

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF THE APPLICATION)
TO TERMINATE PUBLIC SERVICE)
COMPANY OF NEW MEXICO'S SKY BLUE)
VOLUNTARY RENEWABLE ENERGY)
PROGRAM)**

Case No. 25-00XXX-UT

**PUBLIC SERVICE COMPANY OF NEW)
MEXICO,)**

Applicant)

_____)

DIRECT TESTIMONY

OF

ALARIC J. BABEJ

October 31, 2025

**NMPRC CASE NO. 25-00XXX-UT
INDEX TO THE DIRECT TESTIMONY OF
ALARIC J. BABEJ**

**WITNESS FOR
PUBLIC SERVICE COMPANY OF NEW MEXICO**

I.	INTRODUCTION AND PURPOSE	1
II.	STATUS OF PNM SKY BLUE	2
III.	RECOMMENDATION FOR SKY BLUE	4
IV.	FUTURE VOLUNTARY PROGRAMS	5
V.	CONCLUSION.....	6

PNM EXHIBIT AJB-1 Resume of Alaric J. Babej

AFFIDAVIT

**DIRECT TESTIMONY
ALARIC J. BABEJ
NMPRC CASE NO. 25-____-UT**

I. INTRODUCTION AND PURPOSE

Q. Please state your name, position, and business address.

A. My name is Alaric J. Babej. I am the Director of Customer Energy Solutions for Public Service Company of New Mexico (“PNM”). My business address is Public Service Company of New Mexico, 414 Silver Ave. SW, Albuquerque, NM 87102.

Q. Please summarize your educational background and professional qualifications.

A. My educational background and professional experience are summarized in PNM Exhibit AJB-1.

Q. Please describe your responsibilities as Director of Customer Energy Solutions.

A. I have served as the Director of Customer Energy Solutions at PNM since October 2024. My responsibilities include overseeing multiple customer programs offered by PNM, including Energy Efficiency, Transportation Electrification, voluntary renewable energy tariffs such as PNM Sky Blue® and PNM Solar Direct, Community Solar, and new program design.

Q. What is the purpose of your direct testimony in this case?

A. The purpose of my direct testimony is to provide background on PNM Sky Blue, outline the outcome of Case No. 21-00158-UT as it pertains to the PNM Sky Blue

**DIRECT TESTIMONY
ALARIC J. BABEJ
NMPRC CASE NO. 25-____-UT**

1 investigation period, and introduce PNM's recommendation for the termination of
2 the program.

3

4 **II. STATUS OF PNM SKY BLUE**

5 **Q. Please describe PNM Sky Blue.**

6 **A.** PNM Sky Blue is a premium green tariff program that allows customers to
7 subscribe to a blend of solar and wind energy produced from a portion of the
8 Manzano Solar Facility and the New Mexico Wind Energy Center, respectively.
9 Customers may either purchase blocks of 100 kWh or may subscribe to a
10 percentage of their monthly energy consumption. Each kWh purchased is an
11 additional charge on the customer bill and Renewable Energy Certificates (RECs)
12 are retired on behalf of customers and are not retired towards PNM's Renewable
13 Portfolio Standard (RPS)¹ compliance.

14

15 **Q. Please describe the change in status of the regulatory asset balance during**
16 **the investigation period.**

17 **A.** As shown in the PNM Quarterly Compliance Report for Q1 2023 in Case No. 21-
18 00158-UT, the regulatory asset balance began at \$1,236,229. In the PNM Quarterly

¹ See NMSA 1978, § 62-16-4 (2019).

**DIRECT TESTIMONY
ALARIC J. BABEJ
NMPRC CASE NO. 25-____-UT**

1 Compliance Report for Q3 2025, the balance has been reduced to \$230,081, an 81%
2 decrease over this period.

3

4 **Q. What are the main contributing factors to the reduction in the regulatory**
5 **asset balance?**

6 **A.** During the investigation period, PNM did additional outreach with commercial
7 customers with stated green energy goals. Sales of PNM Sky Blue rose primarily
8 due to the participation of one large customer. Simultaneously, PNM ceased
9 deducting marketing expenses and regulatory asset carrying costs from the Rider
10 30 Total Revenue. The combination of higher Rider 30 revenues and fewer program
11 expenses meant that PNM had more net revenue to retire solar and wind RECs. By
12 the 4th quarter of 2020, PNM was retiring the majority of the Sky Blue program's
13 solar REC allocation from the Manzano facility, so the regulatory asset was no
14 longer growing. In 2021, PNM retired 99.8% of Sky Blue's allocation from the
15 Manzano facility and, in the years since, has retired 100% of the allocated solar
16 RECs from the Manzano facility.

17

18 **Q. What actions did PNM take to determine customer satisfaction with PNM**
19 **Sky Blue during the investigation period.**

20 **A.** As discussed in detail in the Direct Testimony of PNM witness Dru E. Jones, PNM
21 conducted multiple surveys as well as a focus group meeting. Please see the Direct

DIRECT TESTIMONY
ALARIC J. BABEJ
NMPRC CASE NO. 25-____-UT

1 Testimony of Dru E. Jones for details regarding the methodology and results of the
2 surveys, as well as feedback from the focus group. In summary, PNM customers’
3 priorities regarding “green” or sustainable energy have evolved since Sky Blue was
4 first made available, and the premium price of the program no longer holds the
5 same value to many of those customers.

III. RECOMMENDATION FOR SKY BLUE

8 **Q. What does PNM recommend for the future of PNM Sky Blue?**

9 **A.**After evaluating customer preferences and the current status of the regulatory asset,
10 PNM is recommending termination of PNM Sky Blue by the end of July 2026.

12 **Q. Why does PNM recommend continuing the program until July 2026 before**
13 **termination?**

14 **A.**The desire to continue the program through July 2026 is primarily driven by the
15 ability to reduce the under collection of the regulatory asset to close to \$0. PNM
16 believes that this timeline will reduce the financial burden on other customers.
17 There is also a need for a timeline to allow for thoughtful customer communications
18 to inform customers currently participating in the program of the decision to
19 terminate the program as well as provide them with what other options are
20 available.

DIRECT TESTIMONY
ALARIC J. BABEJ
NMPRC CASE NO. 25-____-UT

1 **Q. Does terminating PNM Sky Blue mean PNM customers will have less access**
2 **to clean, renewable energy?**

3 **A.** Not at all. First, as explained by PNM witness Jones, there are other programs
4 customers can enroll in which support access to renewable energy. Second, it's
5 worth noting that renewables comprised less than 10% of PNM's generation
6 portfolio in 2003 when Sky Blue started. Today, renewables comprise 72% of
7 PNM's generation portfolio. It is also much more affordable today for residential
8 customers to install rooftop solar, or for commercial and industrial customers to
9 install a solar facility that meets many of their energy needs. Many customers have
10 implemented these solutions.
11 Furthermore, the New Mexico Community Solar program has begun, providing
12 many customers an option to participate in a program that supports renewable
13 energy development. Although subscribers to Community Solar do not retain the
14 RECs from the generation, participation in the program is designed to help
15 customers save money overall, which is often more important than REC retirement.
16 Given that backdrop, there is perhaps less need today for premium products such
17 as Sky Blue.

18

19 **IV. FUTURE VOLUNTARY PROGRAMS**

20 **Q. Does PNM plan to offer voluntary renewable energy programs to PNM**
21 **customers in the future?**

DIRECT TESTIMONY
ALARIC J. BABEJ
NMPRC CASE NO. 25-____-UT

1 **A.** PNM will continue to work closely with customers to respond to their goals and
2 offer programs and services to meet customer needs.

3

4 **Q.** **How will PNM determine what program(s) to offer customers in the future?**

5 **A.** PNM does not currently have a program design that is sustainable through customer
6 interest and financial viability. PNM will continue to work closely with customers
7 to respond to their energy needs. PNM's ability to offer such programs will be
8 driven by both customer desire to participate as well as balancing the financial
9 requirements of procuring additional renewable energy resources to be dedicated
10 to participating customers.

11

12 **Q.** **What are the statutory and regulatory requirements of potential future**
13 **voluntary renewable energy programs?**

14 **A.** NMSA 1978, Section 62-16-7(A)(2) states that the Commission "*may* require that
15 a public utility offer its retail customers a voluntary program..." [emphasis added].
16 While the Commission no longer *must* require that utilities offer voluntary
17 programs, the requirement for voluntary programs remains at the Commission's
18 discretion.

19

V. CONCLUSION

20 **Q.** **Does this conclude your direct testimony?**

21 **A.** Yes, it does

GCG#534281v4

PNM Exhibit AJB-1

Resume of Alaric J. Babej

Is contained on the following page

Alaric J. Babej
EDUCATIONAL AND PROFESSIONAL SUMMARY

Name: Alaric J. Babej

Address: Public Service Company of New Mexico (PNM)
MS 0605
414 Silver SW
Albuquerque, NM 87102

Position: Director, Customer Energy Solutions

Education: Bachelor of Science in Mechanical Engineering
University of Rhode Island, 2008

Master of Science in Mechanical Engineering
University of Washington, 2013

Master of Business Administration
University of New Mexico, 2022

Employment: Employed by PNM since 2017

Positions held within the Company include:

Technical Program Manager, Renewables
Project Manager, Product Development
Manager, Customer Program Marketing and Development
Principal, Customer Energy Solutions
Director, Customer Energy Solutions

NMPRC Testimony:

Case No. 20-00124-UT (2021 Renewable Energy Plan)
Case No. 20-00237-UT (2022-2023 Transportation Electrification Plan).
Case No. 21-00158-UT (Sky Blue Investigation)
Case No. 22-00058-UT (Grid Modernization Implementation)
Case No. 23-00071-UT (Community Solar Implementation)
Case No. 23-00195-UT (2024-2026 Transportation Electrification Plan)
Case No. 25-00049-UT (Grid Modernization Review)

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF THE APPLICATION
TO TERMINATE PUBLIC SERVICE
COMPANY OF NEW MEXICO'S SKY BLUE
VOLUNTARY RENEWABLE ENERGY
PROGRAM**

**PUBLIC SERVICE COMPANY OF NEW
MEXICO,**

Applicant

Case No. 25-00XXX-UT

AFFIDAVIT

[illegible]

ALARIC J. BABEJ, Director of Customer Energy Solutions, Public Service Company of New Mexico, upon being duly sworn according to law, under oath, deposes and states: I have read the foregoing **Direct Testimony of Alaric J. Babej**, and it is true and accurate based on my own personal knowledge and belief.

Dated the 31st day of October 2025.

/s/Alaric J. Babej
Alaric J. Babej