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

ERIK C. BUCHANAN

AUGUST 27, 2015

NMPRC CASE NO. 15-00261-UT
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WITNESS FOR
PUBLIC SERVICE COMPANY OF NEW MEXICO

DIRECT TESTIMONY OF
ERIK C. BUCHANAN
NMPRC CASE NO. 15-00261-UT

I. INTRODUCTION AND PURPOSE

Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.

A. My name is Erik C. Buchanan. I am the Director, Corporate Budget for PNM Resources, Inc. ("PNMR"). My address is 414 Silver Avenue, SW, Albuquerque, New Mexico 87102.

Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES AS DIRECTOR, CORPORATE BUDGET.

A. As Director, Corporate Budget, I am responsible for compiling the Annual Operating Plan (AOP), and quarterly reforecast budgets of PNMR, and its subsidiaries including Public Service Company of New Mexico ("PNM" or "Company"). These responsibilities include budgeting for the capital of the Company. A copy of my resume is attached as PNM Exhibit ECB-1.

Q. HAVE YOU PREVIOUSLY TESTIFIED IN UTILITY REGULATION PROCEEDINGS?

A. No.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to:

(1) Summarize the capital projects cleared to plant in service during the Capital Investment Period[1] as well as the construction balances included in rate base at the end of the Test Period.

(2) Present and support the capital budgeting process as it relates to the Capital Investment Period, and quarterly reforecast (project trade-off) processes;

(3) Support and explain the Hyperion® budgeting system ("Hyperion[2]"), including a discussion of Hyperion system calculations and adjustments necessary to complete the capital budget such as:

(a) Calculation and allocation of budgeted capital clearings to the Federal Energy Regulatory Commission ("FERC") electric plant accounts;

(b) Calculation of forecasted cost of removal[3];

(c) Calculation of forecasted electric plant retirements, and;

(d) Removal of the ownership interest in San Juan Generation Station ("San Juan") associated with PNM's forecasted additional 132 MW ownership interest in unit 4 and related common facilities.

(4) Support and explain the calculation of forecasted Allowance for Funds Used During Construction ("AFUDC") rates.

[1] The "Capital Investment Period" includes linkage data from April 1, 2015, through September 30, 2015, and continues through the Test Period ending September 30, 2016.
[2] As discussed later in my testimony, Hyperion is an Oracle software product that provides centralized budgeting and financial forecasting capability.
[3] As discussed later in my testimony, cost of removal means the demolition, dismantling, tearing down or otherwise removing electric plant, including the cost of transportation and handling incidental thereto.

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 through B-6, J-1, J-2, P-2, and P-3 as these schedules pertain to linkage data and the Test Period. These Rule 530 Schedules are being provided in executable electronic format on a DVD-ROM, but are neither fully functional nor required to be filed as fully functional under the FTY Rule. Each of these schedules was prepared by me or under my direct supervision. Information in these schedules pertaining to the base period is sponsored by PNM Witness Peters.

II. SUMMARY OF CAPITAL PROJECTS INCLUDED IN THE TEST PERIOD REVENUE REQUIREMENTS

Q. PLEASE SUMMARIZE HOW CAPITAL PROJECTS WERE FORECASTED, HOW THE COMPANY HAS SUPPORTED ITS REQUEST FOR THESE PROJECTS, AND WHICH PNM WITNESSES WILL SUPPORT THE COMPANY'S REQUESTED CAPITAL ADDITIONS IN THIS CASE.

A. The Company issues capital targets to the various business segments (i.e., transmission and distribution, generation, and corporate) annually for a five year forecast period. Business segments identify and prioritize capital projects and provide expenditure and clearing information which is captured by the Hyperion system. Additional calculations and adjustments to forecasted capital activities are made to complete the capital budget. These calculations result in adjustments

to forecast the clearing of construction to the electric plant accounts, cost of removal, and retirements. In addition, other adjustments were made to remove PNM's forecasted 132 MW ownership in San Juan and to remove AFUDC on certain projects included in rate base at the end of the Test Period. The Company has filed specific documentation to support its request for capital additions in the testimonies of PNM Witnesses Johnson, Olson, and Mendez.

Q. PLEASE SUMMARIZE THE DOCUMENTATION PROVIDED TO SUPPORT CAPITAL ADDITIONS AND HOW IT IS ORGANIZED FOR THIS CASE.

A. For purposes of this case, the Company categorized capital project additions into Tier 1, Tier 2 and Tier 3 based on the size of project clearings during the Capital Investment Period and the Capital Clearing Period[4]. While all capital projects are explained and supported, the Tier 1 projects are discussed in more detail because they represent the largest projects and the greatest percentage of capital additions.

PNM Table ECB-1 below outlines project Tiers for both PNM (Generation and transmission and distributions ("T&D") and corporate segment projects.

[4] The period from April 1, 2015 through February 28, 2017, encompassing the Capital Investment Period and Construction Work in Progress ("CWIP") period (October 1, 2016 through February 28, 2017) is referred to as the "Capital Clearing Period".

Table ECB-1

Tier	Description
Tier 1	• Generation and T&D projects with clearings equal to or greater than $750K • Corporate projects with clearings equal to or greater than $500K
Tier 2	• Generation and T&D projects with clearings between $100 – $750K • Corporate projects with clearings between than $100K - $500K
Tier 3	• All projects with clearings less than or equal to $100K

Tier 1 contains those projects with the greatest amount of clearings during the Capital Clearings Period. These projects require the most explanation and include a *project estimate approach* section which provides an overview of how the estimated cost for the project was developed. Tier 2 projects provide the same level of documentation as Tier 1 projects but do not include the *project estimate approach* discussion. Tier 3 projects contain projects with the least clearings during the Capital Investment Period and include a general discussion of the projects.

Q. PLEASE DESCRIBE THE CAPITAL BUDGET DOCUMENTATION DEVELOPED TO SUPPORT THE CAPITAL PROJECTS ADDRESSED IN THIS CASE.

A. The capital budget documentation provides basic information on each project including Project ID, Name, Business Segment (referred to as Company on the documentation), Location, Project Need Justification, Project Alternatives, Technical Aspects, and for Tier 1 projects the Project Estimate Approach

discussion. In addition, monthly spend and clearing data is provided by cost type for each capital project. Monthly spend and clearing data were provided for these specific projects from April 2015 through calendar year 2017, if applicable. Projects for which documentation is not provided are those cleared to plant in service by March 31, 2015, which is the end of the Base Period.

Q. PLEASE SUMMARIZE PROJECTED CAPITAL ADDITIONS THROUGH THE CAPITAL INVESTMENT PERIOD.

A. PNM has included in this filing plant additions related to 460 individual capital projects which includes plant additions net of retirements during the Linkage and Test Period of $783.9 million and $78.2 million related to certain individual capital projects with clearings to plant in service from the end of the Test Period through February 2017. This amount also includes adjustments for "Other" items as discussed below.

PNM Table ECB-2 below provides a summary of capital additions by business segment and describes "Other" adjustments necessary to obtain gross additions to plant in service during the period April 1, 2015 and September 30, 2016.

Table ECB-2

	Linkage and Test Period				
Business Segment	**Tier 1**	**Tier 2**	**Tier 3**	**Other[1]**	**Total**
Generation	$ 451,403,342	$ 15,367,076	$ 1,831,211	$ 114,610,340	**$583,211,968**
T&D	$ 191,296,033	$ 27,137,748	$ 1,910,481	$ 18,211,772	**$238,556,035**
Corporate	$ 13,803,456	$ 9,254,392	$ 467,512	$ -	**$ 23,525,360**
Business Segment Totals	**$ 656,502,831**	**$ 51,759,216**	**$ 4,209,204**	**$ 132,822,112**	**$845,293,364**
Remove San Juan 132MW	$ -	$ -	$ -	$ (16,975,136)	**$ (16,975,136)**
Cost of Removal	$ -	$ -	$ -	$ (13,373,400)	**$ (13,373,400)**
Generation & T&D Retirements	$ -	$ -	$ -	$ (30,229,586)	**$ (30,229,586)**
Corporate Retirements	$ -	$ -	$ -	$ (790,458)	**$ (790,458)**
Sub-Total	**$ -**	**$ -**	**$ -**	**$ (61,368,580)**	**$ (61,368,580)**
Grand Total	**$ 656,502,831**	**$ 51,759,216**	**$ 4,209,204**	**$ 71,453,533**	**$783,924,784**

[1] Generation and T&D "Other" includes adjustments to gross plant in service as well as an acquisition adjustment to record acquired plant at its original depreciated basis in accordance with FERC guidelines. Generation "Other" includes adjustments to record plant in service and an acquisition adjustment for the purchase of PV2 leased assets of $53,379,589 and $61,230,751 million, respectively. T&D "Other" includes $18,211,772 to record plant in service related to the acquisition of EIP transmission line assets. See additional discussion of these adjustments in the testimonies of PNM Witness Peters. "Other" also includes adjustments to remove PNM's forecasted incremental 132 MW interest in San Juan, forecasted cost of removal, and forecasted retirements which are discussed later in my testimony.

As shown above, $583.2 million represent capital clearings for generation. PNM Witness Olson addresses capital investments for generation. Included in the generation projects is the purchase of the 64 MW interest in Palo Verde Nuclear Generating Station ("PVNGS"). This purchase is discussed further in the testimonies of PNM Witnesses Eden and Olson. T&D projects make up the second largest component of capital clearings which total $238.6 million and include the purchase of the Eastern Interconnect Project ("EIP") transmission line. PNM Witness Johnson addresses capital investments for T&D. The balance of capital projects, $23.5 million, is related to corporate capital investments which are discussed in PNM Witness Mendez's testimony. The amounts provided in "Other" are discussed by PNM Witness Peters and in my testimony below. PNM

Witness Peters also discusses acquisition adjustments related to the PVNGS and EIP purchases. My testimony discusses the adjustments to the capital investments to remove the forecasted 132 MW interest in San Juan, cost of removal, and retirements.

Q. HAS THE COMPANY INCLUDED ANY CONSTRUCTION WORK IN PROGRESS ("CWIP") BALANCES AT THE END OF THE TEST PERIOD IN THIS FILING?

A. Yes. As discussed by PNM Witness Monroy, the Company included CWIP balances in its Test Period rate base request. PNM included the CWIP balance as of September 30, 2016, for any project that has an estimated clearing from October 2016 through February 2017. PNM included the lesser of the CWIP balance as of September 30, 2016, or the estimated clearings for the capital project through February 2017.

Q. PLEASE SUMMARIZE THE PROJECTED CWIP REQUESTED IN THE TEST PERIOD.

A. As discussed in the testimony of PNM Witness Monroy, the Company has included certain capital projects with CWIP balances at September 30, 2016. PNM included the lesser of CWIP balances at the end of the Test Period or clearings thereafter through February 2017 of approximately $78.2 million. PNM Table ECB-3 below provides a summary of these capital projects by business segment.

Table ECB-3

	CWIP				
Business Segment	**Tier 1**	**Tier 2**	**Tier 3**	**Other[1]**	**Total**
Generation	$ 26,607,292	$ 578,720	$ 201,464	$ -	**$ 27,387,476**
Transmission & Distribution	$ 22,506,415	$ 4,569,003	$ 233,794	$ -	**$ 27,309,212**
Corporate	$ 23,319,844	$ 2,087,713	$ 341,374	$ -	**$ 25,748,931**
Business Segment Totals	**$ 72,433,551**	**$ 7,235,436**	**$ 776,633**	**$ -**	**$ 80,445,620**
Remove San Juan 132MW	$ -	$ -	$ -	$ (1,279,703)	**$ (1,279,703)**
AFUDC	$ -	$ -	$ -	$ (1,013,483)	**$ (1,013,483)**
Other Totals	**$ -**	**$ -**	**$ -**	**$ (2,293,186)**	**$ (2,293,186)**
Grand Total	**$ 72,433,551**	**$ 7,235,436**	**$ 776,633**	**$ 2,293,186**	**$ 78,152,433**

[1] "Other" includes adjustments to remove capital additions on the additional 132 MW interest PNM will acquire in San Juan, and to remove AFUDC for the period July 1, 2016 through February 2017 on CWIP projects included in rate base at September 30, 2016. The AFUDC adjustment includes approximately $289,155 and $724,328 for T&D and Generation projects, respectively. Additional discussion of these adjustments is provided later in my testimony and in the testimony of PNM Witness Monroy.

The development of project costs and forecasted clearings provided in Tiers 1 through 3 in the table above are discussed further in the testimonies of PNM Witnesses Olson, Johnson, and Mendez. The amounts provided in "Other" are discussed in more detail later in my testimony below.

Q. HAS THE COMPANY ALSO PROVIDED CAPITAL BUDGET DOCUMENTATION FOR CWIP BALANCES INCLUDED IN RATE BASE AT THE END OF THE TEST PERIOD?

A. Yes. This documentation that has been provided for projects completed during the Capital Investment Period has been provided for CWIP included in rate base as of September 30, 2016.

III. THE CAPITAL BUDGETING PROCESSES

A. Introduction

Q. HOW ARE CAPITAL PROJECTS PLANNED, AND APPROVED?

A. The annual capital budgeting process starts with initiatives identified during the business financial planning process. The business financial planning process develops capital targets which are communicated to the various business segments of PNMR, including PNM. Business segments (T&D, generation, and corporate) utilize these targets to develop their portfolios of capital projects. Estimated capital expenditures and clearings related to each project are loaded into Hyperion. Capital expenditure and clearings information from Hyperion is reviewed and approved by the Resource Council (comprised of the Chief Operations Officer, Chief Financial Officer, Chief Information Officer and Vice President Controller, Vice President of New Mexico Operations, Vice President of Generation, and Director of Supply Chain) and the PNMR Board of Directors ("Board").

Q. PLEASE EXPLAIN HOW CAPITAL TARGETS ARE DEVELOPED AND UTILIZED IN THE CAPITAL BUDGETING PROCESS.

A. The capital planning cycle consists of four distinct, but related, planning efforts. The first is PNM's Integrated Resource Plan ("IRP") which defines how future power needs in New Mexico will be addressed. PNM filed its 2014-2033 IRP Report with the Commission in July 2014. The second component of the planning cycle is the development of a Long Range Plan ("LRP") based on

modeling and analysis of economic, operational, and financial scenarios, typically over a five-year planning horizon. The final two components entail business planning and budgeting. Business planning and budgeting activities are conducted on an annual basis and are the basis for PNM's AOP, or budget, which is finalized in the last quarter of each calendar year.

The AOP process provides individual business segments with five-year capital targets. These targets are based on numerous factors, including strategic objectives set by senior management, environmental compliance requirements, equipment reliability, expected load and customer growth, and system reliability. The targets serve as a guide to the individual business segments to enable them to more accurately plan future capital projects.

B. Capital Prioritization

Q. PLEASE EXPLAIN HOW THE POTENTIAL CAPITAL PROJECTS ARE RANKED BY EACH BUSINESS SEGMENT FOR INCLUSION IN THE BUDGET.

A. Based on the five-year capital expenditure targets and the factors listed above, each business segment identifies the capital projects that must be completed in order to accomplish their strategic and business objectives. In order for a project to be considered, it must align with the Company's strategic and operational performance improvement objectives. Projects are prioritized based upon key

metrics which include regulatory compliance, safety, customer and stakeholder value, corporate responsibility, and operational improvement. Key metrics include sub metrics such as customer satisfaction, impacts to government and regulatory relationships. Cost estimates are then developed using guidelines for key materials costs, labor costs, warehouse materials, permitting, land rights, and any other items necessary to complete the project. Finally, capital overhead or "loads" are applied to determine the final forecasted cost estimate.

Projects are also categorized into order of importance. The highest priority or most important projects are those PNM must do because they are already underway or they are required due to equipment failure, or regulatory, environmental, or contractual obligations. The second highest priority projects are projects PNM should do because they have clear beneficial economic or operational outcomes from a cost or reliability perspective, or because not completing these projects could lead to increased economic or operational risk. The last category contains projects assigned the lowest priority. These projects are those PNM would like to do and can be justified due to other factors such as expected performance improvements, cost savings, or the extension of the useful life of an asset. The results of the above steps are loaded to Hyperion and are ultimately approved for inclusion in the capital budget by the PNMR Board of Directors.

Q. PLEASE EXPLAIN HOW THE CAPITAL BUDGET IS REVIEWED AND APPROVED FOR INCLUSION IN THE AOP.

A. PNM's Resource Council reviews the capital requests of each business segment. The Resource Council can request adjustments to proposed project plans. For example, the Resource Council can request changes to ranking of projects or to the amount of capital to be allocated to each business segment over the five year period. If necessary, each business segment updates their capital plan based on Resource Council review and finalizes the list of projects that will receive funding. The Resource Council reconvenes to approve the adjusted budget, if any. Finalized capital budget information for the five-year period is submitted to the PNMR Board for approval which includes a review of all projects in excess of $25 million. Once approved by the PNMR Board, the five-year capital plan is formally included in the AOP.

Q. DO PROJECTS REQUIRE ADDITIONAL APPROVAL AFTER THE CAPITAL BUDGET IS FINALIZED IN THE AOP?

A. Yes. Prior to the commencement of a capital project, project managers must submit formal documentation, a Capital Approval Process ("CAP") form, before capital funds will be released. This form contains project specific information including a description of the project, background, performance analysis, risk analysis, and a final recommendation that has considered potential alternatives and justification for the project. Due to the ownership structure at San Juan, and Luna Generating Stations, which are owned jointly by PNM and other owners,

PNM utilizes the Capital Budget Item ("CBI") form which is necessary to obtain participant owner approval of projects. The CBI form also includes the requirements of the CAP form utilized for other PNM projects. Upon approval of the CAP/CBI form, the capital spend is authorized and the funds are released for the project. Due to the nature of the capital process, CAP forms are submitted near the time of project commencement; therefore a CAP may not yet be available for all 2015 or 2016 projects.

Q. ARE CAPITAL PROJECTS EVALUATED AFTER CAPITAL HAS BEEN RELEASED TO FUND THE PROJECT?

A. It is ultimately the responsibility of the project manager to monitor the status of a specific project, including adherence to the approved budget, scope, and schedule. Though the project manager is responsible for the successful delivery of a project, each business segment has a budget oversight and project monitoring team that continuously evaluates capital projects to ensure expenditures and clearings are within the project guidelines. Project managers are also required to report any capital projects that have a projected budget over-run of more than 10%. If a project falls into this category, the project manager must submit a Request for Additional Funds ("RFAF") document outlining the rationale for the cost overruns, the additional capital needed in order to complete the project, and any project tradeoffs necessary to ensure approved capital targets are not exceeded. Upon submission of this form, management reviews the rationale for the cost overruns and determines if the project will be provided with additional capital.

Q. DOES THE COMPANY MONITOR CAPITAL PROJECTS IN ANY OTHER WAY DURING THE YEAR?

A. Yes. Beyond the individual business segments, monthly and quarterly management reviews of spend and clearings on capital projects are also conducted. During these reviews, management analyzes any differences between budgeted and actual results, and, if necessary, has the authority to alter planned capital projects.

C. Capital Budget Reforecasts (Project Trade-Offs)

Q. HOW OFTEN DOES THE COMPANY UPDATE ITS CAPITAL BUDGET?

A. Factors outside of PNM's control, including but not limited to, equipment delivery delays, unforeseen scope changes, or new must do projects that emerge due to storm damage, wild fires, regulatory compliance and other factors, may require updates to the capital project list during the year. The Company must respond to these changes as necessary and the capital budget is updated each calendar quarter.

Due to the long-term nature of many capital projects, updates made during the quarterly reforecast often impact several years of budgeted expenditures and clearings to plant in service. For example, an unexpected must do project can be

funded by shifting an existing project to a later year. Similarly, funds allocated to a cancelled project can be utilized by shifting projects from subsequent years to the current year or by funding a project which had not previously been allocated funds. Trade-offs between projects are identified and captured in the budget to ensure annual capital spending is in line with approved targets.

IV. THE HYPERION SYSTEM AND ITS USE IN BUDGET DEVELOPMENT

A. Introduction

Q. PLEASE PROVIDE AN OVERVIEW OF HYPERION, THE COMPANY'S CAPITAL BUDGETING SYSTEM.

A. The Company utilizes Hyperion to compile its capital budgets. Hyperion is an Oracle software product that provides centralized budgeting and financial forecasting capability. For capital projects, information is populated to Hyperion through the use of capital templates, or directly through 'ad hoc' updates. Information in Hyperion is aggregated into basic account strings which contain, business segment, company, funding project, cost type, location, home center, and amount, as well as the month in which forecasted transactions will occur.

Q. DOES HYPERION CONTAIN CAPITAL INFORMATION OTHER THAN FORECASTED CAPITAL?

A. Yes. Actual information from other financial systems such as the general ledger can be brought into the Hyperion system. Actual information can either replace

budgeted information in order to include actual ending balances or transactions to support new budget cycles or it can be brought into Hyperion while maintaining budgeted information to support financial reporting or analysis which compares actual to budgeted results. For purposes of this filing, actual capital balances at the end of the Base Period were used as the starting point for the capital forecast.

Q. HOW IS INFORMATION IN HYPERION ACCESSED TO SUPPORT THE COMPANY'S LINKAGE AND TEST PERIOD FORECASTED CAPITAL INFORMATION?

A. Information in Hyperion is accessed and extracted through the use of the Essbase querying tool ("Essbase"). Essbase can query information from the various sources in the Hyperion system at the aggregated account string level (e.g. business segment, company, funding project, cost type, etc.).

B. Capital Forecast Calculations and Adjustments

Q. WHAT CALCULATIONS DOES HYPERION PERFORM TO COMPLETE THE CAPITAL BUDGET?

A. In addition to compiling budgeted data, the Hyperion system performs numerous calculations necessary to complete the budget. For capital, system calculations include items such as the allocation of budgeted capital clearings to the various electric plant accounts (e.g., to accounts 353, station equipment, or other electric plant accounts as defined by the FERC Uniform System of Accounts), calculation

of capital loads, and the clearing of construction to plant in service. In some cases, additional adjustments not performed by system calculation processes are needed to complete the budget.

Q. PLEASE DESCRIBE NON-SYSTEMATIC ADJUSTMENTS NECESSARY TO COMPLETE THE CAPITAL BUDGET.

A. As previously discussed, additional non-systematic adjustments are necessary to complete the capital budget and are made to reflect assumptions about future activity not otherwise captured during the capital budgeting process. For example, Hyperion has limited ability to allocate capital to the electric plant accounts using allocation rates. Such allocation rates are input by system locations which provide only a general identification of the type of construction (e.g., distribution, transmission, generation, or corporate). Hyperion does not have the ability to perform the allocation at a level of detail lower than the location. Therefore, additional adjustments are made to more accurately allocate capital to the various electric plant accounts. In addition, Hyperion does not perform any system calculations to forecast retirements or cost of removal which are transactions typical of most capital projects. Finally, other adjustments that cannot be systematically performed are necessary to align forecasted capital information with PNM's rate case request. These include such adjustments as removing AFUDC on certain project balances included in rate base at the end of the Test Period, and the removal of PNM's forecasted additional 132 MW ownership interest in the San Juan.

1

2 **1. Electric Plant Account Allocations**

3 **Q. PLEASE EXPLAIN WHY IT IS NECESSARY TO ALLOCATE PLANT**
4 **ADDITIONS TO THE ELECTRIC PLANT ACCOUNTS.**

5 A. Capital budget information is loaded to Hyperion at the general ledger account
6 level. Similarly, clearings to plant in service are performed by transferring
7 construction to plant in service at the general ledger account level (e.g. reduce
8 account 107 and increase account 101). It is necessary to allocate activity to the
9 various electric plant accounts to forecast how construction will actually be added
10 to plant in service or to calculate depreciation expense which requires a
11 combination of both the location and the electric plant account.

12

13 **Q. PLEASE DESCRIBE THE PROCESS TO ALLOCATE PLANT**
14 **ADDITIONS TO THE ELECTRIC PLANT ACCOUNTS.**

15 A. Based on historical clearings to plant in service, allocation rates are loaded to the
16 system by general ledger location. As previously discussed, general ledger
17 locations define at a summary level the kind of work being performed (e.g.,
18 distribution, transmission, generating facility, or corporate support functions such
19 as IT hardware, telecom, etc.). Hyperion uses "default" rates to perform a system
20 calculation which allocates clearings at each location to the appropriate electric
21 plant accounts. In many cases the "default" or location level allocation of
22 clearings to the electric plant accounts reasonably reflects anticipated future

capital additions and no additional adjustments are needed. In other cases, more refinement is necessary to better allocate forecasted additions to the various electric plant accounts.

Q. HOW DID THE COMPANY DETERMINE THE "DEFAULT" OR LOCATION ALLOCATION RATES UTILIZED BY HYPERION TO ALLOCATE BUDGETED CLEARINGS TO THE ELECTRIC PLANT ACCOUNTS?

A. The Company reviewed historical additions to plant in service by major operating unit (i.e., distribution, transmission, generating facility, and corporate), and funding project type to determine rates used to allocate clearings to the electric plant accounts. PNM utilized a five-year period ending December 31, 2014, to determine average allocation rates to apply to forecasted capital additions in the generation and corporate segments. Capital expenditures and clearings for the T&D segment have increased significantly in recent years. Therefore, the Company utilized a shorter, two year, period ending December 31, 2014 to determine electric plant account allocation rates for the T&D segment. The resulting allocation rates were entered into Hyperion by location to perform the systematic allocation of forecasted clearings to the electric plant accounts. The "default" electric plant account allocation rates for each segment or generating facility are provided in PNM Exhibit ECB-2.

Q. WHAT REFINEMENT IS PROVIDED BY ADJUSTING "DEFAULT" OR LOCATION LEVEL ALLOCATION RATES?

A. In some cases, the allocation of clearings at the location level is too broad to reasonably reflect the type of work being performed. For example, certain clearings at a distribution location may be specific to distribution pole replacements. Clearings for this type of work should not be allocated to electric plant accounts not associated pole replacements. In some cases, capital work specific to certain activities can be identified by the funding project type. An evaluation of capital clearings in such funding projects (such as pole replacements as previously discussed) is performed and the "default" results from the system calculation are adjusted to refine more accurately allocated forecasted capital additions to the appropriate account.

Q. PLEASE DESCRIBE HOW THE COMPANY DETERMINES THE ALLOCATION OF CLEARINGS TO CERTAIN PROJECT TYPES.

A. The allocation of forecasted clearings for certain projects is performed in a manner similar to the "default" or location allocation rates. That is, certain allocation rates for project types utilized the same historical periods as were used for the "default" allocation rates.

Q. PLEASE DESCRIBE WHICH UTILITY PROJECT TYPES WERE ADJUSTED TO MORE ACCURATELY ALLOCATE CLEARINGS TO THE ELECTRIC PLANT ACCOUNTS.

A. The Company uses blanket funding projects to perform some capital work. Blanket projects include work with limited scope such as transformer replacements, meter replacements, or pole replacements. Forecasted expenditures in these types of projects should not be allocated to unrelated electric plant accounts. For example, planned capital expenditures in the transformer replacement blanket project type should not be to electric plant accounts not related to transformer replacements. PNM performs T&D capital blanket work in funding project types numbered 001 to 013 (funding project types are identified by the middle three digits of each 8 digit project ID). Adjustments were made to results of the "default" allocation to more accurately forecast the allocation of capital additions in these project types to the electric plant accounts. PNM Exhibit ECB-2 separately identifies forecasted capital additions that were allocated by projects type.

Q. WERE ANY OTHER ALLOCATIONS TO THE ELECTRIC PLANT ACCOUNTS ADJUSTED?

A. Yes, the Company also adjusted the allocation of capital additions to the electric plant accounts for specific large funding projects. The Company made adjustments to the "default" allocation for capital addition related to the La Luz Generating Facility, 2015 40 MW Solar generating facility, the PVNGS 64 MW

leased asset acquisition, the San Juan Selective Non-Catalytic Reduction ("SNCR"), the EIP transmission line purchase. The allocation of expenditures in these capital projects were determined based upon information provided by company personnel. PNM Exhibit ECB-2 separately identifies these funding projects and the allocation rates used to forecast additions to the electric plant accounts.

2. Cost of Removal

Q. PLEASE DESCRIBE COST OF REMOVAL AND WHY IT IS NECESSARY TO ADJUST FOR COST OF REMOVAL IN THE CAPITAL BUDGET.

A. As defined in the FERC Uniform System of Account ("USOA") Definitions, cost of removal means the demolition, dismantling, tearing down or otherwise removing electric plant, including the cost of transportation and handling incidental thereto. The majority of capital projects are performed to replace existing capital assets and it is not appropriate to abandon retired assets in place. Instead, these assets are removed and disposed and the cost of these activities reflects the cost of removal. The Company does not separately budget removal costs. Instead, anticipated cost of removal is budgeted in Hyperion as a component of CWIP and, like CWIP, is cleared to plant in service at forecasted completion dates. Therefore, it is necessary to reduce plant in service to reflect anticipated removal costs.

Q. PLEASE DESCRIBE HOW PLANT IN SERVICE IS ADJUSTED IN THE BUDGET FOR FORECASTED COST OF REMOVAL.

A. Forecasted cost of removal is determined using an estimated cost of removal rate (percentage) associated with capital expenditures by operating unit (i.e., distribution, transmission, individual generating plants, and corporate) based on historical experience, adjusting for changes in capital spend patterns if necessary. The historical periods used are the same as those used to calculate the allocation of clearings to the electric plant accounts. Cost of removal is applied using "contra" funding projects. "Contra" funding projects reflect activities and balances to offset, or reduce, other budgeted activities. For cost of removal, the "contra" serves to reduce forecasted additions to plant in service and the provision for accumulated depreciation which reflects how forecasted cost of removal will actually be recorded (i.e., as a component of accumulated depreciation). Similar to other clearings to plant in service, the cost of removal "contra" must be allocated to the electric plant accounts which is accomplished using the allocation to electric plant accounts process previously discussed. Corporate assets typically do not have cost of removal due to the nature of capital projects at the corporate entity. There are typically limited costs associated with removing a software system, or removing office equipment. Therefore, the budget does not include a forecast for cost of removal for the corporate segment. For the Linkage and Test Period, the reduction to PNM's plant in service and accumulated reserve for cost of removal is $13,373,400. PNM Exhibit ECB–3 provides historical CWIP and

cost of removal expenditures (reflected in the exhibit as "RWIP") used to calculate forecasted cost of removal rates.

3. Retirements

Q. PLEASE DESCRIBE RETIREMENTS AND WHY IT IS NECESSARY TO ADJUST FOR RETIREMENTS IN THE CAPITAL BUDGET.

A. A retirement occurs when an item of plant in service which, when retired, with or without replacement, is accounted for by crediting the book cost to the electric plant account in which it is included. In other words, a retirement occurs when an assets is removed from plant in service regardless of replacement. The Company does not generally forecast the retirement of specific assets as part of its capital budgeting process. Instead, historical retirement activity is used as a basis for forecasting future retirements.

Q. PLEASE DESCRIBE HOW THE COMPANY HAS ADJUSTED PLANT IN SERVICE FOR RETIREMENTS.

A. PNM determined estimated average retirements (dollar amounts) by major operating unit (i.e., distribution, transmission, individual generating plants and corporate) based on historical experience, adjusting as necessary for changes in retirement patterns. The historical periods used are the same as those used to calculate the allocation of clearings to the electric plant accounts and for cost of removal. However, for general plant asset (i.e., plant accounts 390 – 399) in

distribution, transmission, generation and corporate, forecasted retirements are assumed to occur when assets are fully depreciated. Similar to cost of removal, retirements are applied using "contra" funding projects as reductions to electric plant in service and accumulated depreciation. For the Linkage and Test period, forecasted retirements at PNM total $30,229,586 (the total of lines 47 and 151 in PNM Exhibit ECB-4) and at Corporate total $790,458. PNM Exhibit ECB–4 provides the calculation of forecasted retirements that were applied to the Linkage and Test Period.

4. Capital Loads

Q. WHAT IS A CAPITAL LOAD?

A. As discussed by PNM Witness Peters, 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. HOW DOES HYPERION CALCULATE CAPITAL LOADS ON FORECASTED CAPITAL PROJECTS?

A. Each type of capital load rate is entered into the Hyperion system on an annual basis. The Hyperion system applies these load rates to the various types of capital expenditures to determine capital load amounts. Generally, capital load rates are applied to associated capital expenditures to determine the dollar amount of

capitalized loads. For example, payroll load rates are applied to forecast capital payroll expenditures. In this way, capital load rates are applied to capital expenditures to determine the dollar amount of capital loads in the forecast.

Q. WHY ARE CAPITAL LOADS APPLIED TO CAPITAL PROJECTS?

A. As discussed by PNM Witness Peters, direct costs are charged to each project during the construction phase. In addition to these direct costs, the Company incurs costs in support of these construction activities that cannot be applied directly to the project. These costs are applied to construction projects based on a load factor which is applied to direct costs. These load factors include payroll loads, material loads, engineering and supervision ("E&S") loads, capitalized fleet load, and A&G loads. In addition, the company applies AFUDC loads to capital projects using an AFUDC rate as discussed later in my testimony.

Q. HOW ARE CAPITAL LOAD RATES USED BY THE HYPERION SYSTEM TO FORECAST CAPITAL LOADS?

A. Capital load rates are entered into Hyperion as miscellaneous account entries. These "misc" accounts provide Hyperion with the information necessary to apply the load rate to direct project charges. Hyperion applies the rate entered for each type of capital load to the associated direct capital expenditures. For example, Hyperion applies capital load rates associated with direct capital payroll charges to calculate the value of payroll loads. Similarly, Hyperion applies A&G load rates to the appropriate direct capital expenditures to calculate the value of the

A&G load. The majority of capital loads are calculated by applying the forecasted load rate to the associated direct capital expenditure. However, AFUDC load rates are applied to average construction balances by individual project to determine the value of AFUDC loads.

V. ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION

A. Introduction

Q. WHAT IS AFUDC AND HOW DOES HYPERION APPLY AFUDC TO CAPITAL PROJECTS?

A. AFUDC reflects the cost of borrowed funds used for construction purposes and a reasonable rate of return on other funds used for construction. In other words, it represents capitalized interest cost and a reasonable return on capital expenditures during the construction period. The Company records AFUDC on its jurisdictional construction and nuclear fuel in process assets in accordance with FERC Order No. 561.

B. Calculation of AFUDC

Q. PLEASE DESCRIBE HOW AFUDC RATES WERE CALCULATED DURING THE LINKAGE AND TEST PERIODS.

A. AFUDC rates are calculated using the AFUDC rate formula provided under Order No. 561 which provides that rates be calculated using average balances of

construction expenditures and short-term as well as long-term debt and equity balances at the end of the prior year including rates associated with debt and equity balances. The capital forecast calculates AFUDC rates on a calendar year basis. The inputs and results of the Company's AFUDC rate calculation are provided in PNM Exhibit ECB-5

Q. PLEASE DESCRIBE HOW THE HYPERION SYSTEM DETERMINES THE AMOUNT OF CAPITALIZED AFUDC.

A. At a summary level, AFUDC is calculated by applying the rate to capital construction and nuclear fuel in process average balances by individual project. The Hyperion system applies the rates to the average monthly balances by individual project to determine the amount of capitalized AFUDC recorded during the Linkage and Test Periods.

Q. DID THE COMPANY MAKE ANY ADJUSTMENTS TO THE HYPERION CALCULATION OF AFUDC?

A. Yes. The Company removed forecasted AFUDC subsequent to July 1, 2016 on projects included in this filing's request for CWIP at the end of the Test Period.

Q. HOW WAS THE REDUCTION TO CWIP FOR AFUDC AT THE END OF THE TEST PERIOD DETERMINED?

A. The Company has requested that rates become effective July 1, 2016. It would not be appropriate to continue accruing AFUDC on CWIP balances included in

the Company's requested revenue requirement after request rates have taken effect. Therefore, the Company removed AFUDC on CWIP balances for projects included in rate base subsequent to the requested date of rates under this case or July 1, 2016. This adjustment resulted in the removal of $1,013,483 of AFUDC from CWIP at September 30, 2016.

VI. REMOVAL OF PNM'S 132 MW INTEREST IN THE SAN JUAN

Q. WHY DOES THE BUDGET INCLUDE AN ADDITIONAL 132 MW OF CAPITAL IN THE SAN JUAN?

A. The Company assumed in its forecast for 2015 and 2016 capital expenditures related to an additional 132 MW interest in San Juan. The approval of this additional capacity is currently pending in NMPRC Case No. 13-00390-UT.

Q. HAS PNM EXCLUDED THE FORECASTED CAPITAL EXPENDITURES AND ADDITIONS FOR THE ADDITIONAL 132 MW INTEREST IN SAN JUAN FOR PURPOSES OF THIS CASE?

A. Yes. As discussed earlier in my testimony forecasted capital expenditures reflect PNM's ownership interest in San Juan. Without adjustment, forecasted capital expenditures and clearings include PNM's ownership interest in an additional 132 MW in San Juan Unit 4, plant common to both Units 3 and 4, and plant common to all units. PNM is not asking for recovery of the portion of capital investment related to the 132 MW in San Juan in this proceeding as the acquisition of the 132

MW in San Juan Unit 4 is still pending approval before the Commission. This is also discussed in PNM Witness Monroy's testimony.

Q. PLEASE EXPLAIN HOW PNM'S 132 MW INTEREST WAS REMOVED FROM FORECASTED CAPITAL EXPENDITURES AND ADDITIONS.

A. PNM's additional ownership in San juan Unit 4, Unit 3 and 4 common, and overall common related to the 132 MW increased by 40.4%, 31.6%, and 21.1%, respectively. Corresponding reductions to forecasted construction and associated clearings to plant in service during the Linkage and Test Period, as well as CWIP included in rate base at September 30, 2016, were made to reduce PNM's forecasted capital investment in the facility. This reduction includes all capital loads associated with projects at San Juan. The reduction to future capital clearings was recorded as a "contra" funding project similar to the process for cost of removal and retirements.

PNM Table ECB-4 provides the adjustment to reduce forecasted clearings related to PNM's 132 MW ownership interest in the facility.

Table ECB-4

Removal of San Juan Generating Station 132 MW Interest		
	FERC	**Amount**
Plant in Service Reduction for 132MW Interest		
San Juan Unit 4 - SNCR	101	$ (13,131,595)
San Juan Unit 4 - Other	101	$ (2,547,763)
San Juan Common - All Units	101	$ (1,295,778)
Total		$ (16,975,136)

VII. CONCLUSION

Q. WHAT ARE YOUR GENERAL CONCLUSIONS?

A. The Company forecasts capital additions based upon capital targets and the capital expenditures and clearing assumptions provided by the various business segments. Hyperion applies capital load rates, including AFUDC, to forecasted capital expenditures to determine the total cost of capital projects and to determine total capital additions to plant in service. To complete the capital budget, adjustments are made to allocate capital additions to various electric plant accounts, to reflect forecasted cost of removal and retirement activities, and to align certain items, such as PNM's additional 132 MW ownership in the San Juan, with the Company's rate case request. Together, the above items provide a reasonable basis for the forecasted capital construction and plant in service additions, accumulated depreciation balances, and the calculation of depreciation expense.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

GCG#520336

Resume of Eric C. Buchanan

PNM Exhibit ECB-1

Is contained in the following 1 page.

ERIK C. BUCHANAN
EDUCATION AND PROFESSIONAL SUMMARY

Name: Erik C. Buchanan

Address: PNM Resources, Inc.
MS 0915
414 Silver Avenue, SW
Albuquerque, NM 87102

Position: Director, Corporate Budget

Education: Bachelor of Business Administration, University of New Mexico, 2003
Certified Public Accountant in the State of New Mexico, October 2005.

Employment: Employed with the Public Service Company of New Mexico since 2008.
Positions held within the Company include:

Director, Corporate Budget
Senior Manager, General Accounting
Manager, Corporate Accounting
Project Manager, SEC Reporting and GAAP Analysis

Testimony Filed:

None.

Plant Utility Accounts Allocations

PNM Exhibit ECB-2

Is contained in the following 5 pages.

	A	B	C	D	E	F	G	H	I	J	K	L	M
1	PNM Exhibit ECB-2												
2	Electric Plant Account Allocation Rates												
3													
4				2010 Actual Additions	2011 Actual Additions	2012 Actual Additions	2013 Actual Additions	2014 Actual Additions	2- Year Average Annual Additions	5-Year Average Annual Additions	Allocation Rate	Linkage & Test Period Forecasted Allocation Amounts	Notes
5	Plant Utility Account Allocation - "Default" Allocation by Location (Business Segment)												
6	T&D	Electric Plant Account	FERC										
7													
8													
9	100	Station Equip	362				8,752,949	7,171,793	7,962,371		31.45%	11,480,881	
10	100	Underground Conductors & De	367				5,263,169	2,404,316	3,833,743		15.14%	5,527,844	
11	100	Overhead Conductors & Devic	365				1,542,905	5,608,590	3,575,747		14.12%	5,155,843	
12	100	Poles,Towers & Fixtures	364				324,318	4,187,783	2,256,051		8.91%	3,252,982	
13	100	Comp Hardware	391				23	3,413,294	1,706,658		6.74%	2,460,817	
14	100	Structures & Improvement	390				56,269	3,319,739	1,688,004		6.67%	2,433,920	
15	100	Structures & Improvement	361				6,083,238	(3,218,604)	1,432,317		5.66%	2,065,247	
16	100	1-Communication Equip	397				286,583	2,211,374	1,248,978		4.93%	1,800,892	
17	100	Underground Conduit	366				1,057,694	701,705	879,699		3.47%	1,268,432	
18	100	Tools,Shop & Garage Equip	394				2,755,296	(1,290,060)	732,618		2.89%	1,056,356	
19		**Total**					26,122,444	24,509,930	25,316,187		100.00%	36,503,214	
20													
21													
22	155	Station Equip	362				3,878,082	447,469	2,162,775		56.44%	2,217,303	
23	155	Poles,Towers & Fixtures	364				183,346	951,707	567,526		14.81%	581,835	
24	155	Overhead Conductors & Devic	365				526,529	514,877	520,703		13.59%	533,831	
25	155	Structures & Improvement	390				-	794,333	397,166		10.36%	407,180	
26	155	Underground Conductors & De	367				282,449	85,289	183,869		4.80%	188,504	
27		**Total**					4,870,406	2,793,675	3,832,040		100.00%	3,928,653	
28													
29													
30	650	Station Equip	353				(165,022)	4,450,976	2,142,977		75.02%	85,606,805	
31	650	Poles & Fixtures	355				67,507	1,359,359	713,433		24.98%	28,499,959	
32		**Total**					(97,515)	5,810,336	2,856,410		100.00%	114,106,763	
33													
34													
35	220	Station Equip	353				19,344,262	32,544,599	25,944,430		66.98%	5,554,381	
36	220	Poles & Fixtures	355				4,591,265	11,858,050	8,224,657		21.23%	1,760,797	
37	220	Structures & Improvement	352				3,345,265	317,823	1,831,544		4.73%	392,111	
38	220	Overhead Conductors & Devic	356				264,903	1,679,817	972,360		2.51%	208,170	
39	220	Towers & Fixtures	354				249,439	1,225,278	737,358		1.90%	157,859	
40	220	Off Furn & Eq, Comp Hardwar	391				929,072	251,200	590,136		1.52%	126,341	
41	220	Communication Equip	397				416,748	452,623	434,685		1.12%	93,061	
42		**Total**					29,140,954	48,329,389	38,735,171		100.00%	8,292,720	
43													
44		**T&D "Default" Allocation Total**										**162,831,350**	
45													
46													Exhibit ECB-2 Page 1 of 5 Case 15-00261-UT

	A	B	C	D	E	F	G	H	I	J	K	L	M
1	PNM Exhibit ECB-2												
2	Electric Plant Account Allocation Rates												
3													
4				2010 Actual Additions	2011 Actual Additions	2012 Actual Additions	2013 Actual Additions	2014 Actual Additions	2- Year Average Annual Additions	5-Year Average Annual Additions	Allocation Rate	Linkage & Test Period Forecasted Allocation Amounts	Notes
47				Plant Utility Account Allocation - "Default" Allocation by Location (Business Segment)									
48	Generation Facility (Note 1)	Utility Account	FERC										
49													
50	707	Structures & Improvement	341	80,355	187,103	1,573,661	477,044	213,280		506,289	13.15%	307,422	
51	707	Fuel Holders, Producers& Ac	342	423,176	32,855	36,290	365,981	83,213		188,303	4.89%	114,339	
52	707	Generators	344	8,066,999	353,275	37,831	554,636	5,530,968		2,908,742	75.55%	1,766,211	
53	707	Accessory Electric Equip	345	212,882	147,810	48,984	342,543	482,072		246,858	6.41%	149,894	
54		Total		8,783,411	721,043	1,696,766	1,740,204	6,309,533		3,850,191	100%	2,337,867	
55													
56	357	33901 - Str/impr, BPS Off Bldg Remo	390			574,172	206,473	366,794		382,480	100%	1,624,472	
57													
58													
59													
60	715	Structures & Improvement-Ut	311	557,852	28,693	145,235	595,840	425,615		350,647	7.08%	962,571	
61	715	Structures & Improvement-En	311.1	4,725	-	675,573	3,717	628,177		262,438	5.30%	720,427	
62	715	Boiler Plt-Utility	312	5,461,181	(134,265)	764,200	4,037,103	872,406		2,200,125	44.42%	6,039,625	
63	715	Boiler Plt-Envior	312.1	393,119	-	351,775	247,936	300,646		258,695	5.22%	710,151	
64	715	Turbogenerator Unit-Utility	314	2,248,007	(79,106)	612,386	(166,287)	(1,087)		522,782	10.55%	1,435,105	
65	715	Accessory Electric Equipmen	315	1,575,327	56,489	442,103	51,541	1,434,804		712,053	14.38%	1,954,676	
66	715	Miscellaneous Power Plant E	316	258,111	7,205	463,861	208,574	611,387		309,827	6.26%	850,516	
67	715	Station Equip	353	(921,599)	20,741	1,107,017	1,934,239	(457,796)		336,521	6.79%	923,792	
68		Total		9,576,722	(100,244)	4,562,149	6,912,663	3,814,152		4,953,088	100%	13,596,863	
69													
70	703	Generators	344			1,282,429	205,574	659,128		715,710	100%	956,997	
71													
72													
73	744	Generators	344	220,834	347,305	5,159,846	(22,434)	2,824,988		1,706,108	100%	3,735,503	
74													
75	720	Intangible Plt-Software	303	822,278	2,641,322	410,004	789,016	567,642		1,046,053	4.38%	1,758,195	
76	720	Structures & Improvement	321	2,005,267	13,332,115	4,941,210	13,396,980	7,069,576		8,149,030	34.11%	13,696,809	
77	720	Reactor Plant	322	16,614,583	9,134,445	1,607,432	3,476,477	4,768,281		7,120,244	29.80%	11,967,636	
78	720	Turbogenerator Unit	323	1,923,898	2,985,548	3,585,891	3,448,602	2,736,079		2,936,004	12.29%	4,934,806	
79	720	Accessory Electric Equip	324	442,002	249,275	723,993	276,244	944,637		527,230	2.21%	886,163	
80	720	Miscellaneous Power Plant E	325	1,122,937	1,311,157	4,781,903	782,361	9,769,675		3,553,607	14.88%	5,972,867	
81	720	Station Equip	353	401	609,482	941,119	36,516	1,198,941		557,292	2.33%	936,690	
82		Total		22,931,365	30,263,344	16,991,553	22,206,196	27,054,832		23,889,458	100.00%	40,153,167	
83													
84	713	Boiler Plt-Utility	312	10,354,543	6,835,054	3,322,109	1,953,463	122,158		4,517,465	70.36%	1,554,219	
85	713	Turbogenerator Unit-Utility	314	4,282,779	2,387,106	(15,271)	37,497	309,543		1,400,331	21.81%	481,779	
86	713	Accessory Electric Equipmen	315	1,443,931	301,841	32,887	504,781	231,877		503,063	7.83%	173,077	
87		Total		16,081,252	9,524,000	3,339,724	2,495,741	663,578		6,420,859	100.00%	2,209,075	
88													
89	046	Generators	344	-	-	-	-	367,218		73,444	55.35%	782,784	
90	046	Miscellaneous Power Plant E	346	-	-	-	-	296,215		59,243	44.65%	631,429	
91		Total		-	-	-	-	663,432		132,686	100.00%	1,414,213	
92													
93	760	Structures & Improvement-Ut	311	865,109	7,177,814	5,287,480	2,392,285	3,332,923		3,811,122	11.79%	1,278,757	
94	760	Structures & Improvment-Was	311	(0)	497,630	(339,084)	1,834,900	32,043		405,098	1.25%	135,924	
95	760	Boiler Plt-Utility	312	33,678,710	3,104,788	24,718,981	8,177,927	5,880,689		15,112,219	46.77%	5,070,645	
96	760	Boiler Plt-Envior	312	2,184,339	625,736	1,064,024	1,443,117	895,695		1,242,582	3.85%	416,927	
97	760	Boiler Plt-So2	312	1,199,539	179,376	3,557,899	954,835	269,781		1,232,286	3.81%	413,472	
98	760	Turbogenerator Unit-Utility	314	9,010,970	6,577,266	10,792,071	9,250,743	450,268		7,216,264	22.33%	2,421,293	
99	760	Accessory Electric Equipmen	315	2,741,467	893,892	1,181,388	2,392,548	1,270,974		1,696,054	5.25%	569,082	
100	760	Miscellaneous Power Plant E	316	47,828	1,306,366	1,070,534	2,695,472	221,519		1,068,344	3.31%	358,464	
101	760	Station Equip	353	283,829	1,026,335	(131,201)	1,291,863	175,182		529,201	1.64%	177,564	
102		Total		50,011,790	21,389,204	47,202,093	30,433,689	12,529,073		32,313,170	100.00%	10,842,128	
103													
104	779	Station Equip	353							-	100%	200,496	
105													
106		**Generation Facility "Default" Total**										**77,070,781**	
107													
108	Corporate	Utility Account	FERC										
109	999	Intangible Plt-Software	303								89.80%	21,124,680	
110	999	Office Furniture & Equip	391								10.20%	2,400,680	
111		**Corporate "Default" Total**									100.00%	**23,525,360**	
112													
113		**Grand Total "Default" Allocation**										**263,427,491**	
114													Exhibit ECB-2 Page 2 of 5 Case 15-00261-UT

	A	B	C	D	E	F	G	H	I	J	K	L	M
1	PNM Exhibit ECB-2												
2	Electric Plant Account Allocation Rates												
3													
4				2010 Actual Additions	2011 Actual Additions	2012 Actual Additions	2013 Actual Additions	2014 Actual Additions	2- Year Average Annual Additions	5-Year Average Annual Additions	Allocation Rate	Linkage & Test Period Forecasted Allocation Amounts	Notes
115	Electric Plant Account Allocation - Allocation by Project Type												
116	Project Type	Utility Account	FERC										
117													
118	001	Poles,Towers & Fixtures	364				255,526	161,052	208,289		13.88%	339,789	
119	001	Overhead Conductors & Devic	365				156,916	148,770	152,843		10.18%	249,338	
120	001	Underground Conduit	366				119,718	256,261	187,990		12.52%	306,674	
121	001	Underground Conductors & De	367				279,402	1,624,585	951,993		63.42%	1,553,023	
122		Total					811,562	2,190,667	1,501,114		100.00%	2,448,825	
123													
124	002	Poles,Towers & Fixtures	364				326,276	377,427	351,852		14.80%	560,014	
125	002	Overhead Conductors & Devic	365				199,823	222,005	210,914		8.87%	335,695	
126	002	Underground Conduit	366				227,113	532,741	379,927		15.98%	604,699	
127	002	Underground Conductors & De	367				937,220	1,931,580	1,434,400		60.34%	2,283,019	
128		Total					1,690,433	3,063,752	2,377,093		100.00%	3,783,426	
129													
130	005	Poles,Towers & Fixtures	364				72,713	93,509	83,111		19.34%	119,008	
131	005	Overhead Conductors & Devic	365				4,496	9,975	7,235		1.68%	10,360	
132	005	Street Lighting & Signal Sy	373				398,629	279,982	339,306		78.97%	485,860	
133		Total					475,838	383,466	429,652		100.00%	615,228	
134													
135	006	Poles,Towers & Fixtures	364				4,011,485	3,101,308	3,556,397		45.42%	4,368,324	
136	006	Overhead Conductors & Devic	365				2,903,816	1,693,401	2,298,609		29.35%	2,823,383	
137	006	Underground Conduit	366				209,312	438,297	323,805		4.14%	397,729	
138	006	Underground Conductors & De	367				1,408,099	1,895,559	1,651,829		21.09%	2,028,943	
139		Total					8,532,713	7,128,566	7,830,639		100.00%	9,618,379	
140													
141	007	Poles,Towers & Fixtures	364				1,787,430	5,467,735	3,627,582		61.58%	5,090,058	
142	007	Overhead Conductors & Devic	365				530,518	1,199,051	864,784		14.68%	1,213,426	
143	007	Underground Conduit	366				144,565	181,677	163,121		2.77%	228,884	
144	007	Underground Conductors & De	367				987,749	1,483,862	1,235,806		20.98%	1,734,026	
145		Total					3,450,262	8,332,325	5,891,293		100.00%	8,266,394	
146													
147	008	Services	369				4,641,582	3,269,552	3,955,567		75.00%	7,045,525	
148	008	Underground Services	369				198,638	2,438,383	1,318,510		25.00%	2,348,487	
149		Total					4,840,220	5,707,935	5,274,078		100.00%	9,394,012	
150													
151	009	Line Transformers	368				5,331,922	6,485,905	5,908,913		100%	9,478,102	
152													
153	010	Meters	370				3,466,855	2,345,865	2,906,360		100%	2,883,591	
154													
155	012	Poles,Towers & Fixtures	364				320,665	921,521	621,093		89.98%	1,744,892	
156	012	Overhead Conductors & Devic	365				22,910	115,483	69,197		10.02%	194,400	
157		Total					343,575	1,037,005	690,290		100.00%	1,939,292	
158													
159	013	Underground Conduit	366				1,131,041	1,245,161	1,188,101		24.41%	343,610	
160	013	Underground Conductors & De	367				4,003,580	3,353,078	3,678,329		75.59%	1,063,808	
161		Total					5,134,621	4,598,239	4,866,430		100.00%	1,407,418	
162													
163		Total by Project Type Allocation										49,834,667	
164													
165													
166													Exhibit ECB-2 Page 3 of 5 Case 15-00261-UT

PNM EXHIBIT ECB-2
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	A	B	C	D	E	F	G	H	I	J	K	L	M
1	**PNM Exhibit ECB-2**												
2	**Electric Plant Account Allocation Rates**												
3													
4				2010 Actual Additions	2011 Actual Additions	2012 Actual Additions	2013 Actual Additions	2014 Actual Additions	2- Year Average Annual Additions	5-Year Average Annual Additions	Allocation Rate	Linkage & Test Period Forecasted Allocation Amounts	Notes
167							Electric Plant Account Allocations - Projects Specifically Allocated						
168	**Project**	**Utility Account**	**FERC**										
169	40MW natural gas peaker 2016 COD	Generators	344								100.00%	55,342,122	
170													
171	Utility Scale Solar 40 MW	Generators	344								100%	77,754,026	
172													
173	SJ SNCR - All Units	Structures & Improvement-Ut	311								38.13%	29,712,435	
174	SJ SNCR - All Units	Boiler Plt-Utility	312								17.09%	13,321,435	
175	SJ SNCR - All Units	Accessory Electric Equipmen	315								13.80%	10,753,778	
176	SJ SNCR - All Units	Miscellaneous Power Plant E	316								30.98%	24,141,916	
177											100.00%	77,929,564	
178													
179	PV Asset Lease Purchase	Land	320								0.09%	184,637	
180	PV Asset Lease Purchase	Structures & Improvement	321								27.50%	59,655,399	
181	PV Asset Lease Purchase	Reactor Plant	322								41.89%	90,863,622	
182	PV Asset Lease Purchase	Turbogenerator Unit	323								14.58%	31,622,945	
183	PV Asset Lease Purchase	Accessory Electric Equip	324								7.43%	16,124,978	
184	PV Asset Lease Purchase	Miscellaneous Power Plant E	325								8.51%	18,458,009	
185											100%	216,909,589	
186													
187	EIP Purchase 40%	Structures & Improvement	352								5.48%	1,419,018	
188	EIP Purchase 40%	Station Equip	353								47.51%	12,299,136	
189	EIP Purchase 40%	Towers & Fixtures	354								22.83%	5,909,529	
190	EIP Purchase 40%	Poles & Fixtures	355								0.18%	45,706	
191	EIP Purchase 40%	Overhead Conductors & Devic	356								24.01%	6,216,629	
192											100.00%	25,890,018	
193													
194		**Total Specifically Allocated Projects**										**453,825,320**	
195													
196		**Grand Total All Allocations**										**767,087,477**	
197													
198	Note 1:	Facilities are shown by generic location. For example, all San Juan facility locations, excluding the switchyard, are shown as location 760.											
199													
200													
201													Exhibit ECB-2 Page 4 of 5 Case 15-00261-UT

PNM EXHIBIT ECB-2
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	A	B	C	D	E	F	G	H	I	J	K	L	M
1	**PNM Exhibit ECB-2**												
2	**Electric Plant Account Allocation Rates**												
3													
4				**2010 Actual Additions**	**2011 Actual Additions**	**2012 Actual Additions**	**2013 Actual Additions**	**2014 Actual Additions**	**2- Year Average Annual Additions**	**5-Year Average Annual Additions**	**Allocation Rate**	**Linkage & Test Period Forecasted Allocation Amounts**	**Notes**
202	**Location Abbreviations**												
203	100 - Distribution (Company 1)												
204	155 - Distribution (Company 34)												
205	220 - Transmission (Company 35)												
206	650 - Transmission (Company 2)												
207	046 - Rio Bravo Generating Station (Company 3)												
208	357 - Bulk Power Building Allocator (Company 3)												
209	703 - Lordsburg Generating Station (Company 3)												
210	707 - Afton Generating Station (Company 3)												
211	713 - Reeves Generating Station (Company 3)												
212	715 - Four Corners Generating Station (Company 3)												
213	720 - Palo Verde Nuclear Generating Station all Units(Company 3)												
214	744 - Luna Generating Station (Company 3)												
215	760 - San Juan Generating Station All Units (Company 3)												
216	779 - San Juan Switchyard (Company 3)												
217	999- All Corporate Locations (Company 7)												
218													
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237													Exhibit ECB-2 Page 5 of 5 Case 15-00261-UT

PNM EXHIBIT ECB-2
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Cost of Removal

PNM Exhibit ECB-3

Is contained in the following 2 pages.

	A	B	C	D	E	F	G	H	I	J	K
1	**PNM Exhibit ECB-3**										
2	**Calculation of Cost of Removal Rate**										
3											
4	**Operating Units**	**Location**	**2010 Expeditures**	**2011 Expeditures**	**2012 Expeditures**	**2013 Expeditures**	**2014 Expeditures**	**Total Expenditures**	**Cost of Removal Rate**	**Linkage & Test Period Additions Subject to Cost of Removal**	**Linkage & Test Period Forecasted Cost of Removal**
5											
6	**Transmission & Distribution (1)**										
7	Construction Work in Progress (Account 107000)	100				57,961,691	70,624,210	128,585,901			
8	Retirement Work in Progress (Account 108000)	100				2,151,544	3,477,708	5,629,252	4.19%	81,619,902	(3,423,303)
9	Construction Work in Progress (Account 107000)	155				6,373,752	8,808,690	15,182,442			
10	Retirement Work in Progress (Account 108000)	155				629,682	1,011,003	1,640,685	9.75%	10,968,839	(1,069,742)
11	Construction Work in Progress (Account 107000)	220				1,385,525	7,502,371	8,887,896			
12	Retirement Work in Progress (Account 108000)	220				(17,868)	287,836	269,968	2.95%	8,292,720	(244,465)
13	Construction Work in Progress (Account 107000)	650				43,691,971	67,329,937	111,021,908			
14	Retirement Work in Progress (Account 108000)	650				319,802	585,296	905,098	0.81%	114,106,763	(922,725)
15	**Total Transmission & Distribution**										**(5,660,235)**
16											
17	**Production (2)**										
18	Construction Work in Progress (Account 107000)	707	9,381,379	1,353,900	658,408	2,031,462	6,127,540	19,552,689			
19	Retirement Work in Progress (Account 108000)	707	7,644	10,617	27,970	48,566	332,328	427,125	2.14%	2,337,867	(49,979)
20	Construction Work in Progress (Account 107000)	713	11,733,865	9,102,734	1,665,808	2,377,131	1,065,431	25,944,969			
21	Retirement Work in Progress (Account 108000)	713	285,664	177,677	338,570	170,749	29,915	1,002,576	3.72%	2,209,075	(82,188)
22	Construction Work in Progress (Account 107000)	715	5,312,586	3,283,751	4,137,323	4,332,092	8,950,904	26,016,655			
23	Retirement Work in Progress (Account 108000)	715	814,698	400,349	793,353	70,407	231,838	2,310,644	8.16%	13,596,863	(1,109,088)
24	Construction Work in Progress (Account 107000)	721	5,882,256	3,654,031	1,645,894	3,484,810	6,322,777	20,989,768			
25	Retirement Work in Progress (Account 108000)	721	361,691	270,866	(144,503)	(40,928)	253,808	700,934	3.23%	3,436,562	(111,053)
26	Construction Work in Progress (Account 107000)	722	1,399,335	3,775,652	2,892,220	1,741,682	6,315,561	16,124,450			
27	Retirement Work in Progress (Account 108000)	722	401,895	231,358	144,376	(53,927)	134,030	857,733	5.05%	6,011,090	(303,606)
28	Construction Work in Progress (Account 107000)	723	4,988,585	1,496,615	3,083,589	6,688,159	(222,930)	16,034,017			
29	Retirement Work in Progress (Account 108000)	723	435,291	5,348	289,154	(154,638)	(35,203)	539,952	3.26%	5,323,729	(173,439)
30	Construction Work in Progress (Account 107000)	724	12,440,693	15,989,525	14,855,050	12,262,918	12,851,667	68,399,854			
31	Retirement Work in Progress (Account 108000)	724	46,957	161,488	(12,960)	182,602	196,158	574,245	0.83%	25,381,785	(211,316)
32	Construction Work in Progress (Account 107000)	761	1,802,042	11,029,447	1,540,940	2,166,178	12,832,117	29,370,724			
33	Retirement Work in Progress (Account 108000)	761	78,794	903,576	67,980	98,257	470,994	1,619,601	5.23%	45,728,070	(2,389,819)
34	Construction Work in Progress (Account 107000)	762	2,705,883	3,430,344	13,488,941	1,352,402	943,212	21,920,781			
35	Retirement Work in Progress (Account 108000)	762	283,011	219,739	834,458	61,780	144,858	1,543,846	6.58%	-	-
36	Construction Work in Progress (Account 107000)	763	17,956,291	4,783,971	18,364,799	1,541,988	7,593	42,654,643			
37	Retirement Work in Progress (Account 108000)	763	1,081,887	38,442	614,127	104,753	16,974	1,856,183	4.17%	503,425	(20,994)
38	Construction Work in Progress (Account 107000)	764	7,530,428	2,907,197	2,998,096	12,050,241	8,057,645	33,543,607			
39	Retirement Work in Progress (Account 108000)	764	975,332	(12,525)	230,281	881,021	34,064	2,108,173	5.91%	47,299,409	(2,796,924)
40											
41			See page 2 for notes and abbreviations relevant to this page.								
42											
43											
44											

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PNM EXHIBIT ECB-3
PAGE 1 OF 2

	A	B	C	D	E	F	G	H	I	J	K
1	**PNM Exhibit ECB-3**										
2	**Calculation of Cost of Removal Rate**										
3											
4	**Operating Units**	**Location**	**2010 Expeditures**	**2011 Expeditures**	**2012 Expeditures**	**2013 Expeditures**	**2014 Expeditures**	**Total Expenditures**	**Cost of Removal Rate**	**Linkage & Test Period Additions Subject to Cost of Removal**	**Linkage & Test Period Forecasted Cost of Removal**
45	Construction Work in Progress (Account 107000)	765	500,512	1,764,510	2,145,405	1,830,974	557,391	6,798,791			
46	Retirement Work in Progress (Account 108000)	765	14,694	53,935	25,493	2,047	68,765	164,934	2.37%	556,745	(13,187)
47	Construction Work in Progress (Account 107000)	766	1,777,833	5,645,703	5,451,601	1,326,039	1,603,846	15,805,022			
48	Retirement Work in Progress (Account 108000)	766	8,433	43,028	283,025	401,960	140,912	877,358	5.26%	8,492,005	(446,610)
49	Construction Work in Progress (Account 107000)	767	725,184	1,389,798	1,463,303	1,844,859	294,623	5,717,768			
50	Retirement Work in Progress (Account 108000)	767	50,983	9,816	4,415	17,414	(723)	81,906	1.41%	9,472	(134)
51	Construction Work in Progress (Account 107000)	779	764,333	1,055,706	588,773	208,999	159,197	2,777,008			
52	Retirement Work in Progress (Account 108000)	779	33,959	1,448	18,490	10,901	3,722	68,521	2.41%	200,496	(4,828)
53	**Total Production**										**(7,713,165)**
54	**Total Forecasted Cost of Removal**										**(13,373,400)**
55											
56	**Notes:**										
57	(1) Forecasted cost of removal is based on a rate of two-year historical retirement work in progress to construction work in progress and retirement work in progress applied to plant in service additions.										
58	(2) Forecasted cost of removal is based on a rate of five-year historical retirement work in progress to construction work in progress and retirement work in progress applied to plant in service additions.										
59											
60	**Location Abbreviations**										
61	100 - Distribution (Company 1)										
62	155 - Distribution (Company 34)										
63	220 - Transmission (Company 35)										
64	650 - Transmission (Company 2)										
65	707 - Afton Generating Station (Company 3)										
66	713 - Reeves Generating Station (Company 3)										
67	715 - Four Corners Generating Station (Company 3)										
68	721 - Palo Verde Nuclear Generating Station Unit 1 (Company 3)										
69	722 - Palo Verde Nuclear Generating Station Unit 2 (Company 3)										
70	723 - Palo Verde Nuclear Generating Station Unit 3 (Company 3)										
71	724 - Palo Verde Nuclear Generating Station Common (Company 3)										
72	761 - San Juan Generating Station Unit 1 (Company 3)										
73	762 - San Juan Generating Station Unit 2 (Company 3)										
74	763 - San Juan Generating Station Unit 3 (Company 3)										
75	764 - San Juan Generating Station Unit 4 (Company 3)										
76	765 - San Juan Generating Station Common Units 1&2 (Company 3)										
77	766 - San Juan Generating Station Common All Units (Company 3)										
78	767 - San Juan Generating Station Units 3&4 (Company 3)										
79	779 - San Juan Switchyard (Company 3)										
80											
81											
82											
83											
84											

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PNM EXHIBIT ECB-3
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Retirements

PNM Exhibit ECB-4

Is contained in the following 6 pages.

	A	B	C	D	E	F	G	H	I
1	**PNM Exhibit ECB-4**								
2	**Calculation of Forecasted Retirements**								
3									
4	**Utility Account**	**Location**	**FERC**	**2010 Actual Retirements**	**2011 Actual Retirements**	**2012 Actual Retirements**	**2013 Actual Retirements**	**2014 Actual Retirements**	**Linkage & Test Period Forecasted Retirements**
5	**Transmission & Distribution**								
6	Transmission & Distribution Plant (1)								
7	Structures and Improvements	100	361				(11,713)	-	(8,785)
8	Station equipment	100	362				(97,990)	(176,147)	(205,603)
9	Poles, towers and fixtures	100	364				(233,765)	(330,291)	(423,043)
10	Overhead conductors and devices	100	365				(151,168)	(247,620)	(299,091)
11	Underground conduit	100	366				(54,626)	(25,259)	(59,913)
12	Underground conductors and devices	100	367				(347,298)	(508,015)	(641,485)
13	Line transformers	100	368				(846,751)	(858,834)	(1,279,189)
14	Services	100	369				(41,936)	(22,866)	(48,602)
15	Underground Services	100	369.1				-	(53,516)	(40,137)
16	Meters	100	370				(780,069)	(716,084)	(1,122,115)
17	Installations on customers' premises	100	371				(16,342)	(6,115)	(16,842)
18	Street lighting and signal systems	100	373				(111,280)	(99,688)	(158,226)
19	Station equipment	155	362				(97)	(683)	(585)
20	Poles, towers and fixtures	155	364				(190,545)	(224,822)	(311,526)
21	Overhead conductors and devices	155	365				(49,802)	(39,230)	(66,775)
22	Underground conductors and devices	155	367				(2,864)	(1,950)	(3,611)
23	Line transformers	155	368				(170,976)	(84,350)	(191,495)
24	Services	155	369				(140,106)	(131)	(105,177)
25	Meters	155	370				(155,746)	(53)	(116,850)
26	Street lighting and signal systems	155	373				(54,430)	(1,114)	(41,658)
27	Station equipment	220	353				(26,577)	(674,043)	(525,465)
28	Poles and fixtures	220	355				(29,070)	(672)	(22,306)
29	Structures and improvements	650	352				-	(5,062)	(3,796)
30	Station equipment	650	353				(1,056,148)	(345,045)	(1,050,895)
31	Poles and fixtures	650	355				(165,192)	(65,533)	(173,043)
32	Overhead conductors and devices	650	356				(1,473)	(305,515)	(230,241)
33				See page 6 for notes and abbreviations relevant to this page.					
34									
35									Exhibit ECB-4 Page 1 of 6 Case 15-00261-UT

PNM EXHIBIT ECB-4
PAGE 1 OF 6

	A	B	C	D	E	F	G	H	I
1	**PNM Exhibit ECB-4**								
2	**Calculation of Forecasted Retirements**								
3									
4	**Utility Account**	**Location**	**FERC**	**2010 Actual Retirements**	**2011 Actual Retirements**	**2012 Actual Retirements**	**2013 Actual Retirements**	**2014 Actual Retirements**	**Linkage & Test Period Forecasted Retirements**
36	General Plant (2)								
37	Office furniture and equipment	100	391						(368,692)
38	Stores equipment	100	393						(6,379)
39	Tools, shop and garage equipment	100	394						(411,587)
40	Laboratory equipment	100	395						(6,171)
41	Communication equipment	100	397						(337,706)
42	Miscellaneous equipment	100	398						(23,854)
43	Office furniture and equipment	155	391						(6,105)
44	Communication equipment	155	397						-
45	Tools, shop and garage equipment	650	394						(52,750)
46	Communication equipment	650	397						(3,255,592)
47	**Total Transmission & Distribution**								**(11,615,288)**
48									
49	**Production**								
50	Steam, Nuclear & Other Production Plant (3)								
51	Structures and improvements	707	341	-	(93,904)	-	-	(283,719)	(113,287)
52	Fuel holders, producers and accessories	707	342	(7,470)	-	-	(50,000)	(285,405)	(102,863)
53	Generators	707	344	-	-	(110,961)	(42,558)	(536,405)	(206,977)
54	Accessory electric equipment	707	345	-	-	(27,082)	(157,160)	(239,214)	(127,037)
55	Structures and improvements	713	311	(24,459)	-	(126,824)	(194,249)	-	(103,660)
56	Boiler plant equipment	713	312	(1,138,749)	(2,077,223)	(150,874)	(1,304,619)	(78,452)	(1,424,975)
57	Turbogenerator units	713	314	(280,323)	(407,425)	(198,866)	(37,633)	(79,209)	(301,037)
58	Accessory electric equipment	713	315	(164,423)	(32,733)	-	(105,951)	(12,047)	(94,546)
59	Miscellaneous powerplant equipment	713	316	-	-	-	(677,242)	-	(203,173)
60	Structures and improvements	715	311	-	(1,978)	-	(14,130)	(203,044)	(65,746)
61	Boiler plant equipment	715	312	(1,384,357)	(729,300)	(1,989,014)	(499,490)	(516,804)	(1,535,690)
62	Turbogenerator units	715	314	(301,387)	(342,905)	(245,999)	(104,780)	-	(298,521)
63	Accessory electric equipment	715	315	(89,617)	-	(18,991)	(9,100)	-	(35,312)
64	Miscellaneous powerplant equipment	715	316	(4,694)	-	(2,746)	(12,133)	(37,222)	(17,038)
65				See page 6 for notes and abbreviations relevant to this page.					
66									Exhibit ECB-4 Page 2 of 6 Case 15-00261-UT

	A	B	C	D	E	F	G	H	I
1	**PNM Exhibit ECB-4**								
2	**Calculation of Forecasted Retirements**								
3									
4	**Utility Account**	**Location**	**FERC**	**2010 Actual Retirements**	**2011 Actual Retirements**	**2012 Actual Retirements**	**2013 Actual Retirements**	**2014 Actual Retirements**	**Linkage & Test Period Forecasted Retirements**
67	Structures and improvements	721	321	(26,721)	(1,478)	(4,850)	(2,126)	(1,860)	(11,111)
68	Reactor plant equipment	721	322	(209,487)	(6,158)	(72,290)	(260,955)	(31,504)	(174,118)
69	Turbogenerator units	721	323	(281,202)	-	(17,041)	(72,066)	(35,616)	(121,778)
70	Accessory electric equipment	721	324	(59,594)	-	(433)	-	-	(18,008)
71	Miscellaneous powerplant equipment	721	325	(8,363)	-	(255)	(1,725)	-	(3,103)
72	Structures and improvements	722	321	(18,803)	(623)	(1,109)	(1,954)	(1,316)	(7,142)
73	Reactor plant equipment	722	322	(338,473)	(128,614)	(3,030)	(56,235)	(75,897)	(180,675)
74	Turbogenerator units	722	323	(233,968)	(8,144)	(6,257)	(122,642)	(66,415)	(131,228)
75	Accessory electric equipment	722	324	(377,724)	(3,480)	(173)	(57,307)	(77,705)	(154,916)
76	Miscellaneous powerplant equipment	722	325	-	-	-	(646)	(98)	(223)
77	Structures and improvements	723	321	(25,411)	-	(20,888)	-	(6,738)	(15,911)
78	Reactor plant equipment	723	322	(86,000)	(1,030,578)	(7,842)	(123,020)	(677,485)	(577,477)
79	Turbogenerator units	723	323	(24,129)	(211,047)	(108,877)	(301,032)	(220,687)	(259,731)
80	Accessory electric equipment	723	324	-	(20,909)	-	(22,588)	(8,501)	(15,600)
81	Miscellaneous powerplant equipment	723	325	(1,902)	-	-	-	(14,727)	(4,989)
82	Structures and improvements	724	321	(274,657)	(48,673)	(246,825)	(917,342)	(58,521)	(463,805)
83	Reactor plant equipment	724	322	-	-	-	(2,027)	-	(608)
84	Turbogenerator units	724	323	(1,376)	-	-	-	-	(413)
85	Accessory electric equipment	724	324	(55,305)	(43,588)	(46,400)	(60,156)	(23,706)	(68,746)
86	Miscellaneous powerplant equipment	724	325	(128,523)	(35,299)	(15,959)	(518,517)	(25,545)	(217,153)
87	Structures and improvements	761	311	-	(26,912)	-	(152,680)	-	(53,878)
88	Boiler plant equipment	761	312	(821,826)	(2,382,220)	(255,988)	228,046	(3,162,613)	(1,918,380)
89	Turbogenerator units	761	314	-	(2,065,335)	(74,137)	80,483	(7,806)	(620,038)
90	Accessory electric equipment	761	315	(22,085)	(1,016,560)	(3,165)	(78,826)	-	(336,191)
91	Miscellaneous powerplant equipment	761	316	-	(189)	-	(9,134)	-	(2,797)
92	Structures and improvements	764	311	-	-	(2,188)	(136,234)	(16,358)	(46,434)
93	Boiler plant equipment	764	312	(5,416,191)	(485,799)	(1,024,540)	(2,557,202)	(757,742)	(3,072,442)
94	Turbogenerator units	764	314	(9,032,642)	(507,258)	(2,300,165)	1,116,654	(191,141)	(3,274,366)
95	Accessory electric equipment	764	315	-	-	-	(70,486)	-	(21,146)
96				See page 6 for notes and abbreviations relevant to this page.					
97									Exhibit ECB-4 Page 3 of 6 Case 15-00261-UT

PNM EXHIBIT ECB-4
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	A	B	C	D	E	F	G	H	I
1	**PNM Exhibit ECB-4**								
2	**Calculation of Forecasted Retirements**								
3									
4	**Utility Account**	**Location**	**FERC**	**2010 Actual Retirements**	**2011 Actual Retirements**	**2012 Actual Retirements**	**2013 Actual Retirements**	**2014 Actual Retirements**	**Linkage & Test Period Forecasted Retirements**
98	Structures and improvements	765	311	-	-	-	-	(63,435)	(19,031)
99	Boiler plant equipment	765	312	-	(34,700)	(4,816)	(17,616)	(59,964)	(35,129)
100	Turbogenerator units	765	314	(42,667)	-	-	19,400	-	(6,980)
101	Accessory electric equipment	765	315	-	(26,820)	-	-	-	(8,046)
102	Structures and improvements	766	311	(60,477)	(51,381)	(66,123)	(319,800)	(320,299)	(245,424)
103	Boiler plant equipment	766	312	(47,789)	(229,987)	(355,201)	(121,802)	(109,403)	(259,254)
104	Turbogenerator units	766	314	-	-	(461,427)	39,037	(5,770)	(128,448)
105	Accessory electric equipment	766	315	-	-	-	(12,765)	(24,682)	(11,234)
106	Miscellaneous powerplant equipment	766	316	(16,245)	-	-	-	(650,567)	(200,044)
107	Structures and improvements	767	311	-	-	-	(2,093)	(11,870)	(4,189)
108	Boiler plant equipment	767	312	(6,668)	(21,847)	(6,955)	(49,129)	(373,370)	(137,391)
109	Turbogenerator units	767	314	-	-	-	(20,267)	-	(6,080)
110									
111	Transmission & Distribution Plant (3)								
112	Station equipment	715	353	(90,648)	(40,466)	(111,758)	(196,254)	(54,220)	(148,004)
113	Station equipment	721	353	-	-	(2,735)	-	-	(820)
114	Station equipment	722	353	-	-	(497)	(800)	-	(389)
115	Station equipment	723	353	-	(3,556)	-	-	(97,728)	(30,385)
116	Station equipment	724	353	(89,547)	-	-	-	(2,091)	(27,491)
117	Station equipment	761	353	-	-	-	(15,719)	-	(4,716)
118	Station equipment	764	353	-	-	(7,417)	(39,551)	-	(14,090)
119	Station equipment	766	353	(1,628)	-	(354,196)	(39,310)	-	(118,540)
120	Underground conduit	766	357	-	-	(34,626)	-	-	(10,388)
121	Overhead conductors and devices	766	365	-	-	-	-	(20,729)	(6,219)
122	Underground conductors and devices	766	367	-	-	(64,710)	-	-	(19,413)
123	Structures and improvements	767	352	-	(13,897)	-	-	-	(4,169)
124	Station equipment	779	353	-	-	-	(1)	-	(0)
125				See page 6 for notes and abbreviations relevant to this page.					
126									
127									
128									

	A	B	C	D	E	F	G	H	I
1	**PNM Exhibit ECB-4**								
2	**Calculation of Forecasted Retirements**								
3									
4	**Utility Account**	**Location**	**FERC**	**2010 Actual Retirements**	**2011 Actual Retirements**	**2012 Actual Retirements**	**2013 Actual Retirements**	**2014 Actual Retirements**	**Linkage & Test Period Forecasted Retirements**
129	General Plant (3)								
130	Bulk Power Office Building Remodeling	357	390.1	-	-	(5,000)	-	(181,902)	(56,071)
131	Transportation equipment - Light	713	392	-	-	-	(9,012)	-	(2,704)
132	Power operated equipment	713	396	-	-	-	(10,382)	-	(3,115)
133	Structures and improvements	715	390	-	-	(2,920)	-	-	(876)
134	Transportation equipment - Light	715	392	-	(29,863)	(273,116)	-	-	(90,894)
135	Transportation equipment - Heavy	715	392.1	-	-	(25,178)	-	-	(7,553)
136	Transportation equipment - Trailers	715	392.2	-	-	(3,472)	-	-	(1,042)
137	Power operated equipment	715	396	-	-	(31,401)	-	(15,281)	(14,005)
138	Transportation equipment - Light	724	392	(2,432)	(25,458)	(234,788)	(2,743)	(2,836)	(80,477)
139	Transportation equipment - Trailers	724	392.2	-	(634)	(485)	-	-	(336)
140	Power operated equipment	724	396	(6,797)	(1,789)	-	-	-	(2,576)
141	Structures and improvements	765	390	-	-	-	(41,804)	-	(12,541)
142	Power operated equipment	765	396	-	(44,802)	-	-	-	(13,441)
143	Transportation equipment - Light	766	392	-	(230,823)	(16,758)	(0)	(32,595)	(84,053)
144	Transportation equipment - Heavy	766	392.1	-	-	-	(41,943)	-	(12,583)
145	Transportation equipment - Trailers	766	392.2	-	(2,538)	-	-	-	(761)
146	Power operated equipment	766	396	-	(433,085)	(6,117)	(256,863)	(64,965)	(228,309)
147									
148	General Plant (2)								
149	Office furniture and equipment	357	391						(86,380)
150	Communication equipment	357	397						(68,441)
151	**Total Production**								**(18,614,298)**
152									
153	**Corporate (2)**								
154	Office furniture and equipment	999	391						(750,806)
155	Laboratory equipment	999	395						(33,378)
156	Miscellaneous equipment	999	398						(6,274)
157	**Total Corporate**								**(790,458)**
158	**Total Forecasted Retirements**								**(31,020,044)**
159				See page 6 for notes and abbreviations relevant to this page.					Exhibit ECB-4 Page 5 of 6 Case 15-00261-UT

	A	B	C	D	E	F	G	H	I
1	**PNM Exhibit ECB-4**								
2	**Calculation of Forecasted Retirements**								
3									
4	**Utility Account**	**Location**	**FERC**	**2010 Actual Retirements**	**2011 Actual Retirements**	**2012 Actual Retirements**	**2013 Actual Retirements**	**2014 Actual Retirements**	**Linkage & Test Period Forecasted Retirements**
160	**Notes:**								
161	(1) Forecasted retirements are based on a two-year historical average and the annual amount is converted to a monthly forecast.								
162	(2) Forecasted retirements are based on projected retirements and the annual amount is converted to a semiannual forecast applied in June and December.								
163	(3) Forecasted retirements are based on a five-year historical average and the annual amount is converted to a quarterly forecast applied in March, June, September and November.								
164									
165	**Location Abbreviations**								
166	100 - Distribution (Company 1)								
167	155 - Distribution (Company 34)								
168	220 - Transmission (Company 35)								
169	357 - Bulk Power Building (Company 3)								
170	650 - Transmission (Company 2)								
171	703 - Lordsburg Generating Station (Company 3)								
172	707 - Afton Generating Station (Company 3)								
173	713 - Reeves Generating Station (Company 3)								
174	715 - Four Corners Generating Station (Company 3)								
175	721 - Palo Verde Nuclear Generating Station Unit 1 (Company 3)								
176	722 - Palo Verde Nuclear Generating Station Unit 2 (Company 3)								
177	723 - Palo Verde Nuclear Generating Station Unit 3 (Company 3)								
178	724 - Palo Verde Nuclear Generating Station Common (Company 3)								
179	761 - San Juan Generating Station Unit 1 (Company 3)								
180	764 - San Juan Generating Station Unit 4 (Company 3)								
181	765 - San Juan Generating Station Common Units 1&2 (Company 3)								
182	766 - San Juan Generating Station Common All Units (Company 3)								
183	767 - San Juan Generating Station Units 3&4 (Company 3)								
184	779 - San Juan Switchyard (Company 3)								
185	999 - Corporate (Company 7)								
186									
187									
188									
189									
190									

Calculation of Allowance for Funds Used During Construction Rates

PNM Exhibit ECB-5

Is contained in the following 1 page.

PNM Exhibit ECB-5
AFUDC Rate Calculation

AFUDC Summary - 2014

	Annual Rate	Monthly Rate
AFUDC Debt	3.31%	0.28%
AFUDC Equity	4.41%	0.37%
Total AFUDC	7.72%	0.64%
Avg. ST Debt Rate	6.22%	
LT Debt Rate	5.84%	
Preferred Stock Rate	4.58%	
Common Equity Rate	10.00%	

	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	12 month avg	13 month avg
ST Debt Balance		114,600	116,300	-	-	400	-	35,000	10,000	6,500	-	27,700	-	25,875	
CWIP Balance	140,227	152,720	152,639	153,193	149,091	156,894	149,026	162,386	186,251	212,563	235,009	269,439	205,891		178,871
Preferred stock (12/31/2013)	11,529														
LT Debt (12/31/2013)	1,190,845														
Common Equity (12/31/2013)	1,268,076														

AFUDC Summary - 2015

	Annual Rate	Monthly Rate
AFUDC Debt	3.09%	0.26%
AFUDC Equity	4.41%	0.37%
Total AFUDC	7.51%	0.63%
Avg. ST Debt Rate	7.57%	
LT Debt Rate	5.14%	
Preferred Stock Rate	4.58%	
Common Equity Rate	10.00%	

	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	12 month avg	13 month avg
ST Debt Balance		25,000	21,500	-	10,184	31,745	51,243	57,118	-	-	58,604	44,927	-	25,027	
CWIP Balance	208,571	220,350	228,590	240,229	228,628	249,465	258,344	294,202	323,282	314,977	345,208	315,383	208,315		264,273
Preferred stock (12/31/2014)	11,529														
LT Debt (12/31/2014)	1,390,845														
Common Equity (12/31/2014)	1,324,611														

AFUDC Summary - 2016

	Annual Rate	Monthly Rate
AFUDC Debt	2.10%	0.18%
AFUDC Equity	0.00%	0.00%
Total AFUDC	2.10%	0.18%
Avg. ST Debt Rate	2.10%	
LT Debt Rate	5.56%	
Preferred Stock Rate	4.58%	
Common Equity Rate	10.50%	

	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	12 month avg	13 month avg
ST Debt Balance		31,173	184,807	160,905	173,621	306,405	285,957	249,479	226,013	177,506	165,368	227,858	202,635	199,311	
CWIP Balance	181,275	189,778	198,003	178,459	186,697	194,941	177,358	173,064	178,254	175,809	176,089	197,158	184,400		183,945
Preferred stock (prior year end)	11,529														
LT Debt (prior year end)	1,415,845														
Common Equity (prior year end)	1,434,747														

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PNM EXHIBIT ECB-5
PAGE 1 OF 1

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 ELECTRIC RATES PURSUANT TO ADVICE NOTICE NO. 513,	)	**Case No. 15-00261-UT**
PUBLIC SERVICE COMPANY OF NEW MEXICO, Applicant.	)	

AFFIDAVIT

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

ERIK C. BUCHANAN, Director, Corporate Budget 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 Erik C. Buchanan** and it is true and accurate based on my own personal knowledge and belief.

SIGNED this 21st day of August, 2015.

ERIK C. BUCHANAN

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

NOTARY PUBLIC IN AND FOR
THE STATE OF NEW MEXICO

My Commission Expires:

1-21-16