

**NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT**



INNOVATIVE ENERGY FINANCING PROJECTS REPORT

**Energy Efficiency and Renewable Energy Bonding Act
and
Public Facilities Energy Efficiency and Water Conservation Act**

2024 ANNUAL REPORT

Prepared by

**Energy Conservation and Management Division
Energy, Minerals and Natural Resources Department**

December 1, 2024

Introduction

This report fulfills the annual reporting requirements for the Energy Efficiency and Renewable Energy Bonding Act (EERE), 6-21D NMSA 1978. In addition, and at the request of the legislature pursuant to the 2014 House Memorial 61, projects authorized by the Public Facilities Energy Efficiency and Water Conservation Act (PFEEWC), 6-23 NMSA 1978, are included, due to their similar function and process.

Executive Summary

Since 2012, the total investment in Energy Service Company (ESCO) project implementation in New Mexico has reached \$345 million, which encompasses leveraged capital funding and \$229 million in financing. This investment has yielded annual savings of \$15.1 million, with an average payback period of 12.9 years. Continuous oversight from reviewers has bolstered investor confidence in these state-backed projects.

In 2024, public entities utilizing ESCOs under the PFEEWC achieved:

- \$64 million in energy audit certifications
- \$51 million in financing
- \$3.2 million in guaranteed annual energy expenditure savings

Since 2012, these PFEEWC-backed projects secured substantial energy savings, locking in:

- 98,784 megawatt-hours (MWh) of annual energy savings
- 17.7 MW of installed solar photovoltaics
- 26,800 MWh of electricity generated from solar photovoltaics.

New Mexico ESCO projects have successfully complied with Executive Order 2019-03, issued by Governor Lujan Grisham, contributing to a significant reduction in **CO2 emissions**:

- **90,000 Tons CO2/year since 2012**
- **8,850 Tons CO2 in 2024**

This reduction in 2024 is equivalent to removing 1750 gasoline cars from the road or planting 370,000 trees.

Background

The EERE program became effective on July 1, 2005, as an innovative financing mechanism for state agencies and school districts to reduce energy consumption and operating costs in their facilities, via funding and implementation of energy efficiency and renewable energy renovations. The EERE program authorized the New Mexico Finance Authority (NMFA) to one-time issue up to \$20 million in bonds backed by the State's Gross Receipts Tax to make loans to state agencies and public schools for eligible renovation work. Under the program, bonds can be issued only if the Energy, Minerals and Natural Resources Department (EMNRD) finds that the energy cost savings resulting from the renovations will be greater than the amount of the debt service due on those bonds. Participating agencies pay this debt service via a "capture" from their operating budgets of 90% of the amount of expected energy utility bill savings. Since the inception of the EERE, a multitude of public entities have made use of the total \$20 million allocation. This was a one-time authorization.

The EERE program is administered by EMNRD's Energy Conservation and Management Division (ECAM). ECAM reviews and certifies investment-grade energy audits of proposed energy efficiency and renewable

energy renovations conducted on behalf of public entities by professional engineering firms. ECAM provides this energy audit certification to both the NMFA and the public entity to qualify the entity's project for the bonds issued under EERE, and then to proceed with the implementation of the certified energy efficiency measures. Within a year after completion of the renovations, ECAM conducts an evaluation of the building's energy usage in the prior twelve months and provides a certification of the estimated energy and cost savings realized by the bond-funded project to the Department of Finance and Administration, the General Services Department (GSD), or any other state agency having jurisdiction over state buildings which are using the EERE program.

ECAM also administers the PFEEWC program, 6-23-1 NMSA 1978, enacted in 1993. The PFEEWC program is a similar innovative funding mechanism for energy-efficient facility upgrades, and, like the EERE program, requires an investment-grade energy audit of the proposed project to be certified by EMNRD. Unlike the EERE program, the PFEEWC program is available to all public entities including state agencies, public school districts, institutions of higher education, and local governments. Under the PFEEWC program, a public entity contracts with an established ESCO on the State Price Agreement to perform the investment-grade energy audit, and the energy cost savings identified in the audit are guaranteed to the public entity. Currently, the State Price Agreement is being renewed. ECAM certifies the audit and conducts annual monitoring of the energy savings achieved. This process is called Energy Saving Performance Contracting (ESPC).

In 2024, public entities utilized ESCOs under the PFEEWC program that achieved the following in New Mexico:

- Over \$64 million in energy audit certifications
- \$51 million in financing
- Guaranteed energy expenditure savings of \$3.2 million per year

Since 2012, these PFEEWC-backed projects have resulted in:

- 98,784 megawatt-hours (MWh) of annual energy savings from efficient upgrades
- 17.7 MW of installed photovoltaics
- 26,800 MWh of electricity generated from solar photovoltaics.

ESCOs operating under the PFEEWC program must meet experience qualifications – established by ECAM – to perform the contracted work and must maintain a contractual relationship with the project throughout the

lifetime of the contract. The maximum allowable contract time is 25 years. Typically, an ESPC project under the PFEEWC program consists of the following elements:

- **Energy Assessment** – The ESCO, contracted under the Statewide Price Agreement, first performs an investment-grade energy audit of the facility using nationally recognized standards.
- **Turnkey Service** – The ESCO provides the required design and implementation services identified in the initial energy audit through long-term monitoring and verification (M&V) of project savings.
- **Comprehensive Measures** – The ESCO tailors a comprehensive set of energy saving measures to fit the needs of the project facility, which can include energy efficiency, renewable generation, distributed generation, water conservation, and/or energy efficient transportation measures.
- **Project Financing** – The contracting entity can issue a Request for Proposals for financing, work with their Bond Council, or use the Energy Efficiency and Renewable Energy Bond Funds to arrange for long-term project financing.
- **Project Savings Guarantee** – The ESCO provides a guarantee that the savings produced by the project will be sufficient to cover the cost of project financing for the life of the project.
- **Monitoring and Verification** – The ESCO must monitor and verify the savings throughout the term of the contract.

The programs discussed above help public entities reduce their energy expenditures and restore or improve their infrastructure while reducing the need for legislative capital outlay requests. As a result, the legislative appropriations can be concentrated on deferred maintenance, critical life safety and security needs in many publicly owned facilities.

ECAM engages in the following efforts to improve utilization of EERE and PFEEWC:

- Assisting the GSD Facilities Management Division in developing a Request for Proposals (RFP) to establish a statewide price agreement for ESCOs as qualified providers. The selected qualified providers are available to conduct investment-grade energy audits on public facilities for energy efficiency and renewable energy projects; and
- Maintaining oversight over all active projects, which includes project walkthroughs and participation in review meetings during development of the investment-grade energy audit and conducting progress inspections as the project is being implemented. ECAM's oversight ensures that the energy audits are certified and that the completed projects will reap the benefits of the program and contribute to reduction in overall carbon emissions.

- Developing Standard Operating Guidelines for the use of an ESCO by any state agency, local government, public school district, or institution of higher education interested in using the PFEEWC or EERE programs; and
- Promoting the programs by informing all public entities about the availability of these funding mechanisms for energy efficiency improvements, renewable energy installations, electric vehicle charging stations installations, and water conservation measures. In FY24, presentations were given to the Energy Services Coalition (ESC), Higher Education Department (HED), City of Albuquerque, University of New Mexico, and the Department of Transportation. On a monthly basis, ECAM reviews projects for the Higher Education Department to determine compliance with EO 2019-03 and EO 2006-01 and to review capital outlay projects that include energy savings performance contracts.

The implementation tools developed by ECAM have contributed to the success of these programs. These tools include the investment-grade energy audit contract template, energy savings performance contract template, RFP template for private financing and state price agreement with nine vendors and four third-party reviewer consultants. Third-party reviewers help public entities navigate the process by reviewing the development of energy audits and by conducting inspection of the construction's implementation.

ECAM is responsible for the following:

- Reviewing the investment-grade energy audits developed by the ESCOs to ensure that the predicted savings are accurately estimated and reasonable.
- Reviewing and approving the qualifications of ESCOs under EMNRD's experience requirements.
- Verifying energy savings achieved by projects funded by the Clean Energy Revenue Bonds.
- Reviewing M&V reports for all projects.
- Conducting field verifications of the investment-grade energy audit and inspection of construction progress to ensure that the measures outlined in the investment-grade audit are implemented.

Energy Efficiency and Renewable Energy Bonding Act – 2021 Data

The following table is a summary of state agencies and public school district projects that requested bond funding from NMFA under the EERE program.

The bonding program was established to make every reasonable effort to reduce energy consumption. Seven separate bonds have been issued to date under the EERE program, totaling approximately \$20,146,068. The maximum project timeframe for bond funding is based on the life of the equipment being installed. In practice, most projects have an estimated 15-year return on investment. The following projects have been authorized by NMFA under the EERE program using EERE program bond funding and are in the process of repaying their bonds.

ENERGY EFFICIENT AND RENEWABLE ENERGY BOND ACT				
Outstanding Bond Portfolio – Principal Allocation				
Project Entity	Amount Issued	Issue	Source	Remaining Amount Owed
Socorro Consolidated School	\$419,906	Series 2012A EERE Bonds	PPRF* (2661-PP)	\$113,088.75
Mountainair Public School	\$363,668	Series 2012B EERE Bonds	PPRF (2662-PP)	\$88,695.09
Santa Fe Public School (Solar 1)	\$2,962,734	Series 2016 EERE Bonds	PPRF (3472-PP)	\$2,379,573.73
Santa Fe Public School (Solar 2)	\$971,258	Series 2018 EERE Bonds	PPRF (4718-PP)	\$862,889.32
Texico Municipal Schools	\$421,468	Series 2019A EERE Bonds	PPRF (4803-PP)	\$329,572.25
Socorro Consolidated Schools	\$3,507,034	Series 2019C EERE Bonds	PPRF (4956-PP)	\$3,319,708.75
General Services Department	\$11,500,000	Series 2019B EERE Bonds	PPRF (4955-PP)	\$9,557,620.00

*PPRF refers to the Public Project Revolving Fund (updated through October 25, 2025)

EERE and PFEEWC Projects Contracted Since FY 2012 – 2023 Data Update

The following table shows the status of all projects funded with the EERA the PFEEWC since FY12. The total amount financed across all projects is \$234,559,620.

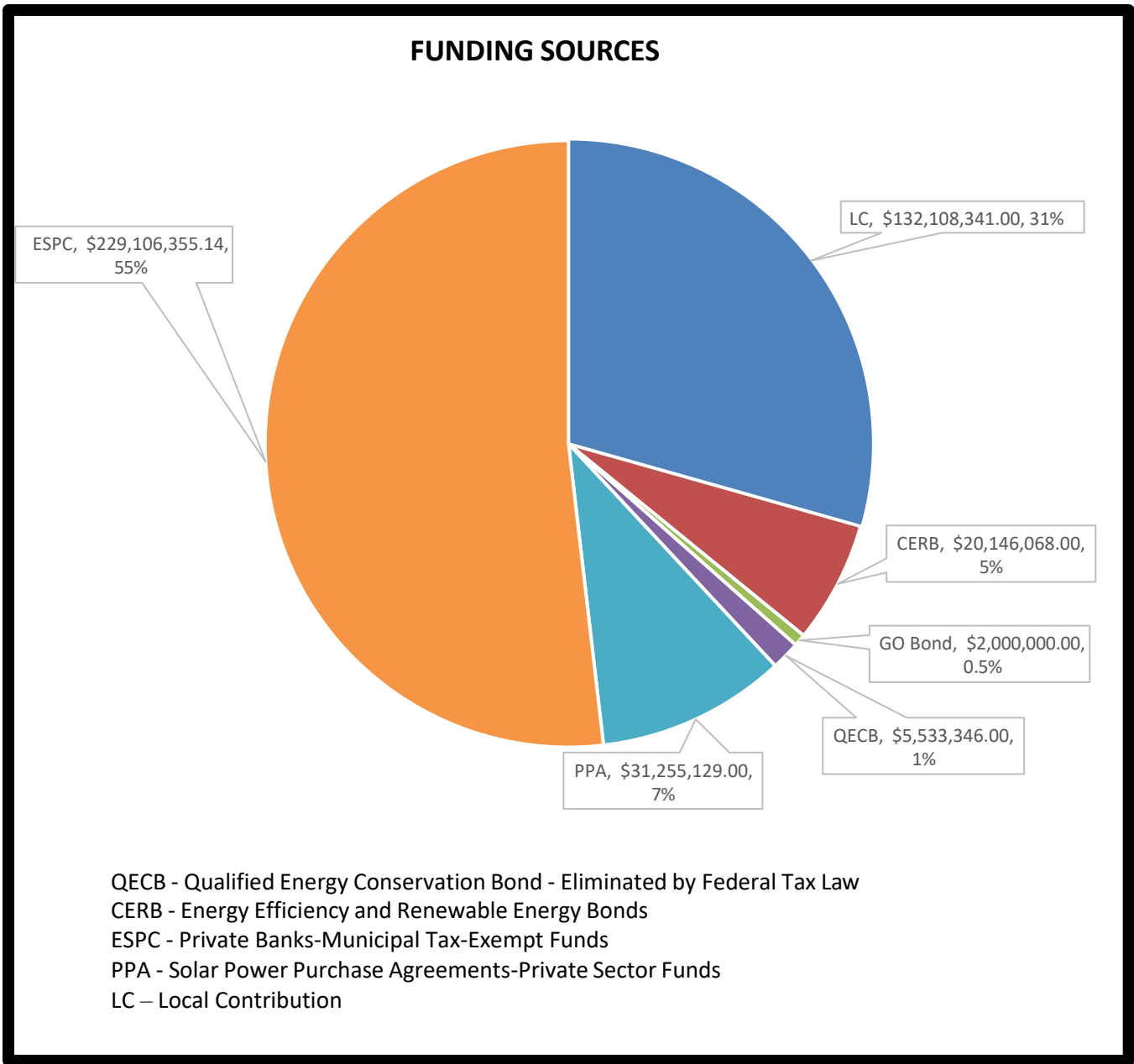
INNOVATIVE FINANCING PROJECTS - ALL PROGRAMS					
AGENCY/ENTITY	CERTIFICATION DATE	FUNDING SOURCE	TOTAL PROJECT COST	GUARANTEED ANNUAL SAVINGS	CUMULATIVE SAVINGS THROUGH FY23
Bernalillo County	2/14/2012	PPA	\$6,742,480	\$240,431	\$2,163,879
Deming	1/18/2013	PPA	\$4,592,797	\$157,009	\$1,256,072
Silver City	5/3/2013	PPA	\$5,943,985	\$169,778	\$1,358,224
City of Alamogordo	7/23/2013	PPA	\$4,805,814	\$156,432	\$1,251,456
New Mexico State University	12/13/2013	ESPC	\$15,734,306	\$1,316,662	\$7,899,972
McKinley County	1/31/2014	ESPC	\$2,401,017 (Debt has been paid)	\$333,581	\$2,001,486
Truth or Consequences	9/11/2014	PPA	\$5,616,613	\$325,627	\$2,279,389
City of Bloomfield	6/19/2015	ESPC	\$453,762	\$30,061	\$150,305
Sunland Park	5/17/2016	ESPC/CAP	\$257,979	\$14,498	\$57,992

Eastern New Mexico University	8/12/2016	ESPC	\$4,542,316	\$405,039	\$1,620,156
INNOVATIVE FINANCING PROJECTS - ALL PROGRAMS					
AGENCY/ENTITY	CERTIFICATION DATE	FUNDING SOURCE	TOTAL PROJECT COST	GUARANTEED ANNUAL SAVINGS	CUMULATIVE SAVINGS THROUGH FY23
San Juan College	8/23/2016	ESPC	\$7,301,907	\$493,790	\$1,975,160
City of Farmington	9/16/2016	QECB/CAP	\$5,533,346	\$367,029	\$1,101,087
Santa Fe Public Schools (EERE 1)	3/13/2017	EERE	\$2,962,734	\$193,810	\$775,240
Clovis Community College	7/7/2017	ESPC/GO	\$4,794,503	\$242,242	\$726,726
Sandoval County	10/23/2017	ESPC	\$6,504,596	\$400,288	\$800,576
City of Lordsburg	11/22/2017	PPA	\$3,553,440	\$38,445	\$153,780
Bernalillo County	12/4/2017	ESPC	\$13,862,921	\$613,280	\$1,226,560
Santa Fe Public Schools (EERE 2)	12/18/2017	EERE	\$997,263	\$48,117	\$96,234
City of Las Cruces	12/22/2017	ESPC	\$3,824,197	\$249,795	\$499,590
City of Santa Fe	12/26/2017	ESPC	\$4,528,522	\$210,885	\$421,770
Grant County	On Hold	ESPC	\$1,927,616	\$104,900	\$104,900
Texico Municipal Schools	8/24/2018	EERE/CAP	\$2,015,600	\$24,807	\$49,614
City of Grants	12/21/2018	ESPC	\$4,926,753	\$396,619	\$396,619
Luna Community College	10/25/2018	ESPC	\$5,137,012	\$288,783	\$288,783
GSD/FMD	4/9/2019	EERE/CAP	\$32,180,857	\$1,221,913	\$0
Rio Arriba County	3/29/2019	ESPC	\$3,804,977	\$220,259	\$220,259
Socorro Consolidated School District	3/25/2019	EERE/CAP	\$7,287,127	\$154,856	\$154,856
City of Gallup	4/15/2019	ESPC	\$2,637,660	\$314,579	\$314,579
New Mexico Tech	6/14/2019	ESPC	\$9,337,037	\$606,816	\$606,816
Santa Fe Community College	6/14/2019	ESPC	\$8,177,132	\$318,445	In progress
New Mexico Military Institute	7/1/2019	ESPC/CAP	\$6,454,977	\$336,816	In progress
Department of Transportation	7/3/2019	CAP	\$16,493,784	\$153,391	\$153,391
Northern New Mexico College	7/1/2019	ESPC	\$3,930,506	\$255,096	Pending approval
Department of Workforce Solutions	7/3/2019	ESPC/CAP	\$20,990,293	\$262,156	In progress
Dona Ana County	10/10/2019	ESPC/CAP	\$5,093,878	\$235,430	\$235,430
Department of Transportation District 5	12/2/2019	CAP	\$4,999,732	\$58,321	\$58,321
City of Las Cruces	4/21/2020	ESPC/CAP	\$8,088,381	\$502,106	\$502,106
City of Santa Fe	9/12/2020	ESPC/CAP	\$15,442,785	\$779,780	In progress
Western New Mexico University	6/10/2020	ESPC/CAP	\$6,961,101	\$309,092	In progress

City of Las Cruces Utility	5/19/2020	ESPC	\$9,366,440	\$564,456	In progress
INNOVATIVE FINANCING PROJECTS - ALL PROGRAMS					
AGENCY/ENTITY	CERTIFICATION DATE	FUNDING SOURCE	TOTAL PROJECT COST	GUARANTEED ANNUAL SAVINGS	CUMULATIVE SAVINGS THROUGH FY23
Santa Fe County	12/2/2020	ESPC	\$1,986,388	\$117,857	In progress
Socorro County	9/18/2021	ESPC/CAP	\$3,562,481	\$147,023	In progress
Department of Transportation District 6	12/6/2021	CAP	\$3,595,904	\$31,804	In progress
Department of Transportation District 3	12/21/2021	CAP	\$7,900,000	\$79,580	In progress
Dona Ana County Phase II	In Review	ESPC/CAP	\$12,378,422	\$251,797	In progress
Gallup-McKinley County Schools	3/29/2022	ESPC	\$10,799,708	\$40,374	In progress
Dora Consolidated Schools	4/14/2022	ESPC	\$2,773,060	\$26,996	In progress
City of Deming	4/11/2023	ESPC	\$3,399,016	\$186,743	In progress
GSD West Campus Lighting	6/16/2023	ESPC	\$398,802		pending
NM Corrections Dept.-Santa Fe	8/23/2023	ESPC	\$8,892,829	\$403,263	pending
Bernalillo County Phase 2	9/11/2023	ESPC	\$14,295,893	\$835,597	In progress
NM DoT D1 Deming	11/13/2023	ESPC	\$4,057,701	\$8,357	pending
UNM South Campus Recert	1/30/2024	ESPC	\$7,284,034	\$574,446	In progress
Southeast New Mexico College	3/6/2024	ESPC	\$3,897,586	\$192,936	In progress
City of Albuquerque	4/8/2024	ESPC	\$17,275,718	\$975,553	In progress
City of Alamogordo	5/6/2024	ESPC	\$4,586,309	\$228,504	In progress
		TOTAL	\$383,299,772	\$16,824,898	\$30,901,328
QECCB - Qualified Energy Conservation Bond					
EERE - Energy Efficiency and Renewable Energy Bond					
ESPC - Private banks using municipal tax-exempt lease purchase type agreements					
PPA-Power Purchase Agreement-Private funds provided by investor for a solar PV project. Investors recover funds with investment and energy tax credits and sales of electricity.					
CAP – Capital funding					
\$0 cumulative savings denotes a project not yet in performance period					

The following chart shows what different funding sources have been used to implement the projects listed above.

Figure 1 - Funding Sources



The PFEEWC program allows for leveraging of other funds aside from financing to achieve bigger projects and realize expanded benefits. For example, the City of Albuquerque (CABQ) project, which included numerous

buildings across the city, was funded by leveraging \$5 million from Capital Contribution from CABQ as a down payment, enabling them to finance the remaining \$13,090,948 for a total project cost of \$17,275,718.

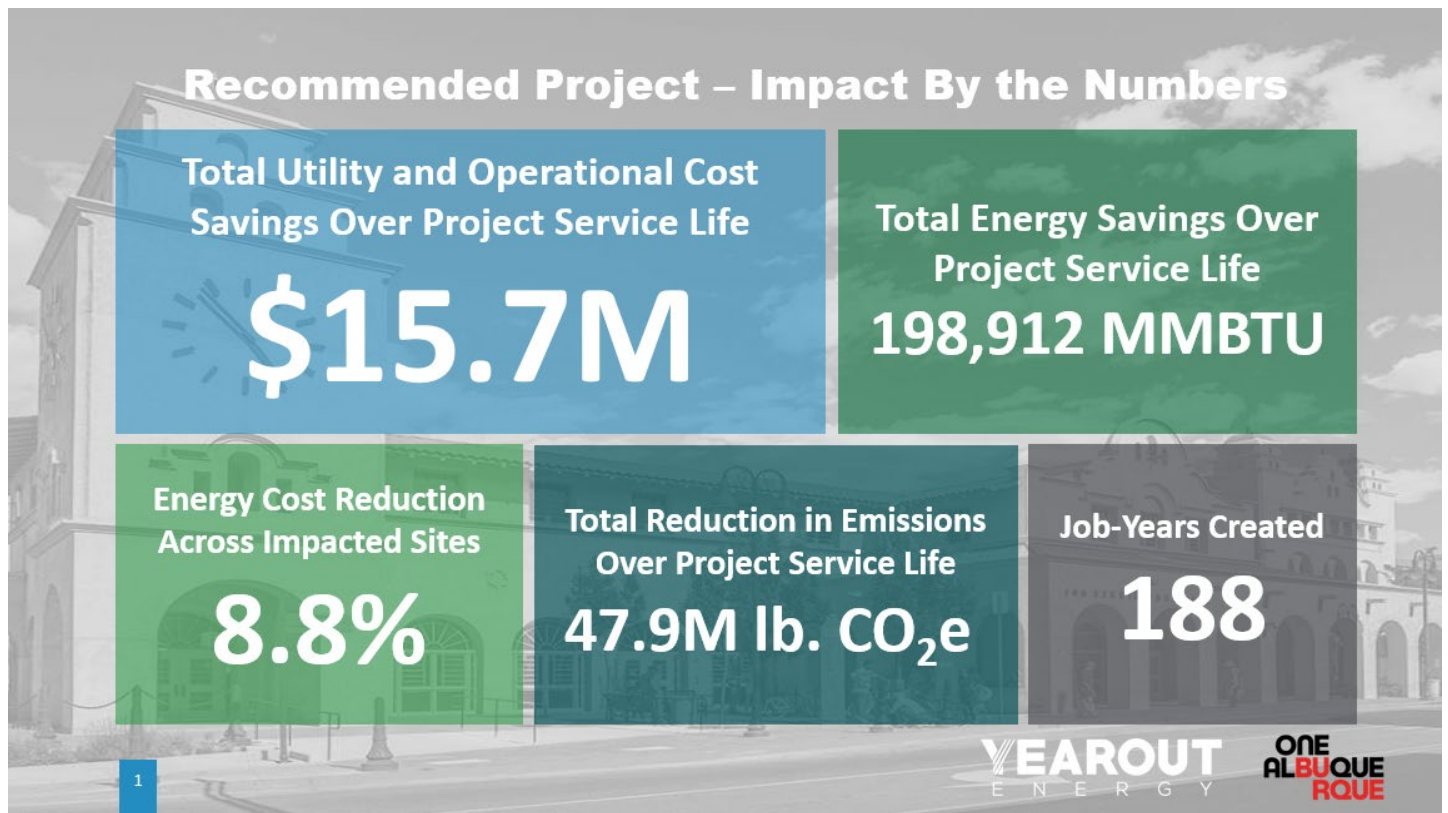


Figure 2 – City of Albuquerque Project

Guaranteed Energy Savings Improvement Measures Implemented by City of Albuquerque		
Number	Title of Measure	Description
1	Renewable Energy	Install 178 kW dc of solar photovoltaic systems to generate clean renewable energy at 4 sites
2	HVAC Equipment & Controls	Install 221 tons of new high efficiency HVAC equipment and install new controls at 17 sites
3	LED Lighting	Upgrade existing lighting fixtures to LED technology with enhanced lighting controls at 43 sites
4	Water Conservation	Upgrade existing domestic water fixtures to reduce water consumption at 30 sites
5	Building Envelope	Remediate existing air leakage in building envelope to reduce energy losses at 47 sites
6	HE Transformers	Install 9,164 kVA of new high efficiency low voltage transformers to reduce energy losses
7	Roofing	Replace the aged failing roofs at 2 sites where new rooftop HVAC and solar PV is proposed
8	Water Meter Resizing	Downsize water meters to reduce utility costs at 10 sites
9	EV Charging	Install EV Charging Stations at 2 sites

Projects funded through these innovative energy financing programs have been successful throughout the state. Some exceptionally successful projects include:

- The Texico Municipal Schools project, which was partially funded with EERE funding, is showing savings of more than 18.5% over its guarantee in its first year of performance.
- McKinley County’s project, which is in the fifth year of its performance period, is still exceeding its guaranteed savings amount by more than 17.3%. This project also shows the flexibility created by requiring an ESCO to remain contractually attached to a project throughout its life: the energy savings guarantee for McKinley County needed to be modified after the project’s construction was complete when the County shifted from a five-day to a four-day work week. The ESCO and the County adjusted the project’s baseline to this new usage pattern and made sure the savings would still exceed the value of the original project. The Debt for this project has been paid.
- The City of Farmington’s project is in the third year of its performance period and is exceeding its savings guarantee by more than 12.3%, despite significant increases in the cost of energy in the Farmington area. Since the savings guarantee is based on energy usage, the monetary savings for this project have reached 24% above the guaranteed total.
- Sandoval County’s project, which is in the second year of its performance period, exceeds its energy savings guarantee by more than 8.3%. Like the Farmington project, higher energy costs in general have meant that Sandoval County’s monetary savings are 23% greater than the guaranteed amount.

Using EERE and PFEEWC for Solar Photovoltaic (PV) Projects

The previously discussed financing programs have been effective in implementing renewable energy projects. There are twenty-three (23) projects that have included solar PV as an energy savings measure. In the case of Santa Fe Public Schools, the entire project included installation of solar PV. In total, these projects have installed 13,831.6 kilowatts of solar PV panels on facilities throughout the state, reducing grid-tied electricity usage by a guaranteed total of 22,349,655 kilowatt-hours. The table below shows the projects and the amount of solar installed.

	AGENCY/ENTITY	PHOTOVOLTAICS INSTALLED (kW DC)	ELECTRICITY GENERATION FROM PHOTOVOLTAICS TO DATE (kWh)
1	City of Bloomfield	43	101,154
2	Sunland Park	10	17,735

3	Santa Fe Public Schools (EERE 1)	1,017.95	1,862,283
4	Clovis Community College	405	661,618
5	Sandoval County	514	787,137
6	Bernalillo County	328.86	496,655
7	Santa Fe Public Schools (EERE 2)	407.34	763,740
8	Grant County	515	744,039
9	Luna Community College	148.3	198,471
10	GSD/FMD	3,675.1	6,071,388
11	Rio Arriba County	305.7	457,044
12	Socorro Consolidated School District	329.5	533,005
13	New Mexico Tech	654.9	1,154,987
14	Department of Transportation (GO)	398	614,544
15	Dona Ana County	147	281,749
16	Department of Transportation District 5	148	225,725
17	City of Santa Fe	2,778.16	4,335,251
18	Western New Mexico University	420	648,356
19	Santa Fe County	81.8	126,106
20	Socorro County	402	325,679
21	Department of Transportation District 6	147.84	238,044
22	Department of Transportation District 3	210.74	368,278
23	Dona Ana County Phase II	743.4	1,345,718
24	Gallup-McKinley County Schools	123.5	188,892
25	City of Albuquerque	341	293,165
26	City of Deming	88	171,831
27	UNM South Campus Recert	182	223,656
28	Bernalillo County Phase 2	631	766,558
29	Southeast New Mexico College	484	793,958
30	City of Alamogordo	286	339,042
Totals		17,651.54 kW DC	26,799,008 kWh

Use of the Energy Audit Revolving Fund

The Energy Efficiency Assessment Revolving Fund (Fund) [6-21D-6.1] was established to provide funding for energy assessments and audits of eligible state agency and public school district facilities and to provide technical services to assist with the implementation of investment-grade energy audits. The energy audits provide building energy use baselines, identify energy efficiency improvements that would substantially reduce energy use and costs, and provide cost estimates for implementation. ECAM continues to consider options to establish funding opportunities to maintain the funding balance to support additional energy audits and implementation of the programs.

To support the EERE and PFEEWC, federal funding continues to be allocated to support the energy audit review process. A DOE competitive funding award, referred to as the Local Energy Efficiency Performance (LEEP), was used in 2016 and 2017 to perform energy audits. Federal funding was allocated from the Federal State Energy Program (SEP) in FY18 through FY23.

- To establish funding for the Fund, new projects that are certified include a 1% fee to reimburse ECAM for the third-party review process. Fees will then go to the Energy Audit Revolving Fund and be available to help with the next project in need of review. ECAM staff and four 3rd-party reviewers are currently overseeing 23 projects in various stages of implementation from the Investment Grade Audit phase to Final Construction including:
 - Bernalillo County
 - Bernalillo County Phase 2
 - City of Alamogordo
 - City of Albuquerque
 - City of Albuquerque GHH
 - City of Deming
 - City of Santa Fe
 - Dona Ana County and Detention Center
 - DOT Patrol Yards
 - DOT Phase 1 Fast Track Deming
 - FMD
 - FMD Corrections
 - FMD Las Vegas Medical Services
 - FMD Parking lot lights
 - Gallup McKinley Schools
 - Santa Fe Community College
 - Santa Fe County
 - Southeast NM College
 - UNM South

CONCLUSION

ECAM reviews all M&V reports for all active EERE and PFEEWC projects. The reports demonstrate the extent of the savings from the implemented projects. Typically, savings from ESCO projects are higher than the guaranteed savings; these savings are used to pay for the project's financing on an annual basis. If a project underperforms, the ESCO is responsible for paying the difference to the public entity. The projects that have been approved through ECAM have never underperformed or had an ESCO make up a shortfall in monetary savings. Projects whose energy savings exceed the guaranteed amount allow entities to have flexibility in their operating budgets, as the extra savings can be repurposed for other uses. Some entities have been able to improve their computer systems and upgrade additional HVAC equipment.

Verifying that EERE and PFEEWC projects are performing as engineered is pivotal to the success of these programs. The reports provided to ECAM show that all active projects – ranging between the first year of their performance period through the fifth year of their performance period – are exceeding their savings guarantee.