Tariff On Bill Financing

**(breakout room notes provided in red;
does not capture later group discussion on actors)**

Project Goal Statement
Make energy efficiency upgrades with zero upfront costs easy and affordable for **ALL** New Mexicans, prioritizing low income, disadvantaged, and Tribal communities. The upgrades get paid for by reducing energy bills enough to cover the expense. The goal is creating affordable, comfortable, healthy, efficient, and resilient homes.

Barriers: IOUs are not lending institutions (currently). Energy auditor & HVAC workforce needs education & development. Aligning stakeholders' equities. Regulatory approval required.

Goal: Develop programs and tariffs and find capital to fund these.

Action: Create Regulatory Framework & TOBF Programs.

Description (be specific!)**:**

- Bring together experts and stakeholders to design programs.
- Determine regulatory structure & if legislation required
- Find Funding: IRA grants, NMCIC taxfree NM Green Bonds, capital markets
- Find Administrators: CDFI's, CBO's, internal
- Educate ratepayers and contractors
- Ongoing program success analysis

QUESTION: will on bill financing require new law/legislation or can the IOUs and Coops work with the PRC to develop voluntary tariffs?

Note that some Coops have such programs in place.
Tarrifs could be a mechanism that would not require new legislation.

Tri-State has a new on-bill financing program for rural customers, rolling out currently in Colorado, for upgrading homes to all electric, New ERA grant might be available. Contractors are paid directly by the electric providing entity. This complements the energy efficiency programs that are in place by many coops. (Note: Tri-state briefed the PRC in June). CUrrent program in CO is focused on energy efficiency.

NM Climate investment center (NM GREEN BANK) - would like to partner with Tri-State when on-bill financing could roll out in NM. Currently working on funding for the center. Are there limits to what SOLAR FOR ALL can fund? up to 20% can be used for energy efficiency and enabling upgrades.

What prevents the NM IOUs from adopting a program such as the Tri-State's CO on-bill financing program? There are other on-bill financing programs in place by IOUs in other states. Issue: where is the breaking point for disconnection for non payment? Utilities are not banks. Need to learn more about how others are executing these programs. How can IOUs

<table>
<tr><td colspan="2">partner with orgs such as NM GREEN BANK to access capital? Non-payment considerations are important. Cost of administering a new program is also an issue.</td></tr>
<tr><td>Who (actors, lead and support, and implementing entity):
Investor Owned Electric utilities
Electric Cooperatives
EMNRD Energy Conservation & Management
PRC
Community Development Financial Institutions
Community Based Organizations
Workforce: energy auditors/installers
Equipment distributors/manufacturers
NM Climate Investment center</td><td>Timetable:
As soon as possible because Federal Monies from IRA and BIL are available now to boot-strap revolving funds to finance these upgrades.</td></tr>
<tr><td colspan="2">Measures of Progress:
Get Governor buy-in
Develop program design that doesn’t require new legislation
PRC rulemaking
Roll out Tariff On-Bill financing
Measurement & verification of projects
Annual reporting</td></tr>
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Explainer

On-Bill Financing (OBF) is a mechanism where utilities provide upfront capital for energy efficiency improvements, which customers repay through charges on their regular utility bills.

Tariff On-Bill Financing (TOBF) enables utilities to finance solar upgrades for LMI households without dealing with credit or income level issues

Resources on On Bill Financing and Tariff On-Bill Financing:

- Tariff On-Bill Financing
- On-Bill Financing and Repayment Programs
- How On-Bill Financing Unlocks Energy Efficiency
- Innovative Financing Solutions to Hawaii's Clean Energy Challenges
- On-Bill Financing for Energy Efficiency Improvements Toolkit

Benefits

For utilities:
1. Increased customer engagement
2. Reduced energy demand
3. Improved customer satisfaction
4. Potential for new revenue streams

For ratepayers:
1. Access to capital for energy upgrades
2. No upfront costs
3. Energy savings often exceed loan payments
4. Improved home comfort and value

For the environment:
1. Reduced energy consumption
2. Lower greenhouse gas emissions
3. Promotion of clean energy technologies

Free Technology Training for Licensed Trades

(breakout room notes provided in red;
does not capture later group discussion on actors)

Project Goal Statement
Eliminate all operational greenhouse gas emissions and pollution from New Mexico's residential and small commercial buildings by 2050. This is as a means to creating affordable, comfortable, healthy, efficient, and resilient homes for **ALL** New Mexicans, prioritizing low income, disadvantaged, and Tribal communities.

Barrier: Designers, contractors and builders do not see a clear value proposition for decarbonization.

Goal: Strengthen the contractor value proposition.

Action: Provide free training on building decarbonization for licensed tradespeople (continuing education credits).

Description (be specific!)**:**
New Mexico needs more contractors who offer and are educated on residential heat pumps. New Mexico also has a severe shortage of energy auditors. With the number of incentives and rebates available, we need a contractor class that can provide New Mexicans with these services. There are several initiatives underway to address these underlying issues. We aim to present this as a market opportunity for our current contractor class and educate them on how heat pump technology has improved and how to talk to consumers about the rebates and incentives available to them. Additionally, there is a shortage of heat pumps currently available for distribution within New Mexico. If we can educate contractors in conjunction with consumers learning about the incentives available to them we can create a market correction where distributors begin keeping products in stock to avoid lag time specifically for New Mexicans looking to replace an older system that has failed.

Need: Funding for contractor training on Cold Climate Heat Pumps is going to be crucial in order to get the HVAC workforce aligned with the mission goals. There is currently little to no interest from contractors to come to SFCC and take a paid course. We are working to have our curriculum approved by RLD for Continuing Education credits to enhance the program.
Funding secured for Santa Fe Community College heat pump training course (for credentialed tradesmen)

- Oct. 2024 kickoff
- Will be granted continuing education credits - more attractive to contractors to take these courses
- Funding for course registration fee so contractors can take the course for free
- BPI test center - pathway for Las Cruces to collaborate
- What is anticipated demand?

    - HVAC contractor/aged business - gas furnaces are familiar, affordable
    - Cold climate heat pumps still progressive. Traditional contractors have walked away from the residential market
    - More progressive, younger marketers
- General contractors - engage in green business, apply new measures, super high efficiency. Bring in energy auditing
    - Not marketing high efficiency heat pumps

Info session w State Energy Offices, Oct. 8

- Incentives available
- Energy auditor course
- Daikin reps (heat pump manufacturer) - how heat pump tech improved
- Incentives create a market opportunity
- Approved contractor on state Energy Office lists

Shortage of folks who can do this work - improve and educate contractor class

Distributor stock

- 8 weeks for Mitsubishi stock - not responsive to customer's immediate needs
- Refrigerant change due to EPA mandate
- Need longer inventory time for cold climate heat pump

Las Cruces - looking at a similar program for community college in southern part of the state

- 1yr for a training and certification program - continuing education
- Community college a part of UNM

Energy coaches from Energy Office

- Help the customer/contractor navigate rebates and tax credits, utility rebates
- Home Energy Rebate programs
- Customer awareness and education
- Need contractor training for rebates/incentives

Rewiring America

- Great program to educate grassroots reps to understand rebates - free
- Build army of people who understand rebates/tax credits. Grassroots movement
- Weekly online meetings 3-4 weeks

How much will SFCC course solve the problem?

- Slow roll out from 2025 to 2026
- Still expensive if not LI customer
- Consumer education, contractor - YouTube, Rewiring America, SWEEP work > more implementation

Energy Auditors

- Grant in the works. Online course with some in-person training (OSHA, first aid)

Needs

- Adtl funding: course fees, marketing, curriculum development
- NM Heat grant and TREC grant - adtl training for auditors, smart panels, electricians complementary trades

Who (actors, lead and support, and implementing entity):	**Timetable:**
• SWEEP, UA Local 412 (implementers) • Santa Fe Community College (implementers) • NM Energy Office • Manufacturers (Daikin, Mitsubishi, etc)	• SWEEP demystifying heat pump training sessions Late Sept/Early Oct 2024 • SFCC ongoing upskill training for Cold Climate Heat Pump and Water Heater Heat Pump Training. • SFCC dependent on NM HEAT grant (very likely) energy auditor training. Early 2025

Measures of Progress:

- Number of NM approved contractors for rebate program
- Number of energy auditors for hire and value added energy auditors for existing contractors
- Contractor participation in training sessions
- Number of contractors who begin to offer heat pumps as a standard option
- Less out of state filling the gap – explaining market opportunity
- Contractor mindset reset
- Distributor's keeping heat pumps in stock

Clean Heat Standard

(breakout room notes provided in red;
does not capture later group discussion on actors)

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Barrier: Existing building policies do not reflect the state's current greenhouse gas priorities.

Goal: Establish state policies that better incentivize greenhouse gas reductions in the residential and small commercial building sectors.

Action: Develop a clean heat standard, akin to a renewable portfolio standard on the electric side; not envisioned to remove all pipelines. (not a one-size fits all policy; nascent in the US, CO passed a clean heat standard focused on natural gas utility end use emissions reductions)

Description (be specific!)**:**

- End-use GHG reductions from gas utility systems.
- Reduce X% by 2030 and Y% by 2035 relative to 2015 or 2025 (as example baseline years)
    - Additional stakeholder discussion needed to determine X and Y
- Achieve net-zero emissions by 2050
- Residential and commercial focus but how might industrial inclusion open up for alternative fuels like hydrogen. Utilities determine how to achieve emissions reductions. Eligible measures can include efficiency, leak reduction, use of lower-emissions fuels, beneficial electrification; paired with weatherization.

Who (actors, lead and support, and implementing entity):

- Gas utilities
- Electric utilities
- Legislators
- PRC
- Clean energy stakeholders
- Consumer advocates
- Local governments
- Workforce, unions, builders
- Installers
- Equipment distributors/manufacturers
- Climate investment center
- NM landholders with fuel contracts that may be impacted by the clean

Timetable:
As soon as possible because it needs to go through a long legislative session. 2025 would be first opportunity to pass this. First plans in 2027 if all goes well. Otherwise, introduced for 2027 session.

heat standard	

Measures of Progress:

- Get Governor buy-in
- Bill introduced and adopted
- PRC rulemaking
- Gas utilities implement plans to achieve GHG reductions
- Measurement & verification of projects
- Annual reporting

Point of Sale Incentives

(breakout room notes provided in red;
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Barrier: Customers (end users) do not see a clear value proposition for decarbonization.

Goal: Increase the value customers receive from adopting building decarbonization measures, through an easy to use process.

Action: Prioritize cash incentives at point-of-sale.

Description (be specific!):

Point of sale (POS) rebates are incentive programs used by utilities, retailers, distributors, and governments to encourage the adoption of energy-efficient alternatives through a mid-stream approach. This results in instant discounts at the register for customers, helping reduce the barrier to entry by removing any administrative or cost burdens. The management of the rebates then falls on the provider (often a utility or government agency) to manage relationships with mid-stream suppliers (often retailers or distributors). This results in the management of fewer relationships for the provider, and the management of cash flow for the suppliers. Understanding Point-of-Sale Programs | ENERGY STAR

Based on preliminary research, there are multiple pathways to increase POS rebates:

- Mandate more utility-managed POS rebates for EE appliances through the PRC.
    - Currently, we have PNM's POS rebate program (managed by DNVGL)
    - EMNRD is launching the Office of Regulatory Affairs to help push updated rulings.
- Create a state-level and state-run POS rebate program through the State's new Energy Office, Energy Conservation and Management (ECAM). Landing - ECAM - Energy Conservation and Management (nm.gov)
    - In 2022, New Mexico received over $87 million dollars to go towards high-efficiency electric home rebate programs that includes a state-run point-of-sale rebate program. Heinrich Announces over $87 Million for New Mexico Energy Rebate Programs.

    - This has resulted in the HERs and HEARs programs. These may launch as soon as 9/6.
- Recommendations:
    - Pair this with an educational program for engineers and architects to ensure RFI/RFB/RFP includes strong ee/weatherization requirements and that contractor responses do not dilute the efficiency goals of the project.
    - Learn from the state's rollout
    - Prioritize rebates to go towards Section 8 (first) and other verifiable low-income multi-family units.
    - As a part of the POS rebates, include smart metering and load shifting mechanisms.
    - Include renter protections in rental properties.
    - Engage supporters below to identify need in the community, from existing relationships between city, state, or federally run assistance programs and their clients
    - Include links to POS information on existing need-based resource websites with estimated utility bill savings from associated measures

EMNRD website launch (Dana and Yeny)

- Started with insulation
- Seamless, IT friendly - how can we expand?
- NM only state doing RETAIL distribution. Other states going through second party (distributors)
    - Very difficult creating contracts with Home Depot, Lowes, logistical
    - Type of program, how distributed to customers
    - Weatherization pre-requirements
    - Product has to be Energy Star certified
    - NM has an admin implementor. LOTS OF ADMIN WORK.
    - Database system - hold data behind the website, tracking
    - Tie in with federal, utility programs

Will $1600 of insulation be enough? Get installed the right way? How will consumers know about EMNRD website? Will it be enough? Do they know how to install properly? What is the reality here?

- Community Energy Efficiency program (Dana) - in conjunction with MFA weatherization to integrate with EMNRD rebates. Cities and counties familiar with MFA introduced to EMNRD website
- Finding synergies through related programs (MFA, MFA weatherization, ECAM clean energy website)

Where do customers go to access?

- Thru individual homeowner or by their contractor
- cleanenergy.nm.gov

- MFA website to direct weatherization services. 3 year waiting list with prioritization for health, age, need

Best used in partnership with whole home audits
- example : PNM home assessment to best determination where measures best implemented
- POS wo an audit could lead to cross-purposes, mis-installaments

SWEEP and Prosperity Works' block grant approach more effective?
- Identify biggest need communities; trusted messenger
- POS build visibility, idea that individuals can make a difference. Will this be enough to scale, house by house?
- POS - not easy enough, fast enough, at scale enough…
- Builds knowledge, get word out, create buy-in

ECAM energy coaches > get out in the community, go with SWEEP and Prosperity

City of ALB & Bernalillo utilizing PNM Energy Audit
- Thru Prosperity Works - different stds for certification
- Funding thru the City Council?
- Limited home assessment (PNM) is NOT an energy audit

30 people in POS insulation queue

POS website - what's next?
- January 2025. Hot water heat pumps?

Rebates direct to retail customers
- Focus on Lowe's and Home Depot
- Ease to get into consumers' hands
- Will get more complex as need plumbing, safety, heating certifications

Installation services from home improvement stores?
- Rebates for product itself; apply to installation cost? May not be able to be bundled.
- But heat pump thru HD/Lowe's - apply coupon. Include rebates to install?
- Need to cover gap between product cost and installation cost
- **INSTALL IT FOR ME - can we apply rebates to install services?**
    - DIY is not realistic for many homeowners
- Can we target day workers outside home improvement stores?

Utility transportation electrification plans - rebates for chargers and installation costs, bundled package
- Include rebates in utility EE plans

- Panel upgrades rebates included in EE plans
- May open up to adtl products and funding

Multi-family sectors

- Need to be careful for rent protections

Who (actors, lead and support, and implementing entity):

Lead: EMNRD (Yeny Maestas)

Support: PRC, Subcontractor, Senator Heinrich, Municipal Gov, MFA, HUD, Homewise, State Income Support Division, Community Energy Efficiency Development Program,

Implementing Agency: Subcontractor & distributors (e.g. hardware stores).

Timetable:

- Secure funding
- Develop program
  3-6 Months
  - Determine type of program (direct to customer vs. developer),
  - type of distribution (retailer vs. distributer),
  - types of product (energy star certified, etc.),
  - program limitations – H&S measures, installation requirements (certs of contractor, etc), weatherization pre-requirements, product certifications, retailer access, product cost,
  - marketing/outreach,
  - database system
- RFP process – determine requirement
  3-9 Months
- Contract process - develop contracts with each player within the program
  3-9 Months
- Retailers acquire products, Develop marketing campaign, Build website/database system
  3-6 Months
- Launch outreach/marketing campaign, Launch website/database system, Stock product in retail stores, add signage
  1-3 Months
- Program soft launch
  1 Month

	● Full program launch

Measures of Progress:

Program implemented (y/n), number of units sold, estimated kWh/therms saved (based on average use of non-efficient alternatives), and distributor/retailer feedback.

Beneficial Electrification Rate

(breakout room notes provided in red;
does not capture later group discussion on actors)

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Barrier: Existing building policies do not reflect the state's current greenhouse gas priorities.

Goal: Establish state policies that better incentivize greenhouse gas reductions in the residential and small commercial building sectors.

Action: Direct the NM Public Regulation Commission to develop a beneficial electrification rate design.

Description (be specific!)**:**

BE technologies, particularly for space heating, have the potential to bring significant additional revenue to the electric system. To the extent that these new loads occur on rates designed to serve older load shapes, they may result in excessive costs to participating customers (discouraging adoption) that do not reflect the actual cost to serve. Updating rate designs to consider the significantly different overall annual consumption and seasonal distribution of usage can potentially return some or all of the increased electric utility revenue to the participating customer (improving the customer economics of electrification) without jeopardizing the electric utility's ability to cover costs.

- The PRC should not design utility rates directly, but rather should establish principles that utilities should use to develop BE rate proposals. Suggested principles are provided below. The Commission should direct utilities to include one or more proposals for a BE rate(s) in their next general rate case, or as a miscellaneous filing if the utility wishes to propose a BE rate sooner than its next rate case filing.
- Rates should be designed such that participating customers' **total operating costs** do not increase as a result of electrification. (This does not necessarily mean a customer's electric bill will not increase, but rather that any increase will be at least matched by a decrease in the customer's costs for the previous fuel.)
- The goal of BE rates should be to ensure that customers save or are at least no worse off in terms of annual operating costs. Other barriers to electrification should be addressed with other tools (e.g., higher equipment costs are better addressed through up-front adoption incentives, such as rebates). Utilities should be encouraged to propose programmatic approaches to support BE, in addition to addressing operating cost through rate design.
- The Commission should recognize that not all end uses require a BE rate in order to achieve operating cost savings for customers. EVs and heat pump water heaters may save money for customers without rate intervention, while air source heat pumps are more likely to result in operating cost increases (and, therefore, be a good candidate

for a specific rate).

- BE rates should reflect the full annual cost to serve the customer and should not create (or imply) inter- or intra-class subsidies. The policy interest in electrification should not outweigh traditional rate design principles such as cost-causation.
- The Commission should consider requiring utilities proposing BE rates to have decoupling mechanisms in place for the affected rate classes, to reduce the risk of windfall revenues and to ensure that increased sales place downward pressure on customer rates overall.
- Consider whether entirely new rates (or rate classes) are required vs. whether existing rates (or classes) can be used, potentially with modifications. For example, SPS currently offers a residential electric heating rate that features a lower per-kWh charge during winter. This could potentially be adapted for use by customers installing air source heat pumps without negatively affecting existing customers; it could also potentially be adapted to include a time-of-use component to more accurately reflect the cost to serve at different times of day.
- If existing space heating rates are modified to encourage BE, care should be taken not to cause harm to customers already on those rates. A customer on an existing electric heating rate who heats with electric resistance should not lose access to the electric heating rate, nor be required to install a new heat pump system in order to remain on the rate.
- BE rates should not require the installation of additional equipment not needed for the new appliance, like dedicated metering. BE rates should apply to all of the customer's consumption, like existing electric heating rates, not to a subset of usage.
- BE rates should not assume or require that customers will participate in utility demand response programs, but utilities should offer voluntary demand response programs (Recommend targeted, distribution-level programs to address the potential for impacts to specific portions of the grid) that provide customers an additional incentive if they choose to enroll. Those incentives should reflect the value of load flexibility to the utility grid.
- High levels of BE adoption are likely to result in a need to upgrade electric utility local distribution infrastructure before they create challenges at a generation level. A residential customer who installs a Level 2 EV charger and an air source heat pump could very likely exceed the 15 kW maximum demand allowed by SPS's residential tariff. The Commission should consider tools that allow the electric utility to pursue necessary distribution investments without requiring the participating customer to bear the full cost of the upgrade.

Who (actors, lead and support, and implementing entity):	**Timetable:**
• Utilities can petition the Commission for new rates (subject to confirmation)	

Measures of Progress:

-
-

Questions

- Is a time-dependent rate necessary or could a block rate work?
    - Neither may be essential. TOU has a role to shift peak usage beyond electrification. Flat per kWh rate could work too
- Can customers with dual fuel for heating still access these rates?
    - Depends on the particular tariff for each utility
- Are there ever low income rates?
    - In some states, but not currently in New Mexico
    - Xcel interested in the flexibility to do that in the future, with legislation proposed
- It will be critical to ensure that buildings being electrified have appropriate sealing and insulation and other EE measures; not clear that this is tied to the rate, but the policy/program should support a comprehensive upgrade
- Where might demand charges fit into BE rates?
    - Implementation would need to be very careful. Customer acceptance of demand charges is unclear
- AMI roll out is underway in NM now, needed before offering TOU rates
- Don't necessarily need a "beneficial electrification" rate, space heating rates have been around for a long time and could be a useful tool to encourage the same outcomes
- PNM has TOU/time-of-day rates, but don't have AMI yet - TOU customers have a cellular meter; Under TE program, have an whole home EV rate to shift charging to between 10pm and 5am
    - Time-of-day rate includes a winter morning peak
    - Seeing a snap back at 10pm when folks start charging their cars - also looking into a managed charging program to smooth that out
- NYSERDA and NY utilities have a large clean heat program (incentives, market development, workforce training) that includes an innovative pricing program for program participants (offers a discount during the winter)

Grid Modernization and Distribution System Upgrades

**(breakout room notes provided in red;
does not capture later group discussion on actors)**

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Barrier: The housing stock and the electricity infrastructure lack readiness for some decarbonization measures.

Goal: Prepare New Mexico's electric grid and housing stock for future electrification.

Action: Support grid modernization and distribution system upgrades.

Description (be specific!)**:**

Our group, composed of professionals from diverse sectors including utilities, local government, renewable energy, finance, and business, has identified two essential and complementary actions necessary to prepare New Mexico's electric grid, housing stock, and businesses for future electrification. These actions focus on upgrading the state's distribution systems and modernizing the grid, with strong state leadership to streamline processes, provide funding, and ensure sustained momentum.

State Leadership in Streamlining Processes:

The State of New Mexico must take a proactive leadership role in streamlining the approval and implementation processes for distribution system upgrades and grid modernization. This involves creating an efficient pathway for regulatory approvals, coordinating efforts among utilities, co-ops, local governments, and businesses, and reducing bureaucratic delays that could hinder progress. A centralized authority, such as a state-appointed czar or special committee, should be established to oversee these efforts and serve as a single point of contact for all stakeholders, including businesses, involved in the electrification initiative.

Distribution System Upgrades:

New Mexico's current distribution infrastructure, much of which is outdated and undersized, is not equipped to handle the anticipated increase in electrical demand due to electrification. Upgrading essential components such as service transformers, poles, conductors, switchgear, breakers, protectors, interrupters, relays, and substation transformers is critical. The state should lead efforts to secure funding, prioritize upgrades in underserved communities, and coordinate with utilities, co-ops, and businesses to implement these upgrades efficiently.

Support for Grid Modernization:

In tandem with distribution upgrades, grid modernization is crucial for enhancing the resilience, efficiency, and capability of the electric grid. This includes integrating advanced technologies like smart meters, automated controls, and real-time monitoring systems that enable better grid management and facilitate the integration of distributed energy resources (DERs). The state should support grid modernization by providing funding, facilitating public-private partnerships that include businesses, and ensuring that modernization efforts align with the state's decarbonization goals. Examples for inspiration: Roadways investments in other states, others???? IT WOULD BE GREAT TO FIND SIMILAR OR LIKE PROGRAMS ELSEWHERE TO LEARN FROM.

By implementing distribution system upgrades and supporting comprehensive grid modernization concurrently, with significant involvement from businesses, we can create a more resilient and capable electric infrastructure that meets New Mexico's decarbonization goals.

Specific Actions Proposed:

1. **State-Led Customer and Business Service Upgrade Campaign:**

   The State of New Mexico should initiate and lead a campaign to upgrade customer-owned electrical services and business infrastructure. This campaign should leverage state and federal funds to address the widespread barrier posed by undersized electrical services, ensuring that homes, small businesses, and commercial entities are ready for increased electrical demand. The state's leadership in this campaign is essential to maintain momentum and ensure that these upgrades are implemented swiftly and equitably across residential and business sectors.

   Can funding be available for upgrades? Housing NM MFA can assist through grants to install heat pumps, but can the utility upgrades be happening via a "ticket" for particular electrical work? Currently, the customer/initiator is responsible for upgrade costs even if the benefit helps other customers. Can the "czar" determine the priorities for upgrades and provide a proactive approach to upgrades?

   This method could reduce red tape and delays to infrastructure upgrades.(benefits IOUS as well as others.)

   Could neighborhood associations or home owners associations be partners in upgrades? Caution against getting too granular with upgrade recommendations.

2. **Coordinated Distribution System Upgrades with Business Involvement:**

Utilities, co-ops, and businesses should collaborate under state leadership to identify and prioritize necessary upgrades to the distribution network. The state should facilitate this collaboration, providing a framework for petitioning the New Mexico Public Regulation Commission (NMPRC) for a Grid Modernization Approval Request and developing customer

and business-funded initiatives supported by utility and co-op incentives. The state's role in coordinating these efforts will ensure that distribution upgrades are implemented efficiently and in alignment with broader grid modernization goals.

Utilities cannot upgrade infrastructure if the demand doesn't support such improvement. Example: will the cost of a new line/line upgrade to a single customer be subsidized by all customers?

1) need agreement that the grid is outdated and/or overloaded, though recognition that upgrades are constantly needed
2) need clarity on the end goal. Many of the actions fall into the responsibility of the electric providers (coops and IOUs), while the providers also have to preserve affordability, cleanliness, and reliability objectives.

3. Comprehensive Grid Modernization Support:

The state should champion grid modernization by securing funding, promoting public-private partnerships that include businesses, and supporting the deployment of advanced grid technologies. These efforts should be directed by a state-appointed czar or committee to ensure that modernization initiatives are integrated with distribution upgrades and that progress is tracked against the state's decarbonization targets. The involvement of businesses in these partnerships is crucial for driving innovation and ensuring that modernization efforts meet the needs of all stakeholders.

4. State-Level Coordination and Support:

Establish a centralized authority, such as a state-appointed czar or special committee, tasked with overseeing the implementation of distribution system upgrades and grid modernization. This authority would streamline processes, provide guidance on navigating funding programs and state approval processes, and coordinate efforts among all stakeholders, including low-income organizations, Tribal communities, businesses, utilities, and local governments. The state's proactive leadership in this role is essential to achieving the initiative's goals and ensuring that the involvement of businesses strengthens the overall effort.

• **Who** (actors, lead and support, and implementing entity): • **Lead Actors:** • State of New Mexico (Governor's Office, NMPRC, State Energy Office) • New Mexico Public Regulation Commission (PRC) • Construction Industry Division • New Mexico Renewable Energy Industry Association (NM REIA) • NAIOP New Mexico • Electric utilities (e.g., El Paso Electric, PNM, Xcel Energy, and Coops)	• **2024-2026:** The state will lead initial assessments and pilot projects focused on distribution system upgrades and grid modernization in key regions, particularly in low-income, Tribal communities, and key business sectors. Funding will be secured, and state-led initiatives will commence to ensure swift and equitable implementation. • **2027-2035:** Expand both grid modernization and distribution system upgrades across the state under continuous state oversight. Implement monitoring systems to ensure that

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- Housing NM MFA
- **Support Actors:**
- City of Albuquerque
- City of Santa Fe
- City of Las Crucses
- Tribal governments
- Low-income community organizations
- Rural New Mexico governments
- Tri-state Generation & Transmission Association
- **Implementing Entities:**
- Utility companies, in coordination with stakeholders and local governments
- State and federal regulatory agencies

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infrastructure enhancements are effectively integrated and aligned with the state's decarbonization goals, with active business participation.

- **2036-2050:** Complete the modernization of the grid and distribution systems, ensuring that all residential, small commercial buildings, and businesses are connected to a resilient, decarbonized grid capable of supporting full electrification.

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- **Measures of Progress:**

- **Short-term:** Number of pilot projects initiated, funding secured, and initial upgrades completed, including the integration of grid modernization technologies and distribution system enhancements. The state's role in streamlining processes and providing support, along with business involvement, will be critical metrics.
- **Medium-term:** Percentage of grid modernized and distribution systems upgraded in key regions, increased integration of DERs, and measurable improvements in grid reliability and efficiency, all under the state's coordinated leadership and with business support.
- **Long-term:** Achieve full grid modernization and comprehensive distribution system upgrades, with all residential, small commercial buildings, and businesses connected to a resilient, decarbonized grid. The sustained momentum of the initiative, driven by state leadership and business involvement, will be a key measure of success.

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