rebate submissions, and annual NMPRC reporting. This group will also be responsible for program revisions and designing future energy efficiency programs. NMGC will be adding full-time employees to its staff to accommodate the increased oversight of the programs and outreach to customers to augment participation. Outsourcing the rebate processing function has been a cost-effective solution for existing programs and NMGC intends to continue to work with the implementers to streamline the process further and increase the

customer's satisfaction with the experience. Therefore, Franklin will handle the Residential programs, ICF will handle the New Homes Program, and CLEAResult will handle the Commercial programs. Incorporating the rebate processing function into a contractor's scope of work provides economic benefits by eliminating the need for an independent rebate processor. MFA and EnergyWorks personnel will implement the Income Qualified program and CLEAResult will implement the Multi-Family program.

XII. Measurement and Verification and Compliance Reporting

A. M&V

In compliance with the Act and the Rule, an independent program evaluator will be used to perform M&V for these programs. Ecometric, the independent evaluator selected by the NMPRC, has prepared annual reports over the last two years that include documentation, at both the total portfolio and individual program levels, of expenditures, measured and verified savings, and cost-effectiveness of utility programs, including self-direct programs. The reports include deemed savings assumptions and all other assumptions used by the evaluator. Objectives of the M&V process include confirming that measures were actually installed, that the installation meets reasonable quality standards, and that the measures are operating correctly and are expected to generate the predicted savings. For a particular program year, M&V may be performed only on specific programs that are high cost, new, or have low UCT's for cost-effectiveness, but it is the intent to have the entire portfolio of programs evaluated at intervals of no more than three years.

B. Reporting

NMGC will make annual compliance filings that will cover program evaluation and the Company's Rate Rider No. 1-15 ("Rider") reconciliation. The filing will include the M&V report of the independent evaluator. NMGC will request any needed reconciliation of the Rider to reflect actual revenues and expenditures made in implementation of the programs through an advice notice filing in accordance with 17.7.2.13 NMAC. NMGC will make its next annual compliance filing on or before July 1, 2026.

2026 - 2028
Energy Efficiency Program Plan

XIII. Program Details

The following section provides detailed information on the programs being proposed for Program Year 2026. Information on the following topics is provided for each program:

- Background
- Description/Objectives
- Implementation
- Conditions
- Incentive Structure
- Documentation and Inspections
- Contractor and Retailer Responsibilities
- Target Market
- Marketing and Outreach
- Relation to Existing Programs
- Energy Savings
- Measurement and Verification

Unless otherwise noted, the participant assumptions and energy savings are all derived from previous M&V results and recommendations, the NMTRM, and industry experience, and the Program and Technology Assessment. Please see Section XIV for more details.

A. Water Heating Program

1. Background

The Water Heating Program provides homeowners with incentives to install ENERGY STAR® tankless or storage tank water heaters. Homeowners are eligible to receive this incentive regardless of where they purchase the eligible equipment.

NMGC will also offer in-store instant rebates for the purchase of low flow showerheads at participating stores in NMGC's service territory. NMGC will

continue to offer a free energy-efficient showerhead package that will include at a minimum a low-flow showerhead, faucet aerators and kitchen aerator as well as weather stripping.

NMGC will add a high school and senior citizen energy education measure to the Water Heating Program and Space Heating Program that will provide kits similar to those included in the efficient showerhead package but will also provide energy efficiency education to students and senior citizens along with, as well as instructions for installation of the materials in the kits and energy saving tips. This program will be implemented throughout NMGC's service territory by NMGC and Franklin including in NMGC's rural communities. NMGC intends to focus much of its efforts in this program to low-income communities as well as Title V school districts.

NMGC also will continue to supply the materials contained in its showerhead package in collaboration with PNM Home Energy Checkup HEC program.

2. Description and Objectives

NMGC will offer the program as described in Section IV above and will be including the new High School and Senior Citizen Education Program and the additional changes described in Section V.B above. The objective of the enhancements to the program is to increase customer participation by increasing rebates and streamline the rebate process by adding additional technologies that will make it easier for customers to fill out and track their rebate applications. A full listing of equipment and associated incentives is provided in Section X, B,1.a.

3. Implementation

NMGC and Franklin Energy have determined that the contractor network is a critical resource in improving participation and customer knowledge about

energy efficient equipment. NMGC will work with Franklin Energy to identify HVAC and plumbing distributors, wholesalers, contractors and trade associations that conduct business within NMGC's service territory. NMGC and Franklin Energy will endeavor to contact these parties directly to explain the program and provide each with a contractor information packet. Ongoing outreach and group recruitment meetings will leverage the ENERGY STAR brand and how it aligns with the business practices of those in the field of water heating sales and installations. Franklin Energy will educate these contractors on how the rebate application process works not only for their own applications, but to assist customers that replace existing water heaters. For the midstream component, NMGC will work closely with Franklin Energy and the existing network of wholesalers, distributors, and participating contractors to help them better understand this delivery channel and how it fits into the portfolio and will benefit their businesses to participate. NMGC proposes providing a proven program design delivery model that has been developed in collaboration with manufacturers, distributors and their customers to support the water heating program. Incentives will be provided for both tankless water heaters and ENERGY STAR® storage tank units. NMGC's approach to introducing the enhanced midstream model into the portfolio allows the program to scale at a reasonable pace and will contribute to the program's long-term success.

4. Conditions

This program is available to all NMGC residential and applicable commercial customers.

5. Incentive Structure

Homeowners will receive increased rebates of $500 to replace their existing water heater with an ENERGY STAR® UEF 0.87 or above tankless water heater, or $200 for an ENERGY STAR® UEF 0.64 or above storage tank

model. Customers will receive in-store rebates of $5 on low-flow showerheads at participating stores. Customers will receive an increased rebate of up to $55 on ENERGY STAR® gas dryers. A full list of program measures and rebate amounts is continued in Section X.B.1.a of this document.

6. Documentation and Inspections

Franklin will inspect and document all aspects of the program to determine whether the identified energy efficiency measures were installed and applied as designed. All documentation will be provided to the independent evaluator chosen by the Commission for M&V evaluation.

7. Contractor and Retailer Responsibilities

Franklin and NMGC will be responsible for ensuring that all energy efficiency measures are well documented and meet the program requirements.

8. Target Market

The target market is homebuilders that construct homes in NMGC's service territory and all NMGC residential and applicable commercial customers.

9. Marketing and Outreach

NMGC will utilize the Company's marketing vehicles such as bill inserts, flyers/brochures, social media, and its website www.nmgco.com/Energy_Efficiency to promote the program, but the primary marketing and outreach will be Franklin's responsibility to utilize the strategies as described under Implementation.

10. Relation to Existing Programs

The program offerings remain similar to the existing program with increased rebates, technological advancements and the High School and Senior Citizen Education Program as it is an important evolution of energy efficiency

programs and allows for greater efficiencies in program implementation and extends the reach of the program to rural communities.

11. Energy Savings

The estimated annual savings are 139 therms for the ENERGY STAR® UEF 0.87 tankless model and 86 therms for an ENERGY STAR® storage tank for residential water heating. The measures in the showerhead kits are expected to save between 7 - 14.6 therms per pack. Specific energy savings for all measures can be found in this document under Section X.B.1.a. Taking into consideration free-ridership, NMGC estimates the program will have total net savings of 259,705 therms annually (this does not include the savings associated with the High School and Senior Citizen Education Program which will add a total net savings of 134,400 that will be divided between both the Water Heating Program and Space Heating Program savings).

12. Measurement and Verification

The independent evaluator will review assumptions used and other established methodologies on the performance of measures undertaken. The independent evaluator also will conduct on-site and phone surveys to determine proper installation.

B. Space Heating

1. Background

NMGC will continue to offer a tiered program with increasing rebates for increasing efficiencies. NMGC will offer higher rebates, in comparison with its current program, beginning in Program Year 2026. An Annual Fuel Utilization Efficiency ("AFUE") rating of at least 95% is required to get a residential furnace or boiler system the ENERGY STAR® rating. NMGC currently offers up to $375 rebates on gas furnaces or boilers. NMGC intends to increase these rebate amounts to between $540 and $625 to encourage

customer participation as shown in Section X.B.1.b. In addition, NMGC intends to continue to offer a furnace tune-up measure but increase its incentive of $85 to market rate customers to $100 and from $110 up to $150 for low-income customers. In addition, similar to the Water Heating program, a midstream component will become the primary source for furnace and boiler replacement for residential and commercial customers. The Space Heating program also offers insulation measures for residential customers of up to $510. NMGC will continue rebates for crawl space insulation, air sealing, and duct sealing beginning at $200. NMGC will continue to offer a $50 rebate for Smart Thermostats. The thermostat must be an ENERGY STAR® rated model. A full list of incentives for this program are included in Section X.B.1b, above.

2. Description and Objectives

NMGC is proposing to continue its current Space Heating Program with increased rebates, improved technology and the addition of the High School and Senior Citizen Education Program.

3. Implementation

NMGC and Franklin have determined that businesses that offer services and equipment associated with the residential and commercial space heating industry are a critical resource to improving participation and customer knowledge about energy efficient equipment. NMGC will work with Franklin Energy to identify HVAC and plumbing distributors, wholesalers, contractors and trade associations that conduct business within NMGC's service territory. NMGC and Franklin will contact each of the identified parties directly to explain the program and provide each with a contractor information packet. Ongoing outreach and group recruitment meetings will leverage the ENERGY STAR® brand and how it aligns with the business practices of each affiliate. Franklin will educate businesses in the industry on how the rebate application process works not only for their own applications, but also so that they can

assist customers who replace existing furnaces. The downstream value will be in having an expanded knowledgeable resource base able to educate end-use customers on the benefits of installing energy efficient equipment and NMGC's programs. NMGC and Franklin Energy will work together to implement the High School and Senior Citizen Education Program throughout NMGC's service territory.

4. Conditions

This program is available to all residential and applicable commercial customers in NMGC's service territory.

5. Incentive Structure

Rebates for homeowners will increase from $325 for a 95% or 96% AFUE furnace or boiler and $375 for a 97% or above AFUE furnace to between $540 and $625.

A full listing of Midstream equipment and associated incentives is provided in Section X.B.1.b.

For the insulation measures, NMGC will continue its current offerings. Customers with existing roofing insulation rated at R-11 will receive rebates to add an additional R-19 or better of insulation to their roof up to $510. An incentive beginning at $200 will be offered to customers for crawl space insulation, air sealing, and duct sealing and $110 or more for a furnace tune-up. The customer will receive the rebate once the required rebate form is properly completed and submitted to the third-party rebate processing company for verification.

The Smart Thermostat measure will continue to offer customers a $50 rebate on the installation of ENERGY STAR® smart thermostats.

6. Documentation and Inspections

Franklin Energy will inspect and document all aspects of the program to determine the identified energy efficiency measures were installed and applied as designed. All documentation will be provided to the independent evaluator chosen by the Commission for M&V evaluation.

7. Contractor and Retailer Responsibilities

Franklin and NMGC will be responsible for ensuring that all energy efficiency measures are well documented and meet the program requirements.

8. Target Market

The target market is customers in NMGC's service territory and all NMGC residential and commercial customers.

9. Marketing and Outreach

NMGC will utilize marketing vehicles such as bill inserts, flyers/brochures, social media, and its website www.nmgco.com/Energy_Efficiency to promote the program, but the primary marketing and outreach will be Franklin's responsibility to use the strategies as described under Implementation.

10. Relation to Existing Programs

The existing furnace, boiler, smart thermostat and insulation measures remain the same as currently offered and are intended to decrease the energy associated with heating a home.

11. Energy Savings

The estimated annual savings for residential customers are 327 therms for the 95% AFUE furnace and 289 for the boiler, and 433 therms for the 97% AFUE furnace, depending on climate location.

The insulation measures for attics are expected to save an estimated 166 therms annually for the average home in NMGC's service territory. The Smart Thermostat measure is estimated to save an average of 49 therms annually.

Specific energy savings for all measures can be found in this document under Section X.B.1.b

Taking into consideration free-ridership, NMGC estimates the program will have a total net savings of 231,129 therms annually. (This does not include the savings associated with the High School and Senior Citizen Education Program which will add a total net savings of 134,400 that will be divided between both the Water Heating Program and Space Heating Program savings).

12. Measurement and Verification

The independent evaluator will review assumptions used and other established methodologies on the performance of measures undertaken. The independent evaluator will also conduct on-site and phone surveys to determine proper installation.

C. New Homes

1. Background

The New Homes program addresses home builders and encourages them to build high performance homes. The primary benefit for a whole house approach as opposed to a straight prescriptive approach is straight forward. The whole house approach captures additional benefits such as envelope tightness, duct tightness, location of units and insulation values which affect the performance of the gas units. These additional measures lead to increased therm savings beyond what would be captured by the prescriptive measures

alone. NMGC worked with ICF to develop a program to meet this objective and created the New Homes program in 2017. The New Homes program is designed to align with EPE's and PNM's New Homes program. The New Homes program provides rebates to home builders who build high performance homes which are verified by a Residential Energy Services Network or RESNET accredited Home Energy Rating System Index or HERS® Rater. Rebates will be paid based on the reduction of therms when compared against a baseline home (currently a home meeting minimum 2018 IECC energy code requirements). NMGC's New Homes Program in conjunction with PNM and EPE's New Homes program has a significant impact on influencing home builders to build high performance homes.

2. Description and Objectives

NMGC is proposing to continue with the current offerings under its New Homes Program with the addition of a Multi-Family and Manufactured Homes component to the program.

3. Implementation

ICF will continue to administer the program. ICF has several years of experience, knowledge and working relationships with home builders in New Mexico.

4. Conditions

This program is available to all home builders constructing homes within NMGC's service territory and they must meet the criteria set forth in the program.

5. Incentive Structure

The New Homes Program offers two incentive options for home builders:

i. New Homes Prescriptive Incentive Path – The New Homes Prescriptive Path provides incentives to install energy-efficient, above-code products in newly built homes. This includes rebates for Tier I, II, and III appliances ranging from $200 to $300 for ENERGY STAR® furnaces or boilers with AFUE ratings between 92%-97%. NMGC uses the tier rating system developed by the Consortium for Energy Efficiency ("CEE") which mirrors the mandates required for ENERGY STAR® qualification. And rebates, between $100 to $225 for certain ENERGY STAR® tank and tankless water heaters as well as $50 rebates for ENERGY STAR® certified smart thermostats.

ii. New Homes Performance Incentive Path – The New Homes Performance Path provides homebuilders with incentives to build high performance energy-efficient homes which are verified by a Home Energy Rating System Rater. The New Homes Performance Path is a whole house approach that captures additional benefits such as envelope tightness, duct tightness, location of units and insulation values which affect the performance of the natural gas units. Incentives are paid based on the reduction of therms when compared to a baseline home. The maximum incentive per home is $3,000 (or $1,500 each from PNM and NMGC).

A full list of program measures and incentives are provided in Section X.B.1.d

6. Documentation and Inspections

ICF will be responsible for tracking and verifying energy service provider activities including documentation of measures installed and expected natural gas savings for each measure.

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7. Contractor Responsibilities

ICF will be responsible for ensuring that all energy efficiency measures are well documented and meet the program requirements.

8. Target Market

The target market includes all home builders constructing homes in NMGC's service territory.

9. Marketing and Outreach

NMGC will utilize Company marketing vehicles such as bill inserts, flyers/brochures, multi-media, and its website www.nmgco.com/Energy_Efficiency to promote the New Homes program, but the primary marketing and outreach will be through ICF resources in order to identify qualified builders that would benefit the most from the program.

10. Relation to Existing Programs

The New Homes program criteria and offerings will remain similar as those currently in place with the addition of a Multi-Family and Manufactured Homes component.

11. Energy Savings

The savings vary depending on the total number of measures applied and the location of the new home but are estimated at approximately 350 therms per home built. NMGC estimates the program will have net savings of 603,554 therms annually.

12. Measurement and Verification

The independent evaluator will review assumptions used and other established methodologies on the performance of measures undertaken. The independent

evaluator will also conduct on-site and phone surveys to determine proper installation.

D. Income Qualified

1. Background

The Income Qualified Program currently has four offerings;

i. The New Mexico Energy$mart/Weatherization Assistance Program
ii. the Native American Energy Efficiency Program ("NAEEP"),
iii. the Community Energy Efficiency Projects ("CEEP"), and
iv. the Manufactured Homes Communities Program ("MHCP").

The New Mexico Energy$mart program, also known as the Weatherization Assistance Program, is administered by MFA, to weatherize qualifying NMGC customers' residences. MFA combines funding from NMGC, the federal government, as well as other utilities, for this program. NMGC funding is utilized for a range of repairs and improvements, including: furnace repair and replacement, installation of insulation, sealing and repairing ducts, window repair and replacement, thermostat replacement, low-flow showerheads and aerators, and incidental repairs related to natural gas-saving measures.

The second program is the NAEEP, which offers similar measures as the Weatherization Assistance Program but is exclusive to Native American communities.

The third program is the CEEP, which provides funding to community service organizations throughout NMGC's service territory that have been successful at securing separate funding for low-income energy efficiency projects. This allows NMGC to support these projects with supplemental funding for services that reduce natural gas usage.

The fourth program is the MHCP, which provides high efficiency showerheads, high efficiency faucet aerators, water heater tank and pipe insulation, air and duct sealing, programmable thermostats, and insulation to NMGC customers living in manufactured homes. In addition to the installation of energy-efficient measures, carbon monoxide detectors are also installed in homes where one is not present, and the customer is provided with educational materials about energy use, a review of all services, and training for proper use and maintenance of all products installed in the home.

NMGC is proposing to add a fifth program, the Single-Family Energy Efficiency Program, to its Income Qualified Program, that provides comprehensive direct install weatherization services to low-income customers residing in single family homes.

2. Description and Objectives

NMGC intends to continue the current offerings under the New Mexico Energy$mart program, the NAEEP, the CEEP, and the MHCP program. NMGC intends to increase funding in the CEEP, NMCP and NAEEP programs but to reduce funding to the MFA program to $1,000,000 annually. Similar to the Native American Energy Efficiency Program, the Single-Family Energy Efficiency Program will provide comprehensive natural gas energy efficiency services to qualified customers at no cost to the customer. Once customers are identified, EnergyWorks will conduct an energy assessment to determine eligible services. Based on the results of the assessment, EnergyWorks will complete the efficiency services. These include high efficiency showerheads, high efficiency faucet aerators, water heater tank and pipe insulation, air and duct sealing, programmable thermostats, and insulation. EnergyWorks will also install a carbon monoxide detector in homes where one is not present. EnergyWorks will provide the customer with educational materials about

energy use, review all services, and provide training for proper use and maintenance of all products installed in the home.

3. Implementation

MFA will continue to implement the Energy$mart program. MFA has the resources and means to identify low-income customers who are eligible for the program. MFA will use energy service providers with trained technicians using field tested protocols and advanced diagnostic equipment to determine the most cost-effective natural gas savings measures appropriate for each home. EnergyWorks will continue to implement the CEEP, NAEEP and the MHCP leveraging their experience with Native American communities and weatherizing manufactured homes throughout New Mexico. EnergyWorks will also utilize trained technicians using field tested protocols and advanced diagnostic equipment to determine the most cost-effective natural gas savings measures appropriate for each home. EnergyWorks will also implement the new Single Family Energy Efficiency Program.

4. Conditions

This program is available to all low-income customers and Native American communities within NMGC's service territory.

5. Incentive Structure

Detailed incentives for each of the above-mentioned programs can be found in Section X.B.1(i).

6. Documentation and Inspections

MFA and EnergyWorks will be responsible respectively for tracking and verifying energy service provider activities including documentation of measures installed and expected natural gas savings for each measure.

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7. Contractor Responsibilities

MFA and EnergyWorks will be responsible for ensuring that all energy efficiency measures are well documented and meet the program requirements.

8. Target Market

The target market includes all NMGC low-income residential customers and homes located in Native American and income qualified communities.

9. Marketing and Outreach

NMGC will utilize its marketing vehicles such as bill inserts, flyers/brochures, multi-media, and its website www.nmgco.com/Energy_Efficiency to promote the Income Qualified program, but the primary marketing and outreach will be through MFA and EnergyWorks resources in order to identify qualified customers that would benefit the most from the program.

10. Relation to Existing Programs

The program will offer the same services and measures as those offered in the existing Income Qualified Program but will now include a separate Single Family Energy Efficiency Program that will offer measures similar to those in the Native American Energy Efficiency Program but to customers that reside in single family housing.

11. Energy Savings

The savings vary with each natural gas-related measure that may be installed, as well as the size and condition of the home. NMGC estimates the Income Qualified Program will save a total of 830,757 therms annually, broken down by program as follows:

Weatherization Assistance Program	94,031
Community Energy Efficiency Program	96,035

Manufactured Homes Program	240,352
Native American Program	160,177
Single Family Home Program	240,162

12. Measurement and Verification

The independent evaluator will review assumptions used and other secondary research on the performance of the Income Qualified program. The independent evaluator also will conduct on-site and phone surveys to determine proper installation.

E. Multi-Family

1. Background

In 2017, NMGC began offering services for both low-income and market rate multi-family properties. The service offers energy efficiency rebates for all gas end uses using a whole building approach. The service provider starts with energy assessment, helps the owner access financing, evaluates all rebates, incentives, and other programs that can be leveraged to help offset costs. The service provider installs direct installation measures and provides rebates for energy efficient appliances. Because the process involves elimination of drafts, hot/cold zones, ensuring carbon monoxide levels meet federal standards and there is no leakage, the buildings become more comfortable, healthier, safer, and the residents gain financially through reduced utility bills and/or assuring that their rents do not increase.

2. Description and Objectives

NMGC is proposing to continue the existing Multi-Family Program and for CLEAResult to implement the program. NMGC will target an estimated 40 apartment complexes or approximately 2,000 apartment units across NMGC's service territory for its 2026 - 2028 Program Years, of which approximately 50% will be low-income residents living in affordable housing, while the rest

will be targeted at market rate multi-family properties. The program will use a whole building approach and will offer the same energy efficiency upgrades for all gas end uses as are currently offered.

3. Implementation

NMGC will work with CLEAResult to implement and administer the program. Implementation strategy will remain the similar for the program. CLEAResult will handle all aspects of the rebate process.

4. Conditions

This program is available to all NMGC residential and commercial low-income or market rate multi-family properties in NMGC's service territory.

5. Incentive Structure

The incentive structure will vary depending on the measures that the complex decides to install. A full list of incentives can be found in Section X.B.1.j.

6. Documentation and Inspections

CLEAResult will be responsible for tracking and verifying energy service provider activities including documentation of measures installed and expected natural gas savings for each measure.

7. Contractor Responsibilities

CLEAResult will be responsible for ensuring that all energy efficiency measures are well documented and meet the program requirements.

8. Target Market

The targeted market includes all NMGC low-income and market rate multi-family properties.

9. Marketing and Outreach

NMGC will utilize its own marketing vehicles such as bill inserts, flyers/brochures, multi-media, and its website www.nmgco.com/Energy_Efficiency to promote the Multi-Family program, but the primary marketing and outreach will be through CLEAResult resources in order to identify qualified customers that would benefit the most from the program.

10. Relation to Existing Programs

The Multi-Family Program criteria and offerings will remain similar to those currently in place.

11. Energy Savings

The savings vary with each natural gas-related measure that may be installed, as well as the size and condition of the property. A full list of savings by incentive can be found in Section X.B.1.j.

12. Measurement and Verification

The independent evaluator will review assumptions used and other secondary research on the performance of the Multi-Family Program. The independent evaluator also will conduct on-site and phone surveys to determine proper installation.

F. Home Energy Reports

1. Background

NMGC has offered a Home Energy Reports Program since 2022. The Home Energy Reports Program aims to amplify residential energy savings using a cost-effective model that delivers relatable interventions to NMGC customers. Through NMGC's recent RFP process Bidgley has been selected to implement the program for Program Years 2026-2028. Bidgley will offer increased

personalization and additional technology tools to NMGC's current program that are expected to drive next-generation customer engagement that creates connections with NMGC's EE portfolio and goals. The program provides a customer-centric experience with demonstrated high levels of savings, customer satisfaction, and cross-program participation to support NMGC's energy efficiency portfolio and customer service goals.

2. Description and Objectives

The Home Energy Reports will use data-driven, personalized communication to customers. This technology empowers savings and adoption by increasing energy literacy, offering low to no-cost tips, promotions for additional energy efficiency and low-income programs, and strategic-message framing. The Home Energy Reports program provides an opportunity to have a dialogue with almost 30% of NMGC customers about their energy costs and build trust through personalized outreach and recommendations to save. Notable benefits attributed to this program include a unique customer QR code Journey that will take customers to a special website where they can receive personalized information about how to save energy. The program also provides cross-program uptake allowing NMGC additional opportunities to promote its other energy efficiency programs.

3. Implementation

To support the mandate for cost-effectiveness, the design uses scale and flexible infrastructure to reduce overhead and technology costs while delivering high levels of behavioral savings. It will combine digital and print channels to maximize cost-effectiveness, savings, and customer engagement. While digital represents a cost-effective channel, print reports mailed to customers tend to drive higher therm savings, and not all customers can be reached effectively by email. The proposal is to target approximately 176,000 residential customers five times per year in either a digital or print report wave.

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4. Conditions

This program will be available to NMGC residential customers.

5. Incentive Structure

This is a behavior-based program that provides customers with information regarding their usage and informs customers on the best ways to reduce natural gas consumption in their home. There are no monetary incentives under this program.

6. Documentation and Inspections

Bidgley will be responsible for tracking and verifying outreach including documentation of expected natural gas savings. All documentation will be provided to the independent evaluator chosen by the Commission for M&V evaluation.

7. Contractor Responsibilities

Bidgley will be responsible for ensuring that the savings achieved through the program meet the M&V standards and requirements.

8. Target Market

The target market will be residential NMGC customers. NMGC will work with Bidgley to identify the targeted market that would benefit the most from the program.

9. Marketing and Outreach

The primary marketing and outreach will be through Bidgley as this is a direct mail and email-based program.

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10. Relation to Existing Programs

This is an enhancement to the program that NMGC currently offers.

11. Energy Savings

The savings vary with each individual customer. However, based upon Bidgley's experience with similar programs in other jurisdictions, savings are expected to average approximately 6.6-7.2 therms per household. NMGC estimates the program will save a net total of 1,281,000 therms in Program Year 2026.

12. Measurement and Verification

The independent evaluator will review assumptions used and other secondary research on the performance of the Home Energy Reports program. The independent evaluator also will conduct phone surveys to determine the effectiveness of the program.

G. Efficient Buildings

1. Background

The Efficient Buildings program provides technical support for the implementation of energy efficiency upgrades and identifying cost-effective projects. The programs offer commercial customers and educational facilities three measures: custom, prescriptive, and DI. The custom measures are any measures that do not fall under the prescriptive or DI measures and apply to any equipment that uses natural gas in their process but can be utilized more efficiently. Depending on the life of the measure, custom measures pay incentives of $0.60 per therm or $0.90 per therm for the estimated first year savings upon implementation of energy efficiency measures. All custom measures are pre-qualified and vetted before they are implemented. The prescriptive measures are an efficient and convenient way for participating customers to take action on opportunities identified by either CLEAResult or

internal engineers and are offered with predetermined deemed savings and rebates. DI measures such as low flow pre-rinse valves, showerheads and faucet aerators are easily installed by either CLEAResult or the customer and provide immediate savings. NMGC is proposing the addition of the Strategic Energy Management ("SEM") program. The SEM offering recruits participants from school districts and municipalities in addition to industrial and large commercial institutions in New Mexico and uses a heterogeneous cohort model that is designed to elicit participation from across diverse business segments.

2. Description and Objectives

NMGC is proposing to continue offering all measures that the existing Efficient Buildings program provides. NMGC has been working with CLEAResult over the years enhancing the different methods of outreach including working with kitchen equipment suppliers and adding a midstream component. CLEAResult has implemented more thorough audits of larger use customers and increased its targeting of small and medium sized businesses for DI measures while simultaneously educating them on NMGC's programs. Typically, commercial programs have a long lead time for customer participation due the nature of businesses and their budgeting process. The long lead time is especially true for the SEM program. The SEM program is designed to save energy through collaborative group workshops, one-on-one events, and energy management coaching. A full modeling of the facilities and their gas uses are scanned to identify energy efficiency opportunities and engage employees in energy efficiency. No-cost and low-cost projects include optimization of building management systems, changes to operation set points and employee behavioral changes. A full listing of DI, prescriptive and potential custom measures, their deemed savings, and associated incentives is provided in Section X.B.1.k.

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3. Implementation

NMGC will continue to work with CLEAResult to implement and administer the program. Implementation strategy will remain the same as for the existing Efficient Buildings program. CLEAResult will handle all aspects of the rebate process.

4. Conditions

The program will continue to be available to all NMGC commercial and educational customers as well as governmental facilities.

5. Incentive Structure

Incentives will remain as currently offered. Depending on the life of the measure, custom measures pay incentives of $0.60 per therm or $0.90 per therm for the estimated first year savings upon implementation of energy efficiency measures. Prescriptive measure incentives are shown in Section X.B.1.k. DI measures are typically provided free of charge.

6. Documentation and Inspections

CLEAResult will observe, inspect, and document all aspects of the program to ensure the identified energy efficiency measures were installed and applied as designed. All documentation will be provided to the independent evaluator chosen by the Commission for M&V evaluation.

7. Contractor and Retailer Responsibilities

CLEAResult will be responsible for ensuring that all energy efficiency measures are well documented and meet the program requirements.

8. Target Market

The target market includes all NMGC commercial customers receiving sales service under NMGC Rate Nos. 54 (Small Volume) and 56 (Medium Volume)

and all NMGC customers and end-users in the corresponding rate classifications receiving transportation service under NMGC's Rate No. 70.

9. Marketing and Outreach

NMGC will utilize its own marketing vehicles such as bill inserts, flyers/brochures, and its website www.nmgco.com/Energy_Efficiency to promote the program, but the primary marketing and outreach will be to have CLEAResult use the strategies as described under Implementation.

10. Relation to Existing Programs

The Efficient Buildings Program under DI, prescriptive, custom and SEM measures are identical to the offerings in the existing program.

11. Energy Savings

The estimated annual savings can range from 516 therms to over 30,000 therms depending on which measures or project is chosen by the commercial customer. NMGC estimates the program will save a net total of 1,984,369 therms annually.

12. Measurement and Verification

The independent evaluator will review assumptions used and other established methodologies on the performance of measures undertaken. The independent evaluator will also conduct on-site and phone surveys to determine proper installation.

H. Agricultural Program

1. Background

The Agricultural Program is a new program offering in NMGC's 2026 – 2028 Program Plan. NMGC's agricultural customers are often overlooked in traditional utility incentive programs as they are geographically dispersed,

located mostly in rural areas, and have operations that vary. As such, there is not an individual marketing message or single trade ally available to easily reach the agricultural sectors. For example, there is no ENERGY STAR® label for farm equipment, or online calculators available to use farm-specific variables to help determine energy and cost savings. The Agricultural Program will be directed to NMGC customers such as dairy farms, indoor agriculture and greenhouses and crop farms. This program will provide NMGC's agricultural customers with information regarding energy efficiency as well as direct-install energy efficiency measures (provided through the Efficient Buildings Program) and incentives to encourage the installation of high efficiency measures during maintenance and new construction. As this is a new program with a limited customer base, NMGC estimates a budget of 3.5% of its 2026 Program Year costs. CLEAResult has been selected as the implementer of this program and has extensive experience and has successfully administered NMGC's commercial programs since 2017. CLEAResult also administers energy efficiency programs for other investor-owned utilities in New Mexico.

2. Description and Objectives

This program will offer boiler tune ups, steam leak repairs, and rebates for energy efficient agricultural appliances as well as direct installation measures through the Efficient Buildings Program. Anticipated participation numbers by year and a full listing of incentives are included in Section X.B.1.l, direct installation measures are included in the Efficient Buildings Program measures in Section X.B.1.k.

3. Implementation

NMGC will continue to work with CLEAResult to implement and administer the program. Implementation strategy will remain the same as for the existing

Efficient Buildings program. CLEAResult will handle all aspects of the rebate process.

4. Conditions

The program will continue to be available to all NMGC commercial and educational customers as well as governmental facilities.

5. Incentive Structure

Incentives will depend on which measures the customer chooses to pursue, incentives are included in Section X.B.1.l, DI measures are included in the Efficient Buildings Program measures in Section X.B.1.k.

6. Documentation and Inspections

CLEAResult will observe, inspect, and document all aspects of the program to determine the identified energy efficiency measures were installed and applied as designed. All documentation will be provided to the independent evaluator chosen by the Commission for M&V evaluation.

7. Contractor and Retailer Responsibilities

CLEAResult will be responsible for ensuring that all energy efficiency measures are well documented and meet the program requirements.

8. Target Market

The target market includes all NMGC agricultural customers receiving sales service under NMGC Rate Nos. 54 (Small Volume) and 56 (Medium Volume).

9. Marketing and Outreach

NMGC will utilize its own marketing vehicles such as bill inserts, flyers/brochures, and its website www.nmgco.com/Energy_Efficiency to

promote the program, but the primary marketing and outreach will be to have CLEAResult use the strategies as described under Implementation.

10. Relation to Existing Programs

The Efficient Buildings Program under DI, prescriptive, custom and SEM measures are identical to the offerings in the existing program.

11. Energy Savings

The estimated annual savings can range from 487 therms to 10,968 therms depending on which measures or energy-efficient equipment is chosen by the agricultural customer. As this is a new program to a limited customer base, NMGC estimates a budget of 3.5% of its 2026 Program Year costs, or $731,729. This amount includes first year one-time start-up costs of $126,000. NMGC anticipates it will be able to achieve annual therm savings from the Agricultural program of 160,843 therms for each of the three program plan years 2026 - 2028.

12. Measurement and Verification

The independent evaluator will review assumptions used and other established methodologies on the performance of measures undertaken. The independent evaluator also will also conduct on-site and phone surveys to determine proper installation.

XIV. Appendix A – Avoided Costs and Financial Assumptions

The benefits of energy efficiency are evaluated in the UCT model using NMGC's avoided costs of energy. Avoided costs are those costs avoided by the utility due to energy efficiency program therm savings and include gross receipts tax and franchise fees.

The following tables provide the avoided costs used in the UCT analysis. Costs shown are in net terms.

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1. Natural Gas Avoided Costs

Year	Avoided Cost (Per MMBtu)	Avoided Cost (Per Therm)
2026	$5.41	0.5414
2027	$5.51	0.5512
2028	$5.35	0.5349
2029	$5.34	0.5338
2030	$5.16	0.5164
2031	$5.14	0.5142
2032	$5.09	0.5088
2033	$5.12	0.5121
2034	$5.20	0.5197
2035	$5.25	0.5251
2036	$5.20	0.5197
2037	$5.10	0.5099
2038	$4.85	0.4849
2039	$4.99	0.4990
2040	$5.32	0.5316
2041	$5.68	0.5675
2042	$6.02	0.6023
2043	$6.50	0.6501
2044	$7.03	0.7034
2045	$7.24	0.7241
2046	$7.46	0.7458
2047	$7.66	0.7665
2048	$7.88	0.7882
2049	$8.10	0.8100
2050	$8.32	0.8317

2. Financial Assumptions

The discount rate is used in the determination of the cost effectiveness of NMGC's programs. The discount rate, used by NMGC in the calculations of the Present Value of Energy Efficiency Program benefits, is 4.91%. A discount rate equal to the average 15-year fixed mortgage rate as of August 26, 2025, is used to reflect the opportunity cost of NMGC's customers when making long-term decisions and aligns with the average useful life of the energy efficiency program measures that NMGC provides.

XV. Appendix F – Glossary

AFUE – Annual Fuel Utilization Efficiency; thermal efficiency measure of combustion equipment.

Custom – A complex measure that requires both pre and post engineering analysis to measure or quantify the efficacy of the measure.

Deemed Savings – Means expected energy savings attributed to well-known or commercially available energy efficiency and load management devices, such as the New Mexico Technical Resource Manual, M&V reports, or measures based on standard engineering, calculations, ratings, simulation models or field measurement studies, periodically adjusted as appropriate for New Mexico specific data, including building and household characteristics, and climate conditions in pertinent region(s) within the state.

Direct Install ("DI") – Measures that are components of a NMGC residential or commercial program that are installed by NMGC or its third party contractor while evaluating the facility in anticipation of the customers' participation in additional custom or prescriptive measures.

E.F. – Energy Factor; is a metric used to compare energy conversion efficiencies of appliances or equipment. For water heaters, the energy factor is the ratio of useful energy output to the total amount of energy delivered. The higher the energy factor the greater energy efficiency.

Measure – An individual energy efficiency action or step that, either alone or along with other measures of different types, will comprise a cost-effective portfolio.

Net Present Cost – Sum of the present value of all costs over the period of interest, including residual values such as negative costs.

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Net Present Value – The difference between the present value of cash in-flows and the present value of cash out-flows.

Prescriptive Measure – Any standardized energy efficiency initiative with a deemed savings and a set rebate or incentive amount.

Program – Consists of energy efficiency measures, has its own budget, and UCT.

Projects – is a metric used to quantify different energy efficiency measures that a participant of a NMGC commercial program may undertake. One participant may have one or multiple "projects" completed at a facility or many facilities.

UEF – Uniform Energy Factor. The UEF is DOE's standardized metric for measuring the energy efficiency of water heaters. . The UEF calculation is based off of how much energy the water heater uses and how much energy is used to power the water heater itself, with higher number denoting more efficient units.

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XVI. Appendix G – Program Performance Assumptions

Specific program inputs including a list of measures and participation numbers by measure and year are included in the tables contained in Section B.1 of this document. Additional sources used to estimate therm savings and net to gross ratios for each measure utilized in NMGC's UCT model include: The New Mexico Technical Resource Manual, and prior NMGC's M&V reports titled Evergreen Economics, "Evaluation of the 2018 New Mexico Gas Company Energy Efficiency Programs," Evergreen Economics, the NMTRM adopted January 1, 2014 and update April 10, 2019. "Evaluation of the 2019 New Mexico Gas Company Energy Efficiency Programs," Evergreen Economics, "Evaluation of the 2020 New Mexico Gas Company Energy Efficiency Programs," Evergreen Economics, "Evaluation of the 2021 New Mexico Gas Company Energy Efficiency Programs," Evergreen Economics, "PY2023 Evaluation of Energy Efficiency Programs", EcoMetic Consulting LLC, and "PY2024 Evaluation of Energy Efficiency Programs", EcoMetic Consulting LLC.

Water Heating Program			
Unit Therm Savings	Net to Gross Ratio	1st Year Participation	Measure Life
3.8-1020	65%	11,936	15-20

Space Heating Program			
Unit Therm Savings	Net to Gross Ratio	1st Year Participation	Measure Life
3.8-1020	70%	2,767	3 to 30

School and Senior Kits Program			
Unit Therm Savings	Net to Gross Ratio	1st Year Participation	Measure Life
7	80%	12,000	10

New Homes Program

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Unit Therm Savings	Net to Gross Ratio	1st Year Participation	Measure Life
1.8-444.9	80%	3,814	10 -23

Multi-Family Program (50% Low – Income)			
Unit Therm Savings	Net to Gross Ratio	1st Year Participation	Measure Life
1.4 – 200	102.5%	2,000	10 -20

Home Energy Reports Program			
Unit Therm Savings	Net to Gross Ratio	1st Year Participation	Measure Life
6.6-7.2	80%	176,494	1

Weatherization Assistance Program (Income Qualified)			
Unit Therm Savings	Net to Gross Ratio	1st Year Participation	Measure Life
1.6-226	120%	124	1-25

Native American Program (Income Qualified)			
Unit Therm Savings	Net to Gross Ratio	1st Year Participation	Measure Life
1.1-245.6	120%	350	7-30

Community Energy Efficiency Program (Income Qualified)			
Unit Therm Savings	Net to Gross Ratio	1st Year Participation	Measure Life
1.3-205.8	120%	260	7-30

Manufactured Homes Program (Income Qualified)			
Unit Therm Savings	Net to Gross Ratio	1st Year participation	Measure Life
1.3-257.2	120%	600	7-18

Single Family Energy Efficiency Program (Income Qualified)			
Unit Therm Savings	Net to Gross Ratio	1st Year Participation	Measure Life

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1.3-205.8	120%	650	7-30

Efficiency Buildings Program			
Unit Therm Savings	Net to Gross Ratio	1st Year Participation	Measure Life
7 -500,000	85-100%	310	1-20

Agricultural Program			
Unit Therm Savings	Net to Gross Ratio	1st Year Participation	Measure Life
487 – 10,968	80%	126	5-20

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XVII. Appendix H – Energy Efficiency Programs UCT Analysis Output

	2026				
Program Name	Annual Savings (Therms)	Lifetime Savings (Therms)	NPV Benefits	NPV Costs	BC Ratio
Water Heating Program	259,705	3,816,160	$1,478,519	$1,416,505	1.04
Space Heating Program	231,129	4,005,553	$1,479,938	$1,154,783	1.28
School and Senior Kits Program	134,400	1,344,000	$582,406	$781,085	0.75
New Homes Program	603,554	11,868,171	$4,298,913	$2,833,711	1.52
Income Qualified Program					
Weatherization Assistance Program	94,031	1,701,193	$625,541	$862,881	0.72
Community Energy Efficiency Program	96,035	1,572,015	$588,745	$721,041	0.82
Manufactured Homes Program	240,352	3,670,967	$1,405,374	$1,642,588	0.86
Native American Program	160,177	2,616,897	$981,874	$1,136,837	0.86
Single Family Home Program	240,162	3,931,566	$1,472,412	$1,671,754	0.88
Multi-Family Program	343,683	4,934,479	$1,919,400	$1,949,422	0.98
Efficient Buildings Program	1,984,369	20,822,398	$8,228,571	$4,651,461	1.77
Agricultural Program	160,843	2,205,426	$856,593	$731,729	1.17
Home Energy Reports Program	1,281,346	1,281,346	$700,941	$869,531	0.81
Program & Innovation Costs	0	0	$0	$509,430	0.00
Totals:	*5,829,787*	*63,770,171*	*$24,619,228*	*$20,932,759*	*1.18*

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	2027				
Program Name	Annual Savings (Therms)	Lifetime Savings (Therms)	NPV Benefits	NPV Costs	BC Ratio
Water Heating Program	255,861	3,958,365	$1,522,368	$1,432,465	1.06
Space Heating Program	245,899	4,285,149	$1,594,937	$1,188,254	1.34
School and Senior Kits Program	156,800	1,568,000	$676,339	$880,913	0.77
New Homes Program	610,922	11,994,726	$4,391,681	$2,632,106	1.67
Income Qualified Program					
Weatherization Assistance Program	94,031	1,701,193	$630,867	$866,806	0.73
Community Energy Efficiency Program	96,035	1,572,015	$592,736	$724,666	0.82
Manufactured Homes Program	240,352	3,670,967	$1,413,932	$1,646,814	0.86
Native American Program	160,177	2,616,897	$988,727	$1,140,912	0.87
Single Family Home Program	240,162	3,931,566	$1,482,395	$1,676,879	0.88
Multi-Family Program	360,867	5,181,203	$2,023,311	$2,037,399	0.99
Efficient Buildings Program	1,982,934	20,807,816	$8,251,293	$5,190,165	1.59
Agricultural Program	160,843	2,205,426	$858,701	$617,515	1.39
Home Energy Reports Program	1,313,968	1,313,968	$731,796	$687,855	1.06
Program & Innovation Costs	0	0	$0	$513,013	0.00
Totals:	*5,918,850*	*64,807,290*	*$25,159,085*	*$21,235,761*	*1.18*

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	2028				
Program Name	Annual Savings (Therms)	Lifetime Savings (Therms)	NPV Benefits	NPV Costs	BC Ratio
Water Heating Program	256,811	4,189,889	$1,602,624	$1,503,618	1.07
Space Heating Program	258,840	4,528,872	$1,697,820	$1,229,878	1.38
School and Senior Kits Program	179,200	1,792,000	$766,185	$981,238	0.78
New Homes Program	620,204	12,151,914	$4,496,314	$2,695,743	1.67
Income Qualified Program					
Weatherization Assistance Program	94,031	1,701,193	$635,503	$870,849	0.73
Community Energy Efficiency Program	96,035	1,572,015	$596,228	$728,400	0.82
Manufactured Homes Program	240,352	3,670,967	$1,421,153	$1,651,166	0.86
Native American Program	160,177	2,616,897	$994,844	$1,145,110	0.87
Single Family Home Program	240,162	3,931,566	$1,491,134	$1,682,158	0.89
Multi-Family Program	378,051	5,427,927	$2,124,078	$2,126,060	1.00
Efficient Buildings Program	1,983,264	20,814,429	$8,253,301	$5,264,502	1.57
Agricultural Program	160,843	2,205,426	$860,782	$629,692	1.37
Home Energy Reports Program	1,235,124	1,235,124	$667,544	$692,674	0.96
Program & Innovation Costs	0	0	$0	$516,703	0.00
Totals:	*5,903,094*	*65,838,218*	*$25,607,510*	*$21,717,790*	*1.18*

NMGC#4964565

New Mexico Gas Company, Inc.

	26-Aug-25
Bankrate.com - Mutual of Omaha	4.49
Bakrate.com - Old National Bank	4.75
Bankrate.com - Alliant	4.75
Bankrate.com - Sage	4.88
Bankrate.com - loanDepot	5.49
JP Morgan Chase	5.13
Average 15 - Year Mortgage Rates	*4.91*

New Mexico Gas Company, Inc.

Program Cost Rider Calculation

Line No.		4/1/2026-3/31/2027			
	Program Budget Costs				
1	Internal Administration	$	1,570,951		
2	External Administration	$	7,457,735		
3	Rebates	$	11,084,643		
4	Promotional Costs	$	509,430		
5	Portfolio Costs	$	310,000		
6	**TOTAL for EE Plan Budget**	**$**	**20,932,759**		
7	Incentive Rate @ 6.79%	$	1,421,334		
8	**Total Cost to be Recovered**	**$**	**22,354,093**		
9	Cost recovery 8/1/2026 - 7/31/2027	$	22,354,093		
	Revenues by Rate Class - Projected for 8/1/2026 through 7/31/2027				
	Based on Rate Case Rates & Determinants		Revenues	Bills	Therms
10	Residential (Rates 10 and 70)	$	337,439,156	6,301,923	322,592,374
11	Small Volume (Rates 54 and 70)	$	116,629,057	500,477	157,738,027
12	Medium Volume (Rates 56 and 70)	$	24,971,689	1,260	44,863,776
13	**Totals**	$	479,039,902	6,803,660	525,194,177
	Program Cost Rider				
14	Program Costs to be Recovered	$	22,354,093		
15	Revenues 8/1/2026-7/31/2027	$	479,039,902		
16	Percentage of Revenues		4.666%		
17	Rider 15 as a Charge per Therm		0.0426		

NMGC PUBLIC ADVISORY GROUP MEETING ATTENDEES
AUGUST 14, 2024

New Mexico Gas Company:
Lisa Trujillo
Eric Martinez
Steve Casey
Cassandra Valencia
Anita Hart
Brian Buffington
Savina Martinez
Joshua Sachs
Jereme Santistevan
Dominic Martinez

New Mexico Public Regulation Commission:
Elisha Leyba-Tercero
Christopher Dunn
Timothy Martinez
Bamadou Ouattara
Mark Tupler

Housing New Mexico (MFA):
Troy Cucchiara
David Gutierrez

Zia Natural Gas:
Crystal Sifuentes
Leslie Graham

Public Service Company of New Mexico:
Erick Seelinger
Sharon James

Southwest Energy Efficiency Project:
Ramon Alatorre
Alex Eubanks

Other
Ona Porter – Prosperity Works
Abbey Hayward – Los Alamos County
Michael Kenney – Western Resources Advocates
Ed Mcilvain – ICAST
Indiana Jones – CLEAResult
Douglas Campion – EnergyWorks

NMGC PUBLIC ADVISORY GROUP MEETING ATTENDEES
APRIL 10, 2025

New Mexico Gas Company:
Lisa Trujillo
Carey Salaz
Brittany Myers
Eric Martinez
Cassandra Valencia
Anita Hart
Brian Buffington
Oscar Saucedo
Nicole Strauser

New Mexico Public Regulation Commission:
Chris Sanchez
Elisha Leyba-Tercero
Tyler Crespin
Elizabeth Acosta
Edison Jimenez
Gabriella Dasheno
Bamadou Ouattara
Ryan Friedman
Mark Tupler

Department of Energy:
Brad Catanach
Wayne Evelo
Cassandra Begay

Franklin Energy:
Aron Jarr
Amy Glapinski

Western Resources Advocates:
Ed Carley
Michael Kenney
Cydney Beadles

El Paso Electric:
Desmond Machuca
Evelyn Favela
Victor Hugo Silva

Housing New Mexico (MFA):
Troy Cucchiara
Dimitri Florez

Public Service Company of New Mexico:
Erick Seelinger
Sharon James
Aaron Reedin

Southwest Energy Efficiency Project:
Ramon Alatorre
Alex Eubanks

Los Alamos National Laboratory:
Jesse Benjamin Freedman
Ryan Edward Costanza

Other
Ona Porter – Prosperity Works
Nick Grahf – ICAST
Indiana Jones – CLEAResult
Douglas Campion – EnergyWorks
Julie Park – City of Albuquerque
Grant Gervais – Xcel Energy

NMGC PUBLIC ADVISORY GROUP MEETING ATTENDEES
JULY 21, 2025

New Mexico Gas Company:
Lisa Trujillo
Carey Salaz
Brittany Myers
Eric Martinez
Cassandra Valencia
Anita Hart
Brian Buffington
Tommy Trujillo
Julie Hopper

CLEAResult:
Indiana Jones
Jonathan Gaumer
Jacquelyn Salcdio

Housing New Mexico (MFA):
Troy Cucchiara
Dimitri Florez
David Trembath
David Gutierrez

Franklin Energy:
Dawn DeGroft
Aron Jarr
Amy Glapinski

New Mexico Public Regulation Commission:
Elisha Leyba-Tercero
Elizabeth Acosta
Tyler Crespin
Chris Sanchez
Edison Jimenez
Timothy Martinez
Ed Rilkoff
Gabriella Dasheno
Marc Tupler

ICF:
Hayley Ostreim
Robin Ribble-Harder

Zia Natural Gas:
Weston Hacker
Leslie Graham

Public Service Company of New Mexico:
Erick Seelinger
Sharon James
Alexander Reedin

El Paso Electric:
Axel Moncada
Victor Hugo Silva

Other
Collin Gillespie – NM Department of Justice
Cassandra Begay – Department of Energy
Jeremy Lovelady – Xcel Energy
Ramon Alatorre – Southwest Energy Efficiency Program
Douglas Campion – EnergyWorks
Ryan Edward Costanza – Los Alamos National Laboratories
Cara Lynch – Coalition for Clean Affordable Energy
Julie Park – City of Albuquerque
Ed Carley – Western Resources Advocates

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 EFFIECIENCY PROGRAM PURSUANT TO THE NEW MEXICO PUBLIC UTILITY AND EFFICIENCT USE OF ENERGY ACT	)	**Case No. 25-_____-UT**
NEW MEXICO GAS COMPANY, INC.	)	
Applicant.	)	

ELECTRONICALLY SUBMITTED AFFIDAVIT OF CAREY J. SALAZ

STATE OF NEW MEXICO)
)ss.
COUNTY OF BERNALILLO)

In accordance with 1.2.2.10(E) NMAC, **CAREY J. SALAZ**, Director, Energy Efficiency Programs for New Mexico Gas Company, Inc., upon being duly sworn according to law, under oath, deposes and states under penalty of perjury under the laws of the State of New Mexico: I have read the foregoing Direct Testimony and Exhibits, and they are true and accurate based on my own personal knowledge and belief.

SIGNED this 2nd day of September 2025.

/s/Carey J. Salaz
Carey J. Salaz
Director, Energy Efficiency Programs
New Mexico Gas Company, Inc.

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 EFFIECIENCY PROGRAM PLAN PURSUANT TO THE NEW MEXICO PUBLIC UTILITY AND EFFICIENCT USE OF ENERGY ACT	)	**Case No. 25-_____- UT**
NEW MEXICO GAS COMPANY, INC.	)	
Applicant.	)	

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing ***New Mexico Gas Company, Inc.'s Application for Approval of Its 2026-2028 Energy Efficiency Program Plan*** was emailed on this date to the parties listed below.

NM GAS COMPANY	
Brian Haverly Julianna T. Hopper Anita L. Hart Gerald Weseen Nicole V. Strauser Dominic Martinez NMGC Regulatory	bjh@jkwlawyers.com; jth@jkwlawyers.com; anita.hart@nmgco.com; gerald.weseen@nmgco.com; nicole.strauser@nmgco.com; dominic.martinez@nmgco.com; nmgcregulatory@nmgco.com;
New Mexico AREA	
Peter J. Gould Kelly Gould Katrina Reid	peter@thegouldlawfirm.com; kelly@thegouldlawfirm.com; office@thegouldlawfirm.com;
New Mexico Department of Justice	
Gideon Elliot Sydnee Wright Joshua LaFayette Maria Oropeza Jocelyn Barrett Doug Gegax Andrea Crane Jennifer Kallay Kenji Takahashi	gelliot@nmdoj.gov; swright@nmdoj.gov; jlafayette@nmdoj.gov; moropeza@nmdoj.gov; jbarrett@nmdoj.gov; dgegax@nmsu.edu; ctcolumbia@aol.com; jkallay@synapse-energy.com; ktakahashi@synapse-energy.com;
New Energy Economy	
Mariel Nanasi	mnansi@newenergyeconomy.org;
Western Resource Advocates	
Cydney Beadles	cydney.beadles@westernresources.org;

Caitlin Evans	caitlin.evans@westernresources.org;
Coalition for Clean Affordable Energy	
Cara R. Lynch	lynch.cara.NM@gmail.com;
Charles De Saillan	desaillan.ccae@gmail.com;
Don Hancock	sricdon@earthlink.net;
Justin Brant	jbrant@swenergy.org;
Michael Kenney	michael.kenney@westernresources.org;
Incorporated County of Los Alamos	
Daniel A. Najjar	dnajjar@virtuelaw.com;
Philo Shelton	philo.shelton@lacnm.us;
Ben Olbrich	ben.olbrich@lacnm.us;
FEA	
Peter Meier	peter.meier@hq.doe.gov;
Paige Anderson	paige.anderson@hq.doe.gov;
Saul J. Ramos	saul.ramos@nnsa.doe.gov;
Dwight Etheridge	detheridge@exeterassociates.com;
NMPRC – Utilities Staff	
Elisha Leyba-Tercero	elisha.leyba-tercero@prc.nm.gov;
Ryan Friedman	ryan.friedman@prc.nm.gov;
Christopher Dunn	christopher.dunn@prc.nm.gov;
Marc Tupler	marc.tupler@prc.nm.gov;
Bamadou Ouattara	bamadou.ouattara@prc.nm.gov;
Jonah Mauldin	jonah.mauldin@prc.nm.gov;
Gabriella Dasheno	gabriella.dasheno@prc.nm.gov;
Angelique Herrera	angelique.herrera@prc.nm.gov;
Ed Rilkoff	ed.rilkoff@prc.nm.gov;
Timothy Martinez	timothy.martinez@prc.nm.gov;
Elizabeth Ramirez	elizabeth.ramirez@prc.nm.gov;
Peggy Martinez-Rael	peggy.martinez-Rael@prc.nm.gov;
Naomi Velasquez	naomi.velasquez1@prc.nm.gov;
Daren Zigich	daren.zigich@prc.nm.gov;
Edison Jimenez	edison.jimenez@prc.nm.gov;
Orland Whitney	orland.whitney@prc.nm.gov;
PRC General Counsel Division	
Scott Cameron	scott.cameron@prc.nm.gov;
LaurieAnn Santillanes	laurieann.santillanes@prc.nm.gov;
Alejandro Rettig y Martinez	alejandro.martinez@prc.nm.gov;
Robert Lundin	robert.lundin@prc.nm.gov;

DATED on September 2, 2025.

Respectfully submitted,

/s/Brian Buffington
Brian Buffington
Manager, Regulatory Affairs
505-697-3879
brian.buffington@nmgco.com