

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. 513)**

Case No. 15-00261-UT

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

Applicant)

DIRECT TESTIMONY AND EXHIBITS

OF

JASON A. PETERS

August 27, 2015

NMPRC CASE NO. 15-00261-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 Jason A. Peters. I am the Director, General Accounting for PNM Resources, Inc. ("PNM Resources" or "PNMR"). My business address is 414 Silver Avenue, SW, Albuquerque, New Mexico 87102.

Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES AS DIRECTOR, GENERAL ACCOUNTING.

A. As Director, General Accounting, I am responsible for oversight of the corporate accounting, plant accounting, and general ledger administration functions for PNM Resources and all its regulated subsidiaries, including Public Service Company of New Mexico ("PNM" or "Company") and Texas New Mexico Power Company ("TNMP").

Q. HAVE YOU PREVIOUSLY TESTIFIED IN UTILITY REGULATION PROCEEDINGS?

A. Yes. My educational background and professional experience is summarized in PNM Exhibit JAP-1, which includes a tabulation of cases before the New Mexico Public Regulation Commission ("NMPRC" or "Commission"), and Public Utility Commission of Texas, in which I have testified.

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Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. The purpose of my testimony is to discuss the accounting treatment of certain matters in this case. The specific matters discussed in my testimony are necessary to provide background and support to the cost of service proposed in this case by PNM Witness Monroy. In the sections that follow, I discuss:

- The Company's accounting books and records;
- Capital loads;
- Allocated costs;
- The Company's Lead-Lag study;
- Eastern Interconnect Project and Palo Verde Unit 2 acquisitions;
- Asset retirement obligations;
- Coal mine reclamation costs;
- Pension and other postretirement benefits; and
- Loss on reacquired debt.

Q. PLEASE LIST THE RULE 530 SCHEDULES THAT YOU ARE SPONSORING.

A. I am sponsoring the following Rule 530 Schedules: B-1, B-2, B-4, B-5, B-6, J-1, J-2, P-2, and P-3 as these schedules pertain to the base period. Each of these schedules was prepared under my direct supervision. These Rule 530 schedules are being provided electronically on a DVD, but are not fully functional and are not required to be provided as fully functional under NMAC Rule 17.1.3 ("FTY Rule").

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1 Information in these schedules pertaining to the linkage and test periods is sponsored
2 by PNM Witness Buchanan.

3
4 **II. THE COMPANY'S ACCOUNTING BOOKS AND RECORDS**

5 **Q. PLEASE EXPLAIN HOW PNM DEVELOPS AND MAINTAINS ITS**
6 **ACCOUNTING BOOKS AND RECORDS.**

7 **A.** The Company develops and maintains its accounting books and records in compliance
8 with the Uniform System of Accounts ("USOA") prescribed for public utilities by the
9 Federal Energy Regulatory Commission ("FERC") and as prescribed by the
10 Commission in 17.3.510.10.A NMAC and in accordance with Generally Accepted
11 Accounting Principles ("GAAP"). The Company's financial statements are subject to
12 quarterly reviews and annual audits by the Company's external auditor, KPMG.

13
14 Administratively, the Company maintains its accounting books and records in various
15 integrated computer software programs including PeopleSoft (general ledger, accounts
16 payable, payroll), PowerPlan (asset management), Banner (retail billing), Passport
17 (work order management) and various minor applications.

18
19 **Q. WHAT ARE THE KEY COMPONENTS OF THE COMPANY'S**
20 **ACCOUNTING STRUCTURE?**

21 **A.** The key components of the Company's accounting structure include FERC account,
22 cost type, and location.

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1

2 **Q. PLEASE EXPLAIN WHAT A FERC ACCOUNT IS.**

3 **A.** The Company's FERC account is a six digit numerical value based on the USOA. For
4 example, FERC account 101000 is electric plant in service and is based on USOA
5 account 101.

6

7 **Q. WHAT ARE COST TYPES AND HOW ARE THEY UTILIZED IN PNM'S**
8 **ACCOUNTS?**

9 **A.** Cost types identify specific types of costs incurred consistent with the term
10 "elements of cost" as defined in FTY Rule. These include cost types such as
11 labor, materials and outside services. Please see PNM Exhibit JAP-2 for the list of
12 cost types used by the Company.

13

14 **Q. WHAT ARE LOCATIONS AND HOW ARE THEY UTILIZED IN PNM'S**
15 **ACCOUNTS?**

16 **A.** Where applicable, costs are identified by physical locations associated with PNM
17 facilities. Some locations may be defined in general (an area of the company) as
18 opposed to specific physical locations, such as a generating station, to allow
19 recording of expenses that are not identifiable as a specific location cost.
20 Additionally, PNM utility common locations and PNMR Services locations are used to
21 record certain allocations as discussed later in my testimony. Please see PNM Exhibit
22 JAP-3 for the list of locations used by the Company.

23

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**Q. HOW WERE PNM'S BOOKS AND RECORDS UTILIZED IN THE
PREPARATION OF THIS RATE CASE?**

A. All base period data used in the filed schedules, workpapers and electronic models are from the Company's books and records.

III. CAPITAL LOADS

Q. WHAT IS A CAPITAL LOAD?

A. A capital load, normally referred to as a "load" or a "load factor", is the percentage of additional costs to be applied to base construction costs to reflect company indirect costs incurred in support of the construction project.

**Q. WHAT IS THE REASON THAT LOADS ARE APPLIED TO CAPITAL
EXPENSES?**

A. Direct costs are charged to each project during the construction phase of a capital project. In addition to these direct costs, the Company incurs costs in support of these construction activities that are administratively burdensome to direct charge to individual projects. These costs are applied to construction projects based on a load factor which is applied to direct costs. PNM utilizes capital load factors for payroll loads, material loads, engineering and supervision ("E&S") load, capitalized fleet load, and administrative and general ("A&G") load.

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1 **Q. PLEASE EXPLAIN THE CAPITAL LOAD FACTORS THAT HAVE BEEN**
2 **APPLIED TO PNM'S CAPITAL EXPENDITURES IN THIS CASE.**

3 **A.** Generally, capital load factors are calculated using actual and budget data in the year
4 before they are used (e.g., 2015 load factors are calculated in 2014). They are adjusted
5 as necessary during the year they are used. The A&G load factor is calculated
6 periodically as discussed below. Please see PNM Exhibit JAP-4 for a list of these
7 capital load factors for 2014 and 2015. The Company did not calculate new capital
8 load factors for 2016 to utilize in this case. Therefore, the 2015 capital load factors were
9 used throughout the test period.

10
11 A description of these loads and how the amounts are determined is provided below. In
12 addition, the Company applies AFUDC loads as described by PNM Witness Buchanan.

- 13
14 • Payroll loads consist of payroll taxes ("PRT"), injuries and damages insurance
15 ("I&D"), and pension and benefits costs ("P&B"). Payroll loads are applied to all
16 labor costs included in construction projects. The purpose of payroll loads is to
17 recognize the additional overhead expense to capital labor for these expenses.
18 PRT consists of FICA, FUTA and SUTA expenses. I&D consists of
19 insurance premiums and claims expenses. P&B consists of premiums for
20 benefit costs. The allocation of these costs to capital projects is based on
21 labor dollars charged to the project.

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- 1 • Material loads consist of minor material, stores, non-stores, and purchasing costs
2 that are applied to material in company warehouses. These loads allocate the cost of
3 inventoried and non-inventoried warehouse items including expenses incurred in
4 warehouse operations and purchasing activities. The allocation of these costs
5 to capital projects occurs through the application of these loads to warehouse
6 issues and returns. Purchasing loads are applied to all purchase transactions,
7 including purchases of outside services.

- 8
9 • E&S load includes the portion of the pay and expenses of engineers, supervisors and
10 others applicable to construction work. E&S load is applied to all costs included in
11 capital projects.

- 12
13 • Capitalized fleet load is the allocation of costs associated with the use of company
14 fleet vehicles on construction jobs. The allocation of these costs to capital
15 projects is based on labor dollars charged to the project.

- 16
17 • A&G load is a predetermined overhead rate that is used to allocate the expenses of
18 administrative and general costs that cannot be readily assigned to particular
19 operations and maintenance (“O&M”), construction, or special accounts. The A&G
20 load rate is determined through periodic studies that survey shared services
21 functions to determine the amount of time used to support capital projects.
22 The rate is applied to all costs included in capital projects.

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IV. ALLOCATED COSTS

Q. HOW ARE COSTS ALLOCATED FROM PNMR SERVICES OR PNM RESOURCES TO PNM?

A. Costs incurred by PNMR Services are allocated based on a Cost Allocation Manual (“CAM”), which is filed with the NMPRC. The CAM identifies the method of allocating PNMR Services costs for charging affiliates. The cost assignment methods are based on selected cost drivers which meet the following five criteria: (1) cost causative; (2) measurable; (3) objective; (4) stable or predictable; and (5) consistently applicable. The CAM provides a complete description of the services provided by PNMR Services. Certain assets that are held at either PNM Resources or PNMR Services, including the headquarters building and computer software and hardware, are allocated to PNM based on the CAM. Please refer to the testimony of PNM Witness Monroy for a discussion of how allocated costs are included in this case.

Q. WHEN WAS THE CURRENTLY EFFECTIVE CAM FILED WITH THE NMPRC AND WHEN DID IT BECOME EFFECTIVE?

A. The allocation factors in the CAM are updated at least annually by PNM. The 2015 CAM was filed with the NMPRC on December 23, 2014 in NMPRC Case No. 03-00017-UT and became effective January 1, 2015.

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1 **Q. DID PNM USE THE 2015 CAM FOR THE TEST PERIOD IN THIS CASE?**

2 **A.** No. PNM plans to file the 2016 CAM in December 2015 in NMPRC Case No.
3 03-00017-UT, pursuant to PNM's annual filing requirement. Therefore, PNM has
4 used the 2016 CAM to develop the test period. Please refer to PNM Exhibit JAP-
5 5 for the proposed 2016 CAM allocation rates. As discussed in the testimony of
6 PNM Witness Monroy, PNM utilized 2016 CAM allocation rates to allocate
7 adjusted O&M expenses from PNMR Services to PNM for the test period.

8
9 **V. LEAD-LAG STUDY**

10 **Q. PLEASE EXPLAIN WHAT "LEAD-LAG" MEANS IN THE CONTEXT**
11 **OF UTILITY REGULATION AND ACCOUNTING.**

12 **A.** A lead-lag study is a method used to measure the amount of cash working capital
13 required to finance a utility's day-to-day operations. The study seeks to measure
14 and quantify the differences in timing between the receipt of revenues from
15 customers and the time the service is rendered (lag) and the period the utility
16 company has from the time it incurs an expense until cash is actually disbursed in
17 payment for the expense (lead). The differences between these periods are
18 expressed in days. The areas covered in the study include:

- 19 • meter reading lag;
20 • billing lag;
21 • collection lag;
22 • fuel expense lead;

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- payroll lead;
- taxes other than income lead;
- allocated charges lead;
- income taxes lead; and
- other O&M lead.

Q. WHAT ROLE DOES THE LEAD-LAG STUDY PLAY WITH RESPECT TO PNM'S CASH WORKING CAPITAL?

A. The resulting revenue lag days and expense lead days are used to calculate the cash working capital allowance included in rate base. The calculation of the cash working capital amount is included in Rule 530 Schedule E-1. Please refer to the testimony of PNM Witness Monroy for further discussion on the cash working capital allowance included in rate base.

Q. WAS A LEAD-LAG STUDY CONDUCTED TO ESTABLISH THE LEAD-LAG DAYS FOR PNM'S CASH WORKING CAPITAL CALCULATION?

A. Yes. In 2014 the Company engaged PricewaterhouseCoopers LLP ("PwC") to conduct a lead-lag study based on data from the period of July 1, 2013 through June 30, 2014. The resulting lead-lag days were used to calculate the cash working capital allowance included in the revenue requirements. In 2015, the Company engaged PwC to perform procedures to validate the lead-lag study by performing limited scope testing on the period from July 1, 2014 through March 31, 2015. All processes were evaluated that affect working capital through

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1 inquiries with “process owners” who are responsible for various activities in the
2 Company regarding changes to the service and payment processes for key areas of
3 the study. For areas identified as having changes from the original study, or
4 otherwise deemed appropriate, further analysis was performed. These areas
5 include:

- 6 • billing lag;
- 7 • collection lag;
- 8 • fuel expense lead;
- 9 • payroll lead;
- 10 • taxes other than income lead;
- 11 • allocated charges lead;
- 12 • other O&M lead.

13 The results validated the 2014 lead-lag study.
14

15 **Q. WHAT METHODOLOGY WAS USED IN DEVELOPING THE LEAD-**
16 **LAG STUDY?**

17 **A.** The study was performed consistent with the methodology employed in the
18 Company’s previous NMPRC cases including 07-00077-UT (“2007 Rate Case”),
19 08-00273-UT (“2008 Rate Case”), and 10-00086-UT (“2010 Rate Case”). The
20 study covered all major areas of revenues and expenses.
21

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1 **Q. HOW IS THE EXPENSE LEAD DETERMINED?**

2 **A.** The expense lead is the average number of days from the time of service to the
3 date the Company remits payment for the service to the vendor. The expense lead
4 for each invoice is the difference between the number of days it takes for the
5 Company's payment to the vendor to clear the bank and the mid-point date of
6 each invoice's service period.

7

8 **Q. HOW IS REVENUE LAG DETERMINED?**

9 **A.** The revenue lag is the average time period between the period in which service is
10 rendered to the customer and the date on which payment is received from the
11 customer. The revenue lag is determined by calculating the meter reading lag,
12 billing lag, and collection lag.

13

14 Meter reading lag represents the time from when the customer receives service to
15 the day that the meter is read. Actual meter reading lag is calculated as the
16 midpoint of the service period.

17

18 Billing lag is the period from the meter reading date until the date that the
19 customer is billed. Because the Company has three different methods of billing
20 its electric sales, billing lag was calculated separately for each method, and the
21 weighted average was utilized in calculating the final revenue lag days.

22

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1 Collection lag is the period from the date which the customer is billed until the
2 date the payment is received. The collection lag was calculated using the turnover
3 approach, which is calculated by dividing the daily revenue requirement by
4 revenue category into the average monthly accounts receivable balance by
5 revenue category.

6
7 **Q. HAS PNM INCLUDED THE CURRENT LEAD-LAG DATA IN THIS CASE?**

8 **A.** Yes. The lead-lag data is presented in Rule 530 Schedule E-1 and the resulting cash
9 working capital balance is reasonable and is included in the revenue requirements
10 sponsored by PNM Witness Monroy.

11
12
13 **VI. EASTERN INTERCONNECT PROJECT AND PALO VERDE UNIT 2**
14 **ACQUISITIONS**

15 **Q. WHAT TOPICS DO YOU ADDRESS IN THIS SECTION OF YOUR DIRECT**
16 **TESTIMONY?**

17 **A.** I address the accounting associated with the Company's acquisitions of the remaining
18 40% interest in the Eastern Interconnect Project (EIP) transmission line on April 1,
19 2015, and the 64 MW in Palo Verde Unit 2 on January 15, 2016.

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Q. PLEASE BRIEFLY DESCRIBE THE ACCOUNTING ASSOCIATED WITH THESE ACQUISITIONS.

A. Per the FERC Electric Plant Accounting instructions, amounts included in the accounts for electric plant acquired as an operating unit or system shall be stated at the cost incurred by the person who first devoted the property to utility service (i.e. original cost). The difference between original cost and net book value at the time of acquisition is offset in accumulated depreciation. The difference between the purchase price and the net book value at the time of the acquisition is recorded as an acquisition adjustment. If the acquisition adjustment is positive (i.e. the purchase price exceeds net book value), it is amortized over the remaining life of the asset. If the acquisition adjustment is negative (i.e. the purchase price is less than net book value), it is recorded to accumulated depreciation.

Q. WHAT DID THE COMPANY RECORD ASSOCIATED WITH THE ACQUISITION OF THE 40% INTEREST IN THE EIP TRANSMISSION LINE?

A. As discussed by PNM Witness Johnson, the Company purchased the remaining 40% interest in the EIP transmission line for \$7.7 million effective April 1, 2015. Due to the FERC requirement discussed above, PNM recorded a gross plant addition of \$25.9 million and accumulated reserve of \$18.2 million, which includes a negative acquisition adjustment of \$0.8 million. The calculation of the acquisition adjustment for the EIP transmission line acquisition is shown in PNM Exhibit JAP-13.

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Q. WHAT WILL THE COMPANY RECORD ASSOCIATED WITH THE ACQUISITION OF THE 64 MW OWNERSHIP OF PALO VERDE UNIT 2 ON JANUARY 15, 2016?

A. As discussed by PNM Witness Eden, the Company will purchase 64 MW of Palo Verde Unit 2 leases on January 15, 2016, for a total of \$163.5 million. Due to the FERC requirement discussed above, PNM will record a gross plant addition of \$216.9 million, an acquisition adjustment of \$61.2 million and accumulated depreciation of \$114.6 million.

Q. HOW WAS THE ACQUISITION ADJUSTMENT OF \$61.2 MILLION CALCULATED?

A. Please refer to PNM Exhibit JAP-6 for the calculation of the acquisition adjustment. The net plant balances based on PNM's current ownership of Palo Verde were projected through December 31, 2015, to include projected additions and depreciation expense. The resulting net plant balance was used on a per MW basis to determine the value for the 64 MW being acquired. The difference between the additional net plant of \$102.3 million (gross plant of \$216.9 million less accumulated depreciation of \$114.6 million) and the projected cash to be paid of \$163.5 million results in the acquisition adjustment of \$61.2 million. Please refer to PNM Witnesses Ortiz and Eden for further discussion on the justification for including the full acquisition cost in rate base. PNM Witness Monroy discusses the inclusion of the Palo Verde Unit 2 lease acquisitions in the revenue requirements in this case.

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VII. ASSET RETIREMENT OBLIGATIONS

Q. PLEASE EXPLAIN WHAT AN ASSET RETIREMENT OBLIGATION IS.

A. An Asset Retirement Obligation (“ARO”) represents an entity’s legal obligation associated with the retirement of a tangible long-lived asset.

Q. HOW ARE THE AROs DETERMINED?

A. The Company continuously evaluates its retirement obligations on long-lived assets, including independent decommissioning studies performed on its generation plants.

Q. PLEASE DESCRIBE THE APPLICABLE ACCOUNTING GUIDANCE WITH REGARD TO AROs.

A. PNM accounts for its AROs in accordance with ASC Topic 410-20, which provides guidance on asset retirement obligation and environmental remediation liabilities resulting from normal operations of long-lived assets. ASC Topic 410-20 superseded Statement of Financial Accounting Standard (“SFAS”) 143.

Q. HOW ARE AROs TREATED FROM AN ACCOUNTING STANDPOINT?

A. If the Company determines a legal obligation exists to retire a tangible long-lived asset in the future, it obtains a cost estimate for the retirement of the asset and settlement of the legal obligation. Typically, these cost estimates are provided as cash flows in current dollars, which are escalated to the settlement date of the retirement obligation using an appropriate inflation rate. The escalated cash flow estimates are then discounted using

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1 the current credit adjusted risk free rate to determine the present value of the ARO. An
2 ARO liability is recorded at the present value of the legal obligation to retire the tangible
3 long-lived asset. A corresponding asset retirement cost ("ARO asset") is capitalized by
4 increasing the carrying amount of the related tangible long-lived asset by the same
5 amount as the ARO liability. The ARO asset is depreciated on a straight-line basis over
6 the life of the retirement obligation.

7
8 If the facts and circumstances of an existing ARO change or the Company receives a
9 new cost estimate for its AROs, both the ARO liability and ARO asset is adjusted by
10 recording a new ARO layer in the same manner as described above. Please refer to
11 PNM Exhibit JAP-7 for a summary of PNM's AROs by layer.

12
13 **Q. WHAT IS ACCRETION EXPENSE AS IT RELATES TO AN ARO**
14 **LIABILITY AND HOW IS IT CALCULATED?**

15 **A.** Accretion expense is recorded to recognize the passage of time, with an offset recorded
16 as an increase to the ARO liability. Accretion expense is calculated by multiplying the
17 present value of the ARO liability by the credit adjusted risk free rate originally used to
18 discount the escalated cash flow estimates to their present value. Please refer to PNM
19 Exhibit JAP-8, which includes the scheduled accretion amounts as prescribed by
20 GAAP.

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VIII. COAL MINE RECLAMATION

**Q. IS PNM SEEKING RECOVERY OF ANY OF ITS SHARE OF COSTS
ASSOCIATED WITH COAL MINE RECLAMATION IN THIS CASE?**

A. Yes. As described by PNM Witness Monroy, PNM is seeking recovery of costs associated with its reclamation obligation for the surface mine providing coal to the Four Corners Power Plant ("Four Corners"), the surface mine which previously provided coal to the San Juan Generating Station ("SJGS") and the underground mine which is currently supplying coal to SJGS.

**Q. IS PNM'S COAL MINE RECLAMATION OBLIGATION CONSIDERED AN
ARO?**

A. No. PNM does not own the coal mines which supply coal to SJGS and Four Corners and therefore the coal mine reclamation obligation does not meet the definition of an ARO.

**Q. PLEASE DESCRIBE THE APPLICABLE ACCOUNTING GUIDANCE WITH
REGARD TO COAL MINE RECLAMATION.**

A. PNM accounts for its coal mine reclamation obligation in accordance with Statement of Financial Accounting Concepts No. 7 ("CON7"), which applies to the use of cash flows information and present value in accounting measurements.

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Q. PLEASE DESCRIBE HOW PNM APPLIES CON7 WITH REGARD TO THE UNDERGROUND MINE CURRENTLY SUPPLYING COAL TO SJGS?

A. In accordance with CON7, PNM used the estimated cash flows required to reclaim the underground mine provided in the 2014 Pace Global Reclamation Study ("Pace Global Study"), which is provided in PNM Exhibit JAP-9. Specifically, PNM used the cash flows provided for scenario 1B (page 36 of PNM Exhibit JAP-9) of the Pace Global Study, which assumes the shutdown of SJGS Units 2 and 3 on December 31, 2017, and a two unit operation from January 1, 2018 through the assumed plant and coal mine closure date in 2053. The Pace Global Study cash flows represent the total SJGS plant obligation. PNM takes its share (46.297%) of the cash flows in 2012 dollars provided on page 36 of the Pace Global Study and escalates to reflect inflation. The escalated cash flows are then discounted using its risk-free incremental borrowing rate to determine the present value of the reclamation liability and the appropriate annual accretion expense.

Q. HOW IS COAL MINE ACCRETION EXPENSE CALCULATED?

A. Accretion expense is calculated by taking the present value of the reclamation liability on the balance sheet date multiplied by the risk-free incremental borrowing rate. Please refer to PNM Exhibit JAP-10 for a schedule of coal mine accretion expense for SJGS & Four Corners, including ash period costs, which are costs associated with keeping the surface mine pits open to backfill with coal ash

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1 and avoiding the cost to dispose of the ash in landfills and backfilling the surface
2 mine pits with more expensive fill material.

3
4 **IX. PENSION AND OTHER POST RETIREMENT BENEFITS**

5 **Q. DOES THE COMPANY HAVE PENSION PLANS?**

6 **A.** Yes, the Company has two pension plans, a qualified plan and a non-qualified plan, as
7 defined by the Employee Retirement Security Act. The qualified plan is PNM
8 Resources, Inc. Employee's Retirement Plan ("Qualified Plan"). The non-qualified plan
9 is PNM Resources, Inc. Non-Qualified Retirement Plan which includes the Accelerated
10 Management Performance Plan, the Service Bonus Plan, and the Supplemental
11 Executive Retirement Plan ("Non-Qualified Plan").

12
13 **Q. PLEASE DESCRIBE THE ACCOUNTING TREATMENT FOR PNM'S**
14 **PENSION PLANS.**

15 **A.** PNM accounts for its pension plans in accordance with ASC 715-30. ASC 715-30
16 superseded SFAS 87 and SFAS 158. ASC 715-30 requires the unfunded projected
17 benefit obligation (i.e. the difference between the value of the pension plan assets and
18 the projected benefit obligation) to be recognized as a liability on the balance sheet.
19 Prior service costs and unrealized actuarial gains or losses are recorded to accumulated
20 other comprehensive income and recognized as expense systematically over subsequent
21 periods, which PNM recovers through pension expense as discussed by PNM Witness
22 Monroy.

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1 FERC Docket No. AI07-1-000 provides further guidance for accounting of defined
2 benefit postretirement plans which allows entities to recognize regulatory assets for
3 amounts otherwise chargeable to accumulated other comprehensive income under ASC
4 715-30 to the extent that they are recoverable in rates in future periods. Per NMPRC
5 Case No. 08-00078-UT ("Gas Asset Sale"), 58% of these costs are attributable to the
6 electric portion of the utility and are recorded as a regulatory asset in accordance with
7 FERC Docket No. AI07-1-000 and ASC 980-25. The remaining 42% of these costs are
8 considered related to the divested gas portion of the utility, and thus, are recorded in
9 accumulated other comprehensive income.

10
11 **Q. IS PNM SEEKING TO INCLUDE ANY AMOUNTS IN ITS RATE BASE**
12 **ASSOCIATED WITH PENSION ASSETS AND LIABILITIES IN THIS**
13 **CASE?**

14 **A.** Yes. PNM has included an asset in rate base for PNM's share of the Qualified
15 Plan (the "Prepaid Pension Asset"). PNM Electric's share of 58% was
16 determined in the same manner as it was in the illustrative cost of service
17 supporting the Amended Stipulation approved in the 2010 Rate Case.

18
19 In addition, PNM is including a rate base reduction for the Non-Qualified Plan.
20 Reducing rate base by the liability balance of non-qualified retirement plans was
21 approved in the 2007 Rate Case to be consistent with the inclusion of the Prepaid
22 Pension Asset in rate base. The Non-Qualified Plan balance was reduced in
23 accordance with the terms of the stipulations approved in the 2008 Rate Case and

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1 in the Gas Asset Sale by allocating 58% of the pension-related balances to PNM
2 Electric. Please refer to PNM Exhibit JAP-11, WP ORB-7 for the calculation
3 (this exhibit is also included in electronic format in the cost of service functional
4 model).

5
6 **Q. PLEASE DESCRIBE THE PREPAID PENSION ASSET.**

7 **A.** The Prepaid Pension Asset is a result of contributions made by PNM to the
8 Pension trust in excess of amounts that were expensed and recovered from
9 customers in accordance with ASC 715-30. More specifically, the Prepaid
10 Pension Asset included in rate base takes into account the total pension expense
11 through September 30, 2016, and contributions that have been or will be funded
12 to the pension plan through that date. This amount was then reduced to remove
13 an amount allocable to PNM's now divested gas business (42% of the total). By
14 including the Prepaid Pension Asset in rate base, PNM is proposing to earn a
15 reasonable return on the cash that shareholders have contributed in excess of the
16 amount expensed and recovered from customers. This approach is consistent with
17 past NMPRC cases, including the 2007 Rate Case, the 2008 Rate Case, and the
18 2010 Rate Case. Please refer to PNM Exhibit JAP-11, WP ORB-5 (this exhibit is
19 also included in electronic format in the cost of service functional model) for the
20 calculation of the Prepaid Pension Asset.

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Q. HOW WAS THE AMOUNT FOR WHICH PNM IS SEEKING TO RECOVER FOR THE PRE-PAID PENSION ASSET DERIVED AND CALCULATED?

A. PNM prepared a cost-benefit analysis as required by the final order in the 2007 Rate Case, which is reflected in PNM Exhibit JAP-11, WP ORB-6 (this exhibit is also included in electronic format in the cost of service functional model). This analysis demonstrates that revenue requirements, including a full return on the Prepaid Pension Asset included in rate base, are slightly higher than the expense that would have been included in PNM's revenue requirement calculation absent the additional shareholder funding. Therefore, PNM is proposing to only include the amount of Prepaid Pension Asset in rate base up to the breakeven point in revenue requirements for the expense without the contributions compared to the revenue requirements associated with the inclusion of Prepaid Pension Asset in rate base. This results in a reduction of \$22 million to the rate base amount that would otherwise be requested for the Prepaid Pension Asset in this proceeding. Including the amount up to the breakeven point allows the Company to earn a fair return on the investments in the trust made to reduce the pension expense, while ensuring that customers do not pay more than they otherwise would have, had the Company not made the contributions. Please refer to the testimony of PNM Witness Eden for discussion of contributions to the Company's pension plans.

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1 **Q. IS PNM SEEKING RECOVERY OF EXPENSES ASSOCIATED WITH**
2 **RETIREE MEDICAL AND PENSION EXPENSES IN THIS CASE?**

3 **A. Yes.**

5 **Q. WHAT IS THE BASIS FOR THESE EXPENSES?**

6 **A.**As discussed by PNM Witness Eden, PNM's pension, retiree medical, and non-
7 qualified retirement plan expense is based on actuarial calculations prepared by
8 PNM's actuary, Towers Watson in accordance with ASC 715-30 and ASC 715-
9 60. ASC 715-60 superseded SFAS 106 and is the applicable GAAP for post-
10 retirement benefits other than pension ("PBOP"), which includes PNM's retiree
11 medical plan.

13 **Q. ARE THERE SPECIAL REQUIREMENTS FOR HOW PBOP COSTS**
14 **NEED TO BE TREATED IN THIS CASE?**

15 **A.**Yes. In NMPRC Case No. 2529, the Commission addressed the funding
16 requirements for the annual test period allowance for PBOP costs. In that order,
17 the Commission determined that any utility adopting full accrual accounting for
18 PBOP costs in accordance with SFAS 106 in its cost of service must fund such
19 amounts through an external trust. In addition, a utility must report the status of
20 its PBOP program and the initiatives taken under the program to reduce or control
21 costs since its last rate case and provide the effects of these cost savings initiatives
22 on the overall cost of the PBOP plan, the annual cost benefits, and the impacts on
23 current revenue requirements. In compliance with that order, all PBOP accrual

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1 amounts booked and deemed recovered in rates since the Commission's Order in
2 NMPRC Case No. 2529 have been funded through an external trust.

3
4 **Q. IS THERE A NET BENEFIT TO CUSTOMERS FROM THE FUNDING**
5 **MECHANISM FOR PBOP?**

6 **A.** Yes. The specific amount of PBOP costs included in PNM's test period revenue
7 requirements for PNM is an expense reduction of \$59,046. See PNM Exhibit
8 HEM-4, WP OM-5. As shown in PNM Exhibit JAP-12, PNM's funding of its
9 ASC 715-60 liability has resulted in a net benefit to customers by lowering this
10 expense by approximately \$4.6 million. This is reflected on page 9 of PNM
11 Exhibit JAP-12. In addition, as reflected on page 6 of PNM Exhibit JAP-12,
12 PNM has contributed \$12.8 million more to the PBOP Trust than required under
13 NMPRC Case No. 2529. Since the amount of PBOP costs included in this case is
14 an expense reduction, PNM will stop making contributions to the trust as required
15 under NMPRC Case No. 2529 upon completion of this case.

16
17 **Q. HAS PNM TAKEN ANY STEPS TO CONTROL PBOP COSTS?**

18 **A.** Yes. The following actions have been implemented to reduce retiree medical
19 expense: (1) eligibility for plan participation has been frozen; *i.e.*, retiree medical
20 benefits do not apply to employees hired after December 31, 1997; (2) for retirees
21 over age 65, the Company contributions toward the premiums under the plan have
22 been capped at \$100 per month for medical and \$35 per month for prescription
23 drugs; (3) the under age 65 plan options were changed to PPO (Preferred Provider

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1 Organizations) benefits with coinsurance requirements for many benefits, which
2 means the retiree must pay a percentage of the total bill, instead of paying a small
3 co-payment; (4) for retirees over age 65, the retiree medical programs were
4 modified to utilize prescription benefits provided under Medicare Part D for
5 retirees not covered under the AARP options, which reduces Company costs; in
6 addition PNM contracted with The Hartford for the administration of these
7 services, which further reduced administration costs; (5) the Wellness and Disease
8 Management Programs, which focus on prevention and reduce the high dollar
9 claims and long-term plan expense, have been expanded to cover retirees
10 participating in the retiree medical plan; and (6) all Medicare-eligible retirees are
11 enrolled in a Medicare supplement insured plan through The Hartford since 2014,
12 which has limited the premium increase exposure long-term.

X. LOSS ON REACQUIRED DEBT

15 **Q. DID PNM MAKE A TEST PERIOD ADJUSTMENT TO INCLUDE**
16 **PREMIUMS PAID TO REACQUIRE HIGH COST DEBT?**

17 **A.** Yes. Consistent with the treatment of these costs in prior NMPRC cases, PNM
18 increased rate base for the premiums PNM paid in connection with the retirement
19 of certain high cost debt. As described below, PNM has calculated the benefits to
20 customers as a result of PNM's actions to retire high cost debt.

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1 **Q. ARE THERE SPECIFIC PRIOR COMMISSION ORDERS ON THE RATE**
2 **BASE TREATMENT OF THE GAIN/LOSS ON REACQUIRED DEBT?**

3 **A. Yes. In NMPRC Case Nos. 1916 and 2262, PNM requested and was granted**
4 similar cost of service treatment for its allocated share of the loss on reacquired
5 debt. The inclusion of loss on reacquired debt in the determination of revenue
6 requirements proposed in this filing is consistent with past Commission decisions.

7
8 **Q. WHAT CRITERIA MUST BE MET TO INCLUDE LOSS ON**
9 **REACQUIRED DEBT IN THE DETERMINATION OF REVENUE**
10 **REQUIREMENTS?**

11 **A. Specifically, regarding the recovery of loss on reacquired debt, the Recommended**
12 Decision of the Hearing Examiner in NMPRC Case No. 1916, adopted by the
13 Commission, provided as follows:

14 The Commission ... will agree to symmetrical
15 treatment for losses in the future; provided,
16 however, that the Company should only incur such
17 losses when it can establish that the benefit to
18 current and future ratepayers (in terms of lower cost
19 of debt) is greater than the cost of paying for those
20 losses.
21

22 **Q. WHAT IS THE AMOUNT PNM IS REQUESTING TO RECOVER IN**
23 **THIS PROCEEDING FOR DEBT RETIREMENT COSTS?**

24 **A. PNM is seeking a return on and return of the unamortized balance of \$22.7**
25 million for costs incurred to retire high cost debt as shown on PNM Exhibit JAP-

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1 11, WP RA-6, page 1 (this exhibit is also included in electronic format in the cost
2 of service functional model).

3
4 **Q. HAVE YOU PERFORMED A CALCULATION SHOWING THAT THE**
5 **OVERALL COST OF CAPITAL IS LOWER WITH THESE LONG-TERM**
6 **DEBT RETIREMENTS?**

7 **A.** Yes. As shown in PNM Exhibit JAP-11, WP RA-6, page 2 (this exhibit is also
8 included in electronic format in the cost of service functional model), the overall
9 cost of capital would have been 8.35%, instead of 8.17%, had PNM not retired
10 long-term debt. The change in the overall cost of capital is driven by the debt
11 retirements, as shown on PNM Exhibit JAP-11, WP RA-6, page 4 (this exhibit is
12 also included in electronic format in the cost of service functional model).
13 Without the debt retirements, the Company's cost of debt would have been 6.23%
14 versus the 5.87% included in the cost of capital in this proceeding.

15
16 **Q. DO THE SAVINGS IN TERMS OF REVENUE REQUIREMENTS**
17 **OUTWEIGH THE COST OF INCLUDING THE LOSS ON REACQUIRED**
18 **DEBT IN THE COST OF SERVICE?**

19 **A.** Yes. The calculation in PNM Exhibit JAP-11, WP RA-6 (this exhibit is also
20 included in electronic format in the cost of service functional model)
21 demonstrates a net benefit to PNM customers in the form of lower annual revenue
22 requirements, when comparing the revenue requirements with and without the
23 retirement of the high-cost debt after taking into account the costs of these

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1 retirements. The calculation of this net benefit to customers is shown in PNM
2 Exhibit JAP-11, WP RA-6, page 1 (this exhibit is also included in electronic
3 format in the cost of service functional model).

XI. CONCLUSIONS

6 **Q. PLEASE SUMMARIZE THE KEY CONCLUSIONS OF YOUR DIRECT**
7 **TESTIMONY.**

8 A. PNM maintains its accounting books and records in accordance with regulatory
9 requirements and the audited books and records provide the accounting data contained
10 in PNM's Base Period schedules and Cost of Service model. PNM's proposed
11 accounting treatment is based on a Lead-Lag study that is consistent with those
12 presented by PNM and accepted by the Commission in past rate cases. The accounting
13 treatment for PNM's proposed AROs conforms with proper accounting standards and is
14 a reasonable accounting treatment for these legal obligations. PNM's proposed
15 accounting treatments related to the EIP and Palo Verde Unit 2 acquisitions, coal mine
16 reclamation costs, pension and other postretirement benefits, capital loads, costs
17 allocated to PNM through the revised CAM rates, and losses on reacquired debt are
18 reasonable and consistent with past PNM rate cases.

20 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

21 A. Yes.

GCG#520327

Resume of Jason A. Peters

PNM Exhibit JAP-1

Is contained in the following 2 pages.

JASON A. PETERS
EDUCATIONAL AND PROFESSIONAL SUMMARY

Name: Jason A. Peters

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

Position: Director, General Accounting

Education: Bachelor of Arts (Mathematics), Gustavus Adolphus College, 1995
Master of Accounting, University of New Mexico, 2004
Certified Public Accountant in the State of New Mexico, October 2006

Employment: Employed by PNM Resources, Inc. since 2007.
Positions held within the Company include:

Director, General Accounting
Manager, Cost of Service
Senior Manager, SEC Reporting and GAAP Analysis
Manager, Consolidations

Testimony Filed:

- In the Matter of the Application of Texas-New Mexico Power Company for Interim Update of Wholesale Transmission Rate Pursuant to Subst. R. 25.192(h) – PUCT – Docket No. 41176, filed January 31, 2013.
- 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 – Case No. 13-00175-UT, filed May 17, 2013.
- In the Matter of the Application of Texas-New Mexico Power Company for Interim Update of Wholesale Transmission Rate Pursuant to Subst. R. 25.192(h) – PUCT – Docket No. 41727, filed August 1, 2013.
- In the Matter of the Application of Texas-New Mexico Power Company for Interim Update of Wholesale Transmission Rate Pursuant to Subst. R. 25.192(h) – PUCT – Docket No. 42181, filed January 21, 2014.

- In the Matter of the Application of Texas-New Mexico Power Company for Interim Update of Wholesale Transmission Rate Pursuant to Subst. R. 25.192(h) – PUCT – Docket No. 42691, filed July 18, 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 – Case No. 14-00332-UT, filed December 11, 2014.
- In the Matter of the Application of Texas-New Mexico Power Company for Interim Update of Wholesale Transmission Rate Pursuant to Subst. R. 25.192(h) – PUCT – Docket No. 44340, filed January 20, 2015.

Cost Types

PNM Exhibit JAP-2

Is contained in the following 5 pages.

COST_TYPE	DESCRIPTION
110	Straight Time-General
115	Labor-Straight Time-Hrs
120	Overtime-General
125	Labor-Overtime-Hrs
140	Misc Pay Pension Eligible
150	Paid Absence
151	Vacation
152	Illness
153	Holiday
155	Paid Time Off Hours
200	Fleet Vehicle Maint-Rental
205	Transportation (Miles)
324	Postage Expenses
325	Freight
331	Supplies and Equipment
332	Subscriptions & Renewals
345	Consumables - Nonloading
350	Material Issues-Major
359	Non-Stock Materials
370	Outside Services
374	Outside Svcs Legal
376	Vegetation Management
377	Outside Services-Temp Labor
390	Jt Proj Bills to PNM-Labor
391	Jt Proj Bills to PNM-Non-Labor
406	Computer Maintenance
421	Depreciation
422	Amortization
425	Commitment Fees-Transact Costs
426	Capitalized Interest
427	Interest Inc/Exp
428	Computer Software
429	Computer Hardware
430	LOC Fees
436	Equipment-Safety
450	Insurance Premiums
472	Leases
490	Tax-General

500	Utility Payments
501	Phones
522	Damages - Payment
524	Damages-Vehicles (Non Company)
525	Damages - General
530	Employee Expense
535	Per Diem - Union Contract
546	Spousal Travel
548	Overtime Meals
550	Meals
551	Entertainment
554	Professional Dues
555	Repro and Printing - Internal
560	Dues Fees Fines
581	Bad Debt Uncollectible
600	Incentive Compensation
610	Expenses - General
611	Advertising
622	Contributions and Donations
623	Customer Adj and Over-Short
635	Accrued Street Rental Taxes
671	Base Energy Expense
674	Demand Energy Expense
675	Other PP Electric Expense
676	PP Plant Maintenance
684	Nuclear Fuel Uranium - Project
685	Nuclear Fuel-Nat Uranium
686	Nuclear Fuel - Conversion
687	Nuclear Fuel - Enrichment
688	Nuclear Fuel - Fabrication
689	Nuclear Fuel - Miscellaneous
690	Nuclear Fuel - Non Cash
694	Nuclear Fuel - EUP
696	Nuclear Fuel - Accruals
722	Fuel Costs
724	Fuel - Fleet Equipment
725	Fuel - Burn
727	Fuel-Wood
728	Ammonia Expense

729	PetCoke
770	Revenue-General
771	M&J Revenue
772	Fuel Clause Adjustment
773	Base Energy Revenue
774	Demand Energy Revenue
776	Competition Transition Charges
777	Rate Case 2009 Rider
778	Hurricane Ike Rider
779	Energy Efficiency Rider
780	Advanced Metering System
781	TCRF
782	Rate Case 2011 Rider
783	Renewable Rate Rider
784	Rate Case Increase
790	Other Misc Revenue
800	Asset
802	Level 2 SFAS 157
803	Level 3 SFAS 157
805	Land and Land Rights
807	Non Refundable Contribution
808	Refundable Advances
811	Joint Trench Cr
813	Customer Built System
818	Salvage - Material Cr
825	Clearings
829	Construction Adjustment
831	Decommission Cost-Palo Verde
832	Lease Accrual - Palo Verde NGS
837	Prudency Write-Down-Palo Verde
838	Excess Gn Amort-Palo Verde
871	Excess Gross Receipts
872	Excess Franchise
874	Tax-Other Than Income
875	Tax-Property-NM Non-Leased
877	Tax-Property-Arizona
878	Tax-Property-AZ Nuclear Fuel
879	Tax-Native American
880	Tax-Gross Receipts

882	Tax-Compensating
883	Tax-FICA
884	Tax-FUTA
885	Tax-SUTA
886	Tax-Back-Up Withhold
887	Tax-Franchise
888	Tax-NMPSC (S and I)
889	Tax-Federal Excise
891	Tax-Federal Highway Use
892	Tax-State Highway Use
896	Tax-Transaction Privilege
897	Tax-Use
900	Tax-Water Conservation
901	Tax-Federal Withhold
902	Tax-State Withhold
905	Algodones AR-Labor
906	Algodones AR - Other
907	Algodones A and G Load
908	Luna AR - Labor
909	Luna AR - Other
911	Time Off Allowances
913	Payroll Taxes Load
914	Pension and Benefits Load
915	Injuries and Damages Load
918	San Juan AR-Labor
919	System Operations - Labor
920	Switchyard - Labor
921	Stores / Purchasing Load
922	Minor Material Load
924	Corporate O and M
925	E and S Loads
926	A and G Loads
927	Transportation Clearing
928	AFUDC Debt Reg
929	AFUDC - Equity Regular
931	System Operations - Other
937	San Juan AR - Other
938	Switchyard - Other
939	San Juan A and G Load

940	Luna A and G Load
961	Luna A&G PNMR D&V
966	New Svc Del E and S Load
970	Company 6 Allocation
976	Eliminations 976
978	Eliminations 978
984	LA Adj Hyper Capital Budget
985	Reforecast Budget Adjustment
986	Non Loading Budget Adjustment
989	Cap Load - Smart Meter Legal
998	I-LA Adj - Actual
999	Suspense Accounts
CDD	Cooling Degree-Days
CST	Customer Count
EID	Customer Count-ESI ID
FCS	Net Firm & Contingent (KWH)
GGN	Gross Generation (KWH)
HDD	Heating Degree-Days
KDM	Demand KWH
KWH	KWH Revenue
MBT	MMBTU
MCF	Physical Gas Measurement
MMB	MMBTU Purchased
NDE	Net Deferred Energy (KWH)
NEE	Net Economy Energy (KWH)
NGN	Net Generation (KWH)
PCT	Percentage
QTY	Quantity
SHR	Shares
SLF	System Load Factor (Pct)
SLM	System Load Factor-12 Mo Per
SLY	System Load Factor-YTD Pct
SPK	System Peaks (MWH)
SPM	System Peaks- 12 Mo Period End
SPY	System Peaks-YTD (MWH)
THM	Therm Revenue

Locations

PNM Exhibit JAP-3

Is contained in the following 5 pages.

Area	GL LOCATION	DESCRIPTION
AFTON_STATION	702	Afton
AFTON_STATION	707	Afton-1
AFTON_STATION	708	Afton-2
ALGODONES_STN	716	Algodones
ALGODONES_STN	718	Algodones General
BULK_POWER_ALLOCS	357	Bulk Power Building Allocation
BULK_POWER_ALLOCS	353	Bulk Power 100 Pct Power Co
BULK_POWER_MARKETING	731	PNM Marketing
FOUR_CORNERS	715	Four Corners Power Station
LORDSBURG_STATION	703	Lordsburg
LUNA_POWER_STATION	740	Luna General
LUNA_POWER_STATION	744	Luna Common all Units
LUNA_POWER_STATION	747	100 Percent PNM solely owned
LUNA_POWER_STATION	745	100 Percent TEP solely owned
LUNA_POWER_STATION	746	100 Percent FMI solely owned
OTHER_PLANTS	705	Bulk Power Projects
OTHER_PLANTS	714	Person Station
OTHER_PLANTS	717	Las Vegas Turbine
OTHER_PLANTS	732	Valencia Co. Generat. Station
OTHER_PLANTS	752	Laz Luz
OTHER_PLANTS	755	Solar Renewable Generation
OTHER_PLANTS	751	Solar Energy Generation
OTHER_PLANTS	754	Track 23 MW Renewable Costs
OTHER_PLANTS	753	Track 21.5 MW Renewable Costs
OTHER_PLANTS	759	New Wind PPA
OTHER_PLANTS	757	New Geothermal PPA
PALO_VERDE_POWER_ST	720	Palo Verde-Power Station
PALO_VERDE_POWER_ST	721	Palo Verde Unit 1
PALO_VERDE_POWER_ST	722	Palo Verde Unit 2
PALO_VERDE_POWER_ST	723	Palo Verde Unit 3
PALO_VERDE_POWER_ST	724	Palo Verde Common All Units
PALO_VERDE_POWER_ST	725	Palo Verde Wtr Rec Facility
PNM_ELECTRIC	500	Belen Division
PNM_ELECTRIC	600	Electric System
PNM_ELECTRIC	300	Las Vegas Electric Services
PNM_ELECTRIC	410	Santa Fe Electric Services
PNM_ELECTRIC	200	Deming Electric Services
PNM_ELECTRIC	010	Electric Services-General
PNM_ELECTRIC	100	Albuquerque Electric Services
PNM_ELECTRIC	120	Western Division
PNM_ELECTRIC	140	East Mountain Division

Area	GL LOCATION	DESCRIPTION
PNM_ELECTRIC	47181	I-New Mexico
PNM_ELECTRIC	899	Bernalillo Division
PNM_ELECTRIC	900	Clayton Division
PNM_ELECTRIC	156	Greenlee Count AZ Dist
PNM_ELECTRIC	155	Silver City Services Dist
PNM_ELECTRIC	153	Bayard Services Dist
PNM_ELECTRIC	152	Ruidoso Services Dist
PNM_ELECTRIC	151	Alamagordo Services Dist
PNM_ELECTRIC	150	TNMP NM Dist General
PNM_ELECTRIC	157	Phelps Dodge
PNM_ELECTRIC	011	Solar Distribution
PNM_ELECTRIC	144	Elec Silver city
PNM_ELECTRIC	143	Elec Ruidoso
PNM_ELECTRIC	142	Elec Alamagordo
PNM_ELECTRIC	141	Elec PNM South General
PNM_ELECTRIC	159	Distribution Solar
PNM_ELECTRIC	013	23 MW Renewable Depreciation
PNM_ELECTRIC	012	21.5 MW Renewable Depreciation
PNM_ELECTRIC	015	Future 2016 Renewable
PNM_ELECTRIC	014	Future 2015 Renewable
PNM_TRANSMISSION	623	City of Gallup Interco Sched 1
PNM_TRANSMISSION	650	Transmission General
PNM_TRANSMISSION	676	Transmission SJ Switchyard
PNM_TRANSMISSION	615	Transmission-Four Corners
PNM_TRANSMISSION	220	TNMP NM Transm General
PNM_TRANSMISSION	225	Silver City Transmission
PNM_TRANSMISSION	221	Alamagordo Transmission
PNM_TRANSMISSION	649	Transmission General 3
PNM_TRANSMISSION	648	Transmission General 2
PNM_TRANSMISSION	647	Other - Xmsn
PNM_TRANSMISSION	646	EPE - Luna Xmsn
PNM_TRANSMISSION	645	Bilateral Xmsn Pre OATT
PNM_TRANSMISSION	644	Ancillary Svcs-Sch 1 Xmsn
PNM_TRANSMISSION	642	Short Term Non Firm PTP Xmsn
PNM_TRANSMISSION	640	Short Term Firm PTP-Sch 7 Xmsn
PNM_TRANSMISSION	639	Long Term Firm PTP-Sch 7 Xmsn
PNM_TRANSMISSION	638	Pre-OATT Demand Allocation
PNM_TRANSMISSION	637	EPE - Afton Xmsn
PNM_TRANSMISSION	636	APS - NEC Xmsn
PNM_TRANSMISSION	635	APS Palo Verde Xmsn
PNM_TRANSMISSION	634	SPS Cond & Redispatch Xmsn

Area	GL LOCATION	DESCRIPTION
PNM_TRANSMISSION	633	Gallup Intercompany Xmsn
PNM_TRANSMISSION	631	Aztec Intercompany Xmsn
PNM_TRANSMISSION	621	City of Aztec Interco Sched 1
PNM_TRANSMISSION	620	Ancil Sch 1 ST PTP incl interc
PRODUCTION	750	Power Operations Facility
PRODUCTION	700	Production Division
PRODUCTION	730	Prod Common All Power Plants
PURCHASE_CONTRACTS	041	SW Public Service (SPS) Firm
PURCHASE_CONTRACTS	044	Tri-State
PURCHASE_CONTRACTS	046	Rio Bravo
PURCHASE_CONTRACTS	045	Wind
PURCHASE_CONTRACTS	038	Tri-State Pyramid
PURCHASE_CONTRACTS	048	Valencia
REEVES_POWER_STATION	713	Reeves Power Station
SALES_CONTRACTS	053	Navopache
SALES_CONTRACTS	058	STS Excess Sales
SALES_CONTRACTS	059	FWD Non-Specific
SALES_CONTRACTS	060	SJ Transmission Expense
SALES_CONTRACTS	061	Coal Mine Decommissioning
SALES_CONTRACTS	066	100 Pct LTC - City of Aztec
SALES_CONTRACTS	052	City Of Gallup
SALES_CONTRACTS	057	ITS Non-Specific
SALES_CONTRACTS	049	Off System Juris Gas
SALES_CONTRACTS	069	SJ NMPRC Deferral
SALES_CONTRACTS	727	OATT 15.7 Energy Losses
SALES_CONTRACTS	726	Ancillary Sch 2-5
SALES_CONTRACTS	073	PNM Share OSS Margin
SALES_CONTRACTS	070	Jicarilla Apache
SAN_JUAN	760	San Juan General
SAN_JUAN	761	San Juan Unit 1
SAN_JUAN	762	San Juan Unit 2
SAN_JUAN	763	San Juan Unit 3
SAN_JUAN	764	San Juan Unit 4
SAN_JUAN	765	San Juan Common U1 And U2
SAN_JUAN	766	San Juan Common All Units
SAN_JUAN	767	San Juan Common U3 And U4
SAN_JUAN	768	Variable Fuel Allocation
SAN_JUAN	769	100 Pct TEP Solely Owned
SAN_JUAN	770	100 Pct PNM Solely Owned
SAN_JUAN	771	100 Pct LAC Solely Owned
SAN_JUAN	772	100 Pct TRI Solely Owned

Area	GL LOCATION	DESCRIPTION
SAN_JUAN	773	100 Pct MSR Solely Owned
SAN_JUAN	774	100 Pct COF Solely Owned
SAN_JUAN	775	100 Pct ANA Solely Owned
SAN_JUAN	776	SJ Switchyd 65p PNM - 35p TEP
SAN_JUAN	777	100 Pct UMP Solely Owned
SAN_JUAN	778	100 Pct SCP Solely Owned
SAN_JUAN	779	SJ Swyd Misc 50p PNM-50p TEP
SAN_JUAN	780	SJ Swyd Circ Brkr 37.5p TEP
SAN_JUAN	781	SJ Swyd Circ Brkr 43.75p TEP
SAN_JUAN	782	SJ Swyd Mckinley 1 94.64p TEP
SAN_JUAN	783	SJ Swyd Mckinley 2 75p TEP
SAN_JUAN	784	SJ Swyd 345/69/12kV 33.33p TEP
SAN_JUAN	785	SJ Swyd 23kV CHse 16.67p TEP
SAN_JUAN	786	SJ Swyd 230/69kV Trf33.33p TEP
SAN_JUAN	787	Post 2017 Coal supply alloc
SHARED_SERVICE	951	Corp Alloc PNM Util wBulk Gen
SHARED_SERVICE	911	Corp Alloc Financial Systems
SHARED_SERVICE	912	Corp Alloc Accounts Payable
SHARED_SERVICE	914	Corp Alloc Number of Assets
SHARED_SERVICE	920	I-Corp Alloc 100pct Gas Servic
SHARED_SERVICE	924	Corp Alloc Customer Count
SHARED_SERVICE	941	Corp Alloc-Gen PNMR Utility
SHARED_SERVICE	942	Corp Alloc 100pct Electric
SHARED_SERVICE	946	Corp Alloc 100pct Bulk Power
SHARED_SERVICE	947	Corp Alloc 100pct Transmission
SHARED_SERVICE	948	Corp Alloc PNM Util Common
SHARED_SERVICE	952	Corp Alloc 100pct SNM Tran
SHARED_SERVICE	953	Corp Alloc 100pct TNMP Texas
SHARED_SERVICE	954	Corp Alloc 100pct SNM Dist
SHARED_SERVICE	963	Corp Alloc-IT-Telecomms
SHARED_SERVICE	968	Corp Alloc-IT Infrastructure
SHARED_SERVICE	977	Corp Alloc Downtown Buildings
SHARED_SERVICE	980	Corp Alloc-Building-Abq Aztec
SHARED_SERVICE	987	I-Corp Alloc Passport
SHARED_SERVICE	990	I-Corp Alloc Gen Mgmt Mass Met
SHARED_SERVICE	992	I-Corp Alloc-Gen Alloc ProRata
SHARED_SERVICE	993	Corp Alloc PNMR Employee Count
SHARED_SERVICE	995	I-Corp Alloc Employee Headcoun
SHARED_SERVICE	999	Corporate Unallocated
SHARED_SERVICE	974	Corp Alloc-Building-Dallas
SHARED_SERVICE	964	Corp Alloc-IT Desktops

Area	GL LOCATION	DESCRIPTION
SHARED_SERVICE	973	Corp Alloc-Building-Lewisville
TOTAL_UTILCOMM_ALLOC	194	Alloc SNM Assets-34/35
TOTAL_UTILCOMM_ALLOC	174	Alloc General Mgmt-Co 1/2/34/3
TOTAL_UTILCOMM_ALLOC	188	PNM Electric Customer Count
TOTAL_UTILCOMM_ALLOC	192	PNM-TNMP Texas

Capital Loads

PNM Exhibit JAP-4

Is contained in the following 11 pages.

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Payroll Loads 2

Engineering & Supervision Loads..... 2

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Minor Material, Stores, Non-Stores Loads 9

Fleet Capital Loads do not have a specific rate defined. The rate for this load is calculated each month based on the home center labor charged to capital.

NOTE: A new table for each section is shown when rates were updated during the year. The specific rates that were updated are highlighted in yellow.

Payroll Loads

Payroll Loads 2014

	Electric 001	Trans- mission 002	Bulk Power 003	PNM Comm Utility 006	SNM Dist 034	SNM Transm 035	Corporate 007	TNMP Texas 012
Payroll Taxes (PRT)	6.41%	6.41%	6.74%	6.41%	6.41%	6.41%	8.86%	7.23%
Pension & Benefits (P&B)	25.15%	25.15%	28.52%	25.15%	25.15%	25.15%	20.42%	22.20%
Injuries & Damages (I&D)	6.56%	6.56%	2.43%	6.56%	6.56%	6.56%	0.82%	9.28%
Total	38.12%	38.12%	37.69%	38.12%	38.12%	38.12%	30.10%	38.71%

Payroll Loads 2015

	Electric 001	Trans- mission 002	Bulk Power 003	PNM Comm Utility 006	SNM Dist 034	SNM Transm 035	Corporate 007	TNMP Texas 012
Payroll Taxes (PRT)	7.00%	7.00%	6.74%	7.00%	7.00%	7.00%	8.79%	7.50%
Pension & Benefits (P&B)	22.32%	22.32%	30.46%	22.32%	22.32%	22.32%	17.17%	16.06%
Injuries & Damages (I&D)	6.73%	6.73%	4.92%	6.73%	6.73%	6.73%	2.12%	9.35%
Total	36.05%	36.05%	42.12%	36.05%	36.05%	36.05%	28.08%	32.91%

Engineering & Supervision Loads

Engineering & Supervision Loads 201401

	Electric 001	Trans- mission 002	Bulk Power 003	PNM Comm Utility 006	SNM Dist 034	SNM Transm 035	Corporate 007	TNMP Texas 012
184071 - Distribution	17.50%				17.50%			15.00%
184070 - Transmission		8.50%				8.50%		8.00%
184201 - Generation			1.28%					

Engineering & Supervision Loads
201405

	Electric 001	Trans- mission 002	Bulk Power 003	PNM Comm Utility 006	SNM Dist 034	SNM Transm 035	Corporate 007	TNMP Texas 012
184071 - Distribution	17.50%				17.50%			10.00%
184070 - Transmission		8.50%				8.50%		1.00%
184201 - Generation			1.28%					

Engineering & Supervision Loads
201406

	Electric 001	Trans- mission 002	Bulk Power 003	PNM Comm Utility 006	SNM Dist 034	SNM Transm 035	Corporate 007	TNMP Texas 012
184071 - Distribution	17.50%				17.50%			10.00%
184070 - Transmission		4.00%				4.00%		1.00%
184201 - Generation			1.28%					

Engineering & Supervision Loads
201407

	Electric 001	Trans- mission 002	Bulk Power 003	PNM Comm Utility 006	SNM Dist 034	SNM Transm 035	Corporate 007	TNMP Texas 012
184071 - Distribution	16.00%				16.00%			10.00%
184070 - Transmission		4.00%				4.00%		1.00%
184201 - Generation			1.28%					

Engineering & Supervision Loads
201408

	Electric 001	Trans- mission 002	Bulk Power 003	PNM Comm Utility 006	SNM Dist 034	SNM Transm 035	Corporate 007	TNMP Texas 012
184071 - Distribution	16.00%				16.00%			7.50%
184070 - Transmission		4.00%				4.00%		1.00%
184201 - Generation			1.28%					

Engineering & Supervision Loads
201409

	Electric 001	Trans- mission 002	Bulk Power 003	PNM Comm Utility 006	SNM Dist 034	SNM Transm 035	Corporate 007	TNMP Texas 012
184071 - Distribution	6.00%				6.00%			7.50%
184070 - Transmission		1.00%				1.00%		1.00%
184201 - Generation			1.28%					

Engineering & Supervision Loads
201410

	Electric 001	Trans- mission 002	Bulk Power 003	PNM Comm Utility 006	SNM Dist 034	SNM Transm 035	Corporate 007	TNMP Texas 012
184071 - Distribution	5.25%				5.25%			7.50%
184070 - Transmission		0.50%				0.50%		1.00%
184201 - Generation			2.00%					

Engineering & Supervision Loads
201411

	Electric 001	Trans- mission 002	Bulk Power 003	PNM Comm Utility 006	SNM Dist 034	SNM Transm 035	Corporate 007	TNMP Texas 012
184071 - Distribution	5.25%				5.25%			7.50%
184070 - Transmission		0.50%				0.50%		1.00%
184201 - Generation			2.00%					

Engineering & Supervision Loads
201412

	Electric 001	Trans- mission 002	Bulk Power 003	PNM Comm Utility 006	SNM Dist 034	SNM Transm 035	Corporate 007	TNMP Texas 012
184071 - Distribution	1.46%				1.46%			7.50%
184070 - Transmission		3.62%				3.62%		1.00%
184201 - Generation			2.00%					

Engineering & Supervision Loads
201501

	Electric 001	Trans- mission 002	Bulk Power 003	PNM Comm Utility 006	SNM Dist 034	SNM Transm 035	Corporate 007	TNMP Texas 012
184071 - Distribution	16.00%				16.00%			8.00%
184070 - Transmission		3.50%				3.50%		4.00%
184201 - Generation			1.07%					

Engineering & Supervision Loads 201503

	Electric 001	Trans- mission 002	Bulk Power 003	PNM Comm Utility 006	SNM Dist 034	SNM Transm 035	Corporate 007	TNMP Texas 012
184071 - Distribution	15.00%				15.00%			8.00%
184070 - Transmission		3.50%				3.50%		4.00%
184201 - Generation			1.07%					

Engineering & Supervision Loads 201504

	Electric 001	Trans- mission 002	Bulk Power 003	PNM Comm Utility 006	SNM Dist 034	SNM Transm 035	Corporate 007	TNMP Texas 012
184071 - Distribution	14.00%				14.00%			8.00%
184070 - Transmission		3.50%				3.50%		4.00%
184201 - Generation			1.07%					

Engineering & Supervision Loads 201506

	Electric 001	Trans- mission 002	Bulk Power 003	PNM Comm Utility 006	SNM Dist 034	SNM Transm 035	Corporate 007	TNMP Texas 012
184071 - Distribution	14.65%				14.65%			8.00%
184070 - Transmission		2.00%				2.00%		4.00%
184201 - Generation			1.07%					

Administrative & General Loads

Administrative & General Loads 2014

	Electric 001	Trans- mission 002	Bulk Power* 003	PNM Comm Utility 006	SNM Dist 034	SNM Transm 035	Corporate 007	TNMP Texas 012
922100 - Major		4.16%	see below			4.16%		4.16%
922200 - Minor	8.32%	8.32%	see below		8.32%	8.32%		8.32%
922300 - Other (JPP)		0.82%	see below					

	OTH	OTH	OTH	OTH	OTH	OTH	OTH	OTH
*Bulk Power	BP BLDG	GENERAL	AFT-702, 707, 708	LOR-703, DLUN-706	REE-713	LV-717, MKTG-731	FC	PV
Co. 003	357	700	702 703 706	702 703 706	713	717 731	715	720-725
922100 - Major			4.16%	4.16%	4.16%			
922200 - Minor	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%		
922300 - Other (JPP)							0.82%	0.82%

	LUNA	LUN D&M	D&M ADJ	LUNA	RENEW	SJ	SJ	SJ
Bulk Power			PNMCR			SPEC FP		FP* (SNCR)
Co. 003	741-746	741-744	741-744	747	751	760	761-786	761, 770
922100 - Major	30.56%	1.39%	-10.190%	4.16%	4.16%			1.00%
922200 - Minor	30.56%	2.77%	-10.190%	8.32%	8.32%	2.37%	2.37%	
922300 - Other (JPP)								

Administrative & General Loads 2015

	Electric 001	Trans- mission 002	Bulk Power* 003	PNM Comm Utility 006	SNM Dist 034	SNM Transm 035	Corporate 007	TNMP Texas 012
922100 - Major		4.16%	see below			4.16%		4.16%
922200 - Minor	8.32%	8.32%	see below		8.32%	8.32%		8.32%
922300 - Other (JPP)		0.82%	see below					

	OTH	OTH	OTH	OTH	OTH	OTH	OTH	OTH
*Bulk Power	BP BLDG	GENERAL	AFT-702, 707, 708	LOR-703, DLUN-706	REE-713	LV-717, MKTG-731	FC	PV
Co. 003	357	700	702 707 708	703 706	713	717 731	715	720-725
922100 - Major			4.16%	4.16%	4.16%			
922200 - Minor	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%		
922300 - Other (JPP)							0.82%	0.82%

	RENEW	LUNA	LUN D&M	D&M ADJ	LUNA	SJ	SJ	SJ
*Bulk Power				PNMCR			FP1	FP2 (SNCR)
Co. 003	751	741-746	741-744	741-744	747	761-787	760	761 764 770
922100 - Major	4.16%	30.56%	1.39%	-10.19%	4.16%	0.00%	0.00%	1.00%
922200 - Minor	8.32%	30.56%	2.77%	-10.19%	8.32%	2.37%	2.37%	0.00%
922300 - Other (JPP)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Minor Material, Stores, Non-Stores Loads

Minor Material, Stores, Non-Stores Loads 201401

	Electric	Trans-mission	Bulk Power	PNM Comm Utility	SNM Dist	SNM Transm	Corporate	TNMP Texas
	001	002	003	006	034	035	007	012
MML - Minor Material	5.00%	0.00%	0.00%	0.00%	10.00%	0.00%	0.00%	7.60%
STL - Stores	10.50%	10.50%	6.50%	10.50%	10.50%	10.50%	10.50%	18.30%
NSL - Non-Stores	3.00%	0.00%	0.00%	3.00%	3.00%	0.00%	0.00%	0.00%
PUR - Purchasing	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%

Minor Material, Stores, Non-Stores Loads 201405

	Electric	Trans-mission	Bulk Power	PNM Comm Utility	SNM Dist	SNM Transm	Corporate	TNMP Texas
	001	002	003	006	034	035	007	012
MML - Minor Material	5.00%	0.00%	0.00%	0.00%	10.00%	0.00%	0.00%	7.60%
STL - Stores	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	18.30%
NSL - Non-Stores	2.50%	0.00%	0.00%	2.50%	2.50%	0.00%	0.00%	0.00%
PUR - Purchasing	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%

Minor Material, Stores, Non-Stores Loads 201407

	Electric	Trans-mission	Bulk Power	PNM Comm Utility	SNM Dist	SNM Transm	Corporate	TNMP Texas
	001	002	003	006	034	035	007	012
MML - Minor Material	5.00%	0.00%	0.00%	0.00%	10.00%	0.00%	0.00%	7.60%
STL - Stores	4.00%	4.00%	6.50%	4.00%	4.00%	4.00%	4.00%	18.30%
NSL - Non-Stores	1.50%	0.00%	0.00%	1.50%	1.50%	0.00%	0.00%	0.00%
PUR - Purchasing	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%

Minor Material, Stores, Non-Stores Loads 201409

	Electric	Trans-mission	Bulk Power	PNM Comm Utility	SNM Dist	SNM Transm	Corporate	TNMP Texas
	001	002	003	006	034	035	007	012
MML - Minor Material	9.00%	0.00%	0.00%	0.00%	10.00%	0.00%	0.00%	7.60%
STL - Stores	4.00%	4.00%	6.50%	4.00%	4.00%	4.00%	4.00%	18.30%
NSL - Non-Stores	1.50%	0.00%	0.00%	1.50%	1.50%	0.00%	0.00%	0.00%
PUR - Purchasing	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%

Minor Material, Stores, Non-Stores Loads 201412

	Electric 001	Trans- mission 002	Bulk Power 003	PNM Comm Utility 006	SNM Dist 034	SNM Transm 035	Corporate 007	TNMP Texas 012
MML - Minor Material	9.00%				10.00%			7.60%
STL - Stores	2.00%	2.00%	6.50%	2.00%	2.00%	2.00%	2.00%	18.30%
NSL - Non-Stores	0.50%			0.50%	0.50%			
PUR - Purchasing	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%

*Minor Material, Stores, Non-Stores, Purchase Loads
201501*

	Electric 001	Trans- mission 002	Bulk Power 003	PNM Comm Utility 006	SNM Dist 034	SNM Transm 035	Corporate 007	TNMP Texas 012
MML - Minor Material	7.00%				6.00%			6.50%
STL - Stores	4.00%	4.00%	6.50%	4.00%	4.00%	4.00%	4.00%	18.30%
NSL - Non-Stores	1.50%			1.50%	1.50%			
PUR - Purchasing	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%

*Minor Material, Stores, Non-Stores, Purchase Loads
201506*

	Electric 001	Trans- mission 002	Bulk Power 003	PNM Comm Utility 006	SNM Dist 034	SNM Transm 035	Corporate 007	TNMP Texas 012
MML - Minor Material	6.00%				10.75%			6.50%
STL - Stores	3.00%	3.00%	6.50%	3.00%	3.00%	3.00%	3.00%	18.30%
NSL - Non-Stores	1.00%			1.00%	1.00%			
PUR - Purchasing	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%

2016 CAM Allocation Rates

PNM Exhibit JAP-5

Is contained in the following 17 pages.

174

	PNM ELEC	PNM BULK	PNM TRANS	SNM DIST	SNM TRANS	TNMP	
	001	003	002	034	035	012	TOTAL
Net Utility Balance*	859,919,580		495,465,660	78,240,323	38,175,210		1,471,800,774
	58.43%		33.66%	5.32%	2.59%		100.00%
Margin**	273,816,156		65,965,095	79,146,836	0		418,928,087
	65.36%		15.75%	18.89%	0.00%		100.00%
Number of Employees***	571		53	80	1		705
	80.99%		7.52%	11.35%	0.14%		100.00%
Percent to be applied****	68.26%		18.98%	11.85%	0.91%		100.00%

* = $\$859,919,580 / \$1,471,800,774 = 58.43\%$

** = $\$273,816,156 / \$418,928,087 = 65.36\%$

*** = $571 / 705 = 80.99\%$

**** = $(58.43\% + 65.36\% + 80.99\%) / 3 = 68.26\%$

2016 CAM

194

	PNM ELEC 001	PNM BULK 003	PNM TRANS 002	SNM DIST 034	SNM TRANS 035	TNMP 012	TOTAL
Number of Assets				17,214	3,383		20,597
Co. 006 Allocated				40	3		43
Total				17,254	3,386		20,640
Percent to be applied*				83.59%	16.41%		100.00%

* = 17254 / 20640 = 83.59%

2016 CAM

911

	PNM ELEC 001	PNM BULK 003	PNM TRANS 002	SNM DIST 034	SNM TRANS 035	TNMP 012	TOTAL
Number of Transactions	216,411	47,912	44,946	36,854	4,997	234,430	585,550
San Juan Transactions		98,802					98,802
Total GL Transactions	216,411	146,714	44,946	36,854	4,997	234,430	684,352
Co. 006 Allocated	14,225	0	2,413	2,125	116	0	18,878
Co. 007 Allocated	21,787	17,571	5,341	3,525	661	14,812	63,699
Total Allocated	36,012	17,571	7,754	5,650	777	14,812	82,577
Total Transactions*	252,423	164,285	52,700	42,504	5,774	249,242	766,929
Percent to be applied**	32.92%	21.42%	6.87%	5.54%	0.75%	32.50%	100.00%

* = 216411 + 36012 = 252423

** = 252423 / 766929 = 32.92%

912

	PNM ELEC 001	PNM BULK 003	PNM TRANS 002	SNM DIST 034	SNM TRANS 035	TNMP 012	TOTAL
Number of Invoices - AP	9,517	3,930	4,362	1,736	363	15,969	35,877
San Juan		3,464					3,464
Total AP Transactions	9,517	7,394	4,362	1,736	363	15,969	39,341
Co. 006 Allocated	3,847	0	618	567	30	0	5,061
Co. 007 Allocated	4,700	3,942	1,296	779	58	3,603	14,378
Total Allocated	8,546	3,942	1,914	1,346	87	3,603	19,439
Total*	18,063	11,336	6,276	3,082	450	19,572	58,780
Percent to be applied**	30.72%	19.29%	10.68%	5.24%	0.77%	33.30%	100.00%

* = 9517 + 8546 = 18063

** = 18063 / 58780 = 30.72%

2016 CAM

914

	PNM ELEC 001	PNM BULK 003	PNM TRANS 002	SNM DIST 034	SNM TRANS 035	TNMP 012	TOTAL
Number of Assets	38,600	8,681	8,405	17,214	3,383	20,574	96,857
Co. 006 Allocated	230	0	65	40	3	0	338
Total	38,830	8,681	8,470	17,254	3,386	20,574	97,195
Percent to be applied*	39.96%	8.93%	8.71%	17.75%	3.48%	21.17%	100.00%

* = 38830 / 97195 = 39.96%

2016 CAM

188 and 924

	PNM ELEC 001	PNM BULK 003	PNM TRANS 002	SNM DIST 034	SNM TRANS 035	TNMP 012	TOTAL
Number of Utility Customers	464,257			51,749			516,006
Total	464,257			51,749			516,006
Percent to be applied*	89.97%			10.03%			100.00%

* = 464257 / 516006 = 89.97%

941

	PNM ELEC	PNM BULK	PNM TRANS	SNM DIST	SNM TRANS	TNMP	TOTAL
	001	003	002	034	035	012	
Margin	273,816,156	291,482,520	65,965,095	79,146,836	0	226,421,155	936,831,763
Percent Calculation*	29.23%	31.11%	7.04%	8.45%	0.00%	24.17%	100.00%
Net Utility Plant	854,577,738	1,822,892,073	492,388,364	77,753,953	37,938,425	843,484,059	4,129,034,612
Co 006 Allocated	5,341,842	0	3,077,296	486,370	236,785	0	9,142,294
Total Utility Plant	859,919,580	1,822,892,073	495,465,660	78,240,323	38,175,210	843,484,059	4,138,176,906
Percent Calculation**	20.78%	44.05%	11.97%	1.89%	0.92%	20.38%	100.00%
Number of Employees	341	375	40	54	0	350	1,160
Co 006 Allocated	230	0	13	26	1	0	270
Total Number of Employees	571	375	53	80	1	350	1,430
Percent Calculation***	39.95%	26.22%	3.69%	5.60%	0.06%	24.48%	100.00%
Total	89.96%	101.39%	22.70%	15.94%	0.98%	69.03%	300.00%
Percent to be applied****	29.98%	33.80%	7.57%	5.31%	0.33%	23.01%	100.00%

* = \$ 273816156 / \$ 936831763 = 29.23%

** = \$ 859919580 / \$ 4138176906 = 20.78%

*** = 571 / 1430 = 39.95%

**** = (29.23% + 20.78% + 39.95% = 89.96%) / 3 = 29.98%

948

	PNM ELEC 001	PNM BULK 003	PNM TRANS 002	SNM DIST 034	SNM TRANS 035	TNMP 012	TOTAL
Margin	273,816,156		65,965,095	79,146,836	0		418,928,087
Percent Calculation*	65.36%		15.75%	18.89%	0.00%		100.00%
Net Utility Plant	854,577,738		492,388,364	77,753,953	37,938,425		1,462,658,480
Co 006 Allocated	5,341,842		3,077,296	486,370	236,785		9,142,294
Total Utility Plant	859,919,580		495,465,660	78,240,323	38,175,210		1,471,800,774
Percent Calculation**	58.43%		33.66%	5.32%	2.59%		100.00%
Number of Employees	341		40	54	0		435
Co 006 Allocated	230		13	26	1		270
Total Number of Employees	571		53	80	1		705
Percent Calculation***	81.03%		7.48%	11.36%	0.12%		100.00%
Total	204.82%		56.89%	35.57%	2.71%		300.00%
Percent to be applied****	68.26%		18.98%	11.85%	0.91%		100.00%

* = \$ 273816156 / \$ 418928087 = 65.36%

** = \$ 859919580 / \$ 1471800774 = 58.43%

*** = 571 / 705 = 81.03%

**** = (65.36% + 58.43% + 81.03% = 204.82%) / 3 = 68.26%

951

	PNM ELEC 001	PNM BULK 003	PNM TRANS 002	SNM DIST 034	SNM TRANS 035	TNMP 012	TOTAL
Margin	273,816,156	291,482,520	65,965,095	79,146,836	0		710,410,608
Percent Calculation*	38.54%	41.03%	9.29%	11.14%	0.00%		100.00%
Net Utility Plant	854,577,738	1,822,892,073	492,388,364	77,753,953	37,938,425		3,285,550,553
Co 006 Allocated	5,341,842	0	3,077,296	486,370	236,785		9,142,294
Total Utility Plant	859,919,580	1,822,892,073	495,465,660	78,240,323	38,175,210		3,294,692,847
Percent Calculation**	26.10%	55.33%	15.04%	2.37%	1.16%		100.00%
Number of Employees	341	375	40	54	0		810
Co 006 Allocated	230	0	13	26	1		270
Total Number of Employees	571	375	53	80	1		1,080
Percent Calculation***	52.90%	34.72%	4.89%	7.42%	0.08%		100.00%
Total	117.54%	131.08%	29.21%	20.93%	1.24%		300.00%
Percent to be applied****	39.18%	43.69%	9.74%	6.98%	0.41%		100.00%

* = \$ 273816156.47 / \$ 710410607.658 = 38.54%

** = \$ 859919580 / \$ 3294692847 = 26.1%

*** = 571 / 1080 = 52.9%

**** = (38.54% + 26.1% + 52.9% = 117.54%) / 3 = 39.18%

963

	PNM ELEC 001	PNM BULK 003	PNM TRANS 002	SNM DIST 034	SNM TRANS 035	TNMP 012	TOTAL
Number of Phones	342	378	41	52	0	356	1,169
Co. 006 Allocated	226	0	12	28	1	0	267
Co. 007 Allocated	131	143	35	22	1	99	431
Total	699	521	88	102	2	455	1,867
Percent to be applied*	37.45%	27.91%	4.70%	5.47%	0.11%	24.36%	100.00%

* = $699 / 1867 = 37.45\%$

964

	PNM ELEC 001	PNM BULK 003	PNM TRANS 002	SNM DIST 034	SNM TRANS 035	TNMP 012	TOTAL
Direct Number of PCs	411	332	62	56	0	357	1,218
Co. 006 Allocated	277	0	16	34	1	0	328
Co. 007 Allocated	264	289	62	41	2	196	854
Total	952	621	140	132	3	553	2,400
Percent to be applied*	39.65%	25.88%	5.83%	5.48%	0.11%	23.05%	100.00%

* = $952 / 2400 = 39.65\%$

968

	PNM ELEC 001	PNM BULK 003	PNM TRANS 002	SNM DIST 034	SNM TRANS 035	TNMP 012	TOTAL
Number of NT Ids	308	248	40	46	0	294	936
Co. 006 Allocated	174	0	12	22	1	0	209
Co. 007 Allocated	160	180	40	27	1	123	531
Total	642	428	92	95	2	417	1,676
Percent to be applied*	38.32%	25.53%	5.48%	5.65%	0.12%	24.90%	100.00%

* = $642 / 1676 = 38.32\%$

2016 CAM

973

	PNM ELEC 001	PNM BULK 003	PNM TRANS 002	SNM DIST 034	SNM TRANS 035	TNMP 012	TOTAL
Direct	0	0	0	0	0	0	0
Corporate Allocated ¹	162	129	22	25	1	298	636
Total	162	129	22	25	1	298	636
Percent to be applied*	25.43%	20.24%	3.53%	3.90%	0.11%	46.79%	100.00%

* = $162 / 636 = 25.43\%$

¹Note: Certain Corporate services are housed in the Lewisville building

2016 CAM

974

	PNM ELEC 001	PNM BULK 003	PNM TRANS 002	SNM DIST 034	SNM TRANS 035	TNMP 012	TOTAL
Direct	0	0	0	0	0	0	0
Corporate Allocated ¹	1,488	992	213	219	5	967	3,884
Total	1,488	992	213	219	5	967	3,884
Percent to be applied*	38.32%	25.53%	5.48%	5.65%	0.12%	24.90%	100.00%

* = 1488 / 3884 = 38.32%

¹Note: Certain Corporate services are housed in the Dallas Las Colinas building

977

	PNM ELEC 001	PNM BULK 003	PNM TRANS 002	SNM DIST 034	SNM TRANS 035	TNMP 012	TOTAL
Direct	0	0	0	0	0	0	0
Co. 006 Allocated ¹	17,598	0	0	1,962	0	0	19,559
Co. 007 Allocated ²	35,435	33,579	7,969	6,049	454	28,532	112,018
Total	53,032	33,579	7,969	8,010	454	28,532	131,577
Percent to be applied*	40.30%	25.52%	6.06%	6.09%	0.35%	21.68%	100.00%

* = $53032 / 131577 = 40.3\%$

¹Note: Certain PNM Utility Common areas are housed in the Albuquerque downtown building.

²Note: Certain Services Company areas are housed in the Albuquerque downtown building.

2016 CAM

980

	PNM ELEC 001	PNM BULK 003	PNM TRANS 002	SNM DIST 034	SNM TRANS 035	TNMP 012	TOTAL
Direct	0	43,382	0	0	0	0	43,382
Corporate Allocated ¹	10,247	871	2,829	1,782	135	593	16,456
Total	10,247	44,253	2,829	1,782	135	593	59,838
Percent to be applied*	17.12%	73.95%	4.73%	2.98%	0.23%	0.99%	100.00%

* = 10247 / 59838 = 17.12%

¹Note: Certain Services Company areas are housed in the Albuquerque Aztec building.

2016 CAM

993

	PNM ELEC	PNM BULK	PNM TRANS	SNM DIST	SNM TRANS	TNMP	TOTAL
	001	003	002	034	035	012	
Number of Employees	341	375	40	54	0	350	1,160
Co. 006 Allocated	229	0	12	28	1	0	270
Total	570	375	52	82	1	350	1,430
Percent to be applied*	39.86%	26.22%	3.64%	5.73%	0.07%	24.48%	100.00%

* = 570 / 1430 = 39.86%

Palo Verde 2 Acquisition Adjustment

PNM Exhibit JAP-6

Is contained in the following 3 pages.

PNM Exhibit JAP-6

Palo Verde Unit 2 Acquisition Adjustment

Analysis of PV2 Original Cost:

Line No.

1. Obtained original Sale-Leaseback values for the Unit 2 leases in 1986 and depreciated these values through 12/31/15
The lease information shown exclude values for lease 9 (First Chicago) and Lease 2/6

Lease #	Unit	Owner	MW	Price	A/D thru 12/31/15	NBV 12/31/15
5	5	2 CGI Capital	31.3	105,000	(76,614)	28,386
6	7	2 Cypress	17.9	60,000	(43,779)	16,221
7	8	2 Cypress	14.9	50,000	(36,483)	13,517
8	11	2 JP Morgan	10.4	35,156	(23,267)	11,889
9	9	2 First Chicago	29.8	100,000		see below
10	2/6	1/2 Drexel	59.5	200,000		see below
11	1	1 Daimler	49.1	165,000		n/a
12	3	1 Citicorp	17.9	60,000		n/a
13	4	1 JP Morgan	14.9	50,000		n/a
14	10	1 JP Morgan	22.3	75,000		n/a
15	Totals		268	900,156		70,013

2. The figures above include the gains on the sale of the assets in the sale leaseback transaction. These gains should be removed to determine the original cost of the assets. PNM obtained the appraisal of the CGI Capital ownership interest in Unit 2 and evaluated the "cost method" valuation provided in the appraisal. The appraisal was developed using information related to interests owned by APS (29.1%), EPE (15.8%) and PNM (10.2%). Therefore, the cost basis provided by the appraisal applies to 55.1% of the Unit 2 and 1/3 of common assets. This information was used to calculate the gain on the sale-leaseback transaction. This gain was then depreciated by assuming pro-rate NBV's at 12/31/15 from the table in item 1.

	Gross	NBV 12/31/15
CGI "cost basis" appraisal of PV2	2,251,784	
PNM share (10.2%/55.1%)	416,846	
Value of sales (CGI, cypress, first chicago, JP Morgan)	250,156	70,013
Value of sale (First Chicago)	100,000	27.99%
Value of Sales (Drexel only)	100,000	
Total price of PV2 sale-leaseback	450,156	
Gain on PV2 sale-leaseback	(33,310)	(9,323)

3. PNM added leasehold improvements to the original assets which are carried on PNM's books. In addition, PNM carries on its books assets associated with the Drexel and First Chicago purchases. This analysis deals with the Drexel and First Chicago leases separately due to circumstances related to these purchases. The non-Drexel and non-First Chicago assets were captured at 9/30/14 and depreciated through 12/31/15 below.

	3/31/2015	12/31/2015
Plant in Service	62,106	62,106
Accumulated Depreciation	(14,042)	(15,027)
PV2 Assets NBV, excluding Drexel and First Chicago	48,064	47,079
Estimated Capital Additions		

PNM Exhibit JAP-6

Palo Verde Unit 2 Acquisition Adjustment

4. PNM purchased various ownerships in PVNGS including Drexel's interest in PV1 & 2 as well as First Chicago's interest in PV2. The leases and trusts associated with Drexel were dissolved and collapsed and the asset were recorded directly on PNM's financial statements. The First Chicago lease and trust were maintained and PNM accounts for this ownership as a consolidated subsidiary. In 1992 the Drexel assets were impaired by 71.22%. Therefore, the value shown on PNM's books today, excluding an acquisition adjustment associated with the purchase of the Drexel assets, reflects 28.78% of the original asset values. PNM did not record an acquisition adjustment for the First Chicago lease because FERC directed PNM account for this ownership as an investment in a subsidiary entity in FERC Docket EC08-69-000. However, in such Docket, PNM applied for accounting that would have resulted in an acquisition adjustment in July 2009 of approximately \$35.0 million. PNM calculated the 12/31/15 original depreciated cost of these assets as follows:

	3/31/2015	12/31/2015
Drexel, impaired value plant in service	19,884	19,884
Drexel, impaired value depreciation	(11,140)	(11,459)
	8,744	8,425
PNM carrying value % (discussed above)	28.78%	28.78%
Calculated depreciated original cost	30,382	29,274
First Chicago, including acq. Adj	82,763	82,763
	(18,478)	(19,719)
Acq. Adjustment at 7/1/2009	35,037	
Deduct: Amortized Acq. Adjustment at:	(30,833)	(28,964)
First Chicago, excluding acq. Adjustment at:	33,452	34,080

5. PNM obtained PV common assets and depreciated these values to 12/31/15. One third of these costs were assigned to PV2 at each date as follows:

	3/31/2015	12/31/2015
PV Common, total plant in service	128,542	128,542
PV Common, accumulated depreciation	(23,789)	(26,692)
Net	104,753	101,850
1/3 common	34,918	33,950

6. Forecasts of future plant additions to PV2 and 1/3 of Common were obtained. These numbers were depreciated using current rates through 2015

	12/31/2015
Additions	
PV2	5,152
1/3 of PV Common	3,606
Depreciation	
PV2	8
1/3 of PV Common	15
Expected NBV of additions	8,782

7. The sum of these values was computed at 12/31/15 to determine NBV/KW.

	<u>12/31/2015</u>					
Total Plant in Service	453,446	Reasonableness check (ok)				
Total A/D	<u>(239,591)</u>	-52.84%				
Total	213,855					
Price/KW (134MW)	<u>1,596</u>					
		12/31/2015				
MW to be purchased/transferred	64.10	Cypress	Citi	Total	First Chicago	
Plant in Service	216,910		32.8	31.3	64.1	29.8
A/D	<u>(114,610)</u>		110,993	105,917	216,910	100,841
Net Plant	102,299		<u>(58,646)</u>	<u>(55,964)</u>	<u>(114,610)</u>	<u>(53,282)</u>
Price/KW (64MW)	1,596		<u>52,347</u>	<u>49,953</u>	<u>102,299</u>	<u>47,559</u>
Acq. Adj	57,951		<u>1,596</u>	<u>1,596</u>	<u>3,192</u>	<u>1,596</u>
			<u>32,933</u>	<u>28,297</u>	<u>61,231</u>	<u>15,485</u>

8. The 12/31/15 price/KW calculated above appear reasonable because.

The implied 12/31/15 acquisition adjustment of the PV2 64.1MW purchase is reasonably close to the grossed up value of the First Chicago acquisition adjustment discussed in item 4. above. This is demonstrated in the table below:

	12/31/2015
Amortized First Chicago Acq. Adjustment	28,964
MW in lease	29.8
Acquisition Adj./MW	972
Number of MW in 1/15/2016 purchase	64.1
Implied Acq. Adjustment on 64.1MW purchase	62,302
Acquisition Adj. on 64.1 MW calculated in 7. above	61,231
Difference	1.0
Difference per 64.1 MW	0.02 (immaterial)

PNM Exhibit JAP-6

Palo Verde Unit 2 Acquisition Adjustment

Line No.

Plant in Service (101000 acct)

Adjusted

Linkage Ending
Balance Sep-15 %

64MW Purchase
Gross Value

1	<u>Nuclear Production Plant</u>				
2	Land and land rights	320	457,232	0.09%	184,637
3	Land Right of Way	320.1	-		
4	Structures and improvements	321	147,729,975	27.50%	59,655,399
5	Reactor plant equipment	322	225,013,676	41.89%	90,863,622
6	Turbogenerator units	323	78,310,713	14.58%	31,622,945
7	Accessory electric equipment	324	39,931,718	7.43%	16,124,978
8	Misc power plant equipment	325	45,709,210	8.51%	18,458,009
9	Asset Retirement Costs-Nuclear	326	442,039		
10	Total Nuclear Production		537,594,563	100.00%	216,909,589
11					-
12					
13	Acquisition Adjustment (acct 114000)				61,230,751
14					
15					
16	Journal Entry:				
17	Plant in Service		216,909,589		
18	Acquisition Adjustment		61,230,751		
19	Accumulated Depreciation		(114,610,340)		
20	Cash		(163,530,000)		

Accumulated Depreciation (108200 acct)

Adjusted

Linkage Ending
Balance Sep-15 %

64MW Purchase
Gross Value

<u>Nuclear Production Plant</u>					
Land and land rights	320	22,982			
Structures and improvements	321	39,048,211	25.58%	(29,313,287)	
Reactor plant equipment	322	63,164,102	41.37%	(47,416,960)	
Turbogenerator units	323	22,177,276	14.53%	(16,648,365)	
Accessory electric equipment	324	15,270,215	10.00%	(11,463,270)	
Misc power plant equipment	325	13,012,555	8.52%	(9,768,457)	
Asset Retirement Costs-Nuclear	326	3,180,696			
Total Nuclear Production		155,876,037	100.00%	(114,610,340)	

ARO Summary

PNM Exhibit JAP-7

Is contained in the following 8 pages.

PNM Exhibit JAP-7
ARO Summary for Afton

Line No. Cost Estimate Information:

1	Afton	Disposal Pit	Pond #1	Pond #2	Total	
2	Layer	1	1	1		
3	Discount Rate	8.50%	6.87%	6.87%		
4	Date	Jan-03	Jan-08	Jan-08		
5	Initial Expected Balance	706,714	29,101	29,101		
6	Inflation Adjusted Expected Cash Flow	16,882,962	271,497	271,497	17,425,956	A
7						
8	Expected Remediation Date					
9	10% Probability	Nov-32	Nov-32	Nov-32		
10	90% Probability	Nov-42	Nov-42	Nov-42		

Books and Records Information:

Balance 03/31/2015	2,039,662	B
Total accretion expense from PNM Exhibit JAP-8	15,484,436	C
Total Projected Liability	17,524,098	D = B+C

Reconciliation:

Variance from study in future dollars	98,142	E = D-A
Variance from study in 3/31/15 dollars	9,794	

A - Inflation adjusted cash flow based on decommissioning study and discount and inflation rate in effect at that point in time

B - The liability balance per books and records at the end of the base period

C - Accretion from the end of the base period through the estimated remediation period

D - The base period ending balance plus the planned accretion

E - The difference between the high level initial cash flow compared to the project system calculated balance

PNM Exhibit JAP-7
ARO Summary for Algodones

Line No. Cost Estimate Information:

1	Algodones	Asbestos
2	Layer	1
3	Discount Rate	8.50%
4	Date	Dec-05
5	Initial Expected Balance	16,245
6	Inflation Adjusted Expected Cash Flow	1,699,084 A
7		
8	Expected Remediation Date	Dec-35
9		
10		

Books and Records Information:

12		
13	Balance 03/31/2015	312,642 B
14	Total accretion expense from PNM Exhibit JAP-8	1,386,442 C
15	Total Projected Liability	1,699,084 D = B+C
16		

Reconciliation:

17		
18	Variance from study in future dollars	- E = D-A
19	Variance from study in 3/31/15 dollars	
20		
21		

22 **A** - Inflation adjusted cash flow based on decommissioning study and discount and inflation rate in effect at that point in time

23

24 **B** - The liability balance per books and records at the end of the base period

25

26 **C** - Accretion from the end of the base period through the estimated remediation period

27

28 **D** - The base period ending balance plus the planned accretion

29

30 **E** - The difference between the high level initial cash flow compared to the project system calculated balance

PNM Exhibit JAP-7
ARO Summary for San Juan

Line No.	Cost Estimate Information:										Total
1	San Juan	Dam Removal	Disposal Pit	Ponds	Ponds	Landfill	River Weir	Runoff Basin	Asbestos	Underground Storage	
2	Layer	1	1	1		1	1	1		1	
3	Discount Rate	8.50%	8.50%	8.50%		8.50%	8.50%	8.50%		8.19%	
4	Date	Jan-03	Jan-03	Jan-03		Jan-03	Jan-03	Jan-03		Jan-03	
5	Initial Expected Balance	71,813	1,606	53,765		2,298	4,625	3,860		533	
6	Inflation Adjusted Expected Cash Flow	3,918,508	87,620	2,933,703		125,365	252,346	190,360		29,080	
7											
8	Expected Remediation Date	Dec-27	Dec-27	Dec-27		Dec-27	Dec-27	Dec-27		Dec-27	
9											
10	Layer	2	2	2	1	2	2	2	1	2	
11	Discount Rate	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.19%	
12	Date	Dec-05	Dec-05	Dec-05	Dec-05	Dec-05	Dec-05	Dec-05	Dec-05	Dec-05	
13	Initial Expected Balance	80,692	1,804	60,412	11,182	2,582	5,196	3,900	5,905	599	
14	Inflation Adjusted Expected Cash Flow	3,918,508	87,620	2,933,703	141,186	125,365	252,346	190,360	3,530,582	29,080	3,530,582
15	Expected Remediation Date	Dec-27	Dec-27	Dec-27	Dec-36	Dec-27	Dec-27	Dec-27	Dec-57	Dec-27	
16	Inflation Adjusted Expected Cash Flow	3,815,005	85,306	2,856,214		122,054	245,683	185,332		28,312	
17	Expected Remediation Date	Dec-53	Dec-53	Dec-53		Dec-53	Dec-53	Dec-53		Dec-53	
18											
19					2						
20					5.45%						
21					Jan-12						
22					278,243						
23					1,933,878						
24											
25					Apr-46						
26											
27	Layer	3	3	3	3	3	3	3		3	
28	Discount Rate	5.61%	5.61%	5.61%	5.61%	5.61%	5.61%	5.61%		5.61%	
29	Date	Dec-13	Dec-13	Dec-13	Dec-13	Dec-13	Dec-13	Dec-13		Dec-13	
30	Initial Expected Balance	2,507,074	12,755	446,976	220,579	18,250	36,736	132,537		4,233	
31	Inflation Adjusted Expected Cash Flow	18,577,171	415,398	559,204	11,303,218	594,340	1,196,352	1,886,870		137,867	34,670,420
32											38,201,002 A
33	Expected Remediation Date	Dec-53	Dec-53	Dec-17	Dec-53	Dec-53	Dec-53	Dec-53		Dec-53	
34											
35	Books and Records Information:										
36	Balance 03/31/2015	2,747,111	61,427		2,162,723	87,888	176,911	245,801	107,953	20,387	5,610,201 B
37	Total accretion expense from PNM Exhibit JAP-8	15,830,521	353,706		9,699,351	506,907	1,019,532	1,641,439	3,422,707	116,557	32,590,720 C
38	Total Projected Liability	18,577,632	415,133	-	11,862,074	594,795	1,196,443	1,887,240	3,530,660	136,944	38,200,921 D = B+C
39											
40	Reconciliation:										
41	Variance from study in future dollars	461	(265)		(348)	455	91	370	78	(923)	(81) E = D-A
42	Variance from study in 3/31/15 dollars	54	(31)		(41)	53	11	43	9	(108)	(10)
43											
44											
45	A - Inflation adjusted cash flow based on decommissioning study and discount and inflation rate in effect at that point in time										
46											
47	B - The liability balance per books and records at the end of the base period										
48											
49	C - Accretion from the end of the base period through the estimated remediation period										
50											
51	D - The base period ending balance plus the planned accretion										
52											
53	E - The difference between the high level initial cash flow compared to the project system calculated balance										

PNM Exhibit JAP-7
ARO Summary for Four Corners

Line No. Cost Estimate Information:

1	Four Corners	
2		
3	Layer	1
4	Discount Rate	8.50%
5	Date	Jan-03
6	Initial Expected Balance	86,373
7	Inflation Adjusted Expected Cash Flow	22,434,027
8		
9	Expected Remediation Date	
10	10% Probability	Jun-16
11	90% Probability	Jul-41
12		
13		
14	Layer	2
15	Discount Rate	6.95%
16	Date	Dec-10
17	Initial Expected Balance	257,296
18	Inflation Adjusted Expected Cash Flow	23,285,559
19		
20	Expected Remediation Date	Jul-41
21		
22		
23	Layer	3
24	Discount Rate	5.76%
25	Date	Jun-14
26	Initial Expected Balance	77,549
27	Inflation Adjusted Expected Cash Flow	23,657,588
28		
29	Expected Remediation Date	Aug-41
30		
31		

Books and Records Information:

Balance 03/31/2015	3,744,649	B
Total accretion expense from PNM Exhibit JAP-8	19,912,939	C
Total Projected Liability	23,657,588	D = B+C

Reconciliation:

Variance from study in future dollars	-	E = D-A
Variance from study in 3/31/15 dollars		

A - Inflation adjusted cash flow based on decommissioning study and discount and inflation rate in effect at that point in time

B - The liability balance per books and records at the end of the base period

C - Accretion from the end of the base period through the estimated remediation period

D - The base period ending balance plus the planned accretion

E - The difference between the high level initial cash flow compared to the project system calculated balance

PNM Exhibit JAP-7
ARO Summary for Reeves

Line No. Cost Estimate Information:

1	Reeves	Asbestos	Pond	Total	
2	Layer	1	1		
3	Discount Rate	8.50%	8.50%		
4	Date	Dec-05	Jan-05		
5	Initial Expected Balance	17,405	231,291		
6	Inflation Adjusted Expected Cash Flow	1,820,447	347,782	2,168,229	A
7					
8	Expected Remediation Date	Dec-35	Dec-35		
9					
10					

Books and Records Information:

13	Balance 03/31/2015	334,975	533,720	868,694	B
14	Total accretion expense from PNM Exhibit JAP-8	1,485,476	7,306	1,492,782	C
15	Total Projected Liability	1,820,451	541,026	2,361,476	D = B+C

Reconciliation:

18	Variance from study in future dollars	4	193,244	193,247	E = D-A
19	Variance from study in 3/31/15 dollars	0	57,021	57,021	

A - Inflation adjusted cash flow based on decommissioning study and discount and inflation rate in effect at that point in time

B - The liability balance per books and records at the end of the base period

C - Accretion from the end of the base period through the estimated remediation period

D - The base period ending balance plus the planned accretion

E - The difference between the high level initial cash flow compared to the project system calculated balance

PNM Exhibit JAP-7
ARO Summary for Luna

Line No. Cost Estimate Information:

1	Luna	Pond	RR Crossing	Total
2	Layer	1	1	
3	Discount Rate	8.19%	5.59%	
4	Date	Dec-05	Jan-12	
5	Initial Expected Balance	11,182	59,555	
6	Inflation Adjusted Expected Cash Flow	141,187	524,599	524,599
7				
8	Expected Remediation Date	Dec-36	Apr-46	
9				
10	Layer	2		
11	Discount Rate	5.45%		
12	Date	Jan-12		
13	Initial Expected Balance	278,243		
14	Inflation Adjusted Expected Cash Flow	141,187		141,187
15	Expected Remediation Date	Dec-36		
16	Inflation Adjusted Expected Cash Flow	1,792,691		1,792,691
17	Expected Remediation Date	Apr-46		

2,458,477 A

Books and Records Information:

19	Balance 03/31/2015	452,312 B
21	Total accretion expense from PNM Exhibit JAP-8	2,012,109 C
22	Total Projected Liability	2,464,421 D = B+C

Reconciliation:

25	Variance from study in future dollars	5,944 E = D-A
26	Variance from study in 3/31/15 dollars	1,088

A - Inflation adjusted cash flow based on decommissioning study and discount and inflation rate in effect at that point in time

B - The liability balance per books and records at the end of the base period

C - Accretion from the end of the base period through the estimated remediation period

D - The base period ending balance plus the planned accretion

E - The difference between the high level initial cash flow compared to the project system calculated balance

PNM Exhibit JAP-7
ARO Summary for Lordsburg

Line No. Cost Estimate Information:

1	Lordsburg	Pond	Asbestos	Total	
2	Layer	1	1		
3	Discount Rate	8.50%	6.53%		
4	Date	Dec-05	Feb-07		
5	Initial Expected Balance	1,362	659,970		
6	Inflation Adjusted Expected Cash Flow	31,892	1,130,417	1,162,309	A
7					
8	Expected Remediation Date				
9	5% Probability	Dec-24	Dec-24		
10	95% Probability	Dec-44	Dec-44		

11

Books and Records Information:

13	Balance 03/31/2015	3,144	1,118,559	1,121,703	B
14	Total accretion expense from PNM Exhibit JA	28,748	11,858	40,606	C
15	Total Projected Liability	31,892	1,130,417	1,162,309	D = B+C

16

Reconciliation:

18	Variance from study in future dollars	0	-	0	E = D-A
19	Variance from study in 3/31/15 dollars				

20

21 **A** - Inflation adjusted cash flow based on decommissioning study and discount and inflation rate in effect at that point in time

22

23 **B** - The liability balance per books and records at the end of the base period

24

25 **C** - Accretion from the end of the base period through the estimated remediation period

26

27 **D** - The base period ending balance plus the planned accretion

28

29 **E** - The difference between the high level initial cash flow compared to the project system calculated balance

PNM Exhibit JAP-7
ARO Summary for Distribution

Line No. Cost Estimate Information:

1	Distribution	PCB Oil	PCB Oil	PCB Oil	Deming Asbestos	Bayard Asbestos	Silver City Asbestos	Svc Center Asbestos	Las Vegas Asbestos	Lordsburg Asbestos	Total
2	Layer	1	1	1	1	1	1	1	1	1	
3	Discount Rate	8.19%	8.19%	8.19%	8.19%	8.19%	8.19%	8.19%	8.19%	8.19%	
4	Date	Dec-05	Dec-05	Dec-05	Dec-05	Dec-07	Dec-07	Dec-05	Dec-05	Dec-05	
5	Initial Expected Balance	23,893	18,421	14,202	3,148	646	2,019	13,903	4,177	134	
6	Inflation Adjusted Expected Cash Flow	488,850	566,711	656,973	145,636	8,104	25,324	1,454,161	436,907	13,981	3,651,011
7											
8	Expected Remediation Date	Dec-15	Dec-20	Dec-25	Dec-25	Dec-15	Dec-15	Dec-35	Dec-35	Dec-35	
9											
10											
11					2						
12					8.19%						
13					Apr-06						
14					(1,756)						
15					145,636						145,636
16											
17					Dec-35						

3796646.64 A

Books and Records Information:

20	Balance 03/31/2015	459,836	354,521	273,324	26,798	13,493	42,166	267,576	80,394	2,573	1,520,682 B
21	Total accretion expense from PNM Exhibit JAP-8	29,014	212,190	383,649	118,838	185	570	1,186,589	356,515	11,411	2,298,960 C
22	Total Projected Liability	488,850	566,711	656,973	145,636	13,678	42,736	1,454,165	436,909	13,984	3,819,642 D = B+C

Reconciliation:

25	Variance from study in future dollars	0	-	-	-	5,574	17,412	4	2	3	22,995 E = D-A
26	Variance from study in 3/31/15 dollars					1,645	5,138				6,783

28 A - Inflation adjusted cash flow based on decommissioning study and discount and inflation rate in effect at that point in time

30 B - The liability balance per books and records at the end of the base period

32 C - Accretion from the end of the base period through the estimated remediation period

34 D - The base period ending balance plus the planned accretion

36 E - The difference between the high level initial cash flow compared to the project system calculated balance

ARO Accretion expense

PNM Exhibit JAP-8

Is contained in the following 8 pages.

PNM Exhibit JAP-8

ARO Accretion Schedule for San Juan

Line No.	Year	Balance	Scheduled Accretion	Settlements
1	3/31/2015	5,610,201		
2	4/30/2015	5,634,144	23,943	
3	5/31/2015	5,658,194	24,050	
4	6/30/2015	5,682,352	24,158	
5	7/31/2015	5,706,619	24,267	
6	8/31/2015	5,730,994	24,376	
7	9/30/2015	5,755,479	24,485	
8	10/31/2015	5,780,074	24,595	
9	11/30/2015	5,804,779	24,705	
10	12/31/2015	5,829,595	24,816	
11	01/31/16	5,854,522	24,927	
12	2/29/2016	5,879,561	25,039	
13	3/31/2016	5,904,713	25,152	
14	04/30/16	5,929,978	25,265	
15	5/31/2016	5,955,355	25,377	
16	6/30/2016	5,980,846	25,491	
17	07/31/16	6,006,452	25,606	
18	8/31/2016	6,032,173	25,721	
19	9/30/2016	6,058,009	25,836	
20	10/31/16	6,083,959	25,951	
21	11/30/2016	6,110,027	26,068	
22	12/31/2016	6,136,212	26,185	
23	2017	5,900,516	323,508	(559,204)
24	2018	6,209,610	309,094	
25	2019	6,535,595	325,985	
26	2020	6,879,362	343,767	
27	2021	7,241,845	362,483	
28	2022	7,624,026	382,182	
29	2023	8,026,934	402,908	
30	2024	8,451,647	424,713	
31	2025	8,899,296	447,649	
32	2026	9,371,066	471,769	
33	2027	9,817,275	497,129	(50,920)
34	2028	10,338,131	520,856	
35	2029	10,886,835	548,704	
36	2030	11,464,799	577,964	
37	2031	12,073,498	608,699	
38	2032	12,714,474	640,976	
39	2033	13,389,338	674,864	
40	2034	14,099,768	710,431	
41	2035	14,847,520	747,752	
42	2036	15,634,419	786,899	
43	2037	16,462,371	827,951	
44	2038	17,333,356	870,985	
45	2039	18,249,437	916,082	
46	2040	19,212,759	963,322	
47	2041	20,225,547	1,012,788	
48	2042	21,290,112	1,064,565	
49	2043	22,408,850	1,118,738	
50	2044	23,584,242	1,175,392	
51	2045	24,818,855	1,234,613	
52	2046	26,115,342	1,296,487	
53	2047	27,476,440	1,361,098	
54	2048	28,904,970	1,428,530	
55	2049	30,403,835	1,498,866	
56	2050	31,976,019	1,572,184	
57	2051	33,624,582	1,648,563	
58	2052	35,352,653	1,728,072	
59	2053	2,547,633	1,255,118	(34,060,138)
60	2054	2,764,182	216,549	
61	2055	2,999,137	234,955	
62	2056	3,254,064	254,927	
63	2057	(1)	276,595	(3,530,660)
64	Total		32,590,720	(38,200,922)

PNM Exhibit JAP-8

ARO Accretion Schedule for Reeves

Line No.	Year	Balance	Scheduled Accretion	Settlements
1	3/31/2015	868,694		
2	4/30/2015	874,620	5,926	
3	5/31/2015	339,560	5,966	(541,026)
4	6/30/2015	341,876	2,316	
5	7/31/2015	344,209	2,332	
6	8/31/2015	346,557	2,348	
7	9/30/2015	348,921	2,364	
8	10/31/2015	351,301	2,380	
9	11/30/2015	353,697	2,396	
10	12/31/2015	356,110	2,413	
11	01/31/16	358,539	2,429	
12	2/29/2016	360,985	2,446	
13	3/31/2016	363,447	2,462	
14	04/30/16	365,927	2,479	
15	5/31/2016	368,423	2,496	
16	6/30/2016	370,936	2,513	
17	07/31/16	373,466	2,530	
18	8/31/2016	376,014	2,548	
19	9/30/2016	378,579	2,565	
20	10/31/16	381,161	2,582	
21	11/30/2016	383,761	2,600	
22	12/31/2016	386,379	2,618	
23	2017	419,222	32,842	
24	2018	454,855	35,634	
25	2019	493,518	38,663	
26	2020	535,467	41,949	
27	2021	580,982	45,515	
28	2022	630,365	49,383	
29	2023	683,946	53,581	
30	2024	742,082	58,135	
31	2025	805,159	63,077	
32	2026	873,597	68,438	
33	2027	947,853	74,256	
34	2028	1,028,420	80,567	
35	2029	1,115,836	87,416	
36	2030	1,210,682	94,846	
37	2031	1,313,590	102,908	
38	2032	1,425,245	111,655	
39	2033	1,546,391	121,146	
40	2034	1,677,835	131,443	
41	2035	-	142,616	(1,820,451)
42	Total		1,492,782	(2,361,477)

PNM Exhibit JAP-8

ARO Accretion Schedule for Luna

Line No.	Year	Balance	Scheduled Accretion	Settlements
1	3/31/2015	452,312		
2	4/30/2015	454,422	2,109	
3	5/31/2015	456,541	2,119	
4	6/30/2015	458,671	2,129	
5	7/31/2015	460,810	2,139	
6	8/31/2015	462,960	2,150	
7	9/30/2015	465,119	2,160	
8	10/31/2015	467,289	2,170	
9	11/30/2015	469,469	2,180	
10	12/31/2015	471,660	2,190	
11	01/31/16	473,861	2,201	
12	2/29/2016	476,072	2,211	
13	3/31/2016	478,293	2,222	
14	04/30/16	480,525	2,232	
15	5/31/2016	482,768	2,243	
16	6/30/2016	485,021	2,253	
17	07/31/16	487,285	2,264	
18	8/31/2016	489,560	2,275	
19	9/30/2016	491,845	2,285	
20	10/31/16	494,141	2,296	
21	11/30/2016	496,448	2,307	
22	12/31/2016	498,766	2,318	
23	2017	527,451	28,685	
24	2018	557,808	30,357	
25	2019	589,935	32,128	
26	2020	623,939	34,004	
27	2021	659,931	35,992	
28	2022	698,030	38,099	
29	2023	738,361	40,331	
30	2024	781,058	42,697	
31	2025	826,263	45,205	
32	2026	874,126	47,863	
33	2027	924,807	50,681	
34	2028	978,475	53,668	
35	2029	1,035,311	56,836	
36	2030	1,095,506	60,195	
37	2031	1,159,263	63,757	
38	2032	1,226,798	67,535	
39	2033	1,298,341	71,543	
40	2034	1,374,135	75,794	
41	2035	1,454,439	80,304	
42	2036	1,398,342	85,090	(141,187)
43	2037	1,476,509	78,167	
44	2038	1,559,046	82,537	
45	2039	1,646,197	87,151	
46	2040	1,738,219	92,022	
47	2041	1,835,386	97,167	
48	2042	1,937,984	102,598	
49	2043	2,046,317	108,333	
50	2044	2,160,707	114,389	
51	2045	2,281,491	120,784	
52	(April) 2046	(0)	41,743	(2,323,234)
53	Total		2,012,109	(2,464,421)

PNM Exhibit JAP-8
ARO Accretion Schedule for Afton

Line No.	Year	Balance	Scheduled Accretion	Settlements
1	3/31/2015	2,039,662		
2	4/30/2015	2,053,458	13,796	
3	5/31/2015	2,067,347	13,889	
4	6/30/2015	2,081,330	13,983	
5	7/31/2015	2,095,408	14,078	
6	8/31/2015	2,109,582	14,173	
7	9/30/2015	2,123,851	14,269	
8	10/31/2015	2,138,217	14,366	
9	11/30/2015	2,152,681	14,463	
10	12/31/2015	2,167,242	14,561	
11	01/31/16	2,181,902	14,660	
12	2/29/2016	2,196,662	14,759	
13	3/31/2016	2,211,521	14,859	
14	04/30/16	2,226,481	14,960	
15	5/31/2016	2,241,543	15,061	
16	6/30/2016	2,256,706	15,163	
17	07/31/16	2,271,972	15,266	
18	8/31/2016	2,287,342	15,370	
19	9/30/2016	2,302,816	15,474	
20	10/31/16	2,318,394	15,579	
21	11/30/2016	2,334,078	15,684	
22	12/31/2016	2,349,869	15,790	
23	2017	2,547,909	198,040	
24	2018	2,762,666	214,757	
25	2019	2,995,552	232,887	
26	2020	3,248,101	252,549	
27	2021	3,521,974	273,873	
28	2022	3,818,974	297,000	
29	2023	4,141,057	322,083	
30	2024	4,490,343	349,286	
31	2025	4,869,132	378,789	
32	2026	5,279,920	410,788	
33	2027	5,725,413	445,493	
34	2028	6,208,546	483,133	
35	2029	6,732,503	523,957	
36	2030	7,300,738	568,235	
37	2031	7,916,996	616,258	
38	2032	7,248,420	659,339	(1,327,914)
39	2033	7,860,300	611,880	
40	2034	8,523,899	663,599	
41	2035	9,243,592	719,694	
42	2036	10,024,127	780,535	
43	2037	10,870,653	846,526	
44	2038	11,788,754	918,101	
45	2039	12,784,488	995,734	
46	2040	13,864,426	1,079,938	
47	2041	15,035,696	1,171,270	
48	(November) 2042	0	1,160,488	(16,196,184)
49	Total		15,484,436	(17,524,098)

PNM Exhibit JAP-8

ARO Accretion Schedule for Algodones

Line No.	Year	Balance	Scheduled Accretion	Settlements
1	3/31/2015	312,642		
2	4/30/2015	314,774	2,133	
3	5/31/2015	316,922	2,147	
4	6/30/2015	319,084	2,162	
5	7/31/2015	321,260	2,177	
6	8/31/2015	323,452	2,191	
7	9/30/2015	325,658	2,206	
8	10/31/2015	327,880	2,221	
9	11/30/2015	330,116	2,237	
10	12/31/2015	332,368	2,252	
11	01/31/16	334,635	2,267	
12	2/29/2016	336,918	2,283	
13	3/31/2016	339,216	2,298	
14	04/30/16	341,530	2,314	
15	5/31/2016	343,860	2,330	
16	6/30/2016	346,206	2,346	
17	07/31/16	348,567	2,362	
18	8/31/2016	350,945	2,378	
19	9/30/2016	353,339	2,394	
20	10/31/16	355,749	2,410	
21	11/30/2016	358,176	2,427	
22	12/31/2016	360,619	2,443	
23	2017	391,272	30,653	
24	2018	424,530	33,258	
25	2019	460,615	36,085	
26	2020	499,768	39,152	
27	2021	542,248	42,480	
28	2022	588,339	46,091	
29	2023	638,348	50,009	
30	2024	692,607	54,260	
31	2025	751,479	58,872	
32	2026	815,355	63,876	
33	2027	884,660	69,305	
34	2028	959,856	75,196	
35	2029	1,041,444	81,588	
36	2030	1,129,967	88,523	
37	2031	1,226,014	96,047	
38	2032	1,330,225	104,211	
39	2033	1,443,294	113,069	
40	2034	1,565,974	122,680	
41	2035	(0)	133,110	(1,699,084)
42	Total		1,386,442	(1,699,084)
43	243			

PNM Exhibit JAP-8

ARO Accretion Schedule for Four Corners

Line No.	Year	Balance	Scheduled Accretion	Settlements
1	3/31/2015	3,744,649		
2	4/30/2015	3,769,644	24,995	
3	5/31/2015	3,794,807	25,163	
4	6/30/2015	3,820,138	25,331	
5	7/31/2015	3,845,640	25,501	
6	8/31/2015	3,871,312	25,672	
7	9/30/2015	3,897,156	25,844	
8	10/31/2015	3,923,173	26,017	
9	11/30/2015	3,949,365	26,192	
10	12/31/2015	3,975,733	26,367	
11	01/31/16	4,002,277	26,544	
12	2/29/2016	4,028,999	26,722	
13	3/31/2016	4,055,900	26,901	
14	04/30/16	4,082,981	27,081	
15	5/31/2016	4,110,244	27,263	
16	6/30/2016	4,137,690	27,446	
17	7/31/2016	4,157,986	20,296	
18	8/31/2016	4,178,417	20,431	
19	9/30/2016	4,198,984	20,567	
20	10/31/16	4,219,689	20,704	
21	11/30/2016	4,240,531	20,842	
22	12/31/2016	3,186,398	20,981	(1,075,114)
23	2017	3,449,345	262,948	-
24	2018	3,734,111	284,766	-
25	2019	4,042,513	308,402	-
26	2020	4,376,523	334,009	-
27	2021	4,738,275	361,752	-
28	2022	5,130,084	391,809	-
29	2023	5,554,458	424,374	-
30	2024	6,014,115	459,657	-
31	2025	6,512,000	497,885	-
32	2026	7,051,306	539,306	-
33	2027	7,635,493	584,187	-
34	2028	8,268,310	632,817	-
35	2029	8,953,821	685,511	-
36	2030	9,696,432	742,610	-
37	2031	10,500,915	804,484	-
38	2032	11,372,447	871,531	-
39	2033	12,316,634	944,187	-
40	2034	13,339,557	1,022,923	-
41	2035	14,447,804	1,108,247	-
42	2036	15,648,519	1,200,715	-
43	2037	16,949,442	1,300,923	-
44	2038	18,358,967	1,409,524	-
45	2039	19,886,188	1,527,222	-
46	2040	21,540,969	1,654,780	-
47	(August) 2041	(0)	1,041,505	(22,582,474)
48	Total		19,912,939	(23,657,588)

PNM Exhibit JAP-8

ARO Accretion Schedule for Lordsburg

Line No.	Year	Balance	Scheduled Accretion	Settlements
1	3/31/2015	1,121,703		
2	4/30/2015	1,127,638	5,935	
3	5/31/2015	3,187	5,966	(1,130,417)
4	6/30/2015	3,209	22	
5	7/31/2015	3,231	22	
6	8/31/2015	3,253	22	
7	9/30/2015	3,275	22	
8	10/31/2015	3,297	22	
9	11/30/2015	3,320	22	
10	12/31/2015	3,342	23	
11	01/31/16	3,365	23	
12	2/29/2016	3,388	23	
13	3/31/2016	3,411	23	
14	04/30/16	3,435	23	
15	5/31/2016	3,458	23	
16	6/30/2016	3,482	24	
17	07/31/16	3,505	24	
18	8/31/2016	3,529	24	
19	9/30/2016	3,553	24	
20	10/31/16	3,578	24	
21	11/30/2016	3,602	24	
22	12/31/2016	3,627	25	-
23	2017	3,935	308	-
24	2018	4,269	334	-
25	2019	4,632	363	-
26	2020	5,026	394	-
27	2021	5,453	427	-
28	2022	5,917	464	-
29	2023	6,419	503	-
30	2024	6,062	546	(903)
31	2025	6,577	515	-
32	2026	7,136	559	-
33	2027	7,743	607	-
34	2028	8,401	658	-
35	2029	9,115	714	-
36	2030	9,890	775	-
37	2031	10,731	841	-
38	2032	11,643	912	-
39	2033	12,632	990	-
40	2034	13,706	1,074	-
41	2035	14,871	1,165	-
42	2036	16,135	1,264	-
43	2037	17,507	1,371	-
44	2038	18,995	1,488	-
45	2039	20,609	1,615	-
46	2040	22,361	1,752	-
47	2041	24,262	1,901	-
48	2042	26,324	2,062	-
49	2043	28,561	2,238	-
50	2044	-	2,428	(30,989)
51	Total		40,606	(1,162,309)

PNM Exhibit JAP-8

ARO Accretion Schedule for Distribution

Line No.	Year	Balance	Scheduled Accretion	Settlements
1	3/31/2015	1,520,682		
2	4/30/2015	1,531,055	10,373	
3	5/31/2015	1,541,499	10,444	
4	6/30/2015	1,551,629	10,130	
5	7/31/2015	1,561,829	10,200	
6	8/31/2015	1,572,098	10,269	
7	9/30/2015	1,582,437	10,339	-
8	10/31/2015	1,592,847	10,410	
9	11/30/2015	1,603,328	10,481	
10	12/31/2015	1,125,030	10,552	(488,850)
11	1/31/2016	1,132,320	7,290	
12	2/28/2016	1,139,659	7,339	
13	3/31/2016	1,147,048	7,389	
14	4/30/2016	1,154,488	7,440	
15	5/31/2016	1,161,978	7,490	
16	6/30/2016	1,169,520	7,542	
17	7/31/2016	1,177,113	7,593	
18	8/31/2016	1,184,758	7,645	
19	9/30/2016	1,192,455	7,697	
20	10/31/2016	1,200,204	7,749	
21	11/30/2016	1,208,006	7,802	
22	12/31/2016	1,215,862	7,856	
23	2017	1,314,415	98,552	-
24	2018	1,421,344	106,929	-
25	2019	1,537,363	116,018	-
26	2020	1,096,532	125,880	(566,711)
27	2021	1,184,941	88,409	-
28	2022	1,280,865	95,924	-
29	2023	1,384,942	104,077	-
30	2024	1,497,866	112,924	-
31	2025	963,416	122,523	(656,973)
32	2026	1,040,510	77,094	-
33	2027	1,124,158	83,647	-
34	2028	1,214,915	90,757	-
35	2029	1,313,387	98,472	-
36	2030	1,420,228	106,842	-
37	2031	1,536,152	115,923	-
38	2032	1,661,929	125,777	-
39	2033	1,798,397	136,468	-
40	2034	1,946,464	148,068	-
41	2035	0	160,643	(2,107,107)
42	Total		2,298,960	(3,819,641)

2014 Pace Global reclamation Study

PNM Exhibit JAP-9

Is contained in the following 43 pages.

Review of Reclamation Costs for the La Plata and San Juan Mines

Prepared for:

Public Service Company of New Mexico

DRAFT FINAL REPORT (FOR PARTICIPANT REVIEW)

August 19, 2014

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Further, certain statements, findings and conclusions in this Report are based on Pace Global's interpretations of various contracts. Interpretations of these contracts by legal counsel or a jurisdictional body could differ.

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EXECUTIVE SUMMARY

Pace Global, a Siemens Business and Wiley Consulting, LLC (collectively referred to herein as the Consultants) were retained by the Owners of the San Juan Generating Station (SJGS) to perform a comprehensive update of reclamation and closure cost estimates for mines supplying and that have previously supplied coal to SJGS and to which the Owners are responsible for funding reclamation costs. To account for key uncertainties that have the potential to significantly impact the timing and overall cost of reclamation, for example, retirement date of SJGS, a scenario approach was used. Exhibit 1 presents a summary of the reclamation scenarios developed for this analysis and the cost estimates covering all costs beyond the expiration of the current coal supply agreement at the end of 2017.

Exhibit 1: 2013 Reclamation Cost Estimate Summary by Scenario (million 2012\$)

Scenario Name	1A	1B	2A	2B	3	4	5
Scenario Description	SJGS retirement YE 2053, Continuous reclamation/ash Stacking	SJGS retirement YE 2053, Delayed reclamation/ash Layering	SJGS retirement YE 2038, Continuous reclamation/ash Stacking	SJGS retirement YE 2038, Delayed reclamation/ash Layering	SJGS retirement Mid-2022	SJGS retirement YE 2017	SJGS retirement YE 2028
2013 Reclamation Cost Estimate (post-2017)	\$75.7	\$72.8	\$82.7	\$80.4	\$105.6	\$122.6	\$97.1

Source: Wiley Consulting and Pace Global

INTRODUCTION

The Consultants were retained by the Owners of SJGS to perform a comprehensive update of reclamation and closure cost estimates for mines supplying and that have previously supplied coal to SJGS and to which the Owners are responsible for funding reclamation costs. These mines, currently owned by the San Juan Coal Company (SJCC), include the La Plata and San Juan Surface Mines and the San Juan Underground Mine. The La Plata and San Juan Mines are surface operations that collectively supplied SJGS exclusively from 1973 through 2001 at which time the San Juan Underground longwall mine was opened and transitioned to be the single mine supplying the plant by 2003. The Owners are contractually obligated to fund all costs to fully reclaim these mines to terms set forth by the governing state agencies. The current coal supply contract extends through the end of 2017.

A number of factors including receipt of revised volumes estimates from SJCC, the 2013 settlement agreement with the state of New Mexico¹ to retire San Juan Generating Station (SJGS) Units 2 and 3, and real escalation (greater than general economic inflation) in mining industry costs were all prominent drivers in undertaking this analysis. The results of this analysis will provide the Owners with a revised expectation of future reclamation costs and information to determine near term funding needed to cover the costs of reclamation.

The Consultants last performed an estimate of reclamation and mine closure costs in 2009. Prior to this, Skelly and Loy, Inc. (Skelly & Loy) performed a review of reclamation and mine closure costs in 2002. The Skelly & Loy estimates were based on information provided by SJCC in response to their detailed data request at that time. The Fall 2012 Reclamation Update by PNM's Fuels Management Department and used for PNM's internal accounting purposes included historical actual costs billed by SJCC through 2011, estimated costs for 2012 and 2013 and projections based on the 2009 reclamation cost estimates for 2014 and beyond.

This report documents the analysis undertaken, supporting assumptions, and results of the 2013 San Juan reclamation and mine closure cost estimates.² All cost estimates presented in this report, unless otherwise noted, represent estimated costs post-2017 through final reclamation. An additional section, Comparisons to Prior Estimates, is included at the end of the report that compares the 2013 cost estimates to prior estimates to quantify and explain differences.

¹ In February 2013, PNM and the New Mexico Environment Department reached agreement to meet regional haze requirements by retiring the San Juan Generating Station's Units 2 and 3 by the end of 2017 and installing selective non-catalytic reduction on the remaining Units 1 and 4 to address nitrogen oxides emissions. The retirement of Units 2 and 3 will reduce SJGS coal consumption from current levels of approximately 6.7 million tons per year to an estimated 3.4 million tons per year.

² The 2013 reclamation estimates were originally developed in the latter part of 2013. Scenario 5 was developed in August of 2014 and is also collectively referenced as one of the 2013 reclamation estimates.

SCENARIO APPROACH RATIONALE AND DESCRIPTIONS

There are many factors that have the potential to significantly change the activities required to fully reclaim the mines and associated costs. Most notably, the largest uncertainty is the ultimate retirement date of SJGS. The Consultants worked with the Owners to define a range of scenarios to bound the costs under a range of plausible outcomes. These scenarios are summarized in Exhibit 2.

Exhibit 2: Reclamation Scenarios

Scenario Name	1A	1B	2A	2B	3	4	5
SJGS Retirement Date	YE 2053	YE 2053	YE 2038	YE 2038	Mid-2022	YE 2017	YE 2028
Continuous / Delayed Reclamation Schedule	Continuous (ash Stacking)	Delayed (ash Layering)	Continuous (ash Stacking)	Delayed (ash Layering)	Delayed (at plant retirement)	Delayed (at plant retirement)	Continuous (ash Stacking)

Source: Wiley Consulting

Scenarios considered represent reclamation activities associated with plant retirement dates at: YE 2017, mid-2022, YE 2028, YE 2038 and YE 2053. It should be noted that all scenarios evaluated in the 2013 update assume a 2-Unit SJGS configuration post-2017 after the retirement of Units 2 and 3 in 2017.

All scenarios assume that ash and byproducts of coal combustion from SJGS are disposed of in the surface pits while the plant is operational. These waste disposal activities are ongoing under a contract between the Owners and SJCC. Maximizing the volume of ash backfill in the pits reduces the overall need for additional dirt backfill to reach the required final surface contour (FSC). The 2053, 2038 late SJGS retirement scenarios also assess cost differences with the Continuous Stacking of byproducts from SJGS in the pits versus Delayed Layering of ash in scenarios 1A, 1B, 2A and 2B. The 2028 SJGS retirement scenario (scenario 5) assumes ash Stacking.

Assumptions underlying all reclamation scenarios are uniform, however, the retirement dates of the plant and the methodology (Stacking vs. Layering) for backfilling the pits with ash drive different timing activities to reach final reclamation and total costs. "Continuous reclamation" or Stacking occurs when ash is stacked to its full depth at one end of the pit before progressing ash placement along the length of the pit. With this approach, reclamation activities 'follow' the progression of the ash with relatively small areas of disturbed area being completed each year. Under "Delayed reclamation" or Layering the ash is layered in lifts running the full length of the pit and final reclamation activities are delayed until the lift achieving final ash height begins to progress along the length of the pit. Scenarios 1A, 2A and 5 assume Continuous reclamation/ash Stacking; the remaining scenarios all assume Delayed reclamation/ash Layering. For the Stacking scenarios, final stack height varies by scenario to yield an approximate uniform depth down the pit by the time of plant retirement. Otherwise one end of the pit would be backfilled and the other empty at plant retirement. Timing of the knowledge of the scenario that will actually play out is thus critical. Current practices ongoing at the mine employ a combination of the two techniques so both were modeled to present the estimated cost difference between the two practices.

PIT BACKFILL AND FINAL RECLAMATION

All reclamation cost scenarios assume that the pits are used for ash and gypsum (collectively referenced also as waste or combustion byproducts) disposal as long as SJGS is operational. The underground mine reclamation timing coincides with the plant retirement in all scenarios, however, the surface pit reclamation cost is independent of coal supply (although a coal of similar ash/sulfur content is assumed).

The La Plata Mine (including the haulroad) is assumed to be fully reclaimed before 2018. All reclamation estimates include the cost of the final years of environmental monitoring at La Plata from 2018 to 2020. The majority of reclamation activities and post 2017 costs in all scenarios, therefore, are associated with the San Juan (surface and underground) mines.

For the San Juan Surface Mine, ash and gypsum (ash or combustion byproducts) backfill the Pinon pit first and then the Juniper pit in a south to north progression. Schematics of the San Juan mine are presented in Appendix B – San Juan Mine Schematics for reference. Juniper consists of several sections which starting from the south are Cottonwood, Sage, and the North Juniper underground Portal area. The portion of the Juniper Pit that is ultimately backfilled with ash is a direct function of the longevity of SJGS and ash ultimately produced. With a 2-Unit configuration, total ash volumes produced and disposed of in the pits is estimated to be approximately 0.8 million cubic yards per year under an assumed coal burn of 3.4 million tons per year. The balance of backfill required after the shutdown of SJGS will be made with dirt backfill in areas where ash volumes are not sufficient. The permitted FSC is assumed in this analysis, however, it is possible that the FSC will be lowered if insufficient ash volumes are available which has the potential to result in lower reclamation costs than the estimates of this report.

VOLUMES

Material movements to reclaim the mines can be summarized into the following categories, presented in the order of occurrence:

- Ash – Coal combustion byproducts, 89% ash and 11% gypsum, from SJGS operations are placed in the pits while the plant is operating.
- Backfill – Backfill of dirt into the pits can be divided into two categories:
 - Ash cover – The mine permit specifies that all ash must be stabilized by being covered with a minimum of 10 feet of cover. This cost has historically been borne by the disposal activity and is assigned to that activity, not reclamation, in this analysis.
 - Supplemental backfill – Additional backfill volumes are required to backfill the underground portal area of the Juniper pit and in some scenarios other areas of the Juniper pit if ash volumes are not sufficient for backfill to achieve FSC.
- Re-grade – Re-grade movements of dirt are made to achieve FSC. Large re-grade movements to short-haul areas are made with dozer equipment and longer-haul re-grade movements are made with trucks.
- Topsoil – After achieving FSC, topsoil placement, re-vegetation and irrigation is performed to complete pit reclamation. This cost has historically been borne by the reclamation activity and is assigned to that activity, not disposal, in this analysis.

Allocation of Activities Between Waste Disposal and Reclamation

Waste disposal and reclamation activities are interdependent at the San Juan mine and therefore material volumes moved to reach final reclamation fall into both categories. Allocations were made in this analysis based on contractual definitions of what activities are considered waste disposal and the balance of activities required to reach final reclamation and allocated therefore to reclamation.

All movements of ash and gypsum are allocated to waste disposal as is the required 10 feet of backfill cover over the ash in the pits consistent with the terms of the existing mine permit and the historical assignment of costs in contractual agreements with SJCC. The 10 feet of cover is achieved by dozer or loader/truck fleets depending on haul distance. These costs, therefore, are not accounted for in the reclamation cost estimates. The portion of backfill and re-grade volumes allocated to waste disposal vary by scenario based on the total portion of the Juniper pit that is ultimately backfilled with ash and remaining dirt and re-grade required to reach final reclamation. Exhibit 3 presents a summary of material movements and the portions allocated to waste disposal and not included in reclamation cost estimates.

Exhibit 3: Waste Disposal and Reclamation Allocations

	1A	1B	2A	2B	3	4	5
Portion of Total Volumes Allocated to Waste Disposal							
Ash & Gypsum	100%	100%	100%	100%	100%	n/a	n/a
Topsoil	0%	0%	0%	0%	0%	0%	0%
Backfill	29.1%	29.1%	26.3%	26.3%	13.8%	1.8%	17.0%
Re-Grade	66.0%	66.0%	66.0%	66.0%	66.0%	10.0%	66.0%

Source: Wiley Consulting

The movement of dirt required for each scenario is driven by the assumed current state of the pits as of January 1, 2018, the currently permitted FSC, and the amount of ash and gypsum available to backfill the pits as displacement for pit backfill. Exhibit 4 presents a summary of material movements by category and allocation to waste disposal and reclamation.

Exhibit 4: Summary of Volume Movements by Scenario (cubic yards)

	1A	1B	2A	2B	3	4	5
Total Volumes							
Total Ash & Gypsum	28,752,007	28,752,007	16,772,004	16,772,004	3,594,001	-	8,785,335
Total Topsoil	989,984	989,984	989,984	989,984	989,984	989,984	989,984
Total Backfill	13,141,279	13,141,279	14,522,436	14,522,435	27,700,439	31,294,439	22,509,105
Total Re-grade	5,826,502	5,826,502	5,826,502	5,826,502	5,826,502	5,826,502	5,826,502
Total	48,709,773	48,709,773	38,110,927	38,110,926	38,110,926	38,110,926	38,110,927
Volumes Allocated to Waste Disposal							
Waste Disposal Ash & Gypsum	28,752,007	28,752,007	16,772,004	16,772,004	3,594,001	-	8,785,335
Waste Disposal Topsoil	-	-	-	-	-	-	-
Waste Disposal Backfill	3,819,935	3,819,935	3,819,935	3,819,935	3,819,935	556,161	3,819,935
Waste Disposal Re-grade	3,846,697	3,846,697	3,846,697	3,846,697	3,846,697	582,924	3,846,697
Total	36,418,638	36,418,638	24,438,635	24,438,635	11,260,632	1,139,085	16,451,967
Volumes Allocated to Reclamation							
Reclamation Topsoil	989,984	989,984	989,984	989,984	989,984	989,984	989,984
Reclamation Backfill	9,321,345	9,321,345	10,702,501	10,702,501	23,880,504	30,738,278	18,689,170
Reclamation Re-grade	1,979,805	1,979,805	1,979,805	1,979,805	1,979,805	5,243,579	1,979,805
Reclamation Total	12,291,135	12,291,135	13,672,291	13,672,291	26,850,294	36,971,841	21,658,960

Note: Totals 2018 and beyond include the final year of Pinon reclamation and all of Sage/Juniper and North Juniper reclamation. All activities in the Cottonwood/Juniper pit are complete prior to 2018.

Source: Wiley Consulting

EQUIPMENT

All scenarios assume that reclamation backfill and re-grading activity is accomplished by the equipment presented in Exhibit 5 along with cost assumptions.

Exhibit 5: Capital Equipment Assumption Summary

Equipment	Basic Spec.	Cost per Unit (2012\$)	Maximum Unit Count	Total Cost (2012\$)
Cat 785 end dump truck	150 Ton	\$2,627,000	4	\$10,508,000
Cat 994 wheel loader	26.0 cu yd	\$4,633,000	2	\$9,266,000
Cat D11 dozer	21.0'	\$2,085,500	1	\$2,085,500
Water trucks	10k gal	\$642,000	1	\$642,000
Cat 16 motor grader	16' blade	\$765,000	1	\$765,000
				\$23,266,500

Source: Infomine April 2013 and Wiley Consulting

The number of units for each item of capital equipment may vary from year-to-year depending on the workflow scheduled for any particular year within a modeled scenario. Capital equipment is deployed to the reclamation project on an as needed basis, and changes in capital equipment are modeled to occur at annual intervals. As a general rule, capital equipment is not modeled to be utilized for more than an average of 1.5 shifts per day. When the shift requirement exceeds this level, it is assumed that an additional piece of equipment is deployed to the project. The units shown in the table above represent the maximum number of units in use during any year in the modeled time horizon. All scenarios require the same maximum number of units; however, the number of units in use during any particular year varies from scenario to scenario.

OPERATION COST

Labor

Labor costs are expressed according to the number of full-time equivalent (FTE) equipment operators, support personnel, and supervisory / overhead staff. To simplify the analysis, a blended labor rate is calculated and is assumed to be representative of the varied staff that would be required for the reclamation project in any year.

The typical cost of equipment operators, haul truck drivers, mechanics, electricians, and other utility laborers, as reported by New Mexico coal mine operators during 2012 was identified relying on the InfoMine dataset published in April 2013. The average hourly wage for these personnel is assumed to be \$30.13. Wage calculations assume 2,080 hours per year accounting for holidays and paid time off. The average base wage calculated is approximately \$63,000 per year. A burden rate of 81 percent is applied (consistent with the estimate target included in the 2013 San Juan Coal Company budget) to the annual salary estimate and it is then grossed up 5 percent for absenteeism. No overtime wages are assumed. The total burdened cost of an FTE laborer or staffer is \$119,089. Different FTE assumptions are used for ash Stacking and ash Layering scenarios. Exhibit 6 below summarizes labor assumptions underlying the 2013 reclamation cost estimates.

Exhibit 6: Summary of Labor Assumptions

Assumption Description	Assumption	Source and Notes
general support equipment operators	3 FTE	active years with ash Layering scenarios
	1 FTE	low activity years with ash Stacking scenarios
maintenance labor	5 FTE	active years with ash Layering scenarios
	2 FTE	low activity years with ash Stacking scenarios
salaried overhead labor	6 FTE	active years with ash Layering scenarios
	2 FTE	low activity years with ash Stacking scenarios
yearly G&A overhead	\$100,000	base office needs and expenses
labor burden rate	81%	81% sourced from 2013 SJCC budget
overtime	0%	simplified assumption
absenteeism	5%	estimated based on industry data
effective labor cost for average FTE	\$119,028	calculated

Source: Wiley Consulting, SJCC and Infomine

Support Costs

Support costs are constant for terms where materials are being moved. These costs include the cost of water truck and grader equipment and maintenance labor.

Direct Operating Costs

The primary cost driver for each of the reclamation scenarios is the movement of dirt. This includes dozer re-grading to move spoil into the pits as well as loading and trucking to place the backfill over the ash to achieve the currently permitted FSC. The primary operating costs for reclamation are therefore determined by both the productivity of each piece of equipment and the direct operating costs of the equipment. These values presented in Exhibit 7 are constant across all scenarios and the modeling assumptions are as follows:

Exhibit 7: Average Direct Costs by Activity

	Equipment Spec	Productivity	Cost Assumption (2012\$)
dozer costs	Cat D11 Dozer	516 cubic yards/hr	\$7,448 per acre
			\$0.61 per cubic yard
truck costs	Cat 785 Dump Truck	495 cubic yards/hr	\$0.65 per cubic yard
loader costs	Cat 994 Wheel Loader	1,213 cubic yards/hr	\$0.53 per cubic yard

Source: Wiley Consulting

ENVIRONMENTAL MONITORING COSTS

LA PLATA MONITORING & TRANSPORTATION

La Plata monitoring costs are assumed to continue through 2020 for all scenarios. Three years of monitoring costs are included, therefore, in the post 2017 cost estimates presented in this report. Additionally, transportation fees associated with the use of the Ute Haulroad for reclamation activities are also invoiced with the LaPlata monitoring. The cost of La Plata monitoring and associated transportation is based on recent invoices for these services and are assumed to be \$1.2 million per for the years 2018 through 2020. No additional costs are assumed after 2020 for LaPlata monitoring and Ute Haulroad usage.

PINON AND JUNIPER MONITORING

Estimates include an assumed ten years of environmental monitoring following the closure of each the Pinon and Juniper pits. The annual environmental monitoring cost includes labor cost of three FTEs for one pit and four FTEs in years where activities are ongoing for two pits. Labor costs are consistent with total burdened FTE staff used in this analysis and detailed in the section, Pit Backfill and Final Reclamation. An additional cost is included for contracting, consulting and operating fees at \$150,000 per year for one pit and \$250,000 per year for two pits.

MINE CLOSURE COSTS

BASE COST ASSUMPTIONS

No additional information relating to mine closure costs was ascertained from SJCC since Skelly & Loy's data request and assessment in 2002. Therefore, mine closure costs in the 2013 estimates generally reflect costs included in Skelly & Loy estimates, inflated based on real general inflation between 2002 and 2012.

Mine closure costs are broken out into discrete cost categories of mine facilities removal, demolition of the Shumway Bridge, and other mine close out costs. Estimates assume that the Shumway Bridge demolition, mine facilities removal, and general mine close out activities occur over a three year period beginning the year after the assumed date of SJGS retirement. So, for example in the scenarios where the plant retires in 2053, the closure activities would occur 2054 through 2056.

INFLATION ASSUMPTIONS

Mine closure costs were inflated from the values included in the Skelly & Loy estimates based on general inflation. The inflation factor from 2002 to real 2012 dollars was 1.254. Historical inflation assumptions are sourced from the Bureau of Economic Analysis's (BEA) indices for Gross Domestic Product (GDP).

MINE CLOSURE COST SUMMARY

Exhibit 8: Summary of Mine Closure Costs

	2002 Skelly & Loy Estimate (2002\$)	2013 Consultants Estimate (2012\$)
Shumway Bridge	\$396,364	\$497,208
Mine Facilities	\$3,635,615	\$4,560,601
Mine Close-out	\$4,878,104	\$6,119,208
Total Mine Closure Costs	\$8,910,083	\$11,177,017

Note: Mine closure costs inflated from 2002 Skelly & Loy estimates

OPERATOR RETURNS

Reclamation cost estimates include implied returns to operators to incent interest in performing the work. These costs are broken out into two buckets, one being a real return on capital and the other a management fee on operating costs.

RETURN ON CAPITAL

Capital equipment is assumed to provide a pre-tax return on capital for the third party operator, who provides capital to execute the project. The return on capital is assumed to be 10.4% per annum, which is a weighted average cost of capital derived from the following capitalization parameters:

- 80% debt, with a cost of debt equal to 8%
- 20% equity, with a pre-tax cost of equity equal to 20%

The 10.4% return on capital satisfies two methods of return on capital modeling:

1. It can assume that the Operator leases equipment on an as-needed basis and pays the lessor a 10.4% return on the capital equipment being leased and then passes that cost through to the project;
2. Or it can assume that the Operator purchases the equipment with an 80/20 debt to equity ratio, such that the blended cost of capital is 10.4%. In this case, it is assumed that the equity is provided by the Operator and earns a 20% pre-tax return to compensate the Operator for deploying financial and physical capital to the project.

As capital equipment is utilized to accomplish reclamation and waste disposal, the various scenario models assign a depreciation expense for each capital equipment item to the operating costs of the project, and the depreciation amount is deducted from the nominal economic value of the equipment being utilized. As the capital equipment is depreciated, it earns a progressively smaller return on capital in order to realistically account for the loss of equipment value. Note that the projected reclamation expense includes both depreciation expense and a return on capital proportional to the fully depreciated value.

MANAGEMENT FEE

A 15% management fee on all operational costs is included in the estimates. Since the amount of capital required for reclamation is relatively low, this administrative fee is believed to be required to interest a third party operator to perform these services.

TAXES AND ROYALTIES

Reclamation cost estimates include applicable taxes and royalties expected to be incurred throughout the duration of activities.

TAXES

Property Taxes

Property taxes are assumed to be assessed at a rate of \$375,000 per year in years where material movements occur and therefore costs are being incurred. This value is consistent with assumptions used in Skelly & Loy's analysis in 2002 and escalated to 2012 dollars. These costs are allocated proportionally to reclamation and waste disposal activities on a pro rata basis consistent with volume of material movements in a given year.

GRT

The New Mexico state gross receipts tax (GRT) is applied to all costs at a rate of 6.3125%.

Excise and Conservation Taxes

An excise tax of 0.75% and a conservation tax of 0.19% are applied to all costs.

Depletion Allowance

Current reclamation operations costs at the San Juan Mine are entitled to depletion allowance. It is not clear whether reclamation costs will benefit from this credit without nexus to coal production, i.e., once coal production operations at San Juan cease. Therefore, to be conservative in these reclamation cost estimates, it is assumed that this credit is not received 2018 and beyond under the further assumption that an operator other than the coal supplier performs the reclamation activity or the coal is supplied from another source.

ROYALTIES

The August 2006 settlement agreement between SJCC and the U.S. Minerals Management Services³ (MMS) requires royalty payments on the reclamation proceeds of La Plata and San Juan Mines. This rate is applicable to tons mined on federal land and is to be set using a prorated rate based on the surface and underground volumes produced from the mines. An 8 percent royalty is applied to all costs in the 2013 estimates. This number is believed to be a conservative estimate accounting for all volumes produced, surface and underground accounting for federal and non-federal lands and the historical royalty rate reduction that has been awarded to the San Juan Underground Mine.

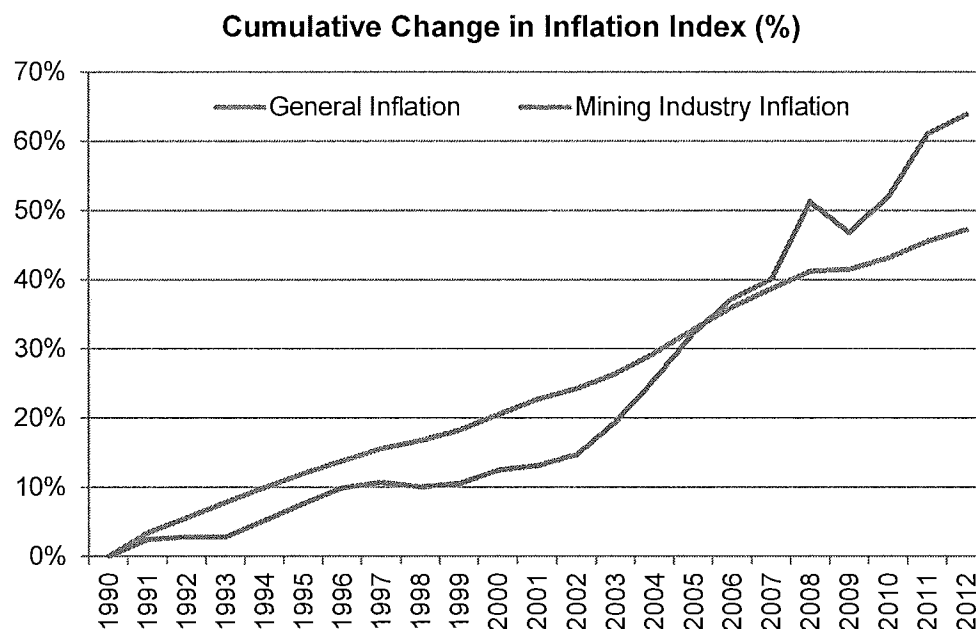
³ Predecessor agency of what is today known as the Bureau of Ocean Energy Management (BOEM) and the Bureau of Safety and Environmental Enforcement (BSEE) following a 2011 reorganization.

INFLATION ASSUMPTIONS

All costs are presented in real 2012 dollars, with historical costs being escalated. No real inflation for future periods is included in the reclamation cost estimates presented in this report. Going forward, this allows users to apply their own view of inflation to the future cost streams for individual purposes. It is recognized that Owners both have different views of cost escalation and also have different costs of capital that must be appropriately adjusted for inflation. This section presents some historic context on general and mining sector inflationary trends to help inform decisions regarding the application of inflation to reclamation cost estimates.

Inflation in the mining industry has demonstrated trends different than that of general inflation in the past. Since 2000, the mining industry overall has increased at rates greater than that of general inflation. This information is summarized in Exhibit 9.

Exhibit 9: Summary of General and Mining Industry Inflation Trends



	General Inflation Index	Mining Sector Cost Index	Difference (Mining-General)
Avg. Annual Change 1990-2012	2.23%	2.99%	0.76%
Avg. Annual Change 1990-2000	2.23%	1.57%	-0.65%
Avg. Annual Change 2000-2012	2.23%	4.11%	1.88%
Avg. Annual Change 2008-2012	1.17%	4.77%	3.06%
Avg. Annual Change 2002-2012	2.23%	4.62%	2.39%

Source: InfoMine 2013 and BEA

COMPARISONS TO PRIOR ESTIMATES

COMMENTARY ON PRIOR ESTIMATES

Skelly & Loy originally estimated reclamation costs for the La Plata and San Juan Mines in 2002 based on SJCC's response to a detailed data request. Although SJCC did not fully respond to this request, information that was made available was assumed in these estimates as well as financial and technical expertise of Skelly & Loy based on conditions at the time. In 2009, the Consultants finalized reclamation cost estimates. These estimates relied on some information based on the original SJCC data provided for mine closure but performed an independent assessment of material movements and associated reclamation costs.

The 2013 reclamation cost estimates differ from prior estimates. The earlier estimates along with the 2013 reclamation cost updates and differences are summarized in Exhibit 10.

Exhibit 10: Reclamation Cost Estimates and Differences Summary (million 2012\$)

	SJGS Retirement Date	Ash Placement Technique	Post 2017 SJGS Configuration	Scenario Reclamation Cost Estimate	Difference over Skelly & Loy	Difference Over 2009 Pace Wiley
2013 Scenario 1A	YE 2053	Continuous (ash Stacking)	2 Units	\$75.7	\$43.5	\$37.3
2013 Scenario 1B	YE 2053	Delayed (ash Layering)	2 Units	\$72.8	\$40.5	\$34.3
2013 Scenario 2A	YE 2038	Continuous (ash Stacking)	2 Units	\$82.7	\$50.5	\$44.2
2013 Scenario 2B	YE 2038	Delayed (ash Layering)	2 Units	\$80.4	\$48.2	\$42.0
2013 Scenario 3	Mid-2022	Delayed (at plant retirement)	2 Units	\$105.6	n/a	(\$15.6)
2013 Scenario 4	YE 2017	Delayed (at plant retirement)	n/a	\$122.6	n/a	\$1.4
2013 Scenario 5	YE 2028	Continuous (ash Stacking)	2 Units	\$97.1	n/a	(\$24.1)
Skelly & Loy (2002)	YE 2038	not explicitly stated (assume Layering)	4 Units	\$32.2	na	n/a
2009 Pace Wiley 2044 Retirement	YE 2044	Delayed (ash Layering)	4 Units	\$38.5	n/a	n/a
2009 Pace Wiley 2017 Retirement	YE 2017	Delayed (at plant retirement)	n/a	\$121.2	n/a	n/a

Source: Wiley Consulting, Pace Global and Skelly & Loy

Most of the differentials between the 2013 estimates and prior estimates can be explained by the following real changes, including:

- Real inflation (beyond general economic inflation) in the mining industry driving higher real cost estimates in the 2013 estimates;
- The impacts of reduced coal byproducts to backfill the pits and the Juniper North Portal resulting from a 2-Unit SJGS configuration post 2017;
- Differences in assumed SJGS retirement dates;
- Changes in assumed return on capital and management fees for the operator of reclamation operations; and
- Expectations for environmental monitoring requirements and costs.

These differences can further be explained for each of the scenarios by grouping costs into discrete categories and assessing real differences in assumptions and values by category. In the remainder of this section, the 2013 reclamation estimates are compared to prior estimates including the 2009 Pace Wiley estimates and the 2002 Skelly & Loy estimates in waterfall chart format.

WATERFALL COMPARISONS OF LATE RETIREMENT 2013 SCENARIOS TO SKELLY & LOY

In this section, all of the late SJGS retirement scenarios (defined as plant retirement dates 2038 and later) updated in 2013 are compared to the Skelly & Loy reclamation cost updated from 2002. Skelly & Loy assumed a SJGS retirement date in 2038 while the 2013 scenarios 1A and 1B assume a 2053 plant retirement and scenarios 2A and 2B assume a 2038 plant retirement. Skelly & Loy also assumed 4 Units operating at SJGS post 2017 as compared to the 2013 estimates that all assume only 2-Units continue to operate beyond 2017.

The cost of material movements to reclaim Pinon and Juniper pits account for the largest differential between the 2013 comparable scenarios and Skelly & Loy estimates. Skelly & Loy assumed that Pinon would be fully reclaimed before 2018 while the 2013 scenarios assume that Pinon is not backfilled until the end of 2018 which adds dirt costs not included in the Skelly & Loy estimates. Additionally, the two-Unit plant configuration produces less ash in the 2013 estimates and therefore requires more dirt backfill. Skelly & Loy assumed that all of the Juniper pit, including the north portal area was backfilled with ash which is a waste disposal and not a reclamation cost.

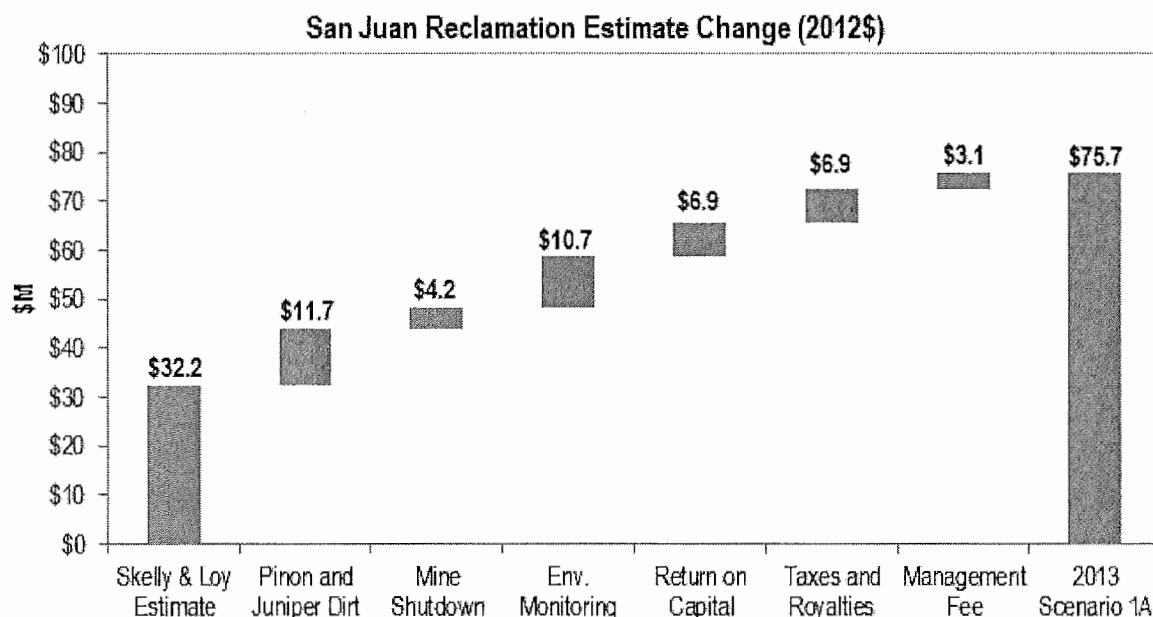
Additional differences include the cost of mine shut down and environmental monitoring. Mine shutdown costs are greater due to real economic inflation. The 2013 estimates assume that for the required environmental monitoring activities that additional FTEs would be required which drives the cost differential versus Skelly & Loy.

Finally, the approach to calculating operator returns differs in the Skelly & Loy and Consultants' estimates. Skelly & Loy assumed a 15 percent management fee on operating costs. The 2013 estimates also assume a 15% management fee on greater overall operating costs and additionally assume a real return on capital.

Although the tax and royalty assumptions remained generally the same, the higher overall costs in the 2013 estimates resulted in greater total tax and royalty component in the 2013 estimates as compared to Skelly & Loy.

Exhibit 11 through Exhibit 14 present waterfall charts and additional details on the assumptions driving the differences between the 2013 late SJGS retirement scenarios and Skelly & Loy reclamation cost estimates.

Exhibit 11: Waterfall Comparison of Scenario 1A v. Skelly & Loy

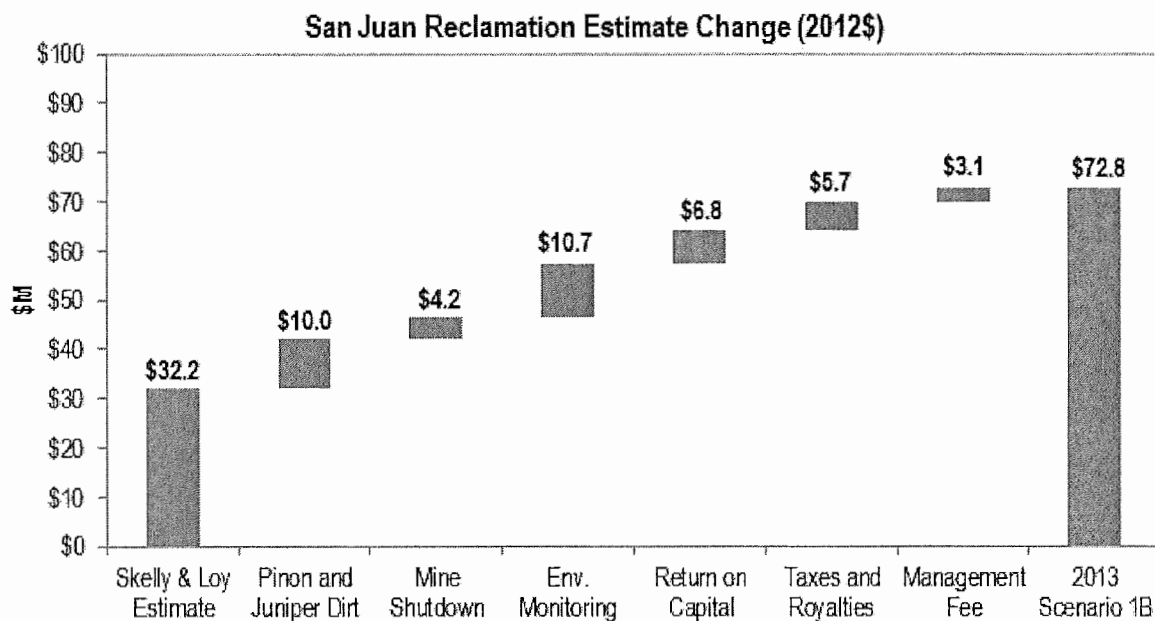


Cost Category	Explanation Cost Difference in 2013 Update
Pinon and Juniper Dirt	1A assumes that Pinon is not backfilled until YE 2018 and the underground portal is backfilled with dirt while Skelly & Loy assumed Pinon would be backfilled before 2018 and that the portal area would be backfilled with ash, real inflation increase cost per volume movement
Mine Shut Down	Differential aligns with real inflation 2002 to 2012
Environmental Monitoring	1A assumes 3 FTEs consistent with expected needs to meet environmental regulations while Skelly & Loy assumed only 1 FTE, real inflation increase in monitoring costs, 1A assumes environmental monitoring at La Plata through 2020 while Skelly & Loy assumed La Plata monitoring was complete by 2018
Return on Capital	1A assumes a weighted average return on capital of 10.4% consistent with market expectations of returns needed to attract a third party operator while Skelly & Loy did not include a return on capital in estimate
Taxes and Royalties	Both Skelly & Loy and 1A assume the same tax and royalty rates but differences in other cost categories in 1A arising from both real inflation and assumption differences drive differential
Management Fee	Both Skelly & Loy and 1A include a 15% management fee on pre-tax, pre-royalty operating costs but the difference is driven by the higher operating costs in 1A

Note: Scenario 1A assumes SJGS retirement year end 2053 and ash Stacking.

Source: Wiley and Pace, 2013 and Skelly & Loy, 2002

Exhibit 12: Waterfall Comparison of Scenario 1B v. Skelly & Loy

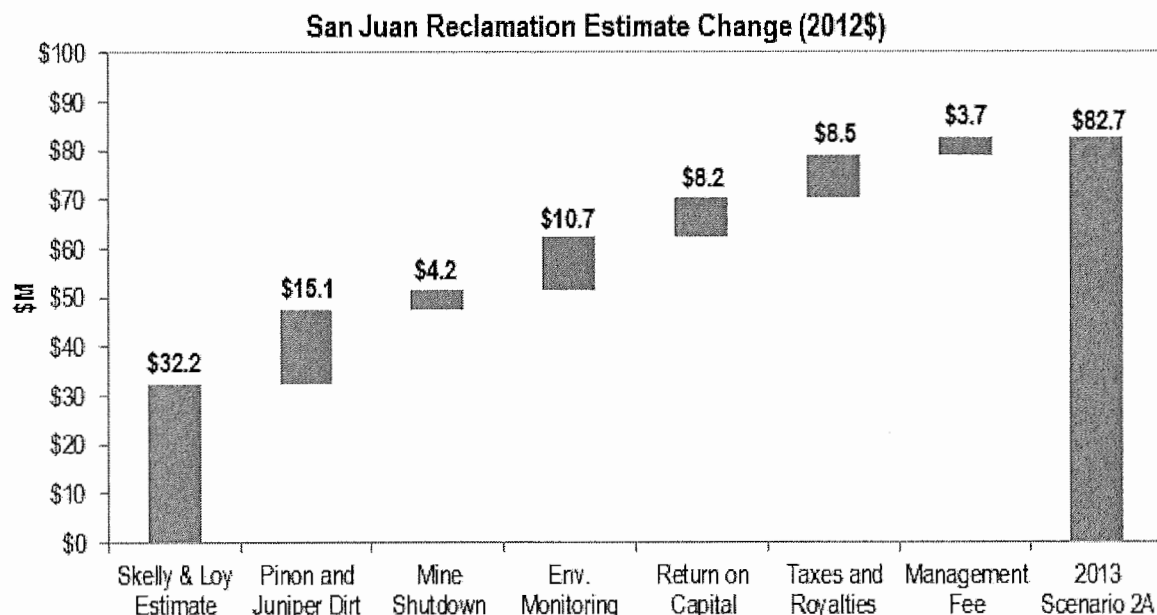


Cost Category	Explanation Cost Difference in 2013 Update
Pinon and Juniper Dirt	1B assumes that Pinon is not backfilled until YE 2018 and the underground portal is backfilled with dirt while Skelly & Loy assumed Pinon would be backfilled before 2018 and that the portal area would be backfilled with ash, real inflation increase cost per volume movement
Mine Shut Down	Differential aligns with real inflation 2002 to 2012
Environmental Monitoring	1B assumes 3 FTEs consistent with expected needs to meet environmental regulations while Skelly & Loy assumed only 1 FTE, real inflation increase in monitoring costs, 1B assumes environmental monitoring at La Plata through 2020 while Skelly & Loy assumed La Plata monitoring was complete by 2018
Return on Capital	1B assumes a weighted average return on capital of 10.4% consistent with market expectations of returns needed to attract a third party operator while Skelly & Loy did not include a return on capital in estimate
Taxes and Royalties	Both Skelly & Loy and 1B assume the same tax and royalty rates but differences in other cost categories in 1B arising from both real inflation and assumption differences drive differential
Management Fee	Both Skelly & Loy and 1B include a 15% management fee on pre-tax, pre-royalty operating costs but the difference is driven by the higher operating costs in 1B

Note: Scenario 1B assumes SJGS retirement year end 2053 and ash Layering.

Source: Wiley and Pace, 2013 and Skelly & Loy, 2002

Exhibit 13: Waterfall Comparison of Scenario 2A v. Skelly & Loy

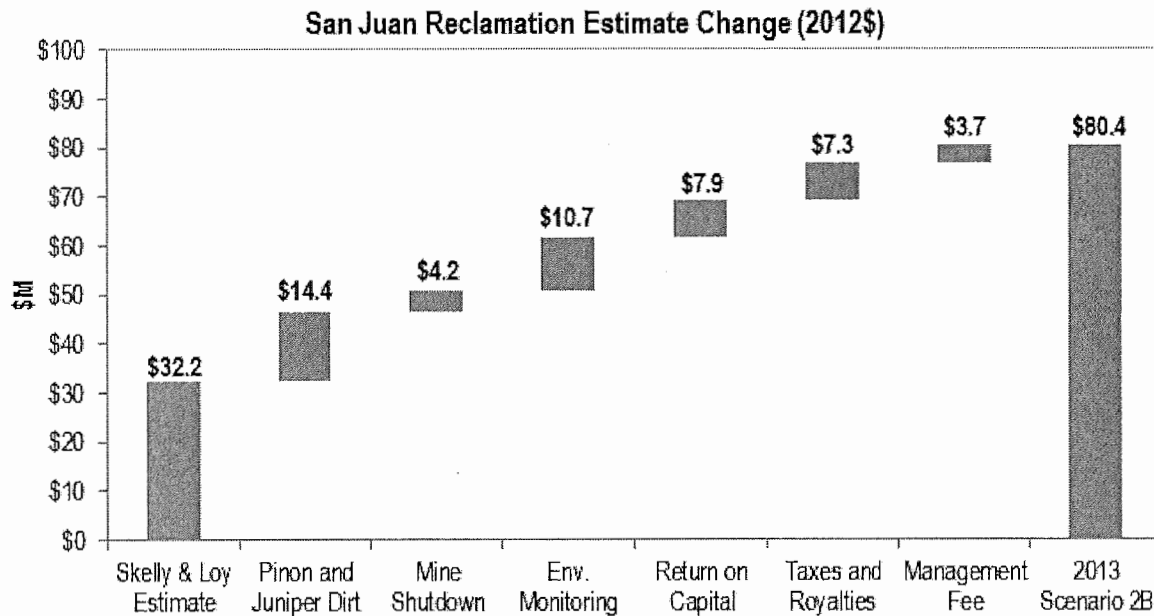


Cost Category	Explanation Cost Difference in 2013 Update
Pinon and Juniper Dirt	2A assumes that Pinon is not backfilled until YE 2018 and the underground portal is backfilled with dirt while Skelly & Loy assumed Pinon would be backfilled before 2018 and that the portal area would be backfilled with ash, real inflation increase cost per volume movement
Mine Shut Down	Differential aligns with real inflation 2002 to 2012
Environmental Monitoring	2A assumes 3 FTEs consistent with expected needs to meet environmental regulations while Skelly & Loy assumed only 1 FTE, real inflation increase in monitoring costs, 2A assumes environmental monitoring at La Plata through 2020 while Skelly & Loy assumed La Plata monitoring was complete by 2018
Return on Capital	2A assumes a weighted average return on capital of 10.4% consistent with market expectations of returns needed to attract a third party operator while Skelly & Loy did not include a return on capital in estimate
Taxes and Royalties	Both Skelly & Loy and 2A assume the same tax and royalty rates but differences in other cost categories in 2A arising from both real inflation and assumption differences drive differential
Management Fee	Both Skelly & Loy and 2A include a 15% management fee on pre-tax, pre-royalty operating costs but the difference is driven by the higher operating costs in 2A

Note: Scenario 2A assumes SJGS retirement year end 2028 and ash Stacking.

Source: Wiley and Pace, 2013 and Skelly & Loy, 2002

Exhibit 14: Waterfall Comparison of Scenario 2B v. Skelly & Loy



Cost Category	Explanation Cost Difference in 2013 Update
Pinon and Juniper Dirt	2B assumes that Pinon is not backfilled until YE 2018 and the underground portal is backfilled with dirt while Skelly & Loy assumed Pinon would be backfilled before 2018 and that the portal area would be backfilled with ash, real inflation increase cost per volume movement
Mine Shut Down	Differential aligns with real inflation 2002 to 2012
Environmental Monitoring	2B assumes 3 FTEs consistent with expected needs to meet environmental regulations while Skelly & Loy assumed only 1 FTE, real inflation increase in monitoring costs, 2B assumes environmental monitoring at La Plata through 2020 while Skelly & Loy assumed La Plata monitoring was complete by 2018
Return on Capital	2B assumes a weighted average return on capital of 10.4% consistent with market expectations of returns needed to attract a third party operator while Skelly & Loy did not include a return on capital in estimate
Taxes and Royalties	Both Skelly & Loy and 2B assume the same tax and royalty rates but differences in other cost categories in 2B arising from both real inflation and assumption differences drive differential
Management Fee	Both Skelly & Loy and 2B include a 15% management fee on pre-tax, pre-royalty operating costs but the difference is driven by the higher operating costs in 2B

Note: Scenario 2B assumes SJGS retirement year end 2038 and ash Layering.

Source: Wiley and Pace, 2013 and Skelly & Loy, 2002

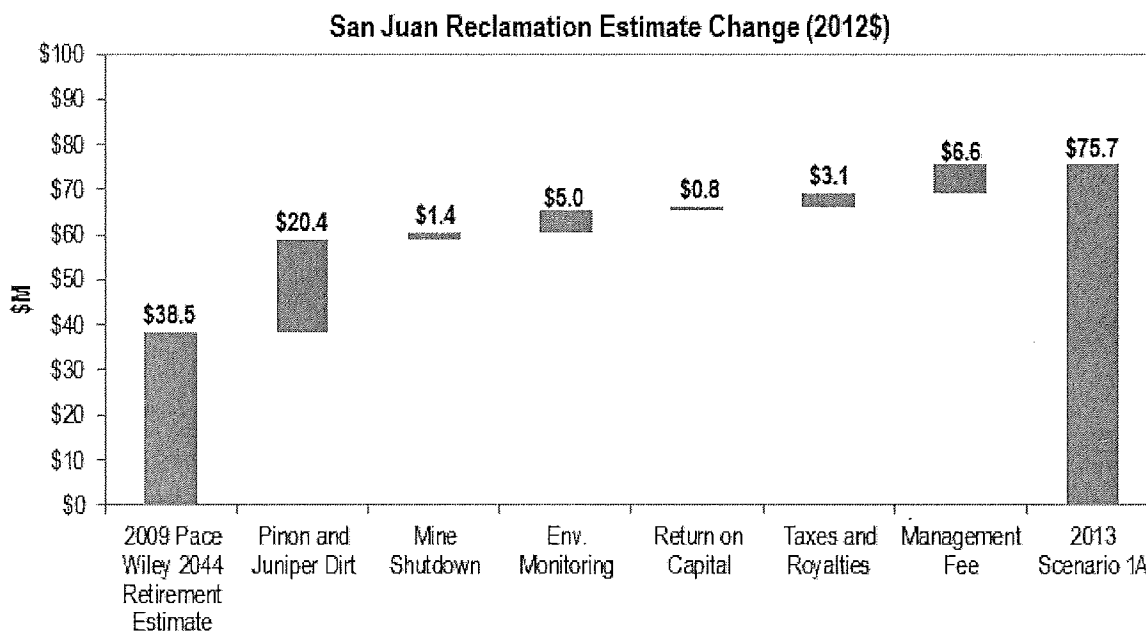
WATERFALL COMPARISONS OF LATE RETIREMENT 2013 SCENARIOS TO 2009 PACE WILEY ESTIMATES (2044 RETIREMENT)

In this section, all of the late SJGS retirement scenarios updated in 2013 are compared to the Pace and Wiley reclamation cost updated from 2009. The 2009 estimates assume a 2044 plant retirement date while the 2013 scenarios 1A and 1B assume a 2053 plant retirement and scenarios 2A and 2B assume a 2038 plant retirement. The 2009 estimate also assumed 4 Units operating at SJGS post 2017 as compared to the 2013 estimates that all assume only 2-Units continue to operate beyond 2017.

The largest direct driver in the difference between the 2009 and the 2013 reclamation cost estimates is in the cost of dirt to backfill Pinon and Juniper. The costs to move materials increased due to real cost escalation in the mining sector. Additionally, there is significantly less ash available with SGJS operating at 2 Units than with four Units through 2044 in the 2009 estimates. Most notably, in all scenarios more than 10 million cubic yards of dirt is required to backfill the portal area while in the prior estimates this was backfilled with ash and allocated to waste disposal and not reclamation costs.

The other cost categories are similar but account for real economic inflation in the sector. The approach to calculate the return on capital differs in the two sets of estimates, but does not account for a significant difference in cost. Taxes and royalties and management fee differences result from greater overall costs in the 2013 estimate scenarios. Exhibit 15 through Exhibit 18 present waterfall charts and additional details on the assumptions driving the differences between the 2013 late SJGS retirement scenarios and the 2009 Pace Wiley 2044 retirement reclamation cost estimates.

Exhibit 15: Waterfall Comparison of Scenario 1A v. Pace and Wiley 2009

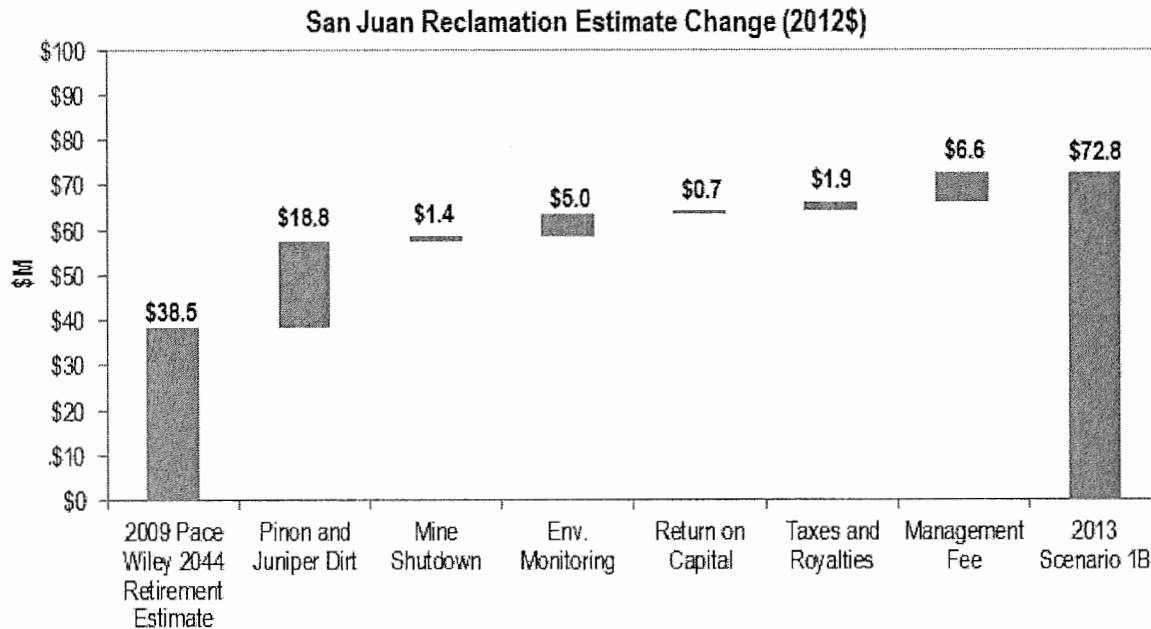


Cost Category	Explanation Cost Difference in 2013 Update
Pinon and Juniper Dirt	Differential largely due to the additional dirt needed to fill the portal area (~10.7 million cubic yards)
Mine Shut Down	Differential due to real inflation from 2008 to 2012
Environmental Monitoring	Differential in LaPlata monitoring due to real mining sector inflation from 2008 to 2012, 1A assumed identical bond release costs for Pinon and Juniper while the 2009 estimate assumed Pinon bond release cost to be ~40% of Juniper costs
Return on Capital	1A generally assumes a weighted average return on capital of 10.4% consistent with market expectations of returns needed to attract a third party operator while the 2009 estimate included a specific \$0.10/ton coal return on capital for 8 years prior to mine closure similar to a CIE structure
Taxes and Royalties	Both 2009 and 2013 1A estimates assume the same tax and royalty rates but differences in other cost categories in 1A arising from both real inflation and assumption differences drive differential
Management Fee	1A includes a 15% management fee on pre-tax, pre-royalty operating costs consistent with market expectations of profits needed to attract a third party operator while the 2009 estimate only included a management fee on operating costs prior to 2018

Note: Scenario 1A assumes SJGS retirement year end 2053 and ash Stacking.

Source: Wiley and Pace, 2013 and 2009

Exhibit 16: Waterfall Comparison of Scenario 1B v. Pace and Wiley 2009

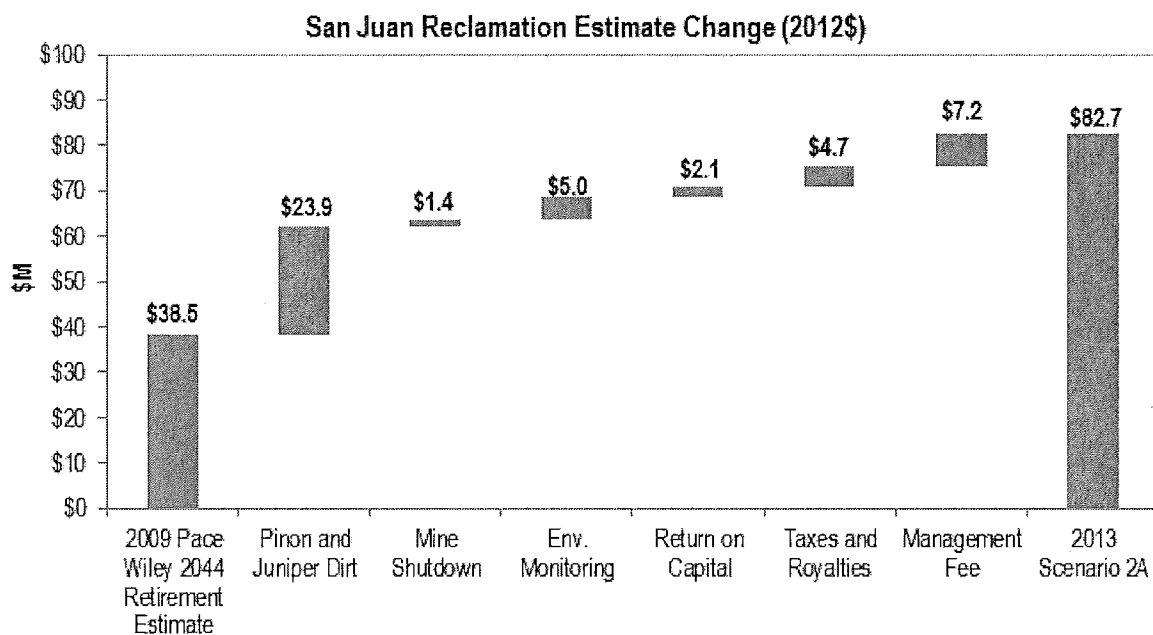


Cost Category	Explanation Cost Difference in 2013 Update
Pinon and Juniper Dirt	Differential largely due to the additional dirt needed to fill the portal area (~10.7 million cubic yards)
Mine Shut Down	Differential due to real inflation from 2008 to 2012
Environmental Monitoring	Differential in LaPlata monitoring due to real mining sector inflation from 2008 to 2012, 1B assumed identical bond release costs for Pinon and Juniper while the 2009 estimate assumed Pinon bond release cost to be ~40% of Juniper costs
Return on Capital	1B generally assumes a weighted average return on capital of 10.4% consistent with market expectations of returns needed to attract a third party operator while the 2009 estimate included a specific \$0.10/ton coal return on capital for 8 years prior to mine closure similar to a CIE structure
Taxes and Royalties	Both 2009 and 2013 1B estimates assume the same tax and royalty rates but differences in other cost categories in 1B arising from both real inflation and assumption differences drive differential
Management Fee	1B includes a 15% management fee on pre-tax, pre-royalty operating costs consistent with market expectations of profits needed to attract a third party operator while the 2009 estimate only included a management fee on operating costs prior to 2018

Note: Scenario 1B assumes SJGS retirement year end 2053 and ash Layering.

Source: Wiley and Pace, 2013 and 2009

Exhibit 17: Waterfall Comparison of Scenario 2A v. Pace and Wiley 2009

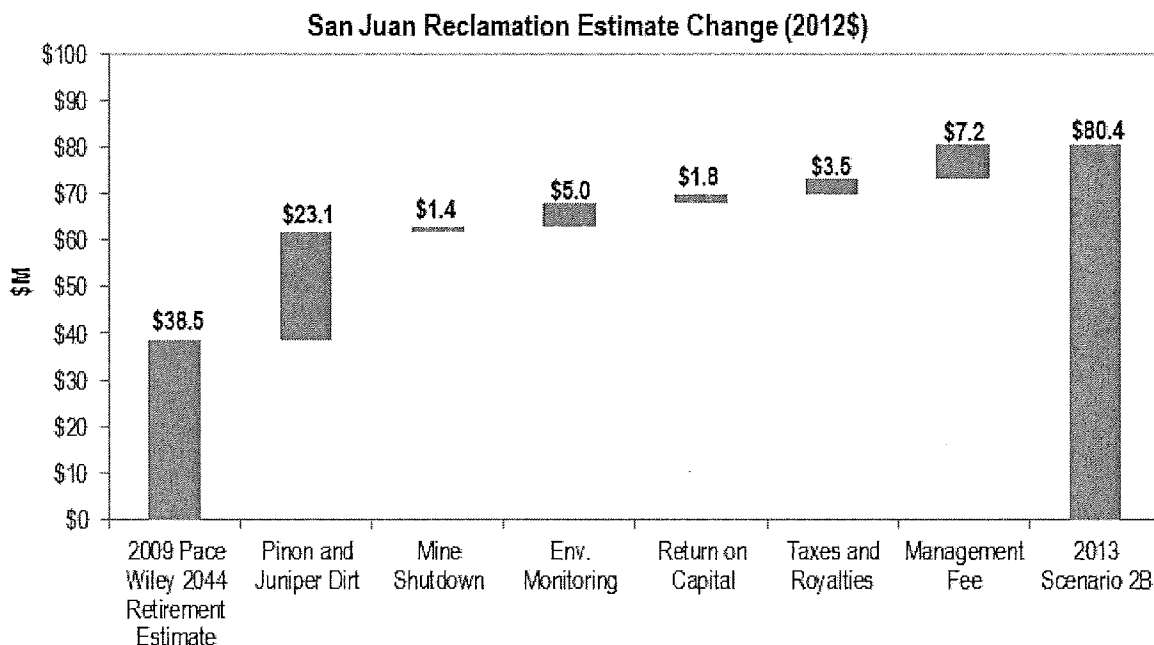


Cost Category	Explanation Cost Difference in 2013 Update
Pinon and Juniper Dirt	Differential largely due to the additional dirt needed to fill the portal area (~12.1 million cubic yards)
Mine Shut Down	Differential due to real inflation from 2008 to 2012
Environmental Monitoring	Differential in LaPlata monitoring due to real mining sector inflation from 2008 to 2012, 2A assumed identical bond release costs for Pinon and Juniper while the 2009 estimate assumed Pinon bond release cost to be ~40% of Juniper costs
Return on Capital	2A generally assumes a weighted average return on capital of 10.4% consistent with market expectations of returns needed to attract a third party operator while the 2009 estimate included a specific \$0.10/ton coal return on capital for 8 years prior to mine closure similar to a CIE structure
Taxes and Royalties	Both 2009 and 2013 2A estimates assume the same tax and royalty rates but differences in other cost categories in 2A arising from both real inflation and assumption differences drive differential
Management Fee	2A includes a 15% management fee on pre-tax, pre-royalty operating costs consistent with market expectations of profits needed to attract a third party operator while the 2009 estimate only included a management fee on operating costs prior to 2018

Note: Scenario 2A assumes SJGS retirement year end 2038 and ash Stacking.

Source: Wiley and Pace, 2013 and 2009

Exhibit 18: Waterfall Comparison of Scenario 2B v. Pace and Wiley 2009



Cost Category	Explanation Cost Difference in 2013 Update
Pinon and Juniper Dirt	Differential largely due to the additional dirt needed to fill the portal area (~12.1 million cubic yards)
Mine Shut Down	Differential due to real inflation from 2008 to 2012
Environmental Monitoring	Differential in LaPlata monitoring due to real mining sector inflation from 2008 to 2012, 2B assumed identical bond release costs for Pinon and Juniper while the 2009 estimate assumed Pinon bond release cost to be ~40% of Juniper costs
Return on Capital	2B generally assumes a weighted average return on capital of 10.4% consistent with market expectations of returns needed to attract a third party operator while the 2009 estimate included a specific \$0.10/ton coal return on capital for 8 years prior to mine closure similar to a CIE structure
Taxes and Royalties	Both 2009 and 2013 2B estimates assume the same tax and royalty rates but differences in other cost categories in 2B arising from both real inflation and assumption differences drive differential
Management Fee	2B includes a 15% management fee on pre-tax, pre-royalty operating costs consistent with market expectations of profits needed to attract a third party operator while the 2009 estimate only included a management fee on operating costs prior to 2018

Note: Scenario 2B assumes SJGS retirement year end 2038 and ash Layering.

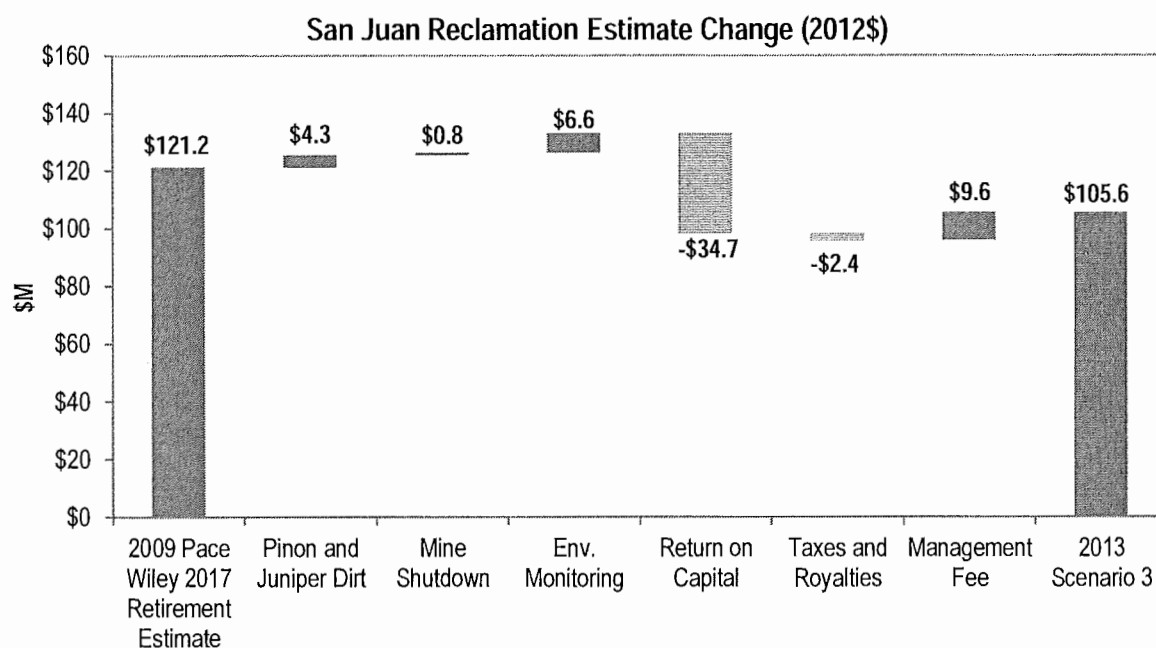
Source: Wiley and Pace, 2013 and 2009

WATERFALL COMPARISONS OF EARLY RETIREMENT 2013 SCENARIOS TO 2009 PACE WILEY ESTIMATES (2017 RETIREMENT)

In this section, the two early SJGS retirement scenarios updated in 2013 are compared to the Pace and Wiley reclamation cost updated from 2009 that assumes a 2017 retirement date for SJGS. The 2013 early retirement scenarios 3, 4 and 5 assume 2022, 2017 and 2028 plant retirement dates, respectively.

The approach to calculate the return on capital accounts for the largest cost differential in the early retirement scenarios. The 2013 estimates assume a weighted average percentage return on capital based on debt and equity leverage and return assumptions. The fixed returns assumed in the 2009 estimates are much greater and result in a negative differential when comparing the 2013 and 2009 Pace Wiley estimates for early plant retirement. This negative differential largely makes up for the dirt movement and other cost differentials driven by real economic inflation. Exhibit 19 through Exhibit 21 present waterfall charts and additional details on the assumptions driving the differences between the 2013 early SJGS retirement scenarios and the 2009 Pace Wiley 2017 retirement reclamation cost estimates.

Exhibit 19: Waterfall Comparison of Scenario 3 v. 2009 Pace and Wiley 2017 Retirement

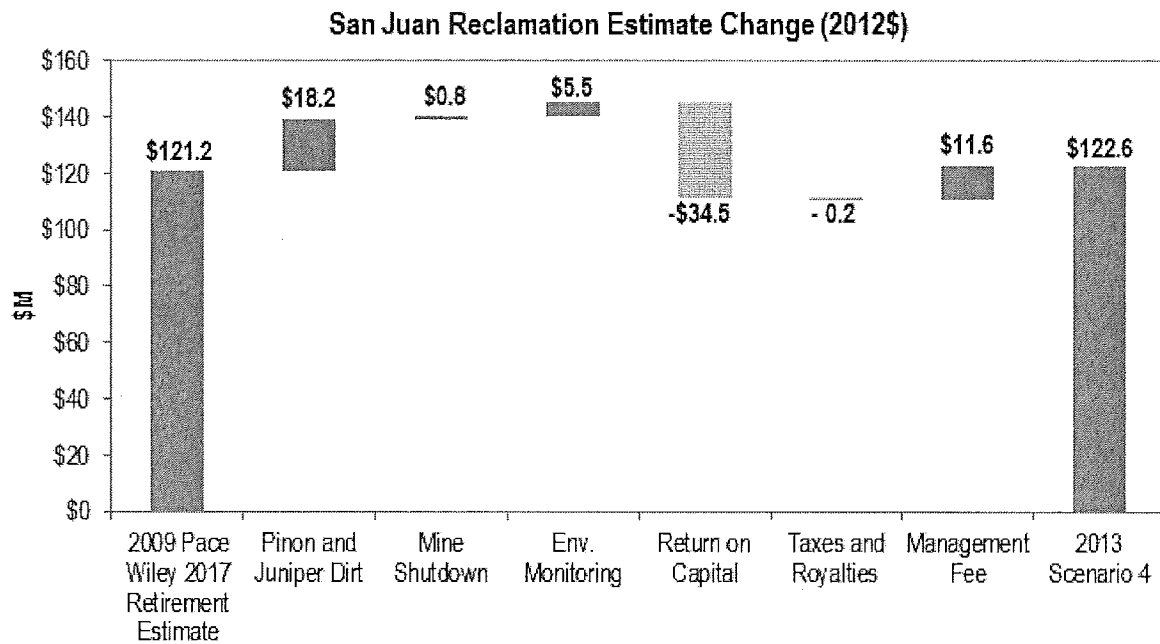


Cost Category	Explanation Cost Difference in 2013 Update
Pinon and Juniper Dirt	Scenario 3 assumes depreciation costs in the Pinon and Juniper dirt category while the 2009 estimate included these costs in the return on capital cost category.
Mine Shut Down	Differential due to real inflation from 2008 to 2012
Environmental Monitoring	Differential in LaPlata monitoring due to real mining sector inflation from 2008 to 2012, scenario 3 assumes separate 10-year monitoring periods for Pinon and Juniper with some economies of scale, while the 2009 estimate assumed a single 10-year monitoring period for both pits
Return on Capital	Scenario 3 assumes depreciation costs in the Pinon and Juniper dirt category while the 2009 estimate included these costs in the return on capital cost category. Scenario 3 assumes a weighted average return on capital of 10.4% consistent with market expectations of returns needed to attract a third party operator while the 2009 estimate assumed a constant \$5.2 million (2008\$) for 8 years.
Taxes and Royalties	Both 2009 and 2013 scenario 3 estimates assume the same tax and royalty rates but differences in other cost categories in scenario 3 arising from both real inflation and assumption differences drive differential
Management Fee	Scenario 3 includes a 15% management fee on pre-tax, pre-royalty operating costs consistent with market expectations of profits needed to attract a third party operator while the 2009 estimate only included a return on capital return and not a management fee

Note: Scenario 3 assumes SJGS retirement mid 2022.

Source: Wiley and Pace, 2013 and 2009

Exhibit 20: Waterfall Comparison of Scenario 4 v. 2009 Pace and Wiley 2017 Retirement

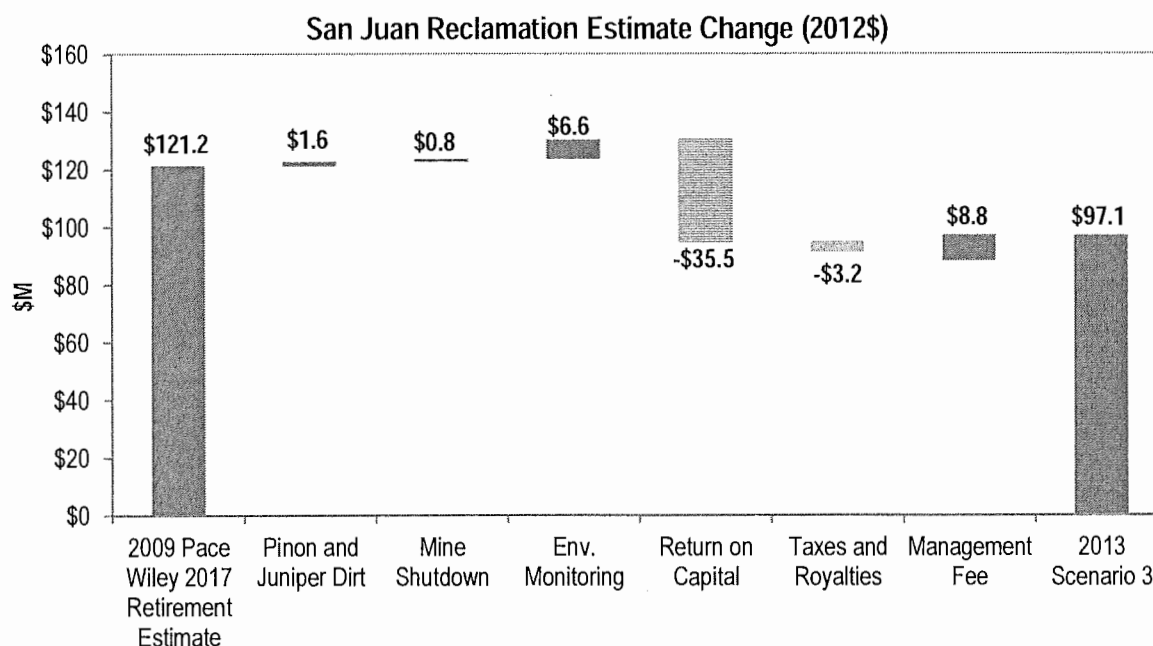


Cost Category	Explanation Cost Difference in 2013 Update
Pinon and Juniper Dirt	Scenario 4 assumes depreciation costs in the Pinon and Juniper dirt category while the 2009 estimate included these costs in the return on capital cost category.
Mine Shut Down	Differential due to real inflation from 2008 to 2012
Environmental Monitoring	Differential in LaPlata monitoring due to real mining sector inflation from 2008 to 2012, scenario 4 assumes separate 10-year monitoring periods for Pinon and Juniper with some economies of scale while the 2009 estimate assumed a single 10-year monitoring period for both pits
Return on Capital	Scenario 4 assumes depreciation costs in the Pinon and Juniper dirt category while the 2009 estimate included these costs in the return on capital cost category. Scenario 4 assumes a weighted average return on capital of 10.4% consistent with market expectations of returns needed to attract a third party operator while the 2009 estimate assumed a constant \$5.2 million (2008\$) for 8 years.
Taxes and Royalties	Both 2009 and 2013 scenario 4 estimates assume the same tax and royalty rates but differences in other cost categories in scenario 4 arising from both real inflation and assumption differences drive differential
Management Fee	Scenario 4 includes a 15% management fee on pre-tax, pre-royalty operating costs consistent with market expectations of profits needed to attract a third party operator while the 2009 estimate only included a return on capital return and not a management fee

Note: Scenario 4 assumes SJGS retirement year end 2017.

Source: Wiley and Pace, 2013 and 2009

Exhibit 21: Waterfall Comparison of Scenario 5 v. 2009 Pace and Wiley 2017 Retirement



Cost Category	Explanation Cost Difference in 2013 Update
Pinon and Juniper Dirt	Scenario 5 assumes depreciation costs in the Pinon and Juniper dirt category while the 2009 estimate included these costs in the return on capital cost category.
Mine Shut Down	Differential due to real inflation from 2008 to 2012
Environmental Monitoring	Differential in LaPlata monitoring due to real mining sector inflation from 2008 to 2012, scenario 5 assumes separate 10-year monitoring periods for Pinon and Juniper with some economies of scale while the 2009 estimate assumed a single 10-year monitoring period for both pits
Return on Capital	Scenario 5 assumes depreciation costs in the Pinon and Juniper dirt category while the 2009 estimate included these costs in the return on capital cost category. Scenario 4 assumes a weighted average return on capital of 10.4% consistent with market expectations of returns needed to attract a third party operator while the 2009 estimate assumed a constant \$5.2 million (2008\$) for 8 years.
Taxes and Royalties	Both 2009 and 2013 scenario 5 estimates assume the same tax and royalty rates but differences in other cost categories in scenario 5 arising from both real inflation and assumption differences drive differential
Management Fee	Scenario 5 includes a 15% management fee on pre-tax, pre-royalty operating costs consistent with market expectations of profits needed to attract a third party operator while the 2009 estimate only included a return on capital return and not a management fee

Note: Scenario 5 assumes SJGS retirement year end 2028 and ask Stacking.

Source: Wiley and Pace, 2013 and 2009

APPENDIX A - SUMMARY OF TOTAL COST OF ALL SCENARIOS

Annual total cost estimates for the period 2014 to End of Project by category are presented in this section for all scenarios.

Exhibit 22: Scenario 1A - 2053 Shutdown with Continuous Reclamation (Ash Stacking) 2012\$

Year	La Plata Monitoring	Pinon	Sage Juniper	Cottonwood Juniper	North Juniper	Environmental Monitoring	Mine Facilities	Shumway Bridge	Mine Close- out	San Juan Subtotal	Grand Total
2014	1,200,000	1,223,279	-	-	-	-	-	-	-	1,223,279	2,423,279
2015	1,200,000	1,211,665	-	-	-	-	-	-	-	1,211,665	2,411,665
2016	1,200,000	1,200,052	-	-	-	-	-	-	-	1,200,052	2,400,052
2017	1,200,000	1,188,438	-	-	-	-	-	-	-	1,188,438	2,388,438
2018	1,200,000	1,176,825	-	-	-	-	-	-	-	1,176,825	2,376,825
2019	1,200,000	-	251,927	-	-	626,632	-	-	-	878,559	2,078,559
2020	1,200,000	-	250,648	-	-	626,691	-	-	-	877,339	2,077,339
2021	-	-	249,369	-	-	626,750	-	-	-	876,119	876,119
2022	-	-	248,090	-	-	626,810	-	-	-	874,899	874,899
2023	-	-	246,810	-	-	626,869	-	-	-	873,680	873,680
2024	-	-	245,531	-	-	626,929	-	-	-	872,460	872,460
2025	-	-	244,251	-	-	626,990	-	-	-	871,241	871,241
2026	-	-	242,971	-	-	627,050	-	-	-	870,022	870,022
2027	-	-	241,692	-	-	627,111	-	-	-	868,803	868,803
2028	-	-	240,411	-	-	627,172	-	-	-	867,584	867,584
2029	-	-	265,213	-	-	-	-	-	-	265,213	265,213
2030	-	-	268,065	-	-	-	-	-	-	268,065	268,065
2031	-	-	270,916	-	-	-	-	-	-	270,916	270,916
2032	-	-	269,677	-	-	-	-	-	-	269,677	269,677
2033	-	-	268,439	-	-	-	-	-	-	268,439	268,439
2034	-	-	267,200	-	-	-	-	-	-	267,200	267,200
2035	-	-	265,961	-	-	-	-	-	-	265,961	265,961
2036	-	-	264,723	-	-	-	-	-	-	264,723	264,723
2037	-	-	263,484	-	-	-	-	-	-	263,484	263,484
2038	-	-	262,245	-	-	-	-	-	-	262,245	262,245
2039	-	-	261,007	-	-	-	-	-	-	261,007	261,007
2040	-	-	259,768	-	-	-	-	-	-	259,768	259,768
2041	-	-	258,529	-	-	-	-	-	-	258,529	258,529
2042	-	-	257,291	-	-	-	-	-	-	257,291	257,291
2043	-	-	256,052	-	-	-	-	-	-	256,052	256,052
2044	-	-	254,813	-	-	-	-	-	-	254,813	254,813
2045	-	-	253,575	-	-	-	-	-	-	253,575	253,575
2046	-	-	252,336	-	-	-	-	-	-	252,336	252,336
2047	-	-	251,097	-	-	-	-	-	-	251,097	251,097
2048	-	-	249,859	-	-	-	-	-	-	249,859	249,859
2049	-	-	248,620	-	-	-	-	-	-	248,620	248,620
2050	-	-	247,381	-	-	-	-	-	-	247,381	247,381
2051	-	-	246,142	-	-	-	-	-	-	246,142	246,142
2052	-	-	244,904	-	-	-	-	-	-	244,904	244,904
2053	-	-	422,041	-	-	-	-	-	-	422,041	422,041
2054	-	-	-	-	11,228,422	-	2,067,143	225,365	2,773,599	16,294,529	16,294,529
2055	-	-	-	-	11,063,376	-	2,070,320	225,711	2,777,862	16,137,270	16,137,270
2056	-	-	-	-	11,240,892	-	2,073,242	226,030	2,781,782	16,321,946	16,321,946
2057	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2058	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2059	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2060	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2061	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2062	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2063	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2064	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2065	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2066	-	-	-	-	-	685,317	-	-	-	685,317	685,317
Grand Total	8,400,000	6,000,258	9,091,037	-	33,532,690	13,122,180	6,210,705	677,107	8,333,243	76,967,219	85,367,219
Total 2018+	3,600,000	1,176,825	9,091,037	-	33,532,690	13,122,180	6,210,705	677,107	8,333,243	72,143,786	75,743,786

Source: Wiley and Pace, 2013

Exhibit 23: Scenario 1B - 2053 Shutdown with Delayed Reclamation (Ash Layering) 2012\$

Year	La Plata Monitoring	Pinon	Sage Juniper	Cottonwood Juniper	North Juniper	Environmental Monitoring	Mine Facilities	Shumway Bridge	Mine Close- out	San Juan Subtotal	Grand Total
2014	1,200,000	1,223,279	-	-	-	-	-	-	-	1,223,279	2,423,279
2015	1,200,000	1,211,665	-	-	-	-	-	-	-	1,211,665	2,411,665
2016	1,200,000	1,200,052	-	-	-	-	-	-	-	1,200,052	2,400,052
2017	1,200,000	1,188,438	-	-	-	-	-	-	-	1,188,438	2,388,438
2018	1,200,000	1,176,825	-	-	-	-	-	-	-	1,176,825	2,376,825
2019	1,200,000	-	-	-	-	685,317	-	-	-	685,317	1,885,317
2020	1,200,000	-	-	-	-	685,317	-	-	-	685,317	1,885,317
2021	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2022	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2023	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2024	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2025	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2026	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2027	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2028	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2029	-	-	-	-	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-	-	-	-	-
2039	-	-	-	-	-	-	-	-	-	-	-
2040	-	-	-	-	-	-	-	-	-	-	-
2041	-	-	-	-	-	-	-	-	-	-	-
2042	-	-	-	-	-	-	-	-	-	-	-
2043	-	-	-	-	-	-	-	-	-	-	-
2044	-	-	-	-	-	-	-	-	-	-	-
2045	-	-	684,813	-	-	-	-	-	-	684,813	684,813
2046	-	-	460,421	-	-	-	-	-	-	460,421	460,421
2047	-	-	457,376	-	-	-	-	-	-	457,376	457,376
2048	-	-	454,332	-	-	-	-	-	-	454,332	454,332
2049	-	-	451,288	-	-	-	-	-	-	451,288	451,288
2050	-	-	448,243	-	-	-	-	-	-	448,243	448,243
2051	-	-	445,199	-	-	-	-	-	-	445,199	445,199
2052	-	-	442,155	-	-	-	-	-	-	442,155	442,155
2053	-	-	503,634	-	-	-	-	-	-	503,634	503,634
2054	-	-	-	-	11,636,637	-	2,059,568	224,539	2,763,435	16,684,180	16,684,180
2055	-	-	-	-	11,472,008	-	2,062,576	224,867	2,767,471	16,526,921	16,526,921
2056	-	-	-	-	11,649,534	-	2,065,493	225,185	2,771,385	16,711,598	16,711,598
2057	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2058	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2059	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2060	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2061	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2062	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2063	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2064	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2065	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2066	-	-	-	-	-	685,317	-	-	-	685,317	685,317
Grand Total	8,400,000	6,000,258	4,347,460	-	34,758,178	13,706,348	6,187,637	674,592	8,302,292	73,976,764	82,376,764
Total 2018+	3,600,000	1,176,825	4,347,460	-	34,758,178	13,706,348	6,187,637	674,592	8,302,292	69,153,331	72,753,331

Source: Wiley and Pace, 2013

Exhibit 24: Scenario 2A - 2038 Shutdown with Continuous Reclamation (Ash Stacking) 2012\$

Year	La Plata Monitoring	Pinon	Sage Juniper	Cottonwood Juniper	North Juniper	Environmental Monitoring	Mine Facilities	Shumway Bridge	Mine Close- out	San Juan Subtotal	Grand Total
2014	1,200,000	1,223,279	-	-	-	-	-	-	-	1,223,279	2,423,279
2015	1,200,000	1,211,665	-	-	-	-	-	-	-	1,211,665	2,411,665
2016	1,200,000	1,200,052	-	-	-	-	-	-	-	1,200,052	2,400,052
2017	1,200,000	1,188,438	-	-	-	-	-	-	-	1,188,438	2,388,438
2018	1,200,000	1,176,825	-	-	-	-	-	-	-	1,176,825	2,376,825
2019	1,200,000	-	776,851	-	-	654,164	-	-	-	1,431,015	2,631,015
2020	1,200,000	-	771,354	-	-	654,431	-	-	-	1,425,785	2,625,785
2021	-	-	765,856	-	-	654,700	-	-	-	1,420,556	1,420,556
2022	-	-	760,355	-	-	654,972	-	-	-	1,415,327	1,415,327
2023	-	-	754,853	-	-	655,247	-	-	-	1,410,100	1,410,100
2024	-	-	749,348	-	-	655,525	-	-	-	1,404,873	1,404,873
2025	-	-	743,842	-	-	655,805	-	-	-	1,399,647	1,399,647
2026	-	-	738,334	-	-	656,088	-	-	-	1,394,422	1,394,422
2027	-	-	732,824	-	-	656,373	-	-	-	1,389,197	1,389,197
2028	-	-	727,312	-	-	656,662	-	-	-	1,383,974	1,383,974
2029	-	-	767,152	-	-	-	-	-	-	767,152	767,152
2030	-	-	772,849	-	-	-	-	-	-	772,849	772,849
2031	-	-	778,545	-	-	-	-	-	-	778,545	778,545
2032	-	-	773,251	-	-	-	-	-	-	773,251	773,251
2033	-	-	767,956	-	-	-	-	-	-	767,956	767,956
2034	-	-	762,662	-	-	-	-	-	-	762,662	762,662
2035	-	-	757,368	-	-	-	-	-	-	757,368	757,368
2036	-	-	752,073	-	-	-	-	-	-	752,073	752,073
2037	-	-	746,779	-	-	-	-	-	-	746,779	746,779
2038	-	-	1,226,771	-	-	-	-	-	-	1,226,771	1,226,771
2039	-	-	-	-	11,275,752	-	2,066,244	225,267	2,772,393	16,339,656	16,339,656
2040	-	-	-	-	11,110,756	-	2,069,401	225,611	2,776,629	16,182,398	16,182,398
2041	-	-	-	-	11,288,273	-	2,072,323	225,930	2,780,549	16,367,074	16,367,074
2042	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2043	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2044	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2045	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2046	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2047	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2048	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2049	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2050	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2051	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2052	-	-	-	-	-	-	-	-	-	-	-
2053	-	-	-	-	-	-	-	-	-	-	-
2054	-	-	-	-	-	-	-	-	-	-	-
2055	-	-	-	-	-	-	-	-	-	-	-
2056	-	-	-	-	-	-	-	-	-	-	-
2057	-	-	-	-	-	-	-	-	-	-	-
2058	-	-	-	-	-	-	-	-	-	-	-
2059	-	-	-	-	-	-	-	-	-	-	-
2060	-	-	-	-	-	-	-	-	-	-	-
2061	-	-	-	-	-	-	-	-	-	-	-
2062	-	-	-	-	-	-	-	-	-	-	-
2063	-	-	-	-	-	-	-	-	-	-	-
2064	-	-	-	-	-	-	-	-	-	-	-
2065	-	-	-	-	-	-	-	-	-	-	-
2066	-	-	-	-	-	-	-	-	-	-	-
Grand Total	8,400,000	6,000,258	15,626,336	-	33,674,781	13,407,140	6,207,968	676,808	8,329,571	83,922,862	92,322,862
Total 2018+	3,600,000	1,176,825	15,626,336	-	33,674,781	13,407,140	6,207,968	676,808	8,329,571	79,099,429	82,699,429

Source: Wiley and Pace, 2013

Exhibit 25: Scenario 2B - 2038 Shutdown with Delayed Reclamation (Ash Layering) 2012\$

Year	La Plata Monitoring	Pinon	Sage Juniper	Cottonwood Juniper	North Juniper	Environmental Monitoring	Mine Facilities	Shumway Bridge	Mine Close- out	San Juan Subtotal	Grand Total
2014	1,200,000	1,223,279	-	-	-	-	-	-	-	1,223,279	2,423,279
2015	1,200,000	1,211,665	-	-	-	-	-	-	-	1,211,665	2,411,665
2016	1,200,000	1,200,052	-	-	-	-	-	-	-	1,200,052	2,400,052
2017	1,200,000	1,188,438	-	-	-	-	-	-	-	1,188,438	2,388,438
2018	1,200,000	1,176,825	-	-	-	-	-	-	-	1,176,825	2,376,825
2019	1,200,000	-	-	-	-	685,317	-	-	-	685,317	1,885,317
2020	1,200,000	-	-	-	-	685,317	-	-	-	685,317	1,885,317
2021	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2022	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2023	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2024	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2025	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2026	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2027	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2028	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2029	-	-	-	-	-	-	-	-	-	-	-
2030	-	-	1,954,989	-	-	-	-	-	-	1,954,989	1,954,989
2031	-	-	1,294,039	-	-	-	-	-	-	1,294,039	1,294,039
2032	-	-	1,284,406	-	-	-	-	-	-	1,284,406	1,284,406
2033	-	-	1,274,773	-	-	-	-	-	-	1,274,773	1,274,773
2034	-	-	1,265,140	-	-	-	-	-	-	1,265,140	1,265,140
2035	-	-	1,255,507	-	-	-	-	-	-	1,255,507	1,255,507
2036	-	-	1,245,874	-	-	-	-	-	-	1,245,874	1,245,874
2037	-	-	1,236,241	-	-	-	-	-	-	1,236,241	1,236,241
2038	-	-	1,399,072	-	-	-	-	-	-	1,399,072	1,399,072
2039	-	-	-	-	11,574,183	-	2,060,702	224,663	2,764,956	16,624,504	16,624,504
2040	-	-	-	-	11,409,492	-	2,063,734	224,993	2,769,025	16,467,245	16,467,245
2041	-	-	-	-	11,587,016	-	2,066,653	225,312	2,772,941	16,651,922	16,651,922
2042	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2043	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2044	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2045	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2046	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2047	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2048	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2049	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2050	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2051	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2052	-	-	-	-	-	-	-	-	-	-	-
2053	-	-	-	-	-	-	-	-	-	-	-
2054	-	-	-	-	-	-	-	-	-	-	-
2055	-	-	-	-	-	-	-	-	-	-	-
2056	-	-	-	-	-	-	-	-	-	-	-
2057	-	-	-	-	-	-	-	-	-	-	-
2058	-	-	-	-	-	-	-	-	-	-	-
2059	-	-	-	-	-	-	-	-	-	-	-
2060	-	-	-	-	-	-	-	-	-	-	-
2061	-	-	-	-	-	-	-	-	-	-	-
2062	-	-	-	-	-	-	-	-	-	-	-
2063	-	-	-	-	-	-	-	-	-	-	-
2064	-	-	-	-	-	-	-	-	-	-	-
2065	-	-	-	-	-	-	-	-	-	-	-
2066	-	-	-	-	-	-	-	-	-	-	-
Grand Total	8,400,000	6,000,258	12,210,041	-	34,570,692	13,706,348	6,191,089	674,968	8,306,923	81,660,318	90,060,318
Total 2018+	3,600,000	1,176,825	12,210,041	-	34,570,692	13,706,348	6,191,089	674,968	8,306,923	76,836,885	80,436,885

Source: Wiley and Pace, 2013

Exhibit 26: Scenario 3 - 2022 Shutdown 2012\$

Year	La Plata Monitoring	Pinon	Sage Juniper	Cottonwood Juniper	North Juniper	Environmental Monitoring	Mine Facilities	Shumway Bridge	Mine Close- out	San Juan Subtotal	Grand Total
2014	1,200,000	1,223,279	-	-	-	-	-	-	-	1,223,279	2,423,279
2015	1,200,000	1,211,665	-	-	-	-	-	-	-	1,211,665	2,411,665
2016	1,200,000	1,200,052	-	-	-	-	-	-	-	1,200,052	2,400,052
2017	1,200,000	1,188,438	-	-	-	-	-	-	-	1,188,438	2,388,438
2018	1,200,000	1,176,825	-	-	-	-	-	-	-	1,176,825	2,376,825
2019	1,200,000	-	-	-	-	1,099,702	-	-	-	1,099,702	2,299,702
2020	1,200,000	-	2,516,248	-	-	673,599	-	-	-	3,189,848	4,389,848
2021	-	-	2,631,133	-	-	662,693	-	-	-	3,293,826	3,293,826
2022	-	-	4,905,761	-	-	665,625	-	-	-	5,571,387	5,571,387
2023	-	-	9,551,533	-	-	663,848	1,989,447	216,894	2,669,350	15,091,073	15,091,073
2024	-	-	9,507,869	-	-	664,994	1,992,881	217,269	2,673,958	15,056,972	15,056,972
2025	-	-	10,880,692	-	-	669,944	2,007,715	218,886	2,693,861	16,471,098	16,471,098
2026	-	-	-	-	10,730,081	696,488	-	-	-	11,426,570	11,426,570
2027	-	-	-	-	10,571,178	698,132	-	-	-	11,269,311	11,269,311
2028	-	-	-	-	10,754,555	699,433	-	-	-	11,453,987	11,453,987
2029	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2030	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2031	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2032	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2033	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2034	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2035	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2036	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2037	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2038	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2039	-	-	-	-	-	-	-	-	-	-	-
2040	-	-	-	-	-	-	-	-	-	-	-
2041	-	-	-	-	-	-	-	-	-	-	-
2042	-	-	-	-	-	-	-	-	-	-	-
2043	-	-	-	-	-	-	-	-	-	-	-
2044	-	-	-	-	-	-	-	-	-	-	-
2045	-	-	-	-	-	-	-	-	-	-	-
2046	-	-	-	-	-	-	-	-	-	-	-
2047	-	-	-	-	-	-	-	-	-	-	-
2048	-	-	-	-	-	-	-	-	-	-	-
2049	-	-	-	-	-	-	-	-	-	-	-
2050	-	-	-	-	-	-	-	-	-	-	-
2051	-	-	-	-	-	-	-	-	-	-	-
2052	-	-	-	-	-	-	-	-	-	-	-
2053	-	-	-	-	-	-	-	-	-	-	-
2054	-	-	-	-	-	-	-	-	-	-	-
2055	-	-	-	-	-	-	-	-	-	-	-
2056	-	-	-	-	-	-	-	-	-	-	-
2057	-	-	-	-	-	-	-	-	-	-	-
2058	-	-	-	-	-	-	-	-	-	-	-
2059	-	-	-	-	-	-	-	-	-	-	-
2060	-	-	-	-	-	-	-	-	-	-	-
2061	-	-	-	-	-	-	-	-	-	-	-
2062	-	-	-	-	-	-	-	-	-	-	-
2063	-	-	-	-	-	-	-	-	-	-	-
2064	-	-	-	-	-	-	-	-	-	-	-
2065	-	-	-	-	-	-	-	-	-	-	-
2066	-	-	-	-	-	-	-	-	-	-	-
Grand Total	8,400,000	6,000,258	39,993,237	-	32,055,814	14,047,634	5,990,043	653,049	8,037,169	106,777,205	115,177,205
Total 2018+	3,600,000	1,176,825	39,993,237	-	32,055,814	14,047,634	5,990,043	653,049	8,037,169	101,953,771	105,553,771

Source: Wiley and Pace, 2013

Exhibit 27: Scenario 4 - 2017 Shutdown 2012\$

Year	La Plata Monitoring	Pinon	Sage	Juniper	Cottonwood Juniper	North Juniper	Environmental Monitoring	Mine Facilities	Shumway Bridge	Mine Close- out	San Juan Subtotal	Grand Total
2014	1,200,000	1,223,279	-	-	-	-	-	-	-	-	1,223,279	2,423,279
2015	1,200,000	1,211,665	-	-	-	-	-	-	-	-	1,211,665	2,411,665
2016	1,200,000	1,200,052	-	-	-	-	-	-	-	-	1,200,052	2,400,052
2017	1,200,000	1,335,691	-	-	-	-	-	-	-	-	1,335,691	2,535,691
2018	1,200,000	2,483,176	11,021,681	-	-	-	2,013,803	219,550	2,702,030	-	18,440,240	19,640,240
2019	1,200,000	-	14,825,208	-	-	-	688,188	2,062,388	224,847	2,767,219	20,567,850	21,767,850
2020	1,200,000	-	16,129,932	-	-	-	689,303	2,065,730	225,211	2,771,703	21,881,879	23,081,879
2021	-	-	15,653,111	-	-	-	692,522	-	-	-	16,345,633	16,345,633
2022	-	-	-	-	10,594,355	-	697,889	-	-	-	11,292,244	11,292,244
2023	-	-	-	-	10,435,405	-	699,580	-	-	-	11,134,985	11,134,985
2024	-	-	-	-	10,618,784	-	700,877	-	-	-	11,319,662	11,319,662
2025	-	-	-	-	-	-	981,306	-	-	-	981,306	981,306
2026	-	-	-	-	-	-	981,306	-	-	-	981,306	981,306
2027	-	-	-	-	-	-	981,306	-	-	-	981,306	981,306
2028	-	-	-	-	-	-	981,306	-	-	-	981,306	981,306
2029	-	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2030	-	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2031	-	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2032	-	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2033	-	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2034	-	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2035	-	-	-	-	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-	-	-	-	-	-
2039	-	-	-	-	-	-	-	-	-	-	-	-
2040	-	-	-	-	-	-	-	-	-	-	-	-
2041	-	-	-	-	-	-	-	-	-	-	-	-
2042	-	-	-	-	-	-	-	-	-	-	-	-
2043	-	-	-	-	-	-	-	-	-	-	-	-
2044	-	-	-	-	-	-	-	-	-	-	-	-
2045	-	-	-	-	-	-	-	-	-	-	-	-
2046	-	-	-	-	-	-	-	-	-	-	-	-
2047	-	-	-	-	-	-	-	-	-	-	-	-
2048	-	-	-	-	-	-	-	-	-	-	-	-
2049	-	-	-	-	-	-	-	-	-	-	-	-
2050	-	-	-	-	-	-	-	-	-	-	-	-
2051	-	-	-	-	-	-	-	-	-	-	-	-
2052	-	-	-	-	-	-	-	-	-	-	-	-
2053	-	-	-	-	-	-	-	-	-	-	-	-
2054	-	-	-	-	-	-	-	-	-	-	-	-
2055	-	-	-	-	-	-	-	-	-	-	-	-
2056	-	-	-	-	-	-	-	-	-	-	-	-
2057	-	-	-	-	-	-	-	-	-	-	-	-
2058	-	-	-	-	-	-	-	-	-	-	-	-
2059	-	-	-	-	-	-	-	-	-	-	-	-
2060	-	-	-	-	-	-	-	-	-	-	-	-
2061	-	-	-	-	-	-	-	-	-	-	-	-
2062	-	-	-	-	-	-	-	-	-	-	-	-
2063	-	-	-	-	-	-	-	-	-	-	-	-
2064	-	-	-	-	-	-	-	-	-	-	-	-
2065	-	-	-	-	-	-	-	-	-	-	-	-
2066	-	-	-	-	-	-	-	-	-	-	-	-
Grand Total	8,400,000	7,453,862	57,629,932	-	-	31,648,545	12,205,489	6,141,921	669,608	8,240,952	123,990,308	132,390,308
Total 2018+	3,600,000	2,483,176	57,629,932	-	-	31,648,545	12,205,489	6,141,921	669,608	8,240,952	119,019,622	122,619,622

Source: Wiley and Pace, 2013

Exhibit 28: Scenario 5 - 2028 Shutdown 2012\$

Year	La Plata Monitoring	Pinon	Sage	Juniper	Cottonwood Juniper	North Juniper	Environmental Monitoring	Mine Facilities	Shumway Bridge	Mine Close- out	San Juan Subtotal	Grand Total
2014	1,200,000	1,223,279	-	-	-	-	-	-	-	-	1,223,279	2,423,279
2015	1,200,000	1,211,665	-	-	-	-	-	-	-	-	1,211,665	2,411,665
2016	1,200,000	1,200,052	-	-	-	-	-	-	-	-	1,200,052	2,400,052
2017	1,200,000	1,188,438	-	-	-	-	-	-	-	-	1,188,438	2,388,438
2018	1,200,000	1,207,737	-	-	-	-	-	-	-	-	1,207,737	2,407,737
2019	1,200,000	-	3,386,121	-	-	-	676,799	-	-	-	4,062,920	5,262,920
2020	1,200,000	-	3,341,397	-	-	-	677,836	-	-	-	4,019,233	5,219,233
2021	-	-	3,296,651	-	-	-	678,900	-	-	-	3,975,551	3,975,551
2022	-	-	3,251,882	-	-	-	679,993	-	-	-	3,931,875	3,931,875
2023	-	-	3,207,089	-	-	-	681,114	-	-	-	3,888,203	3,888,203
2024	-	-	3,162,271	-	-	-	682,266	-	-	-	3,844,537	3,844,537
2025	-	-	3,117,428	-	-	-	683,449	-	-	-	3,800,877	3,800,877
2026	-	-	3,072,558	-	-	-	684,665	-	-	-	3,757,223	3,757,223
2027	-	-	3,027,659	-	-	-	685,915	-	-	-	3,713,574	3,713,574
2028	-	-	3,905,443	-	-	-	675,137	-	-	-	4,580,581	4,580,581
2029	-	-	10,227,665	-	-	-	-	2,081,208	226,898	2,792,471	15,328,242	15,328,242
2030	-	-	10,061,648	-	-	-	-	2,084,781	227,288	2,797,265	15,170,983	15,170,983
2031	-	-	10,239,037	-	-	-	-	2,087,755	227,612	2,801,255	15,355,659	15,355,659
2032	-	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2033	-	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2034	-	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2035	-	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2036	-	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2037	-	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2038	-	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2039	-	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2040	-	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2041	-	-	-	-	-	-	685,317	-	-	-	685,317	685,317
2042	-	-	-	-	-	-	-	-	-	-	-	-
2043	-	-	-	-	-	-	-	-	-	-	-	-
2044	-	-	-	-	-	-	-	-	-	-	-	-
2045	-	-	-	-	-	-	-	-	-	-	-	-
2046	-	-	-	-	-	-	-	-	-	-	-	-
2047	-	-	-	-	-	-	-	-	-	-	-	-
2048	-	-	-	-	-	-	-	-	-	-	-	-
2049	-	-	-	-	-	-	-	-	-	-	-	-
2050	-	-	-	-	-	-	-	-	-	-	-	-
2051	-	-	-	-	-	-	-	-	-	-	-	-
2052	-	-	-	-	-	-	-	-	-	-	-	-
2053	-	-	-	-	-	-	-	-	-	-	-	-
2054	-	-	-	-	-	-	-	-	-	-	-	-
2055	-	-	-	-	-	-	-	-	-	-	-	-
2056	-	-	-	-	-	-	-	-	-	-	-	-
2057	-	-	-	-	-	-	-	-	-	-	-	-
2058	-	-	-	-	-	-	-	-	-	-	-	-
2059	-	-	-	-	-	-	-	-	-	-	-	-
2060	-	-	-	-	-	-	-	-	-	-	-	-
2061	-	-	-	-	-	-	-	-	-	-	-	-
2062	-	-	-	-	-	-	-	-	-	-	-	-
2063	-	-	-	-	-	-	-	-	-	-	-	-
2064	-	-	-	-	-	-	-	-	-	-	-	-
2065	-	-	-	-	-	-	-	-	-	-	-	-
2066	-	-	-	-	-	-	-	-	-	-	-	-
Grand Total	8,400,000	6,031,170	63,296,849	-	-	-	13,659,248	6,253,744	681,799	8,390,991	98,313,801	106,713,801
Total 2018+	3,600,000	1,207,737	63,296,849	-	-	-	13,659,248	6,253,744	681,799	8,390,991	93,490,368	97,090,368

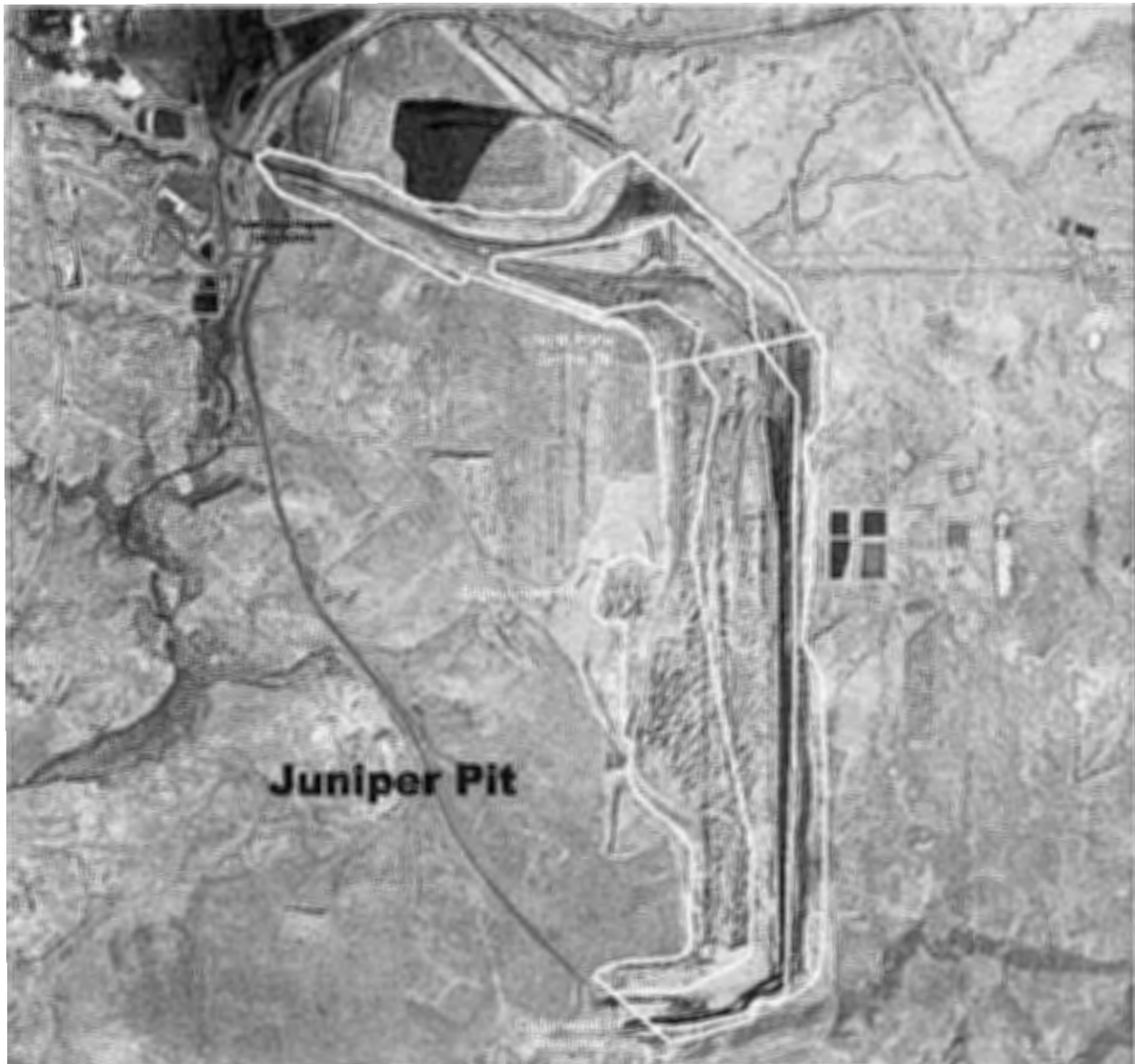
Source: Wiley and Pace, 2013

APPENDIX B – SAN JUAN MINE SCHEMATICS

Exhibit 29: San Juan Mine Schematic (Pinon and Juniper)



Exhibit 30: Juniper Pit Schematic



Coal Mine Accretion Expense

PNM Exhibit JAP-10

Is contained in the following 2 pages.

PNM Exhibit JAP-10

Coal Mine Reclamation Accretion Expense

A	B	C	D	E
		Underground Mine		
		Reclamation & Ash Period	SJGS Surface Accretion	Four Corners Surface
Line No.	Year	Costs	Expense (a)	Accretion (a)
1	Apr-15	81,396	21,465	75,038
2	May-15	81,396	21,465	75,038
3	Jun-15	81,396	21,465	75,038
4	Jul-15	81,396	21,465	75,038
5	Aug-15	81,396	21,465	75,038
6	Sep-15	81,396	21,465	75,038
7	Linkage Period	488,376	128,793	450,227
8	Oct-15	81,396	21,465	75,038
9	Nov-15	81,396	21,465	75,038
10	Dec-15	81,396	21,465	75,038
11	Jan-16	84,619	15,454	78,815
12	Feb-16	84,619	15,454	78,815
13	Mar-16	84,619	15,454	78,815
14	Apr-16	84,619	15,454	78,815
15	May-16	84,619	15,454	78,815
16	Jun-16	84,619	15,454	78,815
17	Jul-16	84,619	15,454	78,815
18	Aug-16	84,619	15,454	78,815
19	Sep-16	84,619	15,454	78,815
20	Test Period	1,005,761	203,482	934,450
21	Oct-16	84,619	15,454	78,815
22	Nov-16	84,619	15,454	78,815
23	Dec-16	84,619	15,454	78,815
24	2016	1,015,431	185,448	945,782
25	2017	1,052,152	165,279	993,393
26	2018	1,089,413	144,318	1,043,401
27	2019	1,128,367	122,778	1,095,925
28	2020	1,161,461	117,928	1,151,094
29	2021	1,195,518	112,593	1,209,040
30	2022	1,230,565	112,953	1,269,903
31	2023	1,266,631	113,205	1,333,830
32	2024	1,303,746	113,340	1,400,975
33	2025	1,341,939	113,350	1,471,500
34	2026	1,381,241	113,226	1,545,576
35	2027	1,421,685	112,958	1,623,380
36	2028	1,463,303	112,538	1,705,101
37	2029	1,506,128	111,954	1,790,936
38	2030	1,565,771	116,387	1,387,443
39	2031	1,627,775	120,996	469,989
40	2032	1,692,235	125,787	-
41	2033	1,759,247	130,768	-
42	2034	1,828,914	135,947	-
43	2035	1,901,339	141,330	-
44	2036	1,976,632	146,927	-
45	2037	2,054,906	152,745	-

PNM Exhibit JAP-10

Coal Mine Reclamation Accretion Expense

A	B	C	D	E
		Underground Mine		
		Reclamation & Ash Period	SJGS Surface Accretion	Four Corners Surface
Line No.	Year	Costs	Expense (a)	Accretion (a)
46	2038	2,136,281	158,794	-
47	2039	2,220,877	165,082	-
48	2040	2,308,824	171,620	-
49	2041	2,400,253	178,416	-
50	2042	2,495,303	185,481	-
51	2043	2,594,117	192,826	-
52	2044	2,696,845	200,462	-
53	2045	2,803,640	208,400	-
54	2046	2,893,918	204,098	-
55	2047	2,993,898	203,739	-
56	2048	3,097,247	203,422	-
57	2049	3,204,086	203,148	-
58	2050	3,314,543	202,918	-
59	2051	3,428,748	202,736	-
60	2052	3,546,839	202,602	-
61	2053	3,668,957	202,519	-
62	2054	3,207,704	201,305	-
63	2055	2,312,396	173,047	-
64	2056	1,361,297	142,528	-
65	2057	328,877	109,626	-
66	2058	306,266	102,088	-
67	2059	281,690	93,897	-
68	2060	255,039	85,013	-
69	2061	226,200	75,400	-
70	2062	195,050	65,017	-
71	2063	161,463	53,821	-
72	2064	125,307	41,769	-
73	2065	86,443	28,814	-
74	2066	44,725	14,908	-
75	Total	87,393,794	7,289,439	21,112,610

(a) - Case No. 3137 and Case No. 07-00077-UT authorizes and caps surface mine reclamation costs at SJGS and Four Corners at \$100 million, which PNM will collect through amortization of a regulatory asset over 17 years.

Supporting Revenue Requirements Workpapers

PNM Exhibit JAP-11

Is contained in the following 7 pages.

PNM Exhibit JAP-11: Summary of Prepaid Pension Asset

WP ORB - 5

Is contained in the following 1 page.

	A	B	C	D	E	F	G	H
1	PNM Exhibit JAP-11							
2	WP ORB - 5: Summary of Prepaid Pension Asset							
3	Note: Base period data, including Quarter 1 2015 Employer Contributions is historical information from the Company's Books and Records.							
4	Hyperlink to Lead Sheet							
5	Description					Cash Contributions	Total Prepaid Pension Asset	PNM Retail Share Prepaid Pension Asset
6								
7	Prepaid Pension Benefit Costs at 12/31/14					277,857,812		
8	Adjust for Non-Cash Impacts							
9	Add: 88 retirement Window Impact					7,216,000	285,073,812	
10	93 settlement/Curtailment					1,656,000	286,729,812	
11	09 curtailment adjustment					9,636,829	296,366,641	
12	Less: 1996 Curtailment Gain					(13,317,000)	283,049,641	
13	Adjusted Prepaid Pension Benefit Costs 12/31/14						283,049,641	
14								
15								
16	2015 Q1 Employer Contribution					30,000,000	313,049,641	
17	2015 Q1 Net Periodic Benefit Cost					(696,471)	312,353,170	
18	Base Period Ending						312,353,170	181,164,839
19								
20	2015 Q2 Period Benefit Cost					(696,471)	311,656,699	180,760,885
21	2015 Q3 Period Benefit Cost					(696,471)	310,960,228	180,356,932
22	2015 Q4 Period Benefit Cost					(696,471)	310,263,757	179,952,979
23	Adjusted Prepaid Benefit Cost 12/31/15						310,263,757	
24								
25	2016 Employer Contribution - Note 1							
26	2016 Net Periodic Benefit Cost - Note 2					(6,226,540)		
27							310,263,757	
28								
29	January 2016 Pension Expense					(518,878)	309,744,879	179,652,030
30	February 2016 Pension Expense					(518,878)	309,226,000	179,351,080
31	March 2016 Pension Expense					(518,878)	308,707,122	179,050,131
32	April 2016 Pension Expense					(518,878)	308,188,244	178,749,181
33	May 2016 Pension Expense					(518,878)	307,669,365	178,448,232
34	June 2016 Pension Expense					(518,878)	307,150,487	178,147,282
35	July 2016 Pension Expense					(518,878)	306,631,609	177,846,333
36	August 2016 Pension Expense					(518,878)	306,112,730	177,545,384
37	September 2016 Pension Expense					(518,878)	305,593,852	177,244,434
38	Adjusted Prepaid Benefit Cost 12/31/16						305,593,852	
39								
40	Per Stipulation from NMPRC Case 08-00078-UT						58.00%	
41								
42	Prepaid Pension Asset year ending September 30, 2016							177,244,434
43								
44	Notes:							
45	Note 1: PNM is not forecasting any employer contributions during from April 2015 through September 2016.							
46	Note 2: Please refer to the testimony of PNM Witness Eden, PNM Exhibit EAE-7 for estimate of 2016 Net periodic benefit cost.							
47								

PNM Exhibit JAP-11: Prepaid Pension Asset Cost Benefit Analysis

WP ORB - 6

Is contained in the following 1 page.

	A	B	C	D
1	PNM Exhibit JAP-11			
2	WP ORB - 6: Prepaid Pension Asset Cost Benefit Analysis			
3	Hyperlink to Lead Sheet			
4				
5	Description	Test Period As calculated	Test Period Adjustment	Test Period Proposed
6	Rate Base Addition	177,244,434	(22,000,000)	155,244,434
7	ADIT - Note 3	(69,968,111)	8,594,300	(61,373,811)
8	Net Impact to Rate Base	107,276,323	(13,405,700)	93,870,623
9				
10	Pre-Tax Cost of Capital	11.52%	11.52%	11.52%
11				
12	Pre-Tax Return on Rate Base	12,358,232	(1,544,337)	10,813,896
13				
14	Test Period SFAS 87 Expense w/Shareholder Contribution	5,366,376		5,366,376
15	Per Stipulation from NMPRC Case 08-00078-UT	58.00%		58.00%
16	Electric Share	3,112,498		3,112,498
17				
18	Total Related Test Period Revenue Requirements	15,470,730	(1,544,337)	13,926,394
19				
20	Impact if SFAS 87 Expense calculated without Shareholder Contributions			
21				
22	Expected Return on Assets Note-2	6.10%		
23	SFAS 87 Expense w/o Shareholder Contribution	24,007,601		24,007,601
24	Per Stipulation from NMPRC Case 08-00078-UT	58.00%		58.00%
25	Electric Pension Expense	13,924,409		13,924,409
26				
27	Total Pension Related Revenue Requirements - without Shareholder Contribution	13,924,409		13,924,409
28				
29	Benefit to the ratepayer result of contributions to Pension trust	(1,546,322)	1,544,337	(1,985)
30				
31	Notes:			
32	Note 1: PNM is not seeking recovery for the \$22 Million of the Prepaid Pension Asset.			
33	Note 2: Expected Return on Asset based on 2015 net periodic benefit cost provided by Towers Watson actuarial expense reports.			
34	Note 3: 39.065% is effective tax rate for the test period			
35				

PNM Exhibit JAP-11: Non-Qualified Retirement Plan

WP ORB - 7

Is contained in the following 1 page.

	A	B	C	D	E
1	PNM Exhibit JAP-11				
2	WP ORB - 7: Summary of Non-Qualified Retirement Plan				
3	Hyperlink to Lead Sheet				
4	Note: Base period data is historical information from the Company's Books and Records.				
5					
6		Base Period	Activity	Activity ^(Note 1)	Test Period
7	Description	Amount	09/30/15	09/30/16	09/30/16
8					
9					
10	Net Expense over Amounts Funded at 12/31/2014	(11,535,035)			-
11	Employer Contributions Note - 2	381,966	763,932	1,527,864	1,527,864
12	Net Periodic Benefit Costs Note - 2	(271,163)	(542,326)	(1,054,262)	(1,054,262)
13		(11,424,232)	221,606	473,602	473,602
14					
15	Allocation per Stipulation in NMPRC Case 08-00078-UT	58.00%	58.00%	58.00%	58.00%
16					
17					
18	Total Rate Base	(6,626,055)	(6,497,523)	(6,222,834)	(6,222,834)
19					
20	General Note: Employer contributions, and net periodic benefit costs of \$381,966 and \$271,163 reflect actual activity for Q1				
21	2015. Column C reflects 6 months of activity based on Quarter 1 2015.				
22	Note 1: Test period net periodic benefit costs, and contributions are calculated based on 2015 net periodic benefit cost provided by the Towers Watson actuarial expense reports. Please refer to PNM Witness Eden, PNM Exhibit EAE-7				

PNM Exhibit JAP-11: Loss on Reacquired Debt Economic Benefit
Analysis

WP RA - 6

Is contained in the following 4 pages.

	A	B	C	D
1	PNM Exhibit JAP- 11			
2	WP RA - 6: Loss on Reacquired Debt Cost Benefit Analysis			
3	Hyperlink to Lead Sheet			
4				
5				
6				
7	Description		Amount	Reference
8				
9	Test Period Revenue Requirement			
10	Loss on Reacquired Debt			
11		PCB Refinancing Hedge	\$14,981,322	WP RA-2, Column Y, Line 15
12		Unamortized Loss on Reacquired Debt	\$7,718,715	WP ORB-2, Column H, Line 37
13		Total	\$22,700,037	Line 11 + Line 12
14				
15	ADIT on Loss on Reacquired Debt			
16		PCB Refinancing Hedge	(\$5,939,444)	PNM Exhibit HEM-3, WP COS TEST, Column I, Line 118
17		Unamortized Loss on Reacquired Debt	(\$3,059,757)	PNM Exhibit HEM-3, WP COS TEST, Column I, Line 113
18		Total	(\$8,999,201)	Line 16 + Line 17
19				
20	Total Rate Base Amount		\$13,700,836	Line 13 + Line 18
21				
22	Cost of Capital		11.52%	530 Schedule A-5 Test Period WACC, Column F, Line 18
23				
24	Return on Rate Base		\$1,578,336	Line 20 * Line 22
25				
26	Amortization of Loss on Reacquired Debt		\$1,235,545	WP OA-1, Column G, Line 8
27				
28	Total Proposed Revenue Requirement		\$2,813,881	line 24 + line 26
29				
30				
31	Revenue Requirement Differential if Long Term Debt			
32	Had Not Been Retired			
33				
34	Test Period Rate Base as Filed		2,458,087,082	PNM Exhibit HEM-3, WP COS TEST, Column J Line 211
35	Pre-Tax Cost of Capital as Filed		11.52%	Line 22
36	Return and Taxes on Rate Base		\$283,171,632	Line 34 * Line 35
37				
38				
39	Rate Base without Loss on Reacquired Debt		2,444,386,247	Line 34 - Line 20
40	Pre-Tax Cost of Capital without Retirements/Refinancing		11.70%	WP RA-6, Page 2, Column E, Line 56
41	Return and Taxes on Rate Base		\$285,993,191	Line 39 * Line 40
42				
43				
44	Increase in Revenue Requirements without Retirements / Refinancing		\$2,821,559	Line 41 - Line 36
45				
46	Net Savings to Ratepayer		\$7,678	Line 44 - Line 28

	A	B	C	D	E	F	G
1	PNM Exhibit JAP- 11						
2	WP RA - 6: Loss on Reacquired Cost Benefit Analysis						
3	Hyperlink to Lead Sheet						
4							
5							
6	Please refer to Rule 530 Schedule A-5, Test Period WACC:						
7	Test period WACC						
8							
9						Composite	
10				Capital	Effective	Cost of	
11	Class of Capital	Amount	Ratio	Rate		Capital	
12							
13							
14	Long Term Debt	1,465,870	50.00%	5.87%		2.94%	
15							
16	Preferred Stock	11,529	0.39%	4.62%		0.02%	
17							
18	Common Equity	1,454,340	49.61%	10.50%		5.21%	
19							
20	Total	2,931,739	100.00%			8.17%	
21							
22							
23	**PRE-TAX**	Composite		Pre-Tax			
24		Cost of	Composite	Cost of			
25	Class of Capital	Capital	Tax Rate	Capital			
26							
27	Long Term Debt	2.94%	N/A	2.94%			
28	Preferred Stock	0.02%	39.02%	0.03%			
29	Common Equity	5.21%	39.02%	8.54%			
30	Total Capitalization	8.17%		11.51%			
31							
32	Please refer to WP RA-6 Loss of reacq pg 4 for long-term debt rate:						
33	Theoretical test period WACC without Debt Refinance Activity						
34							
35						Composite	
36				Capital	Effective	Cost of	
37	Class of Capital	Amount	Ratio	Rate		Capital	
38							
39							
40	Long Term Debt	1,465,870	50.00%	6.23%		3.12%	
41							
42	Preferred Stock	11,529	0.39%	4.62%		0.02%	
43							
44	Common Equity	1,454,340	49.61%	10.50%		5.21%	
45							
46	Total	2,931,738.88	100.00%			8.35%	
47							
48							
49	**PRE-TAX**	Composite		Pre-Tax			
50		Cost of	Composite	Cost of			
51	Class of Capital	Capital	Tax Rate	Capital			
52							
53	Long Term Debt	3.12%	N/A	3.12%			
54	Preferred Stock	0.02%	39.02%	0.03%			
55	Common Equity	5.21%	39.02%	8.54%			
56	Total Capitalization	8.35%		11.70%	WP RA-6, Page 1, Column C Line 40		

	A	B	C	D	E	F	G	H	I	J
1	PNM Exhibit JAP- 11									
2	WP RA - 6: Loss on Reacquired Debt Economic Benefit									
3	Hyperlink to Lead Sheet									
4					(Column I * 6 Months)	(Column I * 12 Months)	(Column D - Column E - Column F)		(Column D/Column H)	(Column I * 12 Months)
5		Principal		Electric	Linkage Amortization	Test Amortization	Electric	Remaining		
6		Amount	Retirement Date	Balance	4/1/15 thru	10/1/15 thru	Balance	Months	Monthly	Annual
7	New Issue	Retired		3/31/2015	9/30/2015	09/30/16	9/30/2016	Outstanding as of 03/31/2015	Amortization	Amortization
8										
9	Existing Loss on reacquired debt									
10	6.375% Farmington	46,000,000	4/1/2006	1,773,746	49,271	98,541	1,625,934	216	8,212	98,541
11	6.375% Farmington	100,000,000	4/1/2006	1,770,517	49,181	98,362	1,622,974	216	8,197	98,362
12	6.375% Maricopa	36,000,000	7/1/2009	950,704	19,166	38,333	893,205	298	3,194	38,333
13	5.75% Maricopa	37,300,000	6/9/2010	407,355	9,815	19,630	377,910	249	1,636	19,630
14	6.3% Maricopa	23,000,000	6/9/2010	121,198	2,150	4,299	114,749	338	358	4,299
15	6.3% Farmington	37,000,000	6/9/2010	127,673	2,534	5,068	120,071	302	422	5,068
16	6.3% Farmington	40,045,000	6/9/2010	137,370	2,726	5,453	129,191	302	454	5,453
17	5.8% Farmington	40,000,000	6/9/2010	335,913	6,667	13,334	315,912	302	1,111	13,334
18	5.8% Farmington	37,000,000	6/9/2010	336,912	6,687	13,374	316,851	302	1,114	13,374
19	5.8% Farmington	23,000,000	6/9/2010	191,899	3,809	7,618	180,473	302	635	7,618
20	6.375% Farmington	90,000,000	6/9/2010	382,055	7,583	15,166	359,306	302	1,264	15,166
21	5.7% Farmington	65,000,000	6/9/2010	676,966	13,436	26,873	636,657	302	2,239	26,873
22	6.6% Farmington	11,500,000	6/9/2010	460,251	9,135	18,270	432,846	302	1,522	18,270
23	6.375% Farmington/Maricopa	182,000,000	5/23/2003	16,247,990	422,223	844,446	14,981,321	231	70,370	844,446
24	5.15% 20M PCB	20,000,000	9/27/2012	593,581	13,389	26,778	553,414	266	2,232	26,778
25										
26	Total	787,845,000		24,514,130	617,772	1,235,545	22,660,813		102,962	1,235,545
27										

	A	B	C	D	E	F	G	H	I	J	K
1	PNM Exhibit JAP- 11										
2	WP RA - 6: Loss on Reacquired Cost										
3	Benefit Analysis										
4	Hyperlink to Lead Sheet										
5	Note: Base period data is historical information from										
6	the Company's Books and Records.										
7											
8	Issue	Maturity	Bond	Interest	Principal	Interest	Issue	Net	Issue Exp	Effective	Effective
9	Date	Date	Term	Rate	Amount	Expense	Exp, Disc	Proceeds	Disc & Prem	Cost	Yield
10					of Issue		& Premium	of Issue	Amortization		
11	Test Period Cost of Debt										
12											
13	Existing Long Term Debt @ 09/30/2016										
14	4/1/2006	4/1/2033	27	4.875%	46,000	2,243	355	45,645	13	2,256	4.94%
15	4/1/2006	4/1/2033	27	4.875%	100,000	4,875	773	99,227	29	4,904	4.94%
16	9/27/2012	9/1/2042	5	2.540%	20,000	508	629	19,371	133	641	3.31%
17	12/1/2009	1/1/2038	28	6.250%	36,000	2,250	319	35,681	11	2,261	6.34%
18	5/13/2008	5/15/2018	10	7.950%	350,000	27,825	7,233	342,767	723	28,548	8.33%
19	10/12/2011	10/1/2021	10	5.350%	160,000	8,560	1,628	158,372	163	8,723	5.51%
20	6/9/2010	6/1/2043	30	5.200%	21,000	1,092	217	20,783	7	1,099	5.29%
21	6/9/2010	6/1/2040	30	4.750%	37,000	1,758	396	36,604	13	1,771	4.84%
22	6/9/2010	6/1/2040	10	5.200%	40,045	2,082	428	39,617	43	2,125	5.36%
23	6/9/2010	6/1/2040	30	5.900%	65,000	3,835	695	64,305	23	3,858	6.00%
24	6/9/2010	6/1/2040	30	5.900%	130,000	7,670	1,391	128,609	46	7,716	6.00%
25	6/9/2010	6/1/2040	30	5.900%	60,000	3,540	642	59,358	21	3,561	6.00%
26	6/9/2010	6/1/2040	30	6.250%	11,500	719	123	11,377	4	723	6.35%
27											
28	New Debt Issuances @ 09/30/15										
29	9/1/2015	9/1/2025	10	3.850%	250,000	9,625	2,345	246,960	235	9,860	3.99%
30											
31	Refinanced PCB Bonds @09/30/15										
32	6/1/2015	6/1/2043	5	2.400%	39,300	943	406	38,894	81	1,024	2.63%
33											
34	Total Test Period Long Term Debt				1,365,845	77,524	17,580	1,347,570	1,546	79,070	5.87%
35											
36	Original cost of debt before retirement										
37											
38	Un-Retired Debt and New Debt Issuances										
39	10/1/2011	10/1/2021	10	5.350%	160,000	8,560	1,628	158,372	163	8,723	5.51%
40	05/13/2008	5/15/2018	10	7.950%	350,000	27,825	7,233	342,767	723	28,548	8.33%
41	9/1/2015	9/1/2025	10	3.850%	250,000	9,625	2,345	246,960	235	9,860	3.99%
42											
43	Prior Years Retirements										
44	6/12/2007	6/01/2037	30	5.150%	20,000	1,030	833	19,167	28	1,058	5.52%
45	12/15/1992	4/1/2022	30	6.375%	46,000	2,933	4,007	41,993	134	3,066	7.30%
46	9/2/1993	4/1/2023	30	6.375%	100,000	6,375	1,157	98,843	39	6,414	6.49%
47	9/2/1993	4/1/2023	30	6.375%	36,000	2,295	417	35,583	14	2,309	6.49%
48	11/1/1992	11/1/2022	30	2.400%	39,300	943	987	38,313	33	976	2.55%
49	12/5/1996	12/1/2026	30	6.300%	21,000	1,323	289	20,711	10	1,333	6.43%
50	12/5/1996	12/1/2016	20	6.300%	37,000	2,331	520	36,480	26	2,357	6.46%
51	12/5/1996	12/1/2016	20	6.300%	40,045	2,523	563	39,482	28	2,551	6.46%
52	12/5/1996	12/1/2016	20	5.700%	65,000	3,705	2,779	62,221	139	3,844	6.18%
53	2/31/1997	4/01/2022	25	5.800%	40,000	2,320	599	39,401	24	2,344	5.95%
54	2/21/1997	4/01/2022	25	5.800%	37,000	2,146	654	36,346	26	2,172	5.98%
55	2/21/1997	4/01/2022	25	5.800%	23,000	1,334	350	22,650	14	1,348	5.95%
56	2/21/1997	4/01/2022	25	6.375%	90,000	5,738	1,111	88,889	44	5,782	6.50%
57	10/28/1999	10/01/2029	30	6.600%	11,500	759	460	11,040	15	774	7.01%
58											
59											
60											
61											
62	Total original cost of debt before retirement				1,365,845	81,764	25,932	1,339,218	1,694	83,458	6.23%

Towers Watson report on the Impact of the pattern of PNM's ASC 715
Contributions

PNM Exhibit JAP -12

Is contained in the following 9 pages.

PNM Resources, Inc. Post-Retirement Healthcare Plan

**Report on the Impact of the Pattern of PNM's
ASC 715 Contributions**

July 24, 2015

Purpose and actuarial statement

This report documents the results of a study on the impact of PNM's ASC 715 contributions, performed by Towers Watson Delaware Inc. for Public Service Company of New Mexico (PNM) as required in the Final Order under Case No. 07-00077-UT. This report should not be used for other purposes, distributed to others outside PNM or relied upon by any other person without prior written consent from Towers Watson Delaware Inc.

This report is provided subject to the terms set out herein and in our engagement letter dated November 19, 2002 and the accompanying General Terms and Conditions of Business. This report is provided solely for PNM Resources, Inc.'s use and for the specific purposes indicated above. It may not be suitable for use in any other context or for any other purpose.

Except where we expressly agree in writing, this report should not be disclosed or provided to any third party, other than as provided below. In the absence of such consent and an express assumption of responsibility, no responsibility whatsoever is accepted by us for any consequences arising from any third party relying on this report or any advice relating to its contents.

The Company may make a copy of this report available to its auditors, but we make no representation as to the suitability of this report for any purpose other than that for which it was originally provided and accept no responsibility or liability to the Company's auditors in this regard. The Company should draw the provisions of this paragraph to the attention of its auditors when passing this report to them.

In preparing these results, we have relied upon information and data provided to us orally and in writing by PNM Resources, Inc. and other persons or organizations designated by PNM Resources, Inc. We have relied on all the data and information provided, including plan provisions, membership data and asset information, as being complete and accurate. We have not independently verified the accuracy or completeness of the data or information provided, but we have performed limited checks for consistency.


The results summarized in this report involve actuarial calculations that require assumptions about future events. PNM Resources, Inc. is responsible for the selection of the assumptions. We believe that the assumptions used in this report are reasonable for the purposes for which they have been used.

In our opinion, all calculations are in accordance with requirements of applicable financial accounting standards, including SFAS 106, 130, 132(R) and 158 (or the standards that supersede these statements under the FASB Accounting Standards Codification), and the procedures followed and the results presented are in conformity with applicable actuarial standards of practice. References in this report to specific financial accounting standards such as those named in this paragraph are intended to encompass standards that supersede the referenced statements under the FASB Accounting Standards Codification.

The undersigned consulting actuaries are members of the Society of Actuaries and meet the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" relating to other postretirement benefit plans. Our objectivity is not impaired by any relationship between the plan sponsor and our employer, Towers Watson Delaware Inc.



Philip M. Allen, ASA
Senior Consulting Actuary
July 24, 2015



Brian M. Arnell, FSA
Consulting Actuary
July 24, 2015

Towers Watson Delaware Inc.

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Report on the Impact of the Pattern of PNM's SFAS 106 Contributions

Under Case Nos. 2567 and 2662, PNM was required to make quarterly contributions to build trust assets to cover its liabilities under SFAS 106 according to the following annual pattern:

Table 1	
(\$ thousands)	
Year	Annual Amount
1995	\$4,122
1996	4,122
1997	5,645
1998	6,152
1999	6,152
2000	6,152
2001	6,152
2002	5,487
2003	5,265
2004	5,265
2005	5,265
2006	5,265
2007	5,581
2008	4,748
2009	2,547
2010	2,547
2011	2,547
2012	2,547
2013	2,547
2014	2,547
2015	2,547

The Orders also required that PNM make the contributions on a tax effective basis. To maximize the tax effective funding of its SFAS 106 liabilities PNM took two critical steps:

- It began funding earlier than 1995 (funding began in 1993), and
 - In some years it paid part of its contributions directly to participants as benefits payments instead of making the contributions to a trust and immediately taking them back out of the trusts to make the benefit payments.

Report on the Impact of the Pattern of PNM's SFAS 106 Contributions

Using these steps, PNM's actual funding has been as follows:

Table 2 (\$ thousands)			
Year	Funding Pattern under Case Nos. 2567 and 2662	Actual PNM SFAS 106 Funding	Cumulative Excess Funding
1993	\$0	\$2,096	\$2,096
1994	0	6,516	8,612
1995	4,122	5,533	10,023
1996	4,122	5,527	11,428
1997	5,645	8,706	14,489
1998	6,152	2,698	11,035
1999	6,152	597	5,480
2000	6,152	1,635	963
2001	6,152	6,260	1,071
2002	5,487	6,321	1,905
2003	5,265	6,353	2,993
2004	5,265	6,402	4,130
2005	5,265	6,410	5,275
2006	5,265	6,945	6,955
2007	5,581	6,444	7,818
2008	4,748	5,203	8,273
2009	2,547	2,947	8,673
2010	2,547	2,451	8,577
2011	2,547	2,873	8,903
2012	2,547	3,529	9,885
2013	2,547	3,575	10,913
2014	2,547	3,532	11,898
2015	2,547	3,450*	12,801

*Expected

Report on the Impact of the Pattern of PNM's SFAS 106 Contributions

Under PNM's actual funding pattern, the trust assets have grown as follows:

Table 3 (\$ thousands)	
Year	Trust Assets at End of Year
1993	\$2,118
1994	8,559
1995	15,600
1996	20,930
1997	33,159
1998	37,602
1999	41,825
2000	44,693
2001	42,132
2002	38,925
2003	50,957
2004	56,689
2005	58,484
2006	66,790
2007	71,567
2008	49,480
2009	57,126
2010	61,749
2011	58,776
2012	64,464
2013	73,565
2014	78,175

Report on the Impact of the Pattern of PNM's SFAS 106 Contributions

If PNM had followed the exact pattern of contributions shown in Table 1, the trust assets at the end of each year would have been as follows:

Table 4 (\$ thousands)	
Year	Trust Assets at End of Year
1993	\$0
1994	0
1995	3,274
1996	6,307
1997	11,386
1998	16,597
1999	23,005
2000	28,926
2001	28,032
2002	26,140
2003	33,345
2004	36,099
2005	35,978
2006	39,570
2007	41,819
2008	28,070
2009	29,883
2010	29,671
2011	25,294
2012	24,458
2013	24,095
2014	22,648

As can be seen in Table 2, PNM has contributed significantly more than has been required and by comparing the amounts in Tables 3 and 4, the actual assets in the PNM trusts at the end of each year were significantly greater than they would have been if PNM had followed the exact pattern of contributions in Table 1. These greater assets have resulted in much lower SFAS 106 expenses as

seen in the following Table 5. The actual return on the trust assets in each year was used to develop the estimated numbers in Tables 4 and 5.

Report on the Impact of the Pattern of PNM's SFAS 106 Contributions

Using these steps, PNM's actual funding has been as follows:

Table 5 (\$ thousands)			
Year	PNM Actual SFAS 106 Expense	SFAS 106 Expense Assuming Contribution Pattern in Table 1	Savings
1994	\$6,261	\$6,446	\$185
1995	8,420	9,169	749
1996	6,377	7,659	1,282
1997	5,685	6,978	1,293
1998	4,667	6,676	2,009
1999	4,866	7,361	2,495
2000	4,726	6,745	2,019
2001	9,754	11,587	1,833
2002	9,408	11,792	2,384
2003	9,682	11,804	2,122
2004	2,854	5,757	2,903
2005	4,044	6,575	2,531
2006	5,655	8,129	2,474
2007	4,541	7,404	2,863
2008	2,058	5,047	2,989
2009	1,001	3,622	2,621
2010	3,843	6,458	2,615
2011	806	3,468	2,662
2012	3,155	5,490	2,335
2013	2,229	5,034	2,805
2014	55	4,129	4,074
2015	7	4,613	4,606

Assumptions and Methods

Except as otherwise provided herein, the results presented above are based on the data, assumptions, methods, plan provisions and other information, outlined in the actuarial valuation reports to determine accounting requirements for the plan for each plan year included in the analysis. Therefore, such information, and the reliances and limitations of the valuation reports and their use, should be considered part of this report.

EIP Line Acquisition

PNM Exhibit JAP -13

Is contained in the following 1 page.

PNM Exhibit JAP-13
EIP Line Acquisition

Analysis of EIP Line Acquisition:

Line No.

- 1 1. Obtained the value of the 60% ownership that PNM had in its books and records as of 03/31/2015.
2

		Accumulated		
3	Utility Account	Book Cost	Depreciation	New Book Value
4	23520 - Structures & Improvement	2,128,527	1,449,940	678,588
5	23530 - Station Equip	18,448,704	11,381,025	7,067,679
6	23540 - Towers & Fixtures	8,864,294	6,245,624	2,618,670
7	23550 - Poles & Fixtures	68,559	10,757	57,802
8	23560 - Overhead Conductors & Devic	9,324,944	7,074,680	2,250,264
9		38,835,028	26,162,026	12,673,002
10				

- 11 2. In accordance with CFR 18, electric plant acquired is recorded at the cost incurred by the person who first devoted
12 the property to utility service. To accomplish this the existing 60% ownership was first grossed up to 100%.

		Accumulated		
	Utility Account	Book Cost	Depreciation	New Book Value
13				
14	23520 - Structures & Improvement	3,547,545	2,416,566	1,130,979
15	23530 - Station Equip	30,747,840	18,968,376	11,779,465
16	23540 - Towers & Fixtures	14,773,823	10,409,373	4,364,450
17	23550 - Poles & Fixtures	114,265	17,929	96,336
18	23560 - Overhead Conductors & Devic	15,541,573	11,791,133	3,750,440
19		64,725,046	43,603,376	21,121,670

- 21 3. The 100% dollars were then converted to the 40% that was acquired.
22

		Accumulated		
	Utility Account	Book Cost	Depreciation	New Book Value
23				
24	23520 - Structures & Improvement	1,419,018	966,626	452,392
25	23530 - Station Equip	12,299,136	7,587,350	4,711,786
26	23540 - Towers & Fixtures	5,909,529	4,163,749	1,745,780
27	23550 - Poles & Fixtures	45,706	7,172	38,534
28	23560 - Overhead Conductors & Devic	6,216,629	4,716,453	1,500,176
29		25,890,018	17,441,350	8,448,668
30				

- 31 4. The difference between the amount paid and the net book value is recorded as an acquisition adjustment.
32

33	Amount Paid	7,678,246
34	Net Book Value	8,448,668
35	Acquisiton Adjustment	(770,422)
36		

- 37 5. In the event of a resulting negative acquisition adjustment, the dollars are added to the accumulated depreciation.
38

39	Accumulated Depreciation	17,441,350
40	Negative acquisiton adjustment	770,422
41		18,211,772 (B)
42		

- 43 6. Final acquisiton numbers recorded for the purchase of the 40% remaining of the EIP transmission line.

44	Journal entry:	
45	Plant in Service	25,890,018
46	Accumulated Depreciation	(18,211,772)
47	Cash	(7,678,246)

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF THE APPLICATION OF)
 OF PUBLIC SERVICE COMPANY OF NEW)
 MEXICO FOR REVISION OF ITS RETAIL) **Case No. 15-00261-UT**
 ELECTRIC RATES PURSUANT TO ADVICE)
 NOTICE NO. 513,)
)
)
 PUBLIC SERVICE COMPANY OF NEW MEXICO,)
 Applicant.)

AFFIDAVIT

[illegible]

JASON A. PETERS, Director, General Accounting for PNM Resources, Inc.,
upon being duly sworn according to law, under oath, deposes and states: I have read the
foregoing **Direct Testimony and Exhibits of Jason A. Peters** and it is true and accurate
based on my own personal knowledge and belief.

SIGNED this 21st day of August, 2015.

Jason A. Peters

JASON A. PETERS

SUBSCRIBED AND SWORN to before me this 21st day of August, 2015.

Donna S. Holliday

NOTARY PUBLIC IN AND FOR
THE STATE OF NEW MEXICO

My Commission Expires:

1-21-16