

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF PUBLIC SERVICE COMPANY OF NEW)
MEXICO FOR REVISION OF ITS RETAIL)
ELECTRIC RATES PURSUANT TO ADVICE)
NOTICE NO. 625)**

Case No. 24-00089-UT

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

Applicant)

_____)

DIRECT TESTIMONY

OF

HENRY E. MONROY

June 14, 2024

NMPRC CASE NO. 24-00089-UT
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WITNESS FOR
PUBLIC SERVICE COMPANY OF NEW MEXICO

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I. INTRODUCTION AND PURPOSE

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

A. My name is Henry E. Monroy. I am the Vice President, Regulatory, for Public Service Company of New Mexico (“PNM” or “Company”). My business address is 414 Silver SW, Albuquerque, NM 87102. A description of my position and background is included in PNM Exhibit HEM-1. The exhibit also includes a list of cases in which I have provided testimony before the New Mexico Public Regulation Commission (“Commission” or “NMPRC”). I am testifying as the policy witness on behalf of PNM.

Q. What makes this general rate case necessary now?

A. PNM is focused on ensuring its system maintains the level of reliability that our customers have come to expect. This involves replacing aging infrastructure to avoid disruption of service and costly repairs and building out the grid to accommodate the evolving energy needs of our customers. PNM continues to lead the energy transition in New Mexico, and this case reflects the addition of previously approved new carbon-free resources that bring resiliency and needed capacity to serve our customers. This case also addresses recovery of our remaining interest in the Four Corners Power Plant (“Four Corners”) to align with PNM’s exit from the plant in 2031. Finally, the cost of capital set in PNM’s most recent rate case does not adequately reflect the higher required cost of capital to support those investments, which necessitates a rate review and requested increase.

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1 **Q. Please describe PNM’s revenue deficiency in this case.**

2 **A.** PNM’s revenue deficiency is comprised of:

- 3 1. costs of capital investments across distribution, transmission and generation
4 functions to deliver power to our customers;
- 5 2. costs associated with previously approved Energy Storage Agreements
6 (“ESAs”) that support our energy transition and serve our customers;
- 7 3. the continued need for access to capital markets to fund our customers’ needs
8 through adequate capital structure and return on equity;
- 9 4. an adjustment to Four Corners depreciation rates, to reflect recovery of
10 remaining plant investments through 2031, the expected abandonment date of
11 the facility; and
- 12 5. an increase in operations and maintenance (“O&M”) expenses to meet the
13 operational needs to serve our customers and takes a proactive approach to
14 address emerging wildfire risks.

15 These cost increases are partially offset by a higher load forecast reflecting growth
16 primarily in our commercial and industrial classes. PNM Table HEM-1 below
17 shows the relative contribution of the cost drivers to PNM’s revenue deficiency,
18 and the offset associated with anticipated load growth.

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PNM Table HEM-1	
Main Drivers of Requested Rate Relief	
(\$ in millions)	
Description	Amount
Investments in Distribution, Transmission, Generation and Other	\$ 73.9
Recovery of Energy Storage Agreements	37.2
Cost of Capital - ROE, Capital Structure, and Cost of Debt	34.0
Change in Four Corners Depreciation Rates	19.8
Wildfire O&M and Insurance Premiums	12.6
O&M Increases and Other	13.8
Load Growth Revenue Offset	(17.0)
Total Requested Rate Relief	\$ 174.3

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Q. Given that PNM’s base rates were recently set at the beginning of 2024, why does PNM have a significant revenue shortfall for the Test Period (July 2025 through June 2026) in this case?

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A. The projected revenue shortfall results from a combination of factors that highlight the rapid changes and increasing demands impacting the electric industry. These industry changes were becoming evident in PNM’s cost of service in the 2022 Rate Case, and the pace of change and need for timely utility investments and new resources to meet those needs are driving this request. The Test Period’s ongoing operations and investments in the system are necessary to ensure the reliability and

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1 resiliency of the grid to meet our customers' needs. These include the capital
2 programs at PNM, where a significant amount of capital investment to address the
3 basic infrastructure of this system is being made annually to ensure reliability and
4 safety. The costs underlying these investments have been subject to inflationary
5 pressures, similar to the rest of the economy, and reflect increasing demands for
6 equipment and construction resources. These investments are necessary to expand
7 the system to meet growing loads as they expand beyond the existing capacity of
8 facilities and equipment, primarily at the distribution level. While increased load
9 is helping to partially cover the increased investment, the immediate and ongoing
10 needs of the system required to maintain the strong reliability metrics fully support
11 the level of capital investment that is reflected in this filing.

12
13 Also, the ongoing transition associated with moving our generation portfolio to
14 comply with New Mexico's renewable energy and zero-carbon resource standards
15 requires capital investments and new resources. PNM's resource capacity will
16 reach 75% carbon-free in 2026, including the integration of the resources included
17 in this request, specifically, ESAs and new utility-owned energy storage facilities
18 previously approved by the Commission whose costs have not been reflected in
19 customer rates. These projects will provide storage capacity to ensure reliable
20 service during the Test Period. In addition, PNM is proposing new depreciation
21 rates for Four Corners that reflect its expected terminal date of July 2031, which
22 increases the annual depreciation associated with this investment. This adjustment

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1 to depreciation will minimize the amount of undepreciated investment expected at
2 the time of abandonment of Four Corners and reduce amounts to be collected from
3 customers after abandonment.

4
5 PNM is also proposing to reset the cost of capital and capital structure that was
6 authorized by the Commission in the previous rate case. PNM respectfully requests
7 the Commission set rates that reflect its actual capital structure necessary to support
8 credit metrics that will allow PNM to continue to fund and invest in the system
9 during this transition. PNM also seeks a return on equity ("ROE") that more
10 accurately reflects the level of return necessary to compete with other utilities to
11 attract capital to invest in New Mexico.

12
13 Finally, wildfires are an emerging risk for PNM and for many utilities across the
14 western region and across the United States, as the scope and severity of wildfires
15 intensifies. PNM is taking a proactive approach to mitigate wildfire risk by
16 increasing O&M spending in hazardous fire regions where our customers are at the
17 highest risk of wildfire. Our insurance carriers, rating agencies, investors, and our
18 customers are highly focused on ensuring utilities and specifically PNM are
19 addressing this risk, and PNM's requested rates reflect higher insurance liability
20 premiums which result from this heightened concern.

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1 **Q. Is PNM conditionally proposing to mitigate the rate impact through rate**
2 **implementation timing measures in this case?**

3 **A.** Yes. If the Commission approves the full rate increase requested by PNM, the
4 Company is proposing to phase in the implementation of new non-fuel base rates
5 in two steps and in a time frame that is beyond what is provided for under the Public
6 Utility Act. Section 62-8-7 requires that the Commission establish a reasonable
7 revenue requirement and adopt new rates designed to collect that revenue
8 requirement within a statutory period of no more than 13 months from the date a
9 general rate case is filed. PNM is proposing to implement the full requested non-
10 fuel base rate increase of \$92.2 million in two phases, with 50% of the requested
11 increase implemented in the first phase on July 1, 2025, and the remaining increase
12 deferred for six months to January 1, 2026. PNM recognizes the requested system
13 average increase of 23% places financial pressures on our customers and phasing
14 in the non-fuel impacts balances the need for timely recovery of revenues to serve
15 customers with an approach that pushes some of the increase past the summer
16 months when customer bills are at their highest.

17

18 **Q. What is the monthly bill impact expected for an average residential customer**
19 **as a result of this proposed revenue increase?**

20 **A.** The average residential customer's total monthly bill is expected to increase by
21 \$11.12 per month in July 2025 and then by \$12.48 in January 2026, for a total bill
22 impact of \$23.60, compared to current charges on bills reflective of ongoing

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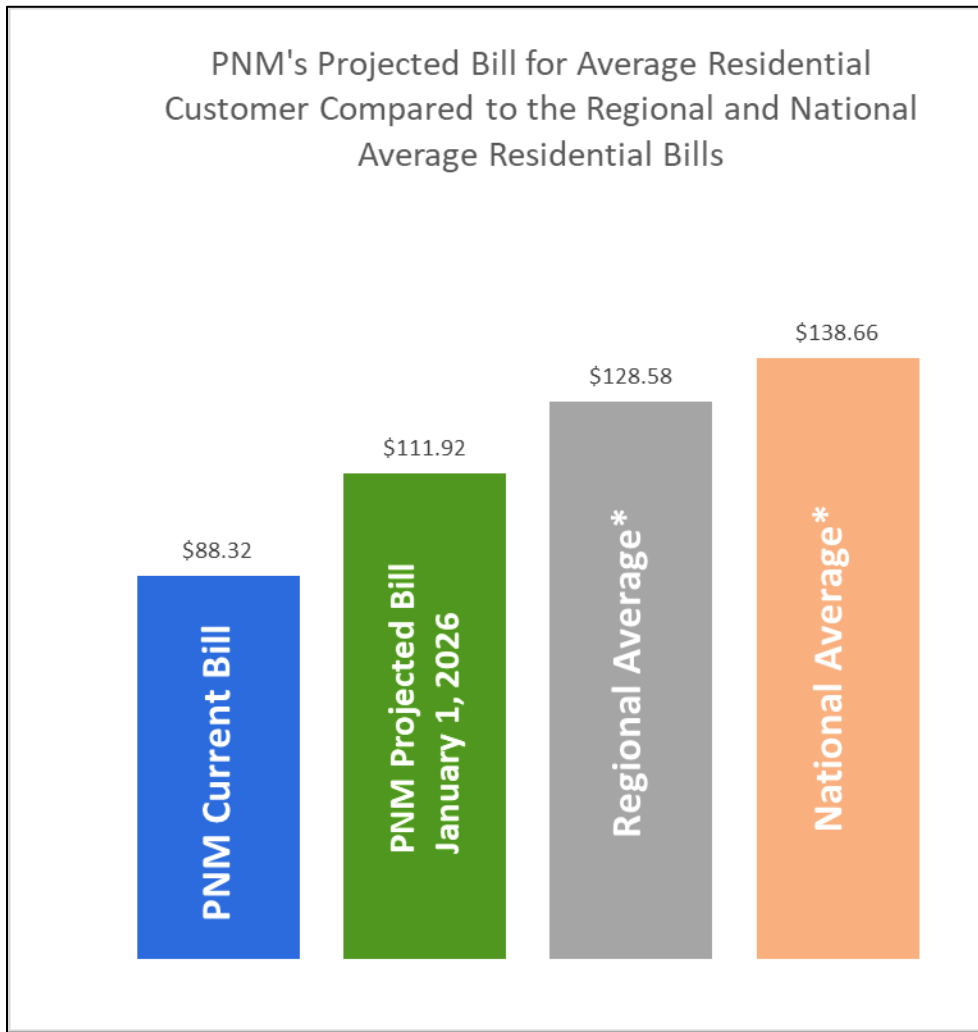
1 service. These bill impacts include other cost increases besides the requested
2 \$174.3 million, notably assuming approval of PNM’s requested grid modernization
3 rider, as proposed in Case No. 22-00058-UT, and reflecting forecasted calendar
4 year 2026 ESA costs, which are higher than the amounts expected in the Test
5 Period.

6
7 The graphs in PNM Figure HEM-1 below provide a comparison of PNM’s current
8 average residential customer bill with the anticipated average PNM residential
9 customer bill once the proposed new rates are phased in. The graphs also provide
10 comparisons with average residential bills on a regional and national basis,
11 demonstrating that PNM bills will remain below the regional and national average.
12 It is important to note that the regional and national bills are based on March 2023
13 – February 2024, and are not the forecasted bills expected in January 2026.

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PNM Figure HEM-1



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* Regional and National bills are based on EIA data from March 2023-February 2024. Bills are annualized across 12 months.
PNM's current or projected bills do not include the San Juan ETA Settlement Credit and Excess Interest Rate Credit (Rider No. 55) or the Palo Verde Regulatory Credit (Rider No. 59).

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II. OVERVIEW OF COST OF SERVICE STUDY AND RATE DESIGN

Q. Please provide a brief overview of PNM’s cost of service study.

A. PNM’s proposed non-fuel and fuel rate changes are based on a fully forecasted future test year in accordance with the Future Test Year Rule at 17.1.3 NMAC (“FTY Rule”). The historical “Base Period” is the 12-month period ending December 31, 2023. The unadjusted Base Period expenses are derived from PNM’s books and records. As described by PNM witness Sanders, certain adjustments are made to develop an Adjusted Base Period. PNM’s Test Period (reflecting the period when new rates are expected to become effective) is the 12-month period between July 1, 2025, and June 30, 2026. The linkage data from January 1, 2024, through June 30, 2025, allows the Commission and intervenors to see how the Base Period’s historical costs contained in PNM’s books and records are adjusted and rolled forward to develop a representative annual non-fuel and fuel revenue requirement that represents the Test Period costs expected to be incurred when new rates are put in place.

Q. What ROE is PNM proposing in this application?

A. PNM recommends an ROE of 10.45% as a reasonable request in this case. PNM witness McKenzie explains that a cost of equity range of 10.3% to 11.3%, with a 10.8% midpoint, represents a just and reasonable cost of equity that is adequate to compensate the Company’s investors, while maintaining PNM’s financing integrity and ability to attract capital on reasonable terms. Although lower than the midpoint

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1 of his recommended equity range, PNM witness McKenzie supports PNM's
2 10.45% request, finding it to be conservative but sufficient to compensate PNM's
3 investors and maintain PNM's financial integrity.

4

5 **Q. What approach to rate design is proposed in this application?**

6 **A.** PNM's proposed rate design is intended to set rates for commercial and industrial
7 customers either at cost-based rates or by minimizing the subsidy these classes have
8 historically afforded the residential class. PNM recognizes the importance of
9 economic development in the state and the need to bring both jobs to New Mexico
10 and add new customers across all rate classes to help cover the cost of investments
11 needed to deliver reliable and resilient service. PNM's rate banding attempts to
12 move rates in this direction while still mitigating the true cost-based increases to
13 the residential class.

14

15 In addition, PNM has been working with the Pricing Advisory Committee
16 ("PRAC") that was formed prior to the 2022 Rate Case to begin addressing the
17 necessary transition to a more modern rate design. As that effort continues, PNM
18 has determined that the recommended course of action in this rate case is to largely
19 keep the status quo in terms of designing its rates. This includes maintaining the
20 same allocation methodologies for costs to customer classes as was approved in the
21 last rate case. The stakeholder-driven process already underway with the PRAC
22 remains the best option for developing the significant changes in future rate design

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1 for the energy transition. PNM is committed to providing a new proposed
2 allocation of costs in its next rate case reflecting input from the PRAC and
3 identifying where consensus was reached and where members could not reach
4 agreement.

5
6 **III. INTRODUCTION OF APPLICATION AND WITNESSES**

7
8 **Q. What is included in PNM's Application?**

9 **A.** PNM's rate request package includes the following:

- 10 1. PNM's Application, Proposed Form of Notice and Executive Summary;
- 11 2. An Advice Notice 625, which contains PNM's proposed changes to its
12 existing rates and tariffs;
- 13 3. Testimonies and exhibits of PNM witnesses in support of the Application
14 and Advice Notice 625, including exhibits that support PNM's requested
15 rate increase, if the Commission adopts PNM's proposed revenue
16 requirement;
- 17 4. PNM's Rule 530 Schedules, which provide all required data for PNM's
18 Base Period and Test Period, as modified in accordance with the FTY Rule;
19 and
- 20 5. PNM's fully functional, electronic cost of service model and PNM's
21 electronic class cost of service and rate design models, which comply with
22 the requirements of the FTY Rule.

23

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1 **Q. Who are the other PNM witnesses testifying in this proceeding?**

2 **A.** There are 15 additional witnesses testifying on behalf of PNM in this case:

- 3 • Kyle T. Sanders, Executive Director, Financial Planning, Budget and Cost of
4 Service, explains how PNM developed its requested revenue requirement;
5 explains adjustments PNM made to the base period and development of the Test
6 Period; and sponsors the fully functional cost of service model;
- 7 • Stella Chan, Director of Pricing, addresses PNM’s rate design pricing proposals
8 in this case and supports PNM’s proposed banding to mitigate impacts of costs
9 increases on certain customer classes;
- 10 • Sheila M. Mendez, Vice President and Chief Information Officer, provides an
11 overview of the overall capital project governance process and supports the
12 technology and general services capital projects and operating costs needed to
13 maintain facilities, equipment, and reliable computer systems and describes
14 investments needed for robust physical and cyber-security;
- 15 • Omni B. Warner, Vice President, Operations and Engineering, supports the
16 capital projects and operating costs necessary for the transmission and
17 distribution systems; provides an overview of transmission and distribution
18 activities; and supports PNM’s benefit-cost analysis that affirms the capital
19 projects included in this filing;
- 20 • R. Brent Heffington, Managing Director of Generation, supports PNM’s capital
21 investments and operating costs in generation facilities; the basis for adjusting

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1 the terminal date for Four Corners; and supports nuclear fuel investments at the
2 Palo Verde Nuclear Generating Station;

3 • Kathleen Larese, Vice President, Customer Operations, supports the capital
4 programs for New Service Delivery to meet new and existing customers' needs;
5 supports certain customer operations operating costs; supports the proposal to
6 remove all individual customer fees for payments made at Western Union
7 locations and to include those costs in rates; and discusses the current status of
8 the community solar programs;

9 • Sabrina G. Greinel, Vice President and Treasurer, addresses the benefits of
10 maintaining a financially healthy Company; supports PNM's capital structure
11 and weighted average cost of capital; addresses the impact of imputed debt
12 associated with certain ESAs; and discusses the increased costs associated with
13 insurance coverage, particularly with respect to wildfire risk;

14 • Abraham Casas, Senior Pricing Analyst, addresses the allocation of costs to
15 customer classes via the fully functional electronic Cost of Service Tool Model
16 ("COSTTM") and related cost allocation matters;

17 • Dr. Heidi M. Pitts, Lead Pricing Analyst, supports PNM's rate design and
18 provides the fully functional electronic Rate Design Model;

19 • Joseph A. Miller, President and CEO for Pegasus-Global Holdings, Inc.,
20 supports PNM's proposal to include all ESA costs in PNM's FPPCA; and
21 describes how the issue of imputed debt has been addressed in other
22 jurisdictions;

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- 1 • Angela L. Pino, Director of Total Rewards, supports employee base salaries
2 and incentive compensation programs, as well as employee benefits;
- 3 • Larry T. Morris, Director of Tax, addresses income tax expense and
4 accumulated deferred income taxes included in rate base; supports PNM’s
5 proposal for a regulatory liability associated with the Inflation Reduction Act -
6 related amortization of investment tax credits associated with the Sandia
7 Battery Energy Storage System;
- 8 • Adrien M. McKenzie, President of FINCAP, Inc., supports PNM’s proposed
9 ROE; confirms the reasonableness of PNM’s proposed capital structure; and
10 addresses related topics, including current economic conditions;
- 11 • Dr. J. Stuart McMenemy, Director of Forecasting for Itron, Inc., supports
12 PNM’s sales and load forecast, as well as the billing determinants for this rate
13 case; and
- 14 • Dane A. Watson, Managing Partner of the Alliance Consulting Group, supports
15 PNM’s depreciation rates for Four Corners, including a Technical Update to the
16 depreciation study approved in the 2022 Rate Case to support the revised Four
17 Corners’ depreciation rates.

18

19 **IV. OVERVIEW OF PNM STRATEGY AND GOALS**

20

21 **Q. What are PNM’s vision and goals?**

22 **A.**PNM’s vision is to create a clean and reliable energy future that aligns with our
23 customers’ needs. The utility industry is evolving rapidly, and our customers are

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1 expanding their use of electricity in their daily lives and for their businesses. Our
2 goal is to meet the challenges and opportunities our system faces in keeping pace
3 with these growing electricity uses and the state’s energy policies. We know the
4 costs of this energy transition have real impacts to customers and communities.
5 PNM is committed to working together with our customers, stakeholders, and
6 policymakers to achieve a safe, reliable, environmentally sustainable system, while
7 balancing the reasonableness of rates and services for our customers.

8
9 **Q. How does PNM engage in internal planning and strategic development to**
10 **achieve these energy policy goals?**

11 **A.** PNM has embraced a system that places the customer at the center of everything
12 we do. PNM plans to achieve these energy policy goals through the coordination
13 of its solutions and capital and O&M programs. Our intent is to provide for carbon-
14 free resources by January 1, 2045, as required by the Energy Transition Act
15 (“ETA”). PNM’s strategies and internal planning focus on integrating the core
16 utility functions of distribution, transmission and resource planning with the
17 development of customer programs that deliver tools and programs to address
18 customer needs and asset management programs which ensure the system can meet
19 provide safe, reliable, resilient service (collectively referred to as integrated system
20 planning). This integrated system planning reflects the interdependencies and
21 interrelationships these functions have with each other and are illustrated in PNM
22 Figure HEM-2 below. They are represented as puzzle pieces to reflect that each

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1 function must fit and align with the others to ensure consistency and maximize
2 efficiency while also balancing costs.

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PNM Figure HEM-2 – Integrated System Planning



5

6 **Q. Please elaborate on how PNM views integrated system planning.**

7 **A.** Integrated system planning at PNM means ensuring that all strategies, initiatives,
8 capital and O&M programs, customer and asset management programs are aligned
9 in meeting our customers' needs:

- 10 • Customer Programs include strategies and planning on how PNM meets its
11 customer needs through customer-facing programs, such as our energy
12 efficiency, transportation electrification, and community solar programs.
13 Customer-facing activities are also a core focus of PNM's obligation to meet
14 load requirements, which includes the New Service Delivery ("NSD") capital
15 program. This category also encompasses our modern rate design proposals,

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1 such as our Time-of-Day pilot rate. This area of planning focuses on meeting
2 our customers’ evolving expectations while also developing appropriate pricing
3 signals to encourage customer behavior and consumption patterns that lower
4 the overall costs to the system. PNM witnesses Warner and Larese support our
5 capital investments that fall under these programs and PNM witness Chan
6 outlines our related rate design strategy and goals. Certain customer program
7 initiatives are not the subject of this rate proceeding; for example, the recovery
8 of the transportation electrification program and energy efficiency program are
9 handled through separate recovery mechanisms and not in base rates.

10 • Distribution Plans include our 10-year planning cycles for the distribution
11 system which includes our long-term integration strategy around distributed
12 generation, and incorporates planning and system designs that align with the
13 other areas of integrated system planning. PNM witness Warner discusses these
14 distribution capital projects and O&M in more detail in his testimony. Our
15 proposed grid modernization plan, as filed in Case No. 22-00058-UT, is also
16 considered as part of the distribution system planning area. The capital
17 investments and programs associated with the grid modernization plans are
18 separate and are not included in this proceeding as they are proposed to be
19 recovered through a separate rate rider.

20 • Resource Plans include our long-term system planning performed through our
21 Integrated Resource Planning (“IRP”) process, including addressing required
22 Renewable Portfolio Standards (“RPS”), the ETA, and evaluating existing

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1 generation and supply resources end of life studies and decommissioning
2 analysis. The capital projects and operating expenses needed to implement
3 these long-term resource planning activities are reflected in the Test Period.
4 These results of these planning activities include the new ESAs and the Sandia
5 Battery Energy Storage System, and the costs associated with transmission
6 upgrades to interconnect these resources to our system. PNM witnesses Warner
7 and Heffington address these programs in more detail. Updated depreciation
8 rates for Four Corners and other generation-related investments are also
9 addressed by PNM witness Heffington in more detail.

- 10 • Transmission Plans include a focus on our long term transmission planning and
11 meeting our requirements under our Federal Energy Regulatory Commission
12 (“FERC”) Open Access Transmission Tariff and includes our participation in
13 energy markets, including the Western Energy Imbalance Market, our analysis
14 and evaluation of, and participation in, evolving regional activities such as the
15 Western Resource Adequacy Program (“WRAP”), and future regional day-
16 ahead energy markets, and study and evaluation of potential future western
17 regional transmission organizations. PNM witness Warner addresses these
18 programs in more detail.

- 19 • Asset Management Programs include maintaining, replacing, and upgrading the
20 existing infrastructure on the system and addressing new and emerging risks,
21 such as the impact of wildfire risk due to climate change and its impacts on the
22 system design. These programs focus on achieving a reliable and resilient

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1 system by streamlining and updating transmission and distribution design
2 standards and evaluating and addressing risks through consistent reliability and
3 system reporting metrics. PNM witnesses Warner and Heffington address these
4 capital programs in more detail.

5 The key to a successful strategy for providing customers with quality service is that
6 none of these planning activities operate in silos or are done independently of each
7 other. Recognizing how each of these programs and planning activities bring value
8 to customers helps PNM optimize the combination and collective integration of
9 these initiatives. By using this integrated system approach, PNM can implement
10 programs and deploy its resources to meet our customers' needs in a cost-effective
11 manner.

12
13 **Q. What key strategic objectives does PNM use to guide the integrated system
14 planning activities?**

15 **A.** PNM has six key strategic objectives that are used to guide and evaluate various
16 programs and planning activities. Focusing on strategic objectives ensures
17 alignment with our vision and customer goals and helps prioritize underlying
18 project activities and investments, especially in light of constrained capital
19 investments and O&M dollars. These six objectives are:

- 20 1. Safety and resiliency,
- 21 2. Evolving customer needs,
- 22 3. Affordable energy,

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- 1 4. Reliability,
- 2 5. Sustainable energy, and
- 3 6. Economic growth.

4 As we perform our core function of providing affordable, safe, and clean energy,
5 PNM, like other electric utilities, faces an evolving set of challenges: ongoing
6 energy transition, rapidly evolving technologies, rising cyber and physical security
7 vulnerabilities, population growth, infrastructure limitations, skilled labor
8 shortages, supply chain and financial constraints. Our core mission as a utility
9 company is to invest in projects and allocate O&M to areas that can reasonably
10 overcome these challenges while meeting our strategic objectives. PNM witnesses
11 Warner and Heffington go into some discussion on how these objectives are used
12 to affirm the capital investments in generation, transmission, and distribution
13 included in this proceeding.

14

15 **Q. Are more frequent rate review filings anticipated in upcoming years to**
16 **implement these goals and programs of PNM?**

17 **A.** Yes. Given the increasing complexity of serving our customers and the required
18 investments and activities to meet these needs, PNM anticipates filing more
19 frequent rate review filings going forward. This is a departure from our previous
20 cadence, where prior to the 2022 Rate Case, it had been almost six years between
21 rate filings. There should always be flexibility in rate filing schedules given
22 demand, business, industry and technological uncertainties. Nonetheless, PNM

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1 anticipates filing for rate reviews in a 2-3 year pattern during the next 4-6 year
2 period. In addition to more frequent rate review filings, PNM anticipates additional
3 resource adequacy filings based on the resource needs identified in its 2023 IRP.
4 There may also be potential filings or implementation of strategies to address the
5 broader impacts of regional markets, transmission and distribution planning, and
6 evolving customer programs. PNM will continue to work with stakeholders and
7 parties to meet the challenges and opportunities ahead for New Mexico through
8 these filings and strategic initiatives.

9

10 **V. COMPLIANCE WITH RULES AND ORDERS**

11

12 **Q. Has PNM complied with the requirements of Rule 530?**

13 **A.** Yes. Rule 530 sets forth filing requirements in support of rate schedules. It requires
14 that a utility filing new rate schedules include supporting data in specified
15 schedules, as set forth at 17.9.530.13 NMAC (commonly referred to as Rule 530
16 Schedules). Please see PNM Exhibit HEM-2 which summarizes which witness
17 supports and sponsors each required Rule 530 Schedule.

18

19 **Q. Are you sponsoring any Rule 530 Schedules?**

20 **A.** Yes. I sponsor Rule 530 Schedules G-10 and Q-2 through Q-5.

21

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1 **Q. Does PNM’s filing meet the requirements of the Future Test Year Rule at**
2 **17.9.530 NMAC?**

3 **A.** Yes. 17.9.530.7(S) NMAC defines “Test Year Period” as that term is used in rate
4 review proceedings and allows the filing utility to adopt a future test year, which
5 PNM has done in this filing. Commission rules permit a public utility to file a rate
6 increase using a fully forecasted test year where the future test year begins on the
7 date when the rates case is expected to be completed, as long as the test year begins
8 no later than 13 months after filing the application and the advice notice. PNM’s
9 Application and supporting testimonies, exhibits, and models meet the rate case
10 filing requirements set out in Rule 17.9.530 NMAC, as well as the requirements of
11 the FTY Rule.

12
13 PNM witness Sanders sponsors PNM’s fully functional, electronic cost of service
14 model. PNM’s fully functional electronic cost of service model is compliant with
15 the requirements of the FTY Rule and follows the same format as the model PNM
16 used in its previous rate case filing in the 2022 Rate Case. PNM witnesses Casas
17 and Pitts provide PNM’s functional COSTTM Model and the Rate Design Model.

18
19 Further, the FTY Rule requires PNM to provide certain historical financial
20 information prepared in the normal course of business for a three-year period. PNM
21 satisfies this requirement by providing its Rule 510 compliance filings for year-end
22 2023, 2022 and 2021. Please see PNM Exhibit HEM-3.

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1 **Q. In terms of compliance requirements, please explain what PNM is**
2 **demonstrating in this case with respect to Rate Schedule 36B.**

3 **A.** As discussed in more detail below and in the testimonies of PNM witnesses Chan
4 and Casas, PNM is demonstrating that its service to the Rate Schedule 36B
5 customer meets the Commission’s requirement of “No Net Adverse Impact” on
6 other customers with respect to rates and service.

7
8 **Q. How is No Net Adverse Impact defined?**

9 **A.** The Special Service Contract (“SSC”)¹ between PNM and the Rate Schedule 36B
10 customer defines No Net Adverse Impact as meaning that, on balance, the SSC and
11 the PNM tariffs described in the SSC result in a neutral or positive impact on rates
12 and service for PNM’s other retail electric customers considering all relevant
13 benefits generated and burdens created by the SSC and PNM’s tariffs.

14
15 **Q. Has the Commission revised the SSC since its Final Order in Case No. 18-**
16 **00269-UT to modify what PNM must demonstrate regarding service taken**
17 **under Rate Schedule 36B?**

18 **A.** No. In the Final Order in Case No. 18-00269-UT, the Commission emphasized that
19 modifications to the SSC approved in that case “will result in No Net Adverse
20 Impact to PNM’s other retail customers” and “ensure that the tariffs applicable to

¹ When PNM refers to the Special Service Contract, it means the Second Amended and Restated Special Service Contract entered into on August 21, 2018, as approved in Case No. 18-00269-UT. When PNM refers to the “Rate Schedule 36B customer,” it is referring to Greater Kudu LLC, the customer referenced in the Special Service Contract.

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1 the [Rate Schedule 36B customer] continue to reflect full cost-of-service rates,
2 allowing recovery of costs allocable to the Customer in future rate cases.”²
3 Essentially, this Final Order requires that the Rate Schedule 36B customer pay its
4 full cost of service costs, with no increased rates to any other customers as a result
5 of the SSC.

6
7 Since that Final Order, there have been several Commission orders that reference
8 the SSC and all have reaffirmed the definition and standard of the No Net Adverse
9 Impact as stated in that contract. For example, the Final Order in Case No. 21-
10 00031-UT states: “In PNM’s next rate case following the commercial operation of
11 the two facilities, PNM should demonstrate, in its general rate case filing, that there
12 is no cross subsidization by other ratepayers of the customers rates paid.”³

13
14 The most recent Commission order in Case No. 23-00251-UT addressing the SSC
15 adopts the same position:

16 *The Commission has repeatedly established the requirement that PNM, in*
17 *the next general rate case, demonstrate that the rates and services of PNM’s*
18 *other customers not be negatively impacted as a result of the SSC and the*
19 *tariffs described therein, and that it be shown that PNM’s other customers*
20 *are not subsidizing the Customer’s rates. The Hearing Examiners here do*
21 *not deviate from that standard established by the Commission.*⁴
22

² Case No. 18-00269-UT, *Final Order*, at ¶ 74 (Oct. 17, 2018).

³ Case No. 21-00031-UT, *Final Order*, ¶ 32 at 13 (July 28, 2021)

⁴ Case No. 23-00251-UT, *Final Order* (Jan. 11, 2024) adopting *Recommended Decision*, at 28 (Jan. 5, 2024).

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1 In the Recommended Decision from Case No. 23-00251-UT, the Hearing
2 Examiners further note that to demonstrate no cross-subsidization, an analysis must
3 be conducted of whether other customers have subsidized the Rate Schedule 36B
4 customer's rates or have experienced an increase in rates as a result of the SSC.⁵
5 Consistent with the language in the SSC, the terms of the SSC and the relevant
6 tariffs addressed in the SSC (i.e., Rider Nos. 47 and 49) must result in a neutral or
7 positive impact on rates and services to PNM's other customers.⁶

8

9 **Q. How has PNM demonstrated No Net Adverse Impact on rates and service?**

10 **A.** As stated in the SSC, No Net Adverse Impact is a holistic standard that considers
11 rates and service collectively and ensures no other customers are subsidizing the
12 Rate Schedule 36B customer. As discussed by PNM witnesses Chan and Casas,
13 PNM has shown through its rate design that no other customer class is subsidizing
14 the Rate Schedule 36B customer. Specifically, PNM has updated its analysis, using
15 the results of Exhibit D2 to the SSC, to demonstrate not only the appropriate
16 allocation of production costs to the Rate Schedule 36B customer, but also that the
17 Rate Schedule 36B customer provides approximately \$19.0 million in benefits to
18 PNM's other customers. PNM witness Chan also discusses in her testimony that
19 all other rate elements in Rate Schedule 36B have been calculated to fully recover
20 the costs of service for the Rate Schedule 36B customer as demonstrated by the
21 COSTTM Model. Furthermore, with banding, the Rate Schedule 36B customer

⁵ Case No. 23-00251-UT, *Recommended Decision*, at 16, 18-19.

⁶ Case No. 23-00251-UT, *Recommended Decision*, at 28.

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1 provides an additional \$7.4 million subsidy to other customers. With respect to
2 service, the Rate Schedule 36B customer has provided significant benefits to the
3 system more broadly, as discussed below. Finally, PNM witness Chan also
4 demonstrates that the terms of the SSC and the relevant tariffs addressed in the SSC
5 (i.e., Rider Nos. 47 and 49) result in a neutral or positive impact on rates and
6 services to PNM's other customers.

7

8 **Q. Did PNM make a similar showing in its last rate case?**

9 **A.** Yes. In Section V of the Direct Testimony of PNM witness Chan in the 2022 Rate
10 Case, PNM demonstrated why its rates and service to the Rate Schedule 36B
11 customer has No Net Adverse Impact on other customers. As noted in that
12 testimony, PNM's other customers would have paid more without the additional
13 load served under Rate Schedule 36B.⁷

14

15 **Q. Can PNM continue to demonstrate No Net Adverse Impact and no cross**
16 **subsidization by other customers in this rate case?**

17 **A.** Yes. As detailed by PNM witness Chan, not only does the design of the applicable
18 rates, contracts and riders authorized by the Commission ensure a neutral or
19 positive impact on other customers, but also PNM's application of the terms in
20 those rates, contracts and riders in this case affirms this outcome. PNM also
21 demonstrates there are service-related benefits that the Rate Schedule 36B customer

⁷ Case No. 22-00270-UT, Direct Testimony of PNM witness Chan, at 2.

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1 has brought to PNM’s system, including the direct benefits to growth in Los Lunas
2 and the expansion of transmission that has facilitated the interconnection of
3 additional renewable energy generation in New Mexico.

4

5 **Q. Please discuss the load growth and economic development opportunities**
6 **related to the Rate Schedule 36B customer.**

7 **A.** As noted above, the Direct Testimony of PNM witness Chan in the 2022 Rate Case
8 showed that the Rate Schedule 36B customer’s investment in New Mexico resulted
9 in new jobs and load growth for certain customer classes, indicating that the
10 addition of the Los Lunas Data Center contributed to economic development gains
11 in the surrounding communities.⁸ Since January 2022, PNM has collected
12 additional data and determined that, for the period 2021 to 2023, general load
13 growth in Los Lunas and Belen has averaged over 9.5%. In this area, as well as in
14 Mesa del Sol, over 1300 MW of economic development load interest has been
15 documented, and PNM is planning to create additional infrastructure to support
16 economic development growth in the broader service area. PNM witness Warner
17 addresses the Los Lunas Capacity Expansion project that resulted from load growth
18 in the Los Lunas area.

19

⁸ Case No. 22-00270-UT, Direct Testimony of Stella Chan, at 27.

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1 **Q. How has the Rate Schedule 36B customer created other opportunities to add**
2 **load or generation to PNM’s system?**

3 **A.** As noted in PNM’s 2022 Rate Case, energy storage, transmission and distribution
4 facilities have been added to the system that now directly benefit PNM’s customers
5 as a whole by enhancing reliability, creating redundancy, and providing available
6 energy, capacity, and ancillary services to the system. System upgrades have
7 allowed additional wholesale transmission customers to take new point-to-point
8 service, which increases the allocation of costs of the transmission system to FERC
9 wholesale and lowers the obligations of retail customers.⁹ Moreover, transmission
10 system upgrades have specifically facilitated the continued development of
11 renewable energy generation in New Mexico, promoting the interconnection of
12 additional renewable generation to the broader transmission grid to the benefit of
13 all customers.¹⁰ These resources also put PNM in a stronger position to meet the
14 State of New Mexico’s policy goals as described/contained in the Renewable
15 Energy Act. In total, the network upgrades that have occurred in conjunction with
16 the expansion of the Rate Schedule 36B customer ensures generation can flow
17 across the grid to best serve all customer needs.

⁹ Case No. 22-00270-UT, Prepared Direct Testimony of Stella Chan, at 25.

¹⁰ Case No. 22-00270-UT, Tr. Vol. 12 (Gray) 3953:17-3956:3 and Tr. Vol. 12 (Sanders) 3897:20-3898:25;
Case No. 22-00270-UT, PNM Ex. 7 (Sanders Dir.) 139:10-20.

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1 **Q. Have other customers' service been neutrally or positively impacted by the**
2 **Rate Schedule 36B customer consistent with the SSC?**

3 **A.** Yes. Other customers have been positively impacted by the addition of the Rate
4 Schedule 36B customer to PNM's system. PNM's system as a whole (and thus
5 other customers) has benefited from the addition of the Rate Schedule 36B
6 customer to PNM's system.

7

8 **VI. RECOVERY OF ENERGY STORAGE AGREEMENT COSTS THROUGH**
9 **FUEL AND PURCHASED POWER COST ADJUSTMENT CLAUSE**

10

11 **Q. How is PNM proposing to recover ESA costs from customers?**

12 **A.** PNM is requesting to recover all ESA associated costs from customers through
13 PNM's FPPCAC. As it stands, the Commission has authorized the recovery of the
14 ESA costs in base rates, and if PNM's request is not granted to shift the means of
15 recovery to the FPPCAC, they would still be recovered as part of, and added to, the
16 non-fuel revenue requirement for the Test Period. In the Test Period, PNM is
17 projecting ESA costs in total of \$82.1 million, comprised of \$44.9 million already
18 included in existing base rates from the 2022 Rate Case and an additional \$37.2
19 million reflecting the remaining portion of ESA costs that were not fully included
20 in the 2022 Rate Case (which only reflected a partial year of ESA costs), as well as
21 a partial year of new ESAs expected to come online during the Test Period.

22

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1 **Q. Why is PNM proposing to recover the ESA costs from customers through its**
2 **FPPCAC?**

3 **A.** Recovery of ESA associated costs through a rider such as the FPPCAC lowers costs
4 to customers by lowering our overall cost of capital by reducing the negative credit
5 impacts these contracts place on PNM (for ESAs that create imputed debt).
6 Recovery of ESA costs through the FPPCAC will also ensure that customers will
7 not begin paying for these ESA costs until they are online and providing service
8 and benefits to customers. Finally, inclusion of ESA costs in the FPPCAC will
9 allow for timely recovery for PNM of these costs and inclusion in the FPPCAC
10 align with the changes in fuel and purchased power that will be the result of having
11 these battery storage devices on our system. PNM witnesses Greinel and Miller
12 discuss this in more detail in their testimonies, including the quantification of cost
13 savings for customers by changing the cost recovery through the FPPCAC instead
14 of in base rates. PNM witness Miller goes into additional discussion on recovery
15 of these type of costs in other jurisdictions and provides additional support for this
16 proposal.

17

18 **Q. How does recovery of ESA costs through the FPPCAC reduce costs to**
19 **customers?**

20 **A.** As discussed in more detail by PNM witnesses Greinel and Miller, the amount of
21 imputed debt associated with these contracts from Standard & Poor's Global
22 ("S&P") can be lowered by recovering these costs through rate riders, like the

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1 FPPCAC. The Commission can eliminate a cost to customers by simply moving
2 recovery of ESA costs from base rates and into the FPPCAC. As explained by
3 PNM witnesses Greinel and Miller, leaving the recovery of the Test Period ESA
4 costs in base rates as originally authorized introduces regulatory drag and
5 uncertainty, which are among the factors considered by credit rating agencies in
6 determining the level of debt they will impute to PNM's balance sheet to reflect
7 these long term contractual obligations.

8
9 The timing of when the new ESAs become operational are driven in large part by
10 contractual terms and obligations negotiated between the developer and PNM.
11 However, history has shown meeting these in-service dates for these projects has
12 been a challenge given the current supply chain and market disruptions and high
13 demand for these storage batteries. Inclusion of all ESAs through the FPPCAC
14 provides the opportunity to tie these changes in PNM's cost of service to customers
15 to a more "real time" recovery mechanism. This avoids the concern over whether
16 there may be any delays to new ESAs' projected in-service dates, where customers
17 begin paying for them in base rates, but due to unforeseen delays, the ESAs are not
18 operational. PNM's proposal eliminates this concern. This proposed recovery will
19 allow PNM to receive timely recovery of these approved resources from customers
20 while mitigating their overall costs to customers, and customers' rates through the
21 FPPCAC and its ESA balancing account will reflect and recover the actual cost of
22 these Commission-approved agreements.

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1 Finally, PNM believes it is appropriate for all ESA costs to be recovered in a similar
2 manner, rather than splitting cost components between base rates and the FPPCAC
3 depending on the underlying accounting treatment and implications of a given
4 agreement. This proposal allows for consistent ratemaking treatment to be applied
5 to all current and future ESAs. As a result, those ESA costs previously included in
6 base rates will be shifted to the FPPCAC along with the cost of new ESA projects
7 as they come online.

8

9 Finally, inclusion of ESA costs in the FPPCAC may help reduce the costs
10 associated with future ESA agreements by avoiding variable pricing constraints and
11 can help provide future lower cost resource portfolios.

12

13 **Q. What will be the alternative if the Commission does not approve PNM's**
14 **proposal to collect the ESA costs through the FPPCAC?**

15 **A.** In the alternative to PNM's proposed recovery of ESA costs through the FPPCAC,
16 PNM is asking that ESA costs continue to be recovered through base rates, and that
17 the total Test Period ESA costs of \$82.1 million (including the \$37.2 million of
18 ESA costs in the Test Period, not currently reflected in current rates) be included in
19 the approved revenue requirement and rates that are established in this case, in
20 accordance with the Commission's authorizations in its previous orders approving
21 the ESAs.

22

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1 **Q. Is PNM proposing to allocate the costs associated with the ESAs on an all-**
2 **energy basis in the FPPCAC, similar to how current fuel and purchased**
3 **power-related costs are assigned to customers?**

4 **A.** No. Currently, fuel costs recovered through the FPPCAC are equally charged to
5 all customers, meaning that all customers pay the same kWh rate for fuel (adjusted
6 for voltage). However, PNM recognizes that energy storage systems are being
7 added to the portfolio for the capacity value they bring to our customers and should
8 not be wholly assigned to customer classes on an energy basis such that all
9 customers pay the same rate. Allocating the costs to reflect a capacity value means
10 that each rate schedule will pay a different amount for ESA costs based on how
11 ESA capacity costs are allocated to the rate schedule for base rate purposes, thereby
12 aligning recovery with cost-causation principles whether through base rates or the
13 FPPCAC. PNM witnesses Chan and Casas discuss in more detail how the ESA-
14 related costs are allocated to customer classes, resulting in a portion of the FPPCAC
15 rate being designed to ensure allocation of these costs in a manner similar to how
16 they would have been allocated if recovery remained in base rates. All other costs
17 collected through the FPPCAC will continue to be allocated on an energy basis.
18 These actions ensure that moving the ESA-related costs into the FPPCAC and out
19 of base rates will not impact which rate schedules pay for these costs.

20

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1 **Q. Please describe the mechanics of how PNM will collect ESA costs through the**
2 **FPPCAC.**

3 **A.** PNM intends to establish an allocation percentage by rate schedule in this rate case
4 for each PNM rate schedule to assign or allocate the ESA costs in the FPPCAC.
5 Please refer to PNM witness Casas for discussion on allocation of ESA costs in this
6 proceeding. These allocations will establish a fixed percentage of ESA costs that
7 each rate schedule is responsible. These allocations will remain in place until they
8 are reset in a future PNM rate case.

9
10 To separate the allocated ESA costs from other fuel and purchased power costs
11 recovered on an energy basis, PNM intends to use two balancing accounts; one
12 balancing account for the ESA costs, and a second balancing account for all other
13 fuel and purchased power costs, net of off-system sales, collected under the
14 FPPCAC. PNM witness Dr. Pitts sponsors a revised Rider No. 23 that reflects this
15 separate balancing account. The separate balancing accounts will track both the
16 actual ESA costs incurred, allocated by rate schedule as discussed above, and actual
17 revenues collected under the FPPCAC that are associated with the ESA costs. The
18 revenues collected through the FPPCAC associated with ESAs will be determined
19 based on the percentage of the energy charge per kwh associated with the ESA
20 compared to the total energy charge per kwh, by rate schedule.

21

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1 **Q. Is PNM requesting a variance to the PPA or FPPCAC rule to include the ESA**
2 **costs?**

3 **A.** As explained by PNM witness Miller, the Commission has the authority under
4 existing statutes and regulations to authorize recovery of the ESA costs through the
5 FPPCAC. The rule regarding recovery for the costs of PPAs, 17.9.551.9(A)
6 NMAC, which the Commission has applied in reviewing and approving ESAs,
7 provides that the Commission can expressly approve this form of ratemaking
8 treatment. For this reason, PNM does not believe a variance is required. However,
9 as also noted by PNM witness Miller, should the Commission determine that a
10 variance is necessary, PNM has met all the requirements for such a variance, and
11 any such variance should be granted.

12
13 **Q. Will PNM continue to apply a 5% cap to FPPCAC fuel factors increases for**
14 **residential customers consistent with the current language in Rider No. 23?**

15 **A.** Yes. However, PNM is requesting that the Commission, in an abundance of
16 caution, suspend this 5% cap, if necessary, for PNM's proposed re-set of its fuel
17 factors on July 1, 2025, as the starting point for incorporating the ESA costs into
18 the FPPCAC, and for the first annual re-set on January 1, 2026. PNM's revisions
19 to Rider No. 23 include language that PNM will reset its fuel factors on July 1,
20 2025, and January 1, 2026. For these dates on which the fuel factors will be reset,
21 PNM is proposing that the 5% cap not apply, although PNM's current calculations
22 indicate that the increases on those dates will be within the 5% cap. So, while PNM

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1 requests that the Commission suspend the 5% cap limitation for the purpose of
2 resetting its fuel factors on July 1, 2025, and January 1, 2026, in tandem with the
3 setting of rates in this proceeding, PNM does not believe that the increases to
4 residential customers will exceed that 5% cap barring other unknown factors, such
5 as an unexpected increase in fuel costs. After January 1, 2026, PNM will continue
6 to apply the 5% cap for increases for the quarterly and future annual changes to the
7 fuel factors.

8

9 **Q. Does the language in Rider No. 23 contemplate temporarily suspending the**
10 **5% cap in the ordinary course of business?**

11 **A.** Yes, as I note below. PNM also believes that this request is properly considered in
12 this case. Importantly, PNM is not requesting that the Commission eliminate the
13 5% cap, but rather that the cap not be applicable to the reset of the FPPCAC fuel
14 factors planned for July 1, 2025, and January 1, 2026, as part of implementing any
15 rate changes approved in this case.

16

17 Rider No. 23 also provides that “[n]o increase in the quarterly FPPCAC Fuel
18 Factors shall result in an increase of more than 5% of the average residential
19 customer’s overall bill, unless all Stipulating Parties in Case No. 13-00187-UT
20 agree in writing to a larger increase in a particular quarter.” Given that Rider No.
21 23 is an approved tariff that has been the subject of subsequent Commission review
22 and approvals, I am uncertain to what extent the tariff language referencing a

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1 stipulated commitment from over a decade ago restricts the current Commission’s
2 authority to temporarily suspend the cap on this Rider. Furthermore, the Stipulating
3 Parties to Case No. 13-00187-UT (PNM, Staff, the Attorney General (now the
4 NMDOJ), and New Mexico Industrial Energy Consumers Inc. (the predecessor to
5 NM AREA))) are entities that commonly participate in PNM’s current rate cases;
6 PNM believes all parties will have the opportunity to weigh in on this issue during
7 the course of this proceeding, regardless of the validity or relevancy of that legacy
8 provision in Rider No. 23.

9

10 **VII. FOUR CORNERS DEPRECIATION**

11

12 **Q. What is the Company proposing with regard to its existing depreciation rates?**

13 **A.** PNM’s latest depreciation study was filed and largely accepted in PNM’s 2022 Rate
14 Case. Given the Commission’s recent approval of that depreciation study, PNM
15 believes the current depreciation rates are appropriate and do not require
16 modification at this time except for depreciation rates for Four Corners, which was
17 excluded from the previous study. PNM is requesting Commission approval of the
18 new depreciation rates for Four Corners as supported by PNM witness Watson.

19

20 **Q. Why is it important for the Commission to evaluate the depreciation rates for**
21 **Four Corners in this proceeding?**

22 **A.** In PNM’s last depreciation rate study, PNM specifically excluded Four Corners
23 from evaluation, as the determination of whether Four Corners would be abandoned

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1 by the end of 2024 or a later date was still an open issue. PNM now expects Four
2 Corners to remain in service through the end of the current approved fuel supply
3 agreement, or July 2031. Because PNM has no reason to believe it will continue to
4 rely on Four Corners to serve customers after that date, PNM re-evaluated the
5 depreciation rates for Four Corners and proposes a terminal date in 2031, compared
6 to the current terminal date of 2041, to use in setting depreciation rates.

7

8 **Q. What are the impacts to annual depreciation in the Test Period based on the**
9 **updated depreciation rates calculated by PNM witness Watson?**

10 **A.** PNM anticipates an increase in annual depreciation expense in the Test Period of
11 \$20 million primarily due to the shortening of the Four Corners terminal date by 10
12 years. PNM has reflected the increase in depreciation expense in the cost of service
13 study.

14

15 **Q. When were the depreciation rates for Four Corners last adjusted by the**
16 **Commission?**

17 **A.** PNM's depreciation rates for Four Corners have not been adjusted since 2016 in
18 Case No. 15-00261-UT. Since that time, the ETA has established a timeline for
19 utilities to achieve zero-carbon emissions resource portfolios. PNM filed for
20 abandonment of Four Corners under the ETA for an early exit from the plant by the
21 end of 2024 and recovery of remaining Four Corners investments through
22 securitized financing, which was denied by the Commission and that denial was

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1 upheld by the New Mexico Supreme Court. PNM is proposing depreciation rates
2 to recover its plant investments over the remaining time period that PNM
3 anticipates the plant will be used to serve our customers and for which it has a coal
4 supply in place. Where reasonable, PNM believes it is appropriate to attempt to
5 match the recovery of these costs to the known operational life of the plant.

6

7 **Q. Will PNM still seek a securitized financing order for Four Corners in a future**
8 **filing?**

9 **A.** PNM has not made any final determination on whether PNM will file for
10 securitization of any remaining Four Corners energy transition costs under the ETA
11 at this time. What is known is that PNM plans to exit Four Corners at the end of the
12 current coal supply agreement in 2031. PNM will seek to file for abandonment as
13 the terminal date gets closer and replacement resources are evaluated and become
14 known. The final determination of securitization will be made at that time.

15

16

VIII. CONCLUSION

17

18 **Q. Can you please summarize your testimony?**

19 **A.** PNM is investing in necessary system upgrades and expansions to properly serve
20 customers. PNM's capital investments are guided by integrated planning principles
21 that are customer focused, and the capital projects are vetted through engineering
22 and budget processes, as well as validated through new benefit-cost analyses that
23 confirm the benefits and value of these investments to customers. Aging

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1 infrastructure and increased customer demand require greater levels of investment
2 in PNM’s system, including new clean energy resources and storage that have
3 already or will be coming online through the Test Period. Costs are rising and
4 physical threats from wildfire require that more resources be dedicated to O&M to
5 safely support PNM’s system and customers and maintain a reliable and resilient
6 grid.

7

8 These investments and expenses serve to highlight PNM’s need for access to capital
9 which requires an appropriate capital structure and sufficient returns on equity and
10 debt. As capital needs increase, PNM needs to maintain a greater percentage of
11 equity in its capital structure in order to maintain credit metrics required by
12 financial markets. PNM must also have an opportunity to earn a reasonable return
13 on equity in order to continue to attract investors.

14

15 Four Corners, PNM’s last remaining coal resource, will no longer serve PNM’s
16 customer after July 2031, so it is appropriate to adjust the plant’s depreciable life
17 accordingly.

18

19 The end result of these factors is a revenue deficiency of \$174.3 million. PNM
20 recognizes the magnitude of this rate request and proposes a reasonable phase-in in
21 two stages, commencing on July 1 2025, and January 1, 2026, respectively, to
22 mitigate the impact to customers if the proposed new rates are approved.

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1 PNM proposes that the costs for its ESAs be recovered through its FPPCAC instead
2 of through base rates. This recovery method benefits customers through lower costs
3 resulting from less imputed debt to PNM's capital structure. Otherwise, the
4 proposed non-fuel base rate revenues and related rates must be set to include the
5 Test Period ESA costs.

6

7 **Q. Has PNM complied with applicable rules and orders in support of its**
8 **requested rates and other related approvals?**

9 **A.** Yes. PNM has demonstrated compliance with all applicable rules and orders in
10 support of its rate and other related requests in its Application. This includes
11 confirmation that there is No Net Adverse Impact to other customers associated
12 with the retail service provided to PNM's Rate 36B customer.

13

14 **Q. Please summarize the approvals that PNM is seeking in this case.**

15 **A.** PNM seeks the following approvals in its Application:

- 16 • Approval of a Test Period revenue requirement increase of \$174.3 million,
17 including an ROE of 10.45% and a cost of long term debt of 4.24% and an after-
18 tax Weighted Average Cost of Capital of 7.5%, based on a capital structure of
19 52.50% common equity, 0.24% preferred stock and 47.26% long term debt.
- 20 • Approval of the rates and language changes set forth in Advice Notice No. 625,
21 including revisions to Rider No. 23, and implementation of Phase 1 of base rates
22 for half of the full revenue requirement effective July 1, 2025, and Phase 2 of

**DIRECT TESTIMONY OF
HENRY E. MONROY
NMPRC CASE NO. 24-00089-UT**

1 base rates for the full revenue requirement through a compliance filing effective
2 January 1, 2026.

- 3 • Approval to collect through PNM’s FPPCAC the costs of all ESAs authorized
4 by the Commission as set forth above, and the granting of any related variance
5 deemed necessary. PNM proposes to reset its FPPCAC factor effective July 1,
6 2025 to reflect collection of ESA costs through Rider No. 23. PNM is requesting
7 that the 5% cap not be applicable to the reset of the FPPCAC fuel factors
8 planned for July 1, 2025, and January 1, 2026, as part of implementing any rate
9 changes approved in this case.
- 10 • Approval of a new regulatory asset for costs associated with this rate case, a
11 new regulatory liability associated with tax credits applicable to the Sandia
12 Battery Energy Storage System, and the inclusion and continued recovery of
13 previously approved regulatory assets and liabilities.
- 14 • Approval to expand fee-free in-person payments at all Western Union locations
15 in PNM’s service territory by including underlying costs in base rates.
- 16 • Approval of the requested rate design and banding proposal, to limit any
17 disproportionate rate impact on certain customer classes while moving
18 commercial and industrial customers to, or closer to, cost-based rates; approval
19 of the proposed language changes to PNM’s tariffs.
- 20 • Approval of variances from any rules, regulations, or provisions of prior
21 Commission orders that the Commission may determine are necessary for

**DIRECT TESTIMONY OF
HENRY E. MONROY
NMPRC CASE NO. 24-00089-UT**

1 approval of and to implement the rates contained in Advice Notice No. 625 and
2 other requests for approval.

3

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

5 **A.** Yes.

GCG#532548

PNM Exhibit HEM – 1

Statement of Qualifications

Is contained in the following 4 pages.

HENRY E. MONROY
EDUCATIONAL AND PROFESSIONAL SUMMARY

Name: Henry E. Monroy

Address: PNM Resources Inc.
MS 1015
414 Silver SW
Albuquerque, NM 87102

Position: Vice-President, Regulatory

Education: Bachelor of Accountancy, New Mexico State University, 2001
Certified Public Accountant in the State of New Mexico, December 2012

Employment: Employed by PNMR Services Company since 2003.
Positions held within the Company include:

Vice President, Corporate Controller
Controller, Utility Operations
Director, Cost of Service and Audit Services
Director, Cost of Service and Corporate Budget
Director, Utility Accounting
Manager, Cost of Service
Senior Manager, Derivative Accounting
Manager, Energy Analysis and Accounting
Project Manager
Senior Accountant

Testimony Filed:

- In the Matter of the Application of Public Service Company of New Mexico for Revision of its Retail Electric Rates pursuant to Advice Notice No. 352, NMPRC Case No. 08-00273-UT, filed September 22, 2008.
- In the Matter of Texas-New Mexico Power Company's Request for Approval of an Advance Metering System (AMS) Deployment and AMS Surcharge, PUCT Docket No. 38036, filed May, 2010.
- In the Matter of the Application of Public Service Company of New Mexico for the Abandonment and Decertification of the Generating Station in Las Vegas, New Mexico, NMPRC Case No. 10-00264-UT, filed August 30, 2010.
- Initial Filing of PNM to Revise Sheets in its OATT, Coordination Tariff, and GFAs Reflecting Implementation of Transmission Formula Rate, FERC Docket Nos. ER13-685-000, ER13-687-000 and ER13-690-000, filed December 2012.

- In the Matter of Public Service Company of New Mexico's Renewable Energy Portfolio Procurement Plan for 2014 and Proposed 2014 Rider Rate Under Rate Rider No. 36, NMPRC Case No. 13-00183-UT, filed June 1, 2013.
- In the Matter of the Application of Public Service Company of New Mexico for Continued Use of Fuel and Purchased Power Cost Adjustment Clause, NMPRC Case No. 13-00187-UT, filed May 28, 2013.
- In the Matter of Application of PNM for Approval to Abandon San Juan Generating Station Units 2 and 3, Issuance of CCNs for Replacement Power Resources, Issuance of Accounting Order and Determination of Ratemaking Principles and Treatment, NMPRC Case No. 13-00390-UT, filed December 20, 2013.
- In the Matter of the Application of PNM for Approval of Renewable Energy Rider No. 36 Pursuant to Advice Notice No. 439 and for Variances from Certain Filing Requirements, NMPRC Case No. 12-00007-UT, filed February 28, 2014.
- In the Matter of Public Service Company of New Mexico's Application for a Certificate of Public Convenience and Necessity and Related Approvals for the La Luz Energy Center, NMPRC Case No. 13-00175-UT, filed March 21, 2014.
- In the Matter of Public Service Company of New Mexico's Renewable Energy Portfolio Procurement Plan for 2015 and Proposed 2015 Rider Rate Under Rate Rider No. 36, NMPRC Case No. 14-00158-UT, filed June 2, 2014.
- In the Matter of the Application of Public Service Company of New Mexico for Revision of its Retail Electric Rates pursuant to Advice Notice No. 507, NMPRC Case No. 14-00332-UT, filed December 11, 2014.
- In the Matter of the Application of PNM for Approval of Renewable Energy Rider No. 36 Pursuant to Advice Notice No. 439 and for Variances from Certain Filing Requirements, NMPRC Case No. 12-00007-UT, filed February 27, 2015.
- In the Matter of Public Service Company of New Mexico's Renewable Energy Portfolio Procurement Plan for 2016 and Proposed 2016 Rider Rate Under Rate Rider No. 36, NMPRC Case No. 15-00166-UT, filed June 1, 2015.
- In the Matter of Public Service Company of New Mexico's Application for a Certificate of Public Convenience and Necessity and Related Approvals for the San Juan Gas Plant, NMPRC Case No. 15-00205-UT, filed June 30, 2015.
- In the Matter of the Application of Public Service Company of New Mexico for Revision of its Retail Electric Rates Pursuant to Advice Notice No. 513, NMPRC Case No. 15-00261-UT, filed August 27, 2015.

- In the Matter of the Application of Public Service Company of New Mexico for Prior Approval of the Advanced Metering Infrastructure Project, Determination of Ratemaking Principles and Treatment, and Issuance of Related Accounting Orders, Case No. 15-00312-UT, filed February 26, 2016.
- In the Matter of Public Service Company of New Mexico's Application for a Certificate of Public Convenience and Necessity and Related Approvals for an 80MW Gas-Fired Generating Plant Located at the San Juan Generating Station, NMPRC Case No. 16-00105-UT, filed April 26, 2016.
- In the Matter of the Application of Public Service Company of New Mexico for Revision of its Retail Electric Rates Pursuant to Advice Notice No. 533, NMPRC Case No. 16-00276-UT, filed December 7, 2016.
- In the Matter of Public Service Company of New Mexico's Application for Approval of its Renewable Energy Act Plan for 2018 and Proposed 2018 Rider Rate Under Rate Rider No. 36, NMPRC Case No. 17-00129-UT, filed June 1, 2017.
- In the Matter of the Application of Texas-New Mexico Power Company for Interim Update of Wholesale Transmission Rates, PUCT Docket No. 47422, filed July 19, 2017.
- In the Matter of Public Service Company of New Mexico's Application for Approval Pursuant to 17.9.551 NMAC of Three Purchase Power Agreements in Accordance with Special Service Contract with Facebook Inc, NMPRC Case No. 18-00009-UT, filed January 17, 2018.
- In the Matter of Public Service Company of New Mexico's Application for a Continued use of its Fuel and Purchase Power Cost Adjustment Clause, Case No. 18-00096-UT, filed April 23, 2018.
- In the Matter of the Application of Texas-New Mexico Power Company to Change Rates, PUCT Docket No. 48401, filed May 30, 2018
- In the Matter of Public Service Company of New Mexico's Petition for Approval to Acquire the Western Spirit 345 kV Transmission Project, Case No. 19-00129-UT, filed May 10, 2019.
- Affidavit in Support of Public Service Company of New Mexico's Section 205 filing for the Western Spirit Project. FERC Docket No. ER19-1824. Filed May 10, 2019.
- In the Matter of PNM's Abandonment of San Juan Generating Station Units 1 and 4, NMPRC Docket No. 19-00018-UT, filed January 10, 2019.

- In the Matter of Public Service Company of New Mexico Consolidated Application for Approvals for the Abandonment, Financing and Resource Replacement for San Juan Generating Station Pursuant to the Energy Transition Act, NMPRC Docket No. 19-00195-UT filed July 1, 2019
- Joint Report and Application of Texas-New Mexico Power Company, NM Green holdings, Inc. and Avangrid, Inc. for Regulatory Approvals Under PURA 14.101, 39.262, and 39.915. PUCT Docket No. 51547, filed November 23, 2020.
- The Commission's Show Cause Order In the Matter of PNM's Abandonment of San Juan Generating Station Units 1 and 4, NMPRC Docket No. 19-00018-UT, filed April 30, 2022.
- In the Matter of the Application of Public Service Company of New Mexico for Revision of its Retail Electric Rates Pursuant to Advice Notice No. 595, NMPRC Docket No. 22-00270-UT, filed December 5, 2022.
- In The Matter of Public Service Company Of New Mexico's Application for Approval of Purchased Power Agreements, Energy Storage Agreements, and Certificates of Public Convenience and Necessity for System Resources in 2026, NMPRC Docket No. 23-00353-UT, filed October 25, 2023.

GCG#532454

PNM Exhibit HEM – 2

Summary of Witness Sponsorship of Rule 530 Schedules

Is contained in the following 4 pages.

Name of Rule 530 Schedule	Sponsor
Rule 530 Schedule A-1: Summary of the Overall Cost of Service and the Claimed Revenue Deficiency	Kyle T. Sanders
Rule 530 Schedule A-2: Summary of the revenue increase or decrease at the proposed rates by rate classes.	Abraham Casas
Rule 530 Schedule A-3: Summary of the Cost of Service Adjustments by Functional Classification:	Kyle T. Sanders
Rule 530 Schedule A-4: Summary of Rate Base Case	Kyle T. Sanders
Rule 530 Schedule A-5: Summary of Total Capitalization and the Weighted Average Cost of Capital (included in cost of service model, not in library)	Kyle T. Sanders
Rule 530 Schedule B-1: Original Cost of Plant in Service by Primary Account	Kyle T. Sanders
Rule 530 Schedule B-2: Original Cost of Plant in Service by Detail Account	Kyle T. Sanders
Rule 530 Schedule B-3: Original Cost of Plant in Service by Monthly Balances	Kyle T. Sanders
Rule 530 Schedule B-4: Construction Work in Progress	Kyle T. Sanders
Rule 530 Schedule B-5: Allowance for funds used during construction transferred to plant in service	Kyle T. Sanders
Rule 530 Schedule B-6: Plant Held for future Use	Kyle T. Sanders
Rule 530 Schedule B-7: Nuclear fuel in process	Kyle T. Sanders
Rule 530 Schedule C-1: Accumulated provision for depreciation and amortization by functional classification and detailed plant account	Kyle T. Sanders
Rule 530 Schedule C-2: Depreciation rate study	Kyle T. Sanders
Rule 530 Schedule C-3: Depreciation and amortization methods	Kyle T. Sanders
Rule 530 Schedule D-1 & D-2: Original cost of plant in service adjusted to the cost of reproduction as a going concern and other elements of value	Kyle T. Sanders
Rule 530 Schedule E-1: Cash working capital allowance	Kyle T. Sanders
Rule 530 Schedule E-2: Materials and supplies, prepayments, and deferred charges	Kyle T. Sanders
Rule 530 Schedule E-3: Fuel inventories by plant location	Kyle T. Sanders
Rule 530 Schedule E-4: Amounts of working capital items charged to operating and maintenance expense	Kyle T. Sanders
Rule 530 Schedule F-1: Other property and investments	Kyle T. Sanders
Rule 530 Schedule G-1: Capitalization, the cost of capital, and the overall rate of return in conformance with an original cost Rate Base	Sabrina G. Greinel
Rule 530 Schedule G-2: Capitalization, the cost of capital, and the overall rate of return in conformance with a cost of reproduction as a going concern and other elements of value Rate Base	Sabrina G. Greinel
Rule 530 Schedule G-3: Embedded cost of borrowed capital with term of maturity in excess of one year from date of issue	Sabrina G. Greinel
Rule 530 Schedule G-4: Cost of short-term borrowed capital including revolving credit agreements and other notes payable	Sabrina G. Greinel

Name of Rule 530 Schedule	Sponsor
Rule 530 Schedule G-5: Embedded cost of preferred stock capital	Sabrina G. Greinel
Rule 530 Schedule G-6: Ratio of earnings to fixed charges	Sabrina G. Greinel
Rule 530 Schedule G-7: Issuance restrictions on borrowed and preferred stock capital	Sabrina G. Greinel
Rule 530 Schedule G-8: Common stock equity capital	Sabrina G. Greinel
Rule 530 Schedule G-9: Historical activity in common stock, paid-in capital, and retained earnings	Sabrina G. Greinel
Rule 530 Schedule G-10: Summary of applicant's support for the claimed rate of return on common stock equity capital.	Henry E. Monroy
Rule 530 Schedule H-1: Operation and maintenance expenses	Kyle T. Sanders
Rule 530 Schedule H-2: Cost of fuel	Kyle T. Sanders
Rule 530 Schedule H-3: Revenue generated through the fuel adjustment clause	Kyle T. Sanders
Rule 530 Schedule H-4: Payroll distribution and associated payroll taxes	Kyle T. Sanders
Rule 530 Schedule H-5: Expenses associated with advertising, contributions, donations, lobbying and political activities, memberships, and outside services	Kyle T. Sanders
Rule 530 Schedule H-6: Other administrative and general expenses	Kyle T. Sanders
Rule 530 Schedule H-7: Depreciation and amortization expense	Kyle T. Sanders
Rule 530 Schedule H-8: Taxes other than income taxes	Kyle T. Sanders
Rule 530 Schedule H-9: Federal and state income taxes	Larry T. Morris
Rule 530 Schedule H-10: Reconciliation of net income per books to net income for income tax purposes	Larry T. Morris
Rule 530 Schedule H-11: Income tax effect as result of applicant joining in a consolidated federal income tax return	Larry T. Morris
Rule 530 Schedule H-12: Accumulated tax deferrals	Larry T. Morris
Rule 530 Schedule H-13: Investment tax credits	Larry T. Morris
Rule 530 Schedule H-14: Expenses associated with affiliated interests	Kyle T. Sanders
Rule 530 Schedule H-15: Expenses associated with nonutility services	Kyle T. Sanders
Rule 530 Schedule H-16: Explanation of the adjustments to expenses of operation.	Kyle T. Sanders
Rule 530 Schedule I-1: Balance sheet	Kyle T. Sanders
Rule 530 Schedule I-2: Income statement	Kyle T. Sanders
Rule 530 Schedule I-3: Statement of changes in financial position	Kyle T. Sanders
Rule 530 Schedule J-1: Construction program	Kyle T. Sanders
Rule 530 Schedule J-2: Sources of construction funds	Kyle T. Sanders
Rule 530 Schedule K-1: Allocation of Rate Base--jurisdictional	Kyle T. Sanders
Rule 530 Schedule K-2: Allocation of Rate Base--functional classification	Abraham Casas
Rule 530 Schedule K-3: Allocation of Rate Base--demand, energy, and customer	Abraham Casas

Name of Rule 530 Schedule	Sponsor
Rule 530 Schedule K-4: Allocation of Rate Base to rate classes	Abraham Casas
Rule 530 Schedule K-5: Allocation of total expenses--jurisdictional	Kyle T. Sanders
Rule 530 Schedule K-6: Allocation of total expenses--functional classification	Abraham Casas
Rule 530 Schedule K-7: Allocation of total expenses--demand, energy, and customer	Abraham Casas
Rule 530 Schedule K-8: Allocation of total expenses to rate classes	Abraham Casas
Rule 530 Schedule L-1: Allocated cost per billing unit of demand, energy and customer	Abraham Casas
Rule 530 Schedule M-1: Allocation factors used to assign items of plant and expenses to the various rate classes	Abraham Casas
Rule 530 Schedule M-2: Classification factors used to assign items of plant and expenses to demand, energy, and customer	Abraham Casas
Rule 530 Schedule M-3: Demand and Energy Loss Factors	Dr. J. Stuart McMenamin
Rule 530 Schedule N-1: Rate of return by rate classification	Dr. Heidi M. Pitts Abraham Casas
Rule 530 Schedule O-1: Total revenue requirements by rate classification	Dr. Heidi M. Pitts
Rule 530 Schedule O-2: Proof of revenue analysis	Dr. Heidi M. Pitts
Rule 530 Schedule O-3: Comparison of rates for service under the present and proposed schedules	Dr. Heidi M. Pitts
Rule 530 Schedule O-4: Explanation of proposed changes to existing rate schedules	Dr. Heidi M. Pitts
Rule 530 Schedule P-1: Peak Demand Information	Dr. J. Stuart McMenamin
Rule 530 Schedule P-2: Plant in service	Kyle T. Sanders
Rule 530 Schedule P-3: Property retirements and property investments information	Kyle T. Sanders
Rule 530 Schedule P-4: Operation and maintenance expense information	Kyle T. Sanders
Rule 530 Schedule P-5: Customer information	Dr. Heidi M. Pitts
Rule 530 Schedule P-6: Weather data	Dr. J. Stuart McMenamin
Rule 530 Schedule P-7: Power plant maintenance information	Kyle T. Sanders
Rule 530 Schedule P-8: Customer service interruption information	Omni Warner
Rule 530 Schedule P-9: Line loss information	Dr. J. Stuart McMenamin
Rule 530 Schedule P-10: Reliability indices information	Omni Warner
Rule 530 Schedule P-11: Reserve margin information	Kyle T. Sanders
Rule 530 Schedule P-12: Fuel statistics information	Kyle T. Sanders
Rule 530 Schedule Q-1: Load research program	Stella Chan
Rule 530 Schedule Q-2: Description of company	Henry E. Monroy

Name of Rule 530 Schedule	Sponsor
Rule 530 Schedule Q-3: Annual Report to stockholders	Henry E. Monroy
Rule 530 Schedule Q-4: Reports to the Securities and Exchange Commission	Henry E. Monroy
Rule 530 Schedule Q-5: Form 1 reports	Henry E. Monroy
Rule 530 Schedule Q-6: Opinion of independent public accountants	Kyle T. Sanders

PNM Exhibit HEM – 3

PNM's Rule 17.3.510 Compliance Filings for 2023, 2022, and 2021

Is contained in the following 16 pages.

PUBLIC SERVICE COMPANY OF NEW MEXICO
RULE 510 ANNUAL REPORTING
COMPARISON OF PNM'S CASE 16-00276-UT to Base Year 2021

STATEMENT OF EARNINGS & EXPENSES
(In Thousands)

PNM Exhibit TSB-1
Page 1 of 5

Description	Total Company Yr. Ended 12/31/2021	Adjustments Yr. Ended 12/31/2021	Adjusted Total Company Yr. Ended 12/31/2021	New Mexico Jurisdiction Yr. Ended 12/31/2021	New Mexico Jurisdiction NMPRC Case No. 16-00276-UT Phase II
Summary:					
Total Electric Revenues	1,362,020	1,095 ^A	1,363,115	1,215,036	992,259
Total Expenses, see below	1,206,478	(13,783)	1,192,696	1,085,285	877,047
Net Earnings	155,541	14,878	170,419	129,751	115,213
Equity			1,606,934	1,418,173	1,223,542
Return on Equity			10.605%	9.149%	9.575%
Rate Base:					
Generation Net Plant-in-Service	1,687,117	(40,775) ^H	1,646,342	1,646,602	1,538,040
Transmission Net Plant-in-Service	1,275,292	(364,621) ^H	910,671	420,303	320,809
Distribution Net Plant-in-Service	967,050	(44,834) ^H	922,215	922,215	831,105
General and Intangible Net Plant-in-Service	109,416	87,697 ^I	197,113	186,272	156,529
ADIT	(950,688)	3,655 ^J	(947,033)	(856,057)	(846,963)
Regulatory Assets & Liabilities	143,767	(30,948) ^K	112,819	114,640	122,365
Other Rate Base Items	63,640	10,014 ^L	73,654	118,222	155,905
Working Capital	185,136	4,270 ^M	189,406	188,235	188,694
Total Rate Base	3,480,730	(375,543)	3,105,187	2,740,432	2,466,483
Operation & Maintenance Expense:					
Fuel	228,692		228,692	217,776	196,503
Nuclear Production O&M	60,668	104 ^B	60,771	60,771	64,313
Non-Nuclear Production O&M	110,712	1,130 ^B	111,842	107,328	103,821
Purchased Power Expense	273,092	1,095 ^A	274,187	242,507	83,785
Other O&M Expenses	272,280	(40,360)	231,920	184,760	175,441
Transmission O&M Expenses	44,070	4,293 ^E	48,363	37,181	35,923
Distribution O&M Expenses	28,244	(161) ^P	28,083	28,083	21,244
Customer Service, Accounts & Informational Expense	19,494	(42) ^P	19,452	19,452	16,765
Sales Expense	4,908	(5) ^P	4,903	4,903	4,334
Admin. and General O&M Expenses	175,563	(44,445) ^C	131,118	95,139	97,174
Total Operation & Maintenance Expense	945,444	(38,031)	907,413	813,143	623,863

PUBLIC SERVICE COMPANY OF NEW MEXICO
RULE 510 ANNUAL REPORTING
COMPARISON OF PNM'S CASE 16-00276-UT to Base Year 2021

STATEMENT OF EARNINGS & EXPENSES
(In Thousands)

PNM Exhibit TSB-1
Page 2 of 5

Description	Total Company Yr. Ended 12/31/2021	Adjustments Yr. Ended 12/31/2021	Adjusted Total Company Yr. Ended 12/31/2021	New Mexico Jurisdiction Yr. Ended 12/31/2021	New Mexico Jurisdiction NMPRC Case No. 16-00276-UT Phase I
Regulatory Disallowances					
Total Regulatory Disallowances	1,194	(1,194) ^F	-	-	(16,311)
Depreciation					
Total Depreciation	167,858	20,883 ^N	188,742	168,021	152,059
Taxes other than Income					
Total Taxes Other than Income	45,873	3,083 ^D	48,955	43,960	44,244
Other Income & Deduction					
Total Other Income & Deduction	(32,771)	256 ^O	(32,515)	-	-
Interest					
Interest Expense	51,360		51,360	40,038	61,807
Income and Revenue Taxes					
Total Tax expense	26,992	1,221 ^G	28,213	19,739	10,938
Preferred Stock Dividend					
Total Preferred Stock Dividend	528		528	385	448
Total Expenses					
Total Expenses	1,206,478	(13,783)	1,192,696	1,085,285	877,047

PUBLIC SERVICE COMPANY OF NEW MEXICO
RULE 510 ANNUAL REPORTING
COMPARISON OF PNM'S CASE 16-00276-UT to Base Year 2021

STATEMENT OF EARNINGS & EXPENSES
(In Thousands)

See attached schedule for jurisdictional allocation details.

PNM Exhibit TSB-1
Page 3 of 5

^A Remove impacts associated with Mark-to-Market valuations

^B \$2,464 Normalized non-labor planned outage expenses, based on a historic 6 year average
(\$1,230) Remove miscellaneous write-offs

^C A&G Expense Adjustments

(\$35,230) Reclass costs allocated from PNMR Services to applicable lines within the COS. This adjustment also removes costs not recovered from Retail jurisdictional customers such Incentive Compensation, Other income and deductions, and certain legal and advertising costs

\$317 Normalized non-labor planned outage expenses, based on a historic 6 year average

(\$3,397) Removal of non-recurring gas company pension expense

(\$580) Removal of non-recurring merger related transaction costs

(\$4,286) Reclass Accelerated Depreciation Expense for SNCR from A&G O&M to Depreciation Expense

(\$1,269) Miscellaneous write-offs

^D General Taxes allocated to PNM from PNMR Services

^E PNM imputed third party transmission expenses associated with the Western Area Power Administration transmission agreement

^F Removal of regulatory disallowances

^G Income Tax impacts on Revenue and Expense adjustments listed on page 1 and 2

^H Net Plant Adjustments

\$5,496 Removal of balances associated with the Palo Verde Asset Retirement Costs

(\$14,188) GAAP accounting requires PNM to record accumulated accelerated depreciation for SNCR to a non-plant balance sheet account. For Regulatory purposes, PNM will reclass 13-Month Average Accumulated Accelerated Depreciation for SNCR from Other Rate Base to Plant in Service

(\$441,538) Decrease to account for 13-month average

^I \$97,726 Addition of PNMR assets allocated to PNM

(\$10,029) Decrease to account for 13-month average

^J 13-month averaging adjustment associated with plant related ADIT, and correlating adjustments

^K \$6,881 Increase to account for 13-month average of account balances

\$14,188 GAAP accounting requires PNM to record accumulated accelerated depreciation for SNCR to a non-plant balance sheet account. For Regulatory purposes, PNM will reclass 13-Month Average Accumulated Accelerated Depreciation for SNCR from Other Rate Base to Plant in Service

(\$52,017) Decrease to remove SJGS related regulatory assets to be recovered through securitization

^L (\$12,000) Reduction to prepaid pension asset included in rate base pursuant to NMPRC Case 16-00276-UT final order

\$39,866 increase to account for 13-month average

(\$163,169) Remove CWIP and RWIP balances

\$145,317 Remove Palo Verde Asset Retirement Obligation

^M Working Capital 13-month average of account balances

^N \$4,286 Reclass Accelerated Depreciation for SNCR from A&G O&M to Depreciation Expense

\$17,623 PNMR Services depreciation expense allocated to PNM

(\$1,428) Reduce net Palo Verde ARO accretion expense to equal funding collected in rates

\$956 Remove finance lease amortization

(\$72) Remove Palo Verde ARC depreciation expense

(\$482) Add back depreciation expense associated with FCPP GAAP-only impairment loss

^O Remove non-recurring unrealized gains/(losses)

^P Remove miscellaneous write offs

^Q Under the New Mexico Jurisdiction NMPRC Case No. 16-00276-UT Phase II column, PNM has reflected the general illustrative COS settlement adjustments per the final order in that case

**PUBLIC SERVICE COMPANY OF NEW MEXICO
RULE 510 ANNUAL REPORTING
COMPARISON OF PNM'S CASE 16-00276-UT to Base Year 2021**

**AMOUNT OF DEBT, AVERAGE COST OF DEBT & CAPITAL STRUCTURE
(In Thousands)**

PNM Exhibit TSB-1
Page 4 of 5

No.	Description	New Mexico Jurisdiction NMPRC Case 16-00276-UT Phase II		Total Electric Yr. Ended 12/31/2021				
		Amount Outstanding Yr. Ended 12/31/2018	Average Cost of Debt	Amount Outstanding Yr. Ended 12/31/2021	Average Cost of Debt	Effective Rate	Composite Cost of Capital	
Outstanding Debt:								
	Short Term Debt *	438,943	8,364	82,400	1,117			
	Long Term Debt	1,465,870	71,351	1,815,845	48,445			
	Weighted Average Cost of Long Term Debt Capital		2.43%		1.37%			
Capital Structure:								
	Long Term Debt		4.87%	2.43%	1,815,845	47.95%	2.85%	1.37%
	Preferred Stock		4.62%	0.02%	11,529	0.30%	4.62%	0.01%
	Common Equity		9.575%	4.75%	1,959,858	51.75%	9.575%	4.96%
	Total Capitalization			7.20%	3,787,233	100.00%		6.34%

* Short Term Debt includes term loans consistent with NMPRC Case No. 16-00276-UT

PUBLIC SERVICE COMPANY OF NEW MEXICO
RULE 510 ANNUAL REPORTING
COMPARISON OF PNM'S CASE 16-00276-UT to Base Year 2021

JURISDICTIONAL ALLOCATORS

No.	Description	Year Ended 12/31/2021					Case No. 16-00261-UT				
		Total	New Mexico Retail	Renewables	FERC	Other	Total	New Mexico Retail	Renewables	FERC	Other
Allocators:											
	Total Wages and Salaries	115,767,245 100.00%	110,458,334 95.41%	- 0.00%	3,454,416 2.98%	1,854,494 1.60%	63,144,393 100.00%	57,476,188 91.02%	172,705 0.27%	2,998,018 4.75%	2,497,482 3.96%
	Production Plant	1,452,909,514 100.00%	1,453,169,712 100.02%	- 0.00%	- 0.00%	(260,197) -0.02%	1,401,095,542 100.00%	1,389,065,070 99.14%	- 0.00%	- 0.00%	12,030,472 0.86%
	Transmission Plant	910,671,006 100.00%	420,302,688 46.15%	- 0.00%	490,368,318 53.85%	- 0.00%	627,732,073 100.00%	320,808,912 51.11%	- 0.00%	286,899,409 45.70%	20,023,753 3.19%
	Distribution Plant	922,215,436 100.00%	914,360,354 99.15%	7,855,082 0.85%	- 0.00%	- 0.00%	827,035,497 100.00%	827,035,497 100.00%	- 0.00%	- 0.00%	- 0.00%
	General & Intangible Plant	197,112,884 100.00%	186,271,963 94.50%	- 0.00%	8,275,696 4.20%	2,565,225 1.30%	175,255,556 100.00%	156,293,635 89.18%	- 0.00%	16,180,504 9.23%	2,781,417 1.59%
	Total Net Plant	3,475,053,758 100.00%	2,974,104,717 85.58%	- 0.00%	498,644,014 14.35%	2,305,027 0.07%	3,031,118,668 100.00%	2,693,203,114 88.85%	- 0.00%	303,079,913 10.00%	34,835,642 1.15%
	Generation Demand *	1,451 100.00%	1,451 100.00%	- 0.00%	- 0.00%	- 0.00%	1,451 100.00%	1,451 100.00%	- 0.00%	- 0.00%	- 0.00%
	Energy *	8,827,904 100.00%	8,827,904 100.00%	- 0.00%	- 0.00%	- 0.00%	8,827,904 100.00%	8,827,904 100.00%	- 0.00%	- 0.00%	- 0.00%
	Generation and Transmission Demand *	100.00%	65.35%	0.00%	34.65%	0.00%	100.00%	67.72%	0.00%	32.28%	0.00%
	Transmission Demand *	3,122 100.00%	1,507 48.28%	- 0.00%	1,615 51.72%	- 0.00%	2,903 100.00%	1,504 51.82%	- 0.00%	1,399 48.18%	- 0.00%
	Transmission Demand without Network *	2,739 100.00%	1,507 55.03%	- 0.00%	1,232 44.97%	- 0.00%	1,946 100.00%	1,501 77.12%	- 0.00%	445 22.88%	- 0.00%
* Allocators are consistent with test period allocators approved in Case No. 16-00276-UT											

PUBLIC SERVICE COMPANY OF NEW MEXICO
RULE 510 ANNUAL REPORTING
COMPARISON OF PNM'S CASE 16-00276-UT to Base Year 2022

STATEMENT OF EARNINGS & EXPENSES
(In Thousands)

PNM Exhibit TSB-1
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Description	Total Company Yr. Ended 12/31/2022	Adjustments Yr. Ended 12/31/2022	Adjusted Total Company Yr. Ended 12/31/2022	New Mexico Jurisdiction Yr. Ended 12/31/2022	New Mexico Jurisdiction NMPRC Case No. 16-00276-UT Phase II
Summary:					
Total Electric Revenues	1,766,825	1,095 ^A	1,767,920	1,571,484	992,259
Total Expenses, see below	1,626,180	(68,644)	1,557,536	1,430,630	877,047
Net Earnings	140,645	69,739	210,384	140,854	115,213
Equity			1,757,908	1,384,596	1,223,542
Return on Equity			11.968%	10.173%	9.575%
Rate Base:					
Generation Net Plant-in-Service	1,338,762	246,572 ^H	1,585,334	1,585,334	1,538,040
Transmission Net Plant-in-Service	1,294,204	(20,229) ^H	1,273,976	425,302	320,809
Distribution Net Plant-in-Service	1,066,326	(64,146) ^H	1,002,181	1,002,181	831,105
General and Intangible Net Plant-in-Service	109,981	92,974 ^I	202,955	189,532	156,529
ADIT	(678,155)	9,182 ^J	(668,973)	(600,733)	(846,963)
Regulatory Assets & Liabilities	(163,432)	(26,149) ^K	(189,581)	(157,535)	122,365
Other Rate Base Items	162,743	(135,570) ^L	27,174	67,000	155,905
Working Capital	162,660	17,366 ^M	180,027	177,202	188,694
Total Rate Base	3,293,090	120,001	3,413,091	2,688,282	2,466,483
Operation & Maintenance Expense:					
Fuel	346,600		346,600	339,177	196,503
Nuclear Production O&M	64,362	(58) ^B	64,304	64,304	64,313
Non-Nuclear Production O&M	80,592	(293) ^B	80,298	75,379	103,821
Purchased Power Expense	475,254	456 ^A	475,710	474,224	83,785
Other O&M Expenses	289,234	(36,369)	252,865	198,271	175,441
Transmission O&M Expenses	50,196	4,579 ^E	54,775	39,786	35,923
Distribution O&M Expenses	31,312	(8) ^P	31,304	31,304	21,244
Customer Service, Accounts & Informational Expense	21,966	(43) ^P	21,923	21,923	16,765
Sales Expense	4,960	-	4,960	4,960	4,334
Admin. and General O&M Expenses	180,801	(40,897) ^C	139,904	100,298	97,174
Total Operation & Maintenance Expense	1,256,041	(36,264)	1,219,777	1,151,353	623,863

PUBLIC SERVICE COMPANY OF NEW MEXICO
RULE 510 ANNUAL REPORTING
COMPARISON OF PNM'S CASE 16-00276-UT to Base Year 2022

STATEMENT OF EARNINGS & EXPENSES
(In Thousands)

PNM Exhibit TSB-1
Page 2 of 6

Description	Total Company Yr. Ended 12/31/2022	Adjustments Yr. Ended 12/31/2022	Adjusted Total Company Yr. Ended 12/31/2022	New Mexico Jurisdiction Yr. Ended 12/31/2022	New Mexico Jurisdiction NMPRC Case No. 16-00276-UT Phase I
Regulatory Disallowances					
Total Regulatory Disallowances	832	(832) ^F	-	-	(16,311)
Depreciation					
Total Depreciation	177,975	15,138 ^N	193,114	163,329	152,059
Taxes other than Income					
Total Taxes Other than Income	48,338	3,431 ^D	51,769	43,864	44,244
Other Income & Deduction					
Total Other Income & Deduction	62,195	(66,848) ^O	(4,653)	-	-
Interest					
Interest Expense	61,073		61,073	40,552	61,807
Income and Revenue Taxes					
Total Tax expense	19,198	16,731 ^G	35,928	31,146	10,938
Preferred Stock Dividend					
Total Preferred Stock Dividend	528		528	387	448
Total Expenses					
Total Expenses	1,626,180	(68,644)	1,557,536	1,430,630	877,047

PUBLIC SERVICE COMPANY OF NEW MEXICO
RULE 510 ANNUAL REPORTING
COMPARISON OF PNM'S CASE 16-00276-UT to Base Year 2022

STATEMENT OF EARNINGS & EXPENSES
(In Thousands)

See attached schedule for jurisdictional allocation details.

PNM Exhibit TSB-1
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- A. Remove impacts associated with Mark-to-Market valuations
- B. (\$341) Normalized non-labor planned outage expenses, based on a historic 6 year average
(\$10) Remove non-allowable advertising
- C. A&G Expense Adjustments
(\$38,770) Reclass costs allocated from PNMR Services to applicable lines within the COS. This adjustment also removes costs not recovered from Retail jurisdictional customers such Incentive Compensation, Merger related costs, Other income and deductions, and certain legal and advertising costs
\$237 Normalized non-labor planned outage expenses, based on a historic 6 year average
(\$2,457) Removal of non-recurring gas company pension expense
(\$81) Removal of non-recurring merger related transaction costs
(\$17) Removal of non-allowable advertising expenses
(\$1,825) Reclass Accelerated Depreciation Expense for SNCR from A&G O&M to Depreciation Expense
\$2,017 Remove non-recurring miscellaneous write-offs
- D. General Taxes Adjustments
\$3,567 General Taxes allocated to PNM from PNMR Services
(\$136) Remove Gross Receipt Tax Pass through expenses
- E. Transmission Expense Adjustments
\$4,634 PNM imputed third party transmission expenses associated with the Western Area Power Administration transmission agreement
(\$55) Removal of non-allowable dues/subscriptions expenses
- F. Removal of regulatory disallowances
- G. Income Tax impacts on Revenue and Expense adjustments listed on page 1 and 2
- H. Net Plant Adjustments
\$5,424 Removal of balances associated with the Palo Verde Asset Retirement Costs
\$156,774 Increase to account for 13-month average
- I. \$95,387 Addition of PNMR assets allocated to PNM
(\$2,413) Decrease to account for 13-month average
- J. 13-month averaging adjustment associated with plant related ADIT, and correlating adjustments
- K. (\$26,149) Decrease to account for 13-month average of account balances
- L. (\$12,000) Reduction to prepaid pension asset included in rate base pursuant to NMPRC Case 16-00276-UT final order
\$305 Increase to account for 13-month average
(\$276,444) Remove CWIP and RWIP balances
\$152,569 Remove Palo Verde Asset Retirement Obligation
- M. Working Capital 13-month average of account balances
- N. \$1,825 Reclass Accelerated Depreciation for SNCR from A&G O&M to Depreciation Expense
\$18,753 PNMR Services depreciation expense allocated to PNM
(\$4,738) Reduce net Palo Verde ARO accretion expense to equal funding collected in rates
(\$1,184) Remove finance lease amortization
(\$72) Remove Palo Verde ARC depreciation expense
\$539 Add back depreciation expense associated with FCPP GAAP-only impairment loss
\$15 Remove non-recurring depreciation expense
- O. Remove non-recurring unrealized gains/(losses)
- P. Remove non-allowable dues/subscriptions, advertising, and merger related costs
- Q. Under the New Mexico Jurisdiction NMPRC Case No. 16-00276-UT Phase II column, PNM has reflected the general illustrative COS settlement adjustments per the final order in that case

**PUBLIC SERVICE COMPANY OF NEW MEXICO
RULE 510 ANNUAL REPORTING
COMPARISON OF PNM'S CASE 16-00276-UT to Base Year 2022**

**AMOUNT OF DEBT, AVERAGE COST OF DEBT & CAPITAL STRUCTURE
(In Thousands)**

PNM Exhibit TSB-1
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No.	Description	New Mexico Jurisdiction NMPRC Case 16-00276-UT Phase II		Total Electric Yr. Ended 12/31/2022			
		Amount Outstanding Yr. Ended 12/31/2018	Average Cost of Debt	Amount Outstanding Yr. Ended 12/31/2021	Average Cost of Debt	Effective Rate	Composite Cost of Capital
Outstanding Debt:							
	Short Term Debt *	438,943	8,364	185,900	5,181		
	Long Term Debt	1,465,870	71,351	1,784,345	53,269		
	Weighted Average Cost of Long Term Debt Capital		2.43%		1.45%		
Capital Structure:							
	Long Term Debt	4.87%	2.43%	1,784,345	48.18%	3.01%	1.45%
	Preferred Stock	4.62%	0.02%	11,529	0.31%	4.62%	0.01%
	Common Equity	9.575%	4.75%	1,907,331	51.50%	9.575%	4.93%
	Total Capitalization		7.20%	3,703,205	100.00%		6.40%

* Short Term Debt includes term loans consistent with NMPRC Case No. 16-00276-UT

PUBLIC SERVICE COMPANY OF NEW MEXICO
RULE 510 ANNUAL REPORTING
COMPARISON OF PNM'S CASE 16-00276-UT to Base Year 2022

JURISDICTIONAL ALLOCATORS

No.	Description	Year Ended 12/31/2022					Case No. 16-00261-UT				
		Total	New Mexico Retail	Renewables	FERC	Other	Total	New Mexico Retail	Renewables	FERC	Other
Allocators:											
	Total Wages and Salaries	94,102,737 100.00%	88,355,839 93.89%	- 0.00%	4,757,533 5.06%	989,365 1.05%	63,144,393 100.00%	57,476,188 91.02%	172,705 0.27%	2,998,018 4.75%	2,497,482 3.96%
	Production Plant	1,397,475,258 100.00%	1,397,475,258 100.00%	- 0.00%	- 0.00%	0 0.00%	1,401,095,542 100.00%	1,389,065,070 99.14%	- 0.00%	- 0.00%	12,030,472 0.86%
	Transmission Plant	1,273,975,960 100.00%	425,302,173 33.38%	- 0.00%	848,673,787 66.62%	- 0.00%	627,732,073 100.00%	320,808,912 51.11%	- 0.00%	286,899,409 45.70%	20,023,753 3.19%
	Distribution Plant	1,002,180,641 100.00%	994,766,574 99.26%	7,414,067 0.74%	- 0.00%	- 0.00%	827,035,497 100.00%	827,035,497 100.00%	- 0.00%	- 0.00%	- 0.00%
	General & Intangible Plant	202,954,705 100.00%	189,532,318 93.39%	- 0.00%	11,191,468 5.51%	2,230,919 1.10%	175,255,556 100.00%	156,293,635 89.18%	- 0.00%	16,180,504 9.23%	2,781,417 1.59%
	Total Net Plant	3,869,172,498 100.00%	3,007,076,324 77.72%	- 0.00%	859,865,255 22.22%	2,230,919 0.06%	3,031,118,668 100.00%	2,693,203,114 88.85%	- 0.00%	303,079,913 10.00%	34,835,642 1.15%
	Generation Demand *	1,451 100.00%	1,451 100.00%	- 0.00%	- 0.00%	- 0.00%	1,451 100.00%	1,451 100.00%	- 0.00%	- 0.00%	- 0.00%
	Energy *	8,827,904 100.00%	8,827,904 100.00%	- 0.00%	- 0.00%	- 0.00%	8,827,904 100.00%	8,827,904 100.00%	- 0.00%	- 0.00%	- 0.00%
	Generation and Transmission Demand *	100.00%	64.05%	0.00%	35.95%	0.00%	100.00%	67.72%	0.00%	32.28%	0.00%
	Transmission Demand *	3,294 100.00%	1,527 46.35%	- 0.00%	1,767 53.65%	- 0.00%	2,903 100.00%	1,504 51.82%	- 0.00%	1,399 48.18%	- 0.00%
	Transmission Demand without Network *	2,894 100.00%	1,527 52.75%	- 0.00%	1,368 47.25%	- 0.00%	1,946 100.00%	1,501 77.12%	- 0.00%	445 22.88%	- 0.00%
* Allocators are consistent with test period allocators approved in Case No. 16-00276-UT											

PUBLIC SERVICE COMPANY OF NEW MEXICO
RULE 510 ANNUAL REPORTING
COMPARISON OF PNM'S CASE 16-00276-UT to Base Year 2022

EXCESS EARNINGS REFUND CALCULATION

PNM Exhibit TSB-1
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Description	New Mexico Jurisdiction
	Yr. Ended 12/31/2022
Summary:	
Equity (Page 1)	1,384,596,234
Earnings at 10.075% (Equity x 10.075%)	139,498,071
2022 Actual Earnings (Page 1)	140,854,058
After-Tax Excess Earnings	1,355,988
Combined Income Tax rate	25.40%
Pre-Tax Earnings (Threshold) / Giveback: (After-Tax Excess Earnings / (1 - 25.40%))	1,817,678

PUBLIC SERVICE COMPANY OF NEW MEXICO
RULE 510 ANNUAL REPORTING
COMPARISON OF PNM'S CASE 16-00276-UT to Base Year 2023

STATEMENT OF EARNINGS & EXPENSES
(In Thousands)

PNM Exhibit TSB-1
Page 1 of 5

Description	Total Company Yr. Ended 12/31/2023	Adjustments Yr. Ended 12/31/2023	Adjusted Total Company Yr. Ended 12/31/2023	New Mexico Jurisdiction Yr. Ended 12/31/2023	New Mexico Jurisdiction NMPRC Case No. 16-00276-UT Phase II
Summary:					
Total Electric Revenues	1,405,339	(29,474) ^A	1,375,865	1,239,189	992,259
Total Expenses, see below	1,369,681	(69,964)	1,299,717	1,180,572	877,047
Net Earnings	35,658	40,490	76,148	58,617	115,213
Equity			1,781,454	1,361,828	1,223,542
Return on Equity			4.274%	4.304%	9.575%
Rate Base:					
Generation Net Plant-in-Service	1,266,590	(3,037) ^H	1,263,553	1,263,553	1,538,040
Transmission Net Plant-in-Service	1,338,431	(43,319) ^H	1,295,112	443,401	320,809
Distribution Net Plant-in-Service	1,201,851	(90,568) ^H	1,111,283	1,111,283	831,105
General and Intangible Net Plant-in-Service	123,516	95,546 ^I	219,061	211,969	156,529
ADIT	(502,618)	(13,883) ^J	(516,500)	(554,739)	(846,963)
Regulatory Assets & Liabilities	(50,978)	(15,934) ^K	(66,912)	(35,313)	122,365
Other Rate Base Items	392,848	(297,533) ^L	95,315	130,498	155,905
Working Capital	166,528	(13,611) ^M	152,917	146,065	188,694
Total Rate Base	3,936,167	(382,339)	3,553,827	2,716,716	2,466,483
Operation & Maintenance Expense:					
Fuel	123,876		123,876	123,876	196,503
Nuclear Production O&M	38,831	1,087 ^B	39,919	39,903	64,313
Non-Nuclear Production O&M	50,108	2,941 ^B	53,049	53,049	103,821
Purchased Power Expense	540,012	(30,368) ^A	509,644	507,267	83,785
Other O&M Expenses	292,946	(40,897)	252,049	207,107	175,441
Transmission O&M Expenses	53,611	5,023 ^E	58,634	42,804	35,923
Distribution O&M Expenses	33,269	733 ^P	34,003	33,206	21,244
Customer Service, Accounts & Informational Expense	24,185	120 ^P	24,306	24,187	16,765
Sales Expense	5,589	-	5,589	5,583	4,334
Admin. and General O&M Expenses	176,292	(46,774) ^C	129,518	101,328	97,174
Total Operation & Maintenance Expense	1,045,774	(67,237)	978,537	931,204	623,863

PUBLIC SERVICE COMPANY OF NEW MEXICO
RULE 510 ANNUAL REPORTING
COMPARISON OF PNM'S CASE 16-00276-UT to Base Year 2023

STATEMENT OF EARNINGS & EXPENSES
(In Thousands)

PNM Exhibit TSB-1
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Description	Total Company Yr. Ended 12/31/2023	Adjustments Yr. Ended 12/31/2023	Adjusted Total Company Yr. Ended 12/31/2023	New Mexico Jurisdiction Yr. Ended 12/31/2023	New Mexico Jurisdiction NMPRC Case No. 16-00276-UT Phase I
Regulatory Disallowances					
Total Regulatory Disallowances	70,750	(70,750) ^F	-	-	(16,311)
Depreciation					
Total Depreciation	174,792	16,834 ^N	191,626	162,656	152,059
Taxes other than Income					
Total Taxes Other than Income	47,989	4,124 ^D	52,112	43,389	44,244
Other Income & Deduction					
Total Other Income & Deduction	(41,359)	33,278 ^O	(8,081)	-	-
Interest					
Interest Expense	86,574		86,574	45,358	61,807
Income and Revenue Taxes					
Total Tax expense	(15,367)	13,786 ^G	(1,581)	(2,406)	10,938
Preferred Stock Dividend					
Total Preferred Stock Dividend	528		528	372	448
Total Expenses					
Total Expenses	1,369,681	(69,964)	1,299,717	1,180,572	877,047

PUBLIC SERVICE COMPANY OF NEW MEXICO
RULE 510 ANNUAL REPORTING
COMPARISON OF PNM'S CASE 16-00276-UT to Base Year 2023

STATEMENT OF EARNINGS & EXPENSES
(In Thousands)

See attached schedule for jurisdictional allocation details.

PNM Exhibit TSB-1
Page 3 of 5

- ^A (\$30,368) Reclass Revenue and Expense for Purchase Power Economy Service Customer
 - \$894 Reclass PNMR Services allocated revenue
- ^B \$4,128 Normalized non-labor planned outage expenses, based on a historic 6 year average
 - (\$115) Remove non-allowable legal and advertising expenses
 - \$15 Remove impacts of finance lease accounting
- ^C A&G Expense Adjustments
 - (\$43,132) Reclass costs allocated from PNMR Services to applicable lines within the COS. This adjustment also removes costs not recovered from Retail jurisdictional customers such Incentive Compensation, Merger related costs, Other income and deductions, and certain legal and advertising costs
 - \$94 Normalized non-labor planned outage expenses, based on a historic 6 year average
 - (\$2,714) Removal of non-recurring gas company pension expense
 - (\$730) Removal of non-recurring merger related transaction costs
 - (\$44) Remove non-allowable legal and advertising expenses
 - (\$336) Remove Transportation Electrification Program
 - \$88 Remove impacts of finance lease accounting
- ^D General Taxes Adjustments
 - \$4,181 General Taxes allocated to PNM from PNMR Services
 - (\$57) Remove Gross Receipt Tax Pass through expenses
- ^E Transmission Expense Adjustments
 - \$4,863 PNM imputed third party transmission expenses associated with the Western Area Power Administration transmission agreement
 - (\$69) Removal of non-allowable dues/subscriptions expenses
 - \$228 Remove impacts of finance lease accounting
- ^F Removal of regulatory disallowances
- ^G Income Tax impacts on Revenue and Expense adjustments listed on page 1 and 2
- ^H Net Plant Adjustments
 - (\$10,067) Removal of balances associated with the Palo Verde Asset Retirement Costs
 - (\$126,858) Increase to account for 13-month average
- ^I \$108,354 Addition of PNMR assets allocated to PNM
 - (\$12,809) Decrease to account for 13-month average
- ^J 13-month averaging adjustment associated with plant related ADIT, and correlating adjustments
- ^K (\$15,934) Decrease to account for 13-month average of account balances
- ^L (\$12,000) Reduction to prepaid pension asset included in rate base pursuant to NMPRC Case 16-00276-UT final order
 - \$16,304 Increase to account for 13-month average
 - (\$514,203) Remove CWIP and RWIP balances
 - \$157,534 Remove Palo Verde Asset Retirement Obligation
 - \$43,421 Remove San Juan Asset Retirement Obligation
 - \$11,411 Remove Palo Verde Dry Cask Storage Liability
- ^M Working Capital 13-month average of account balances
- ^N \$24,312 PNMR Services depreciation expense allocated to PNM
 - (\$6,314) Reduce net Palo Verde ARO accretion expense to equal funding collected in rates
 - (\$1,184) Remove finance lease amortization
 - \$72 Remove Palo Verde ARC depreciation expense
 - \$539 Add back depreciation expense associated with FCPP GAAP-only impairment loss
 - (\$591) Remove SJGS accretion expense
- ^O Remove non-recurring unrealized gains/(losses) on mark-to-market activity
- ^P (\$68) Remove non-allowable dues/subscriptions, advertising, and merger related costs
 - \$922 Remove impacts of finance lease accounting
- ^Q Under the New Mexico Jurisdiction NMPRC Case No. 16-00276-UT Phase II column, PNM has reflected the general illustrative COS settlement adjustments per the final order in that case

**PUBLIC SERVICE COMPANY OF NEW MEXICO
RULE 510 ANNUAL REPORTING
COMPARISON OF PNM'S CASE 16-00276-UT to Base Year 2023**

**AMOUNT OF DEBT, AVERAGE COST OF DEBT & CAPITAL STRUCTURE
(In Thousands)**

PNM Exhibit TSB-1
Page 4 of 5

No.	Description	New Mexico Jurisdiction NMPRC Case 16-00276-UT Phase II		Total Electric Yr. Ended 12/31/2023			
		Amount Outstanding Yr. Ended 12/31/2018	Average Cost of Debt	Amount Outstanding Yr. Ended 12/31/2021	Average Cost of Debt		
Outstanding Debt:							
	Short Term Debt *	438,943	8,364	108,126	20,877		
	Long Term Debt	1,465,870	71,351	1,929,345	61,986		
	Weighted Average Cost of Long Term Debt Capital		2.43%		1.61%		
Capital Structure:							
		Effective Rate	Composite Cost of Capital	Amount	Capital Ratio	Effective Rate	Composite Cost of Capital
	Long Term Debt	4.87%	2.43%	1,929,345	49.58%	3.24%	1.61%
	Preferred Stock	4.62%	0.02%	11,529	0.30%	4.62%	0.01%
	Common Equity	9.575%	4.75%	1,950,817	50.13%	9.575%	4.80%
	Total Capitalization		7.20%	3,891,691	100.00%		6.42%

* Short Term Debt includes term loans consistent with NMPRC Case No. 16-00276-UT

PUBLIC SERVICE COMPANY OF NEW MEXICO
RULE 510 ANNUAL REPORTING
COMPARISON OF PNM'S CASE 16-00276-UT to Base Year 2023

JURISDICTIONAL ALLOCATORS

No.	Description	Year Ended 12/31/2023					Case No. 16-00261-UT				
		Total	New Mexico Retail	Renewables	FERC	Other	Total	New Mexico Retail	Renewables	FERC	Other
Allocators:											
	Total Wages and Salaries	70,751,514 100.00%	68,460,768 96.76%	- 0.00%	2,290,747 3.24%	0 0.00%	63,144,393 100.00%	57,476,188 91.02%	172,705 0.27%	2,998,018 4.75%	2,497,482 3.96%
	Production Plant	1,082,803,599 100.00%	1,082,803,599 100.00%	- 0.00%	- 0.00%	0 0.00%	1,401,095,542 100.00%	1,389,065,070 99.14%	- 0.00%	- 0.00%	12,030,472 0.86%
	Transmission Plant	1,295,111,570 100.00%	443,401,431 34.24%	- 0.00%	851,710,139 65.76%	- 0.00%	627,732,073 100.00%	320,808,912 51.11%	- 0.00%	286,899,409 45.70%	20,023,753 3.19%
	Distribution Plant	1,111,282,657 100.00%	1,104,373,648 99.38%	6,909,009 0.62%	- 0.00%	- 0.00%	827,035,497 100.00%	827,035,497 100.00%	- 0.00%	- 0.00%	- 0.00%
	General & Intangible Plant	219,061,276 100.00%	211,968,653 96.76%	- 0.00%	7,092,624 3.24%	0 0.00%	175,255,556 100.00%	156,293,635 89.18%	- 0.00%	16,180,504 9.23%	2,781,417 1.59%
	Total Net Plant	3,701,350,093 100.00%	2,842,547,330 76.80%	- 0.00%	858,802,763 23.20%	0 0.00%	3,031,118,668 100.00%	2,693,203,114 88.85%	- 0.00%	303,079,913 10.00%	34,835,642 1.15%
	Generation Demand *	1,451 100.00%	1,451 100.00%	- 0.00%	- 0.00%	- 0.00%	1,451 100.00%	1,451 100.00%	- 0.00%	- 0.00%	- 0.00%
	Energy *	8,827,904 100.00%	8,827,904 100.00%	- 0.00%	- 0.00%	- 0.00%	8,827,904 100.00%	8,827,904 100.00%	- 0.00%	- 0.00%	- 0.00%
	Generation and Transmission Demand *	100.00%	64.54%	0.00%	35.46%	0.00%	100.00%	67.72%	0.00%	32.28%	0.00%
	Transmission Demand *	3,334 100.00%	1,570 47.08%	- 0.00%	1,764 52.92%	- 0.00%	2,903 100.00%	1,504 51.82%	- 0.00%	1,399 48.18%	- 0.00%
	Transmission Demand without Network *	2,964 100.00%	1,570 52.95%	- 0.00%	1,395 47.05%	- 0.00%	1,946 100.00%	1,501 77.12%	- 0.00%	445 22.88%	- 0.00%
* Allocators are consistent with test period allocators approved in Case No. 16-00276-UT											

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF PUBLIC SERVICE COMPANY OF NEW)
MEXICO FOR REVISION OF ITS RETAIL)
ELECTRIC RATES PURSUANT TO ADVICE)
NOTICE NO. 625)**

Case No. 24-00089-UT

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

Applicant)

_____)

SELF AFFIRMATION

Henry E. Monroy, Vice President, Regulatory for Public Service Company of New Mexico, upon penalty of perjury under the laws of the State of New Mexico, affirm and state: I have read the foregoing **Direct Testimony of Henry E. Monroy and it is true and accurate based on my own personal knowledge and belief.**

Dated this 14th day of June 2024.

/s/ Henry E. Monroy
Henry E. Monroy

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

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OF PUBLIC SERVICE COMPANY OF NEW)
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NOTICE NO. 625)**

Case No. 24-00089-UT

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

Applicant)

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the **Public Service Company of New Mexico’s Application for Revision of Its Retail Electric Rates Pursuant to Advice Notice No. 625** was emailed to parties listed below on June 14, 2024.

I further certify that a true and correct copy of **Public Service Company of New Mexico’s USB Drive: 2025 PNM Rate Change Models** was mailed by first class mail, postage prepaid, to individuals with mailing addresses listed below on June 14, 2024.

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Dated this 14th day of June, 2024.

By: /s/ Carey Salaz
Carey Salaz, Director
PNM Regulatory Planning and Policy
Public Service Company of New Mexico

GCG#532525v2