

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

GAIL VAVRUSKA-MARCUM

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 Gail Vavruska-Marcum. I am the Director of Compensation for PNM Resources, Inc. (“PNM Resources”) and its affiliates, including Public Service Company of New Mexico (“PNM”). My business address is 414 Silver Avenue, SW, Albuquerque, New Mexico 87102.

Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES AS DIRECTOR OF COMPENSATION.

A. I am responsible for overseeing the compensation function for PNM Resources and its affiliates, including PNM. This entails oversight of the salary structure and administration of compensation policies, programs, and plans to attract, retain and motivate employees.

Q. CAN YOU PLEASE PROVIDE SOME INFORMATION ABOUT YOUR EDUCATION AND RELEVANT EXPERIENCE IN COMPENSATION MATTERS?

A. A copy of my résumé is attached as PNM Exhibit GVM-1. I hold a degree in Business Administration from Baldwin-Wallace College. I am a Certified Public Accountant and also a Certified Investments Derivative Auditor. I have a diversified background, with over 25 years of experience working with various companies in the areas of corporate financial management, training, auditing, public accounting and human resources. I

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1 have worked for PNM Resources for almost 15 years in the following departments:
2 Audit, Transition Planning, Business Transformation, People Services, Strategic
3 Workforce Planning, Staffing & Learning, Executive Compensation, and
4 Compensation. My experience in compensation-related matters includes overseeing the
5 area of executive compensation for approximately three years and general compensation
6 for approximately two years at PNM Resources.

7

8 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

9 A. The purpose of my testimony is to explain the Company's compensation philosophy
10 and to discuss the elements of, and basis for, compensation paid to employees.
11 Specifically, I discuss employee base compensation and the typical annual
12 adjustments to base compensation. I also discuss certain incentive compensation
13 programs and why the costs associated with these programs should be included as
14 part of the Company's revenue requirement as a reasonable cost of providing electric
15 service to customers. I also discuss employee benefits.

16

17 **Q. WHICH OF THE INCENTIVE COMPENSATION PLANS DO YOU**
18 **DISCUSS?**

19 A. I discuss the following incentive compensation plans and programs for inclusion in
20 revenue requirement:

- 21 • The PNM Resources Wholesale Power Marketing Incentive Plan ("WPM
22 Plan")
- 23 • The Business Unit Group Incentive Program ("Group Incentive Program")

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II. SUMMARY OF KEY CONCLUSIONS

Q. PLEASE SUMMARIZE THE KEY CONCLUSIONS OF YOUR DIRECT TESTIMONY?

A. My key conclusions are as follows:

- Monetary compensation for employees generally includes base compensation and incentive compensation. Some job classifications are also eligible for overtime pay, and/or shift differential pay.
- Incentive compensation is an effective means to incentivize employees to achieve goals and objectives.
- Employee compensation and benefits programs are benchmarked with relevant industry survey data and represent a reasonable cost of providing service to customers.
- The process of benchmarking base salaries and incentives utilizing reputable, independent, third-party data, is a common approach and considered a best practice.
- The costs of certain incentive compensation programs have previously been included in the revenue requirement with the approval of the New Mexico Public Regulation Commission (“NMPRC” or “Commission”), as discussed below.

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1 **Q. WHAT IS THE TOTAL COST OF INCENTIVE PLANS INCLUDED IN**
2 **TEST PERIOD REVENUE REQUIREMENT?**

3 **A.** I prepared Table GVM-1 which identifies the forecasted cost included in the Test Period
4 for each of the incentive compensation programs that I address later in my testimony.

5 **Table GVM-1**

Incentive Compensation Program	Estimated Costs
WPM Plan	\$ 767,571
Group Incentive Program	\$3,943,469
Total	\$4,711,040

6

7 **III. BASE SALARIES, ANNUAL INCREASES AND BENEFITS**

8 **Q. PLEASE DESCRIBE PNM RESOURCES' COMPENSATION PHILOSOPHY.**

9 **A.** PNM Resources has established compensation policies and programs for its affiliated
10 companies, including PNM. PNM Resources utilizes a "Total Rewards" approach for
11 employee compensation and benefits to attract, retain, and motivate qualified
12 employees. The Total Rewards approach is comprised of both tangible (compensation
13 and benefits) and intangible (training and development, career growth opportunities and
14 the work environment) components. The Total Rewards approach is intended to
15 support the overall business objectives of PNM Resources and its affiliates, including
16 the delivery of safe and reliable electric utility services to customers. Compensation
17 plans and programs are designed in accordance with the following principles:

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- 1 • *Externally Competitive* - compensation is benchmarked to be market
2 competitive within the relevant markets in which the Company competes to
3 attract, retain and motivate qualified employees.
- 4 • *Strategically Aligned* - compensation programs and practices are intended to
5 reinforce each business area's business strategy, structure and needs.
- 6 • *Internally Equitable* – compensation for jobs fairly reflect their value relative to
7 other jobs within the organization.
- 8 • *Personally Motivating* - salaries and incentives recognize employees based on
9 individual contribution and job responsibilities.
- 10 • *Cost Effective* - compensation programs are designed to provide value to the
11 Company and its customers in relation to the cost involved.
- 12 • *Legally Compliant* - programs are in compliance with all applicable state and
13 federal laws and regulations.

14
15 **Q. WHAT IS COMPENSATION BENCHMARKING?**

16 **A.** Compensation benchmarking is a process commonly utilized by companies to
17 determine what other companies are paying for specified job duties and skills.
18 Survey data used to benchmark compensation is prepared by highly-qualified,
19 independent, third-party vendors and delivers quantifiable and objective data points.
20 Factors that generally influence compensation benchmarking can include level of
21 job responsibility, industry, geographical area (e.g. local market, regional market or
22 national market) and company size (e.g. revenues between \$1.0 Billion to \$3.0
23 Billion). Compensation benchmarking is considered to be a best practice.

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1 **Q. WHY DO COMPANIES BENCHMARK COMPENSATION?**

2 A. Companies benchmark compensation to assist with assessing if their compensation
3 programs and plans are aligned with the market to attract, retain and motivate
4 employees.

5

6 **Q. HOW IS COMPENSATION SURVEY DATA ACQUIRED BY PNM
7 RESOURCES?**

8 A. PNM Resources purchases compensation survey data from established, highly-
9 qualified, independent third-party vendors, of which Towers Watson LLC (“Towers
10 Watson”) and AONHewitt are the primary survey vendors. These independent,
11 third-party vendors conduct compensation surveys with other participating
12 companies to gather confidential compensation information. Surveys are generally
13 conducted on an annual basis. This time-intensive process requires the independent,
14 third-party vendors to invest their time, labor, knowledge and skills to produce their
15 intellectual property, in the form of confidential, proprietary compensation survey
16 data results. Such survey results are not available as public information, but may
17 be available for purchase by interested companies. A compensation survey with a
18 significant number of positions can take several months to complete, even after the
19 data is collected.

20

21 **Q. WHAT ARE TOWERS WATSON AND AONHEWITT?**

22 A. Towers Watson is a leading global professional company that is an independent,
23 third-party firm that conducts regional, national and industry surveys and provides

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1 consulting and other services in the areas of benefits, talent management, rewards
2 and risk and capital management. Fortune Magazine has included Towers Watson
3 on its list of World's Most Admired Companies for 2012, 2013, 2014 and 2015.
4 AONHewitt is among the world's top global human capital and management
5 consulting firms and is also an independent, third-party firm that provides human
6 capital and management consulting services, including compensation survey data.

7

8 **Q. PLEASE PROVIDE A DESCRIPTION OF PNM RESOURCES' PROCESS**
9 **FOR COMPENSATION BENCHMARKING.**

10 **A.** After an evaluation of job descriptions for a job classification or group of job
11 classifications, the Compensation Department will determine whether there is survey
12 data available for the particular job classification or classifications. As part of the
13 process to benchmark a particular job classification or group of job classifications,
14 the appropriate market data is identified by assessing the market in which we
15 compete for talent. The appropriate markets may be different for each job
16 classification. By assessing the appropriate market for each job classification, a
17 determination is made whether to use local, regional or national survey data and
18 whether to use utility and/or general industry survey data. The job classification is
19 matched to applicable survey data.

20

21 Compensation survey data typically provides a range of compensation, which is
22 generally presented in percentile format. PNM Resources' compensation
23 philosophy is to utilize the market median, or 50th percentile, when benchmarking.

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1 **Q. WHAT ARE THE COMPONENTS THAT MAKE UP THE**
2 **COMPENSATION PAID TO EMPLOYEES?**

3 **A.** Compensation for employees is generally comprised of two elements: (1) base
4 compensation and (2) incentive compensation. Also, based on certain job
5 classifications, some employees are eligible for overtime and/or shift differential
6 pay. Additionally, all regular, full-time and part-time employees are eligible to
7 receive employee benefits.

8

9 **Q. WHAT IS THE PURPOSE OF BASE SALARIES?**

10 **A.** Base salary is a fixed portion of the employee's compensation. It is earned by
11 performing the functions of the job. The essential functions of the job are identified
12 by job descriptions.

13

14 **Q. HOW ARE EMPLOYEE BASE SALARIES DETERMINED?**

15 **A.** For non-union employees, an individual employee's base salary is determined using
16 the applicable salary band, for the specified job classification within the PNM
17 Resources salary structure, and is intended to reflect a variety of factors including
18 the employee's knowledge, skills, experience, education and performance. As noted
19 previously, PNM Resources participates in a variety of national, regional and local
20 compensation surveys on an ongoing basis to remain competitive. Union
21 employees' base salaries are negotiated as part of the collective bargaining
22 agreement process.

23

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1 **Q. DOES PNM TYPICALLY PROVIDE ANNUAL MERIT INCREASES TO**
2 **EMPLOYEE BASE SALARIES?**

3 **A.** Yes. Over the most recent years, PNM's annual merit increases have averaged 2.5%
4 for non-union employees and 2.0% for union employees, as reflected in the
5 following Table GVM-2. For the 2015 – 2016 period, the general trend for merit
6 budgets is approximately 3.0% based on various compensation surveys. For union
7 employees, the merit increase is per the Collective Bargaining Agreement (“CBA”).
8 The CBA is currently being negotiated between the two parties. Please see PNM
9 Exhibit GVM-2 for more detail on the annual union merit increases for the period
10 July 7, 2012 to April 30, 2015.

11
12 **TABLE GVM-2 – PNM's Average Annual Merit Increases**

	2015	2014	2013	2012	2011	Average
Non-Union	2.6%	2.5%	2.5%	2.5%	2.6%	2.5%
Effective Date	3/28/2015	3/29/2014	3/30/2013	3/31/2012	4/2/2011	
Union	In Negotiation	2.0%	2.0%	2.0%	2.0%	2.0%
Effective Date	In Negotiation	5/1/2014	5/1/2013	7/7/2012	5/1/2011	

13 As discussed by PNM Witness Monroy, PNM applied annual escalation percentages to
14 salaries in the Base Period to estimate employee base salaries in the Test Period. For
15 non-union employees, a 2.5% annual escalation percentage, and for union employees a
16 2.0% annual escalation percentage was applied to salaries.

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1 **Q. HOW DO NON-UNION EMPLOYEES EARN MERIT INCREASES?**

2 **A.** Annual merit increases for non-union employees are based on an individual's
3 previous years' performance, likelihood of sustaining the performance level, and
4 their salary within the salary range for the job classification. PNM Resources has a
5 common merit award date for all eligible non-union employees. All merit awards
6 are typically effective in late March.

7
8 There are two types of merit awards, base salary increases and lump sum awards in
9 lieu of base salary increases. Lump sum awards are typically used for merit award
10 purposes when a base salary increase is not appropriate due to the employee
11 reaching the maximum of the salary range for their specific job classification.

12

13 **Q. ARE THESE LEVELS OF THE ANNUAL MERIT INCREASES TO**
14 **EMPLOYEES COMPETITIVE AND REASONABLE?**

15 **A.** Yes. The annual merit increase percentages are similar to those that employees have
16 been granted in recent years. The annual merit pool available for employee merit
17 increases is benchmarked against survey data and is slightly below market, but still
18 competitive.

19

20 **Q. ARE THE BENEFITS PROVIDED TO EMPLOYEES REASONABLE?**

21 **A.** Yes. The Benefits Department of PNM Resources benchmarks the benefits to
22 ensure they are market competitive. As of the last benefits benchmark, the
23 employee benefit portfolio was determined to be slightly below the market median,

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1 largely because PNM Resources froze the defined benefit plan for employees in
2 1997 while other utilities continue to provide a defined benefit. The benefits
3 benchmarking survey completed by Towers Watson rated the entire employee
4 benefit portfolio 94.7 as compared to the average of 100. As a result, the PNM
5 Resources employee benefit portfolio is below market; however, it is still
6 competitive.

7
8 **Q. WHAT ARE THE SIGNIFICANT CHANGES OCCURRING OR**
9 **EXPECTED TO OCCUR, FOR ANY EMPLOYEE BENEFIT OFFERED**
10 **DURING THE BASE PERIOD AND THE TEST PERIOD?**

11 **A.** National trends show that medical costs continue to increase year-over-year. In
12 2014, increases in medical costs, on average, was 4.5% nationally, for mid-sized to
13 large employers. For 2015, medical costs are expected to increase again, on
14 average, 4.0% nationally, for mid-sized to large employers. In an effort to reach
15 long-term objectives, effective January 1, 2015, the Company changed medical
16 network providers and claims administrators to help minimize future health and
17 welfare increases. The design is a 3-tier network that is intended to stabilize and
18 reduce claims costs, balance costs with quality and medical outcomes, reduce
19 administrative overhead and improve efficiencies in administrating healthcare. For
20 other benefits, no other significant changes are expected from the end of the Base
21 Period to the end of the Test Period.

22

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1 **Q. DESCRIBE THE PRIOR MEDICAL PLAN OPTIONS THAT WERE IN**
2 **EFFECT.**

3 **A.** Prior to 2015, participants were restricted to using providers based on their open
4 enrollment selections. For example, if a participant elected Presbyterian as their
5 network provider, they were required to use Presbyterian doctors and facilities in
6 order to pay in-network costs.

7
8 **Q. PLEASE PROVIDE THE MOST RECENT UNIT RATES FOR THE**
9 **COMPANY'S ACTIVE MEDICAL AND DENTAL BENEFIT PLANS.**

10 **A.** Please see PNM Exhibit GVM-3 which identifies the number of employees at the
11 beginning of the plan year (January 1, 2015) for the active medical and dental plans
12 and the applicable rates.

13
14 **Q. IDENTIFY THE AMOUNT THAT EMPLOYEES CONTRIBUTE TO**
15 **THEIR ACTIVE MEDICAL AND DENTAL PREMIUMS AND STATE**
16 **HOW THAT AMOUNT IS DETERMINED.**

17 **A.** Currently, participants, on average, pay 30% toward their overall medical premium.
18 The utility industry trend is to have employees pay, on average, 20% toward their
19 overall medical premium. Participants, on average, pay 50% toward their overall
20 dental premium. As with the medical premium, the dental premium contributed by
21 employees is benchmarked. The employee dental contribution, as per the utility
22 trend, is considered to be market practice.

23

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1 **Q. HOW WAS THE TOTAL COST ASSOCIATED WITH ACTIVE**
2 **MEDICAL HEALTH AND DENTAL PLANS, INCLUDED IN THE TEST**
3 **PERIOD, CALCULATED?**

4 **A.** Consistent with past practices, PNM Resources contracts with Towers Watson to
5 assess the quarterly financial tracking of medical and dental plans to monitor and
6 predict future costs and trends. Based on the analysis completed by Towers Watson,
7 the Company was under accruing active medical costs for the first quarter of 2015.
8 A lag of reporting medical and dental costs is common as employees will incur
9 expenses resulting from healthcare activities that are not immediately reported to the
10 Company. Also, as noted above, the Company changed medical network providers
11 and claims administrators effective January 1, 2015. For the first quarter of 2015,
12 claims costs submittals increased. The Base Period historical active medical costs
13 were adjusted to include the 2015 first quarter under accrual as noted per the Towers
14 Watson analysis. The 2015 first quarter active medical costs of \$3.2 million were
15 then normalized for the Base Period. See PNM Exhibit GVM- 4.

16
17 As active dental costs remain relatively flat and consistent year-over-year and there
18 were no changes in dental providers, Base Period costs were not adjusted to reflect
19 future anticipated costs. The Towers Watson analysis also did not indicate any need
20 for an adjustment based on 2015 first quarter activity.

21

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1 The normalized Base Period active medical costs and active dental costs, totaling
2 \$11,440,530, were escalated by 1.5% for the Test Period cost as discussed by PNM
3 Witness Monroy.

4

5 **IV. INCENTIVE COMPENSATION PROGRAMS**

6 **Q. WHAT IS THE PURPOSE OF INCENTIVE COMPENSATION**
7 **PROGRAMS?**

8 **A.** These programs are intended to incentivize employees to meet or exceed specific
9 performance metrics. Incentive compensation is “at risk.” That means that if the
10 specific performance metrics are not met or exceeded, the incentive compensation is
11 not paid. Unlike base salary, which is paid regardless of whether performance
12 metrics are met, incentive compensation gives employees a direct stake in meeting
13 established performance metrics.

14

15 **Q. HOW DO INCENTIVE COMPENSATION PLANS BENEFIT**
16 **CUSTOMERS?**

17 **A.** PNM’s performance metrics established under its incentive compensation programs
18 are designed to align with the overall Company objectives of providing safe, reliable
19 and cost-effective service to customers. Customers benefit from the attainment of
20 these performance metrics.

21

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1 **Q. HAS PNM INCLUDED THE COST OF ALL ITS INCENTIVE**
2 **COMPENSATION PLANS AND PROGRAMS IN THE REVENUE**
3 **REQUIREMENT?**

4 **A.** No. PNM Resources has other incentive compensation plans and programs that are
5 not included in the revenue requirement. Incentive compensation related to PNM
6 Resources officers has been removed from the revenue requirement. Specifically,
7 PNM Resources also offers the following incentive plans:

- 8 a. Annual Incentive Plan (“AIP”) is for employees typically in management,
9 specifically salary grades G01 to G04. This plan has an earnings per share
10 performance threshold that must be met before awards can be earned and
11 awarded to employees.
- 12 b. Officer Annual Incentive Plan is for PNM Resources officers only and has an
13 earnings per share performance threshold that must be met before awards can be
14 earned and awarded to officers.
- 15 c. Long-Term Incentive Plans provide an opportunity for PNM Resources officers
16 to earn performance share awards that if earned vest immediately, and restricted
17 stock rights awards that vest over 3 years.
- 18 d. Discretionary non-PNM Resources officer restricted stock rights awards
19 program provides the opportunity for certain management employees, who are
20 not PNM Resources officers, to be awarded restricted stock rights awards that
21 vest over 3 years. Beginning in 2011, the Company issued restricted stock
22 rights awards rather than stock options.

23

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1 **Q. HAVE EMPLOYEE INCENTIVE PROGRAMS BEEN INCLUDED IN**
2 **THE REVENUE REQUIREMENT PREVIOUSLY?**

3 **A.** Yes. The Final Order in NMPRC Case No. 07-00077-UT allowed the inclusion of
4 employee incentives that were not tied to Company earnings, stating that these
5 programs (non-officer stock option expense and employee incentives) reward
6 employees for performance that has a direct impact on safety, reliability, and
7 customer service and that these incentives are tools used to retain employees for the
8 benefit of customers as well as the Company. Although the Commission has
9 previously disallowed costs related to the achievement of earnings per share goals,
10 the Commission has continued to allow the recovery of incentive compensation
11 costs related to employee incentives and the Wholesale Power Marketing Incentive
12 Plan (Case No. 10-00086-UT, Certification of Stipulation, p. 84).

13
14 **Q. WHY DID PNM NOT INCLUDE ALL OF THE EMPLOYEE INCENTIVE**
15 **PLANS IN THE REVENUE REQUIREMENT?**

16 **A.** Despite prior approval by the Commission to include recovery of certain incentive
17 plans and programs as previously noted, the Company has chosen to cap the
18 amounts to be recovered for employee incentive programs in this Test Period to
19 mitigate and balance costs to our customers at this time. As previously noted, the
20 costs included in this rate case are limited to the WPM Plan and the Group Incentive
21 Program.

22

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1 Inclusion of the Group Incentive Program in the revenue requirement is to better
2 align the employee incentive program to market to attract, retain and motivate
3 employees. No costs related to the AIP and the discretionary non-PNM Resources
4 officer restricted stock rights awards are requested in the Test Period revenue
5 requirement.

6
7 The incentive plan for employees who are typically managers and directors, the AIP,
8 is critical to retaining, motivating and incentivizing these employees. PNM is not
9 including the costs related to the AIP, \$4,183,414, in this rate case.

10
11 Beginning in 2011, the Company issued restricted stock rights awards rather than
12 stock options. The costs related to the discretionary restricted stock rights awards
13 for non PNM Resources officers are excluded from the Base Period for this rate case
14 was \$3,098,132. These costs were not included in this rate case. This incentive
15 program is also considered to be critical to retaining, motivating and incentivizing
16 these particular employees.

17
18 **Q. DOES THIS PRECLUDE PNM FROM REQUESTING THE RECOVERY**
19 **OF ANY OF THE ABOVE NOTED PLANS AND PROGRAMS IN THE**
20 **FUTURE?**

21 **A.** No. As discussed above, the Commission has previously approved recovery of these
22 costs.

23

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1 **Q. CAN YOU DETAIL THE INCENTIVE COMPENSATION PROGRAMS**
2 **THAT PNM SEEKS TO INCLUDE IN ITS REVENUE REQUIREMENT**
3 **IN THIS CASE?**

4 **A.** Yes. I address each one separately in the following testimony.

5

6 *A. Wholesale Power Marketing Incentive Plan*

7 **Q. PLEASE DESCRIBE THE WHOLESALE POWER MARKETING**
8 **DEPARTMENT (“WPM DEPARTMENT”).**

9 **A.** The WPM Department is responsible for off-system sales and the electric power
10 real-time and short-term merchant function that trades in the wholesale market. This
11 group is also responsible for PNM’s generation dispatch function and for
12 maintaining compliance with applicable regulations under the jurisdiction of the
13 Federal Energy Regulatory Commission, the North American Electric Reliability
14 Corporation and other regulatory entities.

15

16 **Q. WHEN WAS THE WPM PLAN IMPLEMENTED?**

17 **A.** The WPM Department has had an incentive plan since 1996.

18

19 **Q. WHICH EMPLOYEES ARE COVERED UNDER THE WPM PLAN?**

20 **A.** As of March 31, 2015, all twenty-six employees in the WPM Department are
21 eligible, including the director, managers, traders, preschedulers and administrators.
22 Employees eligible for the WPM Plan are not eligible for the Group Incentive

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1 Program or AIP, or vice versa. PNM Resources adopted the WPM Plan specifically
2 to motivate and reward employees in the WPM Department.

3
4 **Q. PLEASE DESCRIBE THE KEY PROVISIONS OF THE WPM PLAN.**

5 **A.** The WPM Plan is designed to motivate and reward employees for achieving a
6 variety of reliability and financial performance targets. The performance targets
7 must be achieved for any payout to employees of the WPM Plan. The WPM Plan
8 reliability performance targets includes those related to system reliability, such as
9 100% compliance with Reliability Based Control, 98% compliance with the
10 Southwest Reserve Sharing Group and 100% compliance with the Disturbance
11 Recovery Standard Recovery. Jurisdictional financial targets include controlling
12 costs and maximizing off-system sales margins for the benefit of customers. The
13 WPM Plan is capped at a specified maximum amount for the award pool. The level
14 of the award pool is dependent upon the achievement of the specified performance
15 targets per the WPM Plan. Individual employee payouts are based on individual
16 employee performance during the WPM Plan year, the maximum cap per the WPM
17 Plan, and the level of overall award pool funding. Awards are only paid to
18 employees if earned by achieving the performance targets identified in the WPM
19 Plan.

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1 **Q. WHAT HAS BEEN THE HISTORY IN TERMS OF PAYMENT OF**
2 **INCENTIVE COMPENSATION UNDER THE WPM PLAN?**

3 **A.** In prior years, the WPM Plan has been awarded to WPM Department employees
4 achieving the incentive performance targets. It is reasonable to anticipate that the
5 WPM Plan will be earned and paid to employees in 2015 and after, and therefore
6 reasonable to include this incentive plan in the Test Period cost of service.

7
8 **Q. IS THE LEVEL OF THE INCENTIVE COMPENSATION FOR THE**
9 **EMPLOYEES IN THE WPM DEPARTMENT BENCHMARKED IN ANY**
10 **WAY?**

11 **A.** Yes. The incentive compensation opportunity awarded to employees under the
12 WPM Plan is benchmarked against the market median for similar employee job
13 classifications utilizing compensation survey data compiled by Towers Watson and
14 AONHewitt. The Towers Watson survey utilized for the compensation
15 benchmarking was the CDB Energy Marketing and Trading Compensation Survey
16 Report – US Total Direct Compensation. The other survey utilized for
17 benchmarking was the AONHewitt U.S. Energy Marketing and Trading
18 Compensation Survey.

19

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1 **Q. SHOULD THE COST OF THE WPM PLAN CONTINUE TO BE**
2 **INCLUDED AS PART OF THE REVENUE REQUIREMENT FOR**
3 **PURPOSES OF SETTING CUSTOMER RATES?**

4 **A.** Yes. The cost is reasonable in relation to the requirement and experience necessary
5 for the job classifications and the compensation provided for comparable work by
6 other companies.

7
8 **Q. WHAT IS THE ANTICIPATED COST OF THE WPM PLAN FOR THE**
9 **TEST PERIOD?**

10 **A.** As previously discussed above, the incentive compensation award opportunity for
11 each job classification, is benchmarked against market median for similar job
12 classifications. The cost of the WPM Plan, for the Test Period is estimated to be
13 \$767,751. The cost of the plan was determined by utilizing the actual employee
14 headcount, specified job classification and base salary as of March 31, 2015, times
15 the maximum award payable per the applicable WPM Plan. The cost of the WPM
16 Plan for the Test Period includes 3 months of the annualized 2015 WPM Plan, and 9
17 months of the forecasted 2016 WPM Plan. For calculating the costs associated with
18 the calendar year 2015, the maximum award payable per the 2015 WPM Plan
19 document was utilized. For calculating costs associated with the calendar year 2016,
20 an anticipated maximum award payable was utilized based on base salaries escalated
21 as noted previously. Each individual employee's base salary was annually escalated
22 2.5% as noted in PNM Witness Monroy's testimony.

23

**DIRECT TESTIMONY OF
GAIL VAVRUSKA-MARCUM
NMPRC CASE NO. 15-00261-UT**

1 ***B. Business Unit Group Incentive Program***

2 **Q. WHEN WAS THE GROUP INCENTIVE PROGRAM IMPLEMENTED?**

3 **A.** The Group Incentive Program was implemented January 1, 2015.

4

5 **Q. PLEASE DESCRIBE THE GROUP INCENTIVE PROGRAM.**

6 **A.** The Group Incentive Program is designed to motivate and reward eligible non-union
7 employees for achieving business unit performance metrics that are designed to
8 align with the corporate and business unit objectives and strategy. While the Spot
9 Bonus Program, described below, primarily rewarded employees for individual
10 performance and contributions, the Group Incentive Program is intended to
11 primarily reward eligible employees for achieving business unit performance metrics
12 as a team. The Group Incentive Program is intended to promote collaboration and
13 teamwork efforts to achieve specified business area performance metrics. This
14 program provides benefits to New Mexico customers by encouraging employees to
15 meet business goals that are primarily related to the provision of safe, reliable and
16 cost-effective service to customers. The Group Incentive Program does not have an
17 earnings per share performance metric.

18

19 **Q. WHICH EMPLOYEES WILL BE ELIGIBLE TO RECEIVE AWARDS
20 UNDER THE GROUP INCENTIVE PROGRAM?**

21 **A.** Eligible employees are those in the salary structure grades of G14 to G05, the same
22 employee group that was eligible for the deactivated Spot Bonus Program.

**DIRECT TESTIMONY OF
GAIL VAVRUSKA-MARCUM
NMPRC CASE NO. 15-00261-UT**

1 Employees eligible for the Group Incentive Program are not eligible for the WPM
2 Plan or the AIP, and vice versa.

3

4 **Q. BY PAY GRADE, WHAT IS THE NUMBER OF EMPLOYEES ELIGIBLE**
5 **FOR THE GROUP INCENTIVE PROGRAM AS OF MARCH 31, 2015?**

6 **A.** The number of employees as of March 31, 2015 in each of the pay grades is 862 as
7 shown in PNM Exhibit HEM-4 WP SS-11.

8

9 **Q. HOW ARE THE COSTS OF THE GROUP INCENTIVE PROGRAM**
10 **INCLUDED IN THE BASE PERIOD?**

11 **A.** The cost of the Group Incentive Program was annualized to include 12 months of
12 costs as the group incentive program did not begin until January of 2015.

13

14 **Q. WHAT IS THE ANTICIPATED COST OF THE GROUP INCENTIVE**
15 **PROGRAM IN THE TEST PERIOD?**

16 **A.** The cost of the Group Incentive Program is anticipated to be \$3,943,469 for the Test
17 Period. The Test Period covers two calendar program years, the 2015 Group
18 Incentive Program and the 2016 Group Incentive Program. The total costs of the
19 Group Incentive Program included in the Test Period are comprised of 9 months of
20 costs related to the 2016 Group Incentive Program and 3 months of costs related to
21 the 2015 Group Incentive Program.

22

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1 The 2016 Group Incentive Program will be for the performance period January 1 to
2 December 31, 2016. The anticipated cost of the 2016 Group Incentive Program is
3 calculated by utilizing the actual employee headcount and base salary as of March
4 31, 2015. Each individual employee's base salary was annually escalated 2.5%, as
5 noted in PNM Witness Monroy's testimony and then multiplied times the eligible
6 employee award, at the target award level, based on their job grade. Eligible
7 employees will only receive an award, at the end of the performance period, January
8 1 to December 31, if the specified performance targets are achieved.

9
10 The 2015 Group Incentive Program is for the performance period January 1 to
11 December 31, 2015. Eligible employees will only receive an award, at the end of
12 the performance period, January 1 to December 31, if the specified performance
13 targets are achieved. The available pool of awards for the 2015 Group Incentive
14 Program will be \$1,200,000. The available pool for each business area will be based
15 on actual headcount.

16
17 **Q. WHY DID THE GROUP INCENTIVE PROGRAM COST IN THE**
18 **REVENUE REQUIREMENT INCREASE FROM THE BASE YEAR?**

19 **A.** As noted previously, the Group Incentive Program covers a significant portion of the
20 PNM Resources' employee population. This program is important to attract, retain
21 and motivate employees. Based on the benchmarking assessment completed by
22 Towers Watson, as noted below, the Group Incentive Program for the 2016 calendar
23 year has been benchmarked to market. The Group Incentive Program for the

**DIRECT TESTIMONY OF
GAIL VAVRUSKA-MARCUM
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1 calendar year 2015 and the preceding program, the Spot Bonus Program, were
2 below market.

3
4 **Q. ARE THE COSTS OF THE GROUP INCENTIVE PROGRAM**
5 **REASONABLE?**

6 **A.** Yes. PNM Resources engaged Towers Watson to benchmark incentive
7 compensation for the eligible employee population by job classification. The
8 surveys utilized by Towers Watson for the analysis were the Towers Watson Data
9 Services (“TWDS”) Energy Service Middle Management Professional & Support
10 (“MMPS”) Compensation survey and the TWDS General Industry MMPS
11 Compensation Survey. Based on the above benchmarking process, including an
12 internal analysis of existing plans, the bonus pool for calendar year 2016, included in
13 the Test Period, is reasonable. The cost is reasonable in amount and will assist
14 PNM in attracting, motivating and retaining qualified employees and should be
15 included in the determination of the Test Period revenue requirement.

16
17 **Q. WAS THERE AN INCENTIVE PLAN PRECEDING THE GROUP**
18 **INCENTIVE PROGRAM?**

19 **A.** Prior to the implementation of the Group Incentive Program on January 1, 2015, the
20 same group of employees eligible for the Group Incentive Program were eligible for
21 the Spot Bonus Program.

22

**DIRECT TESTIMONY OF
GAIL VAVRUSKA-MARCUM
NMPRC CASE NO. 15-00261-UT**

1 **Q. WHEN WAS THE SPOT BONUS PROGRAM IMPLEMENTED?**

2 **A.** The Spot Bonus Program was implemented in 2011 and eliminated effective
3 December 31, 2014. The Group Incentive Program replaced the Spot Bonus
4 Program.

5
6 **Q. WHAT WAS THE PNM RESOURCES SPOT BONUS PROGRAM?**

7 **A.** The Spot Bonus Program was designed to motivate and recognize eligible non-union
8 employees who exceed individual performance metrics, team performance metrics,
9 who excel on special projects and/or for special work circumstances. The Spot
10 Bonus Program replaced the Merit Plus Program in 2011. Employees eligible for
11 the Spot Bonus Program were not eligible for the WPM Plan or AIP, and vice versa.
12 Awards under this program were not related to our earnings per share.

13

14 **Q. ARE THE COSTS ASSOCIATED WITH THE SPOT BONUS PROGRAM**
15 **INCLUDED AS A COST ELEMENT IN THE BASE PERIOD?**

16 **A.** No. The costs associated with the Spot Bonus Program were adjusted out of the Base
17 Period and are not included in the Test Period. Instead, PNM has included the Group
18 Incentive Program, previously discussed, in the Base Year and the Test Year. The
19 Group Incentive Program was annualized for inclusion in the Base Year.

20

**DIRECT TESTIMONY OF
GAIL VAVRUSKA-MARCUM
NMPRC CASE NO. 15-00261-UT**

1 **Q. HAS THE SPOT BONUS PROGRAM PAID OUT IN THE PAST?**

2 **A.** Yes. The Spot Bonus Program has been paid to employees since 2011; PNM has
3 historically provided incentives to these employees through the applicable program
4 each year.

5

6 **Q. WHAT WAS THE PROGRAM PRIOR TO THE SPOT BONUS
7 PROGRAM?**

8 **A.** Prior to the Spot Bonus Program, the Company had the Merit Plus Program for
9 employee incentive awards.

10

11

V. CONCLUSIONS

12 **Q. DO YOU HAVE ANY CONCLUDING OBSERVATIONS?**

13 **A.** Yes, I want to reiterate that the compensation and benefits costs, including active
14 medical and dental, are reasonable and competitive based on relevant benchmarks. The
15 costs associated with the incentive compensation programs benefit the customers and
16 are a necessary cost of attracting and retaining qualified employees.

17

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

19 **A.** Yes it does.

GCG#520324

Resume of Gail Vavruska-Marcum

PNM Exhibit GVM-1

Is contained in the following 1 page.

GAIL VAVRUSKA-MARCUM, CPA, CIDA

PROFESSIONAL EXPERIENCE

PNM RESOURCES, INC., Albuquerque NM

Director of Compensation	July 2012 - Current
Director of Strategic Workforce Planning, Staffing, Learning & Executive Compensation	2011 - 2012
Director of Strategic Workforce Planning, Staffing & Learning	2007 - 2012
Director of People Services	2007 - 2007
Executive Director of Business Transformation	2007 - 2007
Director of Transition Planning (Project Lead)	2006 - 2007
Director, Audit Services	2002 - 2006
Senior Manager, Audit Services	2000 - 2002

AVILA RETAIL DEVELOPMENT & MANAGEMENT, Albuquerque NM

Chief Financial Officer 1999 - 2000

LANGE-WILCOX & ASSOCIATES, Albuquerque NM

Associate Partner 1997 - 1999

RICK JOHNSON & COMPANY, Albuquerque NM

Vice President, Corporate Treasurer 1989 - 1993

ERNST & YOUNG, Phoenix AZ & Cleveland OH

Senior Auditor 1985 - 1989

EDUCATION & PROFESSIONAL CERTIFICATIONS

B.A. in Business Administration, Baldwin-Wallace College, Berea OH

Certified Public Accountant (CPA)

Certified Investments & Derivatives Auditor (CIDA)

PROFESSIONAL AND COMMUNITY AFFILIATIONS

University of New Mexico STEM Council 2010-Current

AWARDS AND RECOGNITIONS

Nominee for YMCA Woman On The Move Award 2003

Leadership Albuquerque Graduate 2002

PUBLISHED

APICS Magazine, December 1998, "Training: Getting the Most out of Your Investment: (co-author Rich Lange)

The Electrical Distributor Magazine, February 1998, "Customer Services is Everyone's Business" (co-author Rich Lange)

Union Wages

PNM Exhibit GVM-2

Is contained in the following 7 pages.

APPENDIX A-WAGE SCHEDULE FOR DISTRIBUTION SYSTEMS

All employees covered by this Agreement shall be paid according to the type and class of work they do for the Company, based on the classification set forth in this Agreement.

CLASSIFICATIONS	07/07/12	05/01/13	05/01/14
	2.0% Wage	2.0% Wage	2.0% Wage
Senior Working Foreman	\$42.19	\$43.03	\$43.89
Area Representative	\$40.16	\$40.96	\$41.78
Chief Mechanic	\$40.16	\$40.96	\$41.78
Line Troublemaker	\$40.16	\$40.96	\$41.78
Working Foreman	\$40.16	\$40.96	\$41.78
Journeyman	\$36.53	\$37.26	\$38.00
Apprentice			
4th Year	\$32.87	\$33.53	\$34.20
3rd Year	\$31.02	\$31.64	\$32.27
2nd Year	\$29.22	\$29.81	\$30.40
1st Year	\$25.56	\$26.07	\$26.59
Heavy Equipment Operator	\$34.66	\$35.35	\$36.06
Equipment Operator	\$32.87	\$33.53	\$34.20
Truck Driver/Hole Digger Operator	\$31.77	\$32.41	\$33.06
Groundman Lineman	\$30.67	\$31.28	\$31.91
Utility Mechanic	\$30.67	\$31.28	\$31.91
Meter Service Technician	\$29.56	\$30.15	\$30.75
Light-Duty Automotive Mechanic	\$29.42	\$30.01	\$30.61
Senior Transformer Clerk	\$29.94	\$30.54	\$31.15
Transformer Clerk	\$28.48	\$29.05	\$29.63
Tool Room Specialist	\$28.11	\$28.67	\$29.25
Utility Man	\$28.48	\$29.05	\$29.63
Utility Helper	\$27.02	\$27.56	\$28.11
Vehicle Servicer - Over 24 Months	\$27.59	\$28.14	\$28.71
Vehicle Servicer - 12 to 24 Months	\$26.65	\$27.19	\$27.73
Vehicle Servicer - 0 to 12 Months	\$25.93	\$26.45	\$26.98
Senior Trouble Order Dispatcher	\$27.13	\$27.67	\$28.23
Trouble Order Dispatcher	\$24.82	\$25.31	\$25.82
Senior Helper - More Than 24 Months	\$25.93	\$26.45	\$26.98
Class "A" Helper - 18 to 24 Months	\$24.45	\$24.94	\$25.44
Class "A" Helper - 12 to 18 Months	\$23.00	\$23.46	\$23.93
Class "B" Helper - 6 to 12 Months	\$20.81	\$21.22	\$21.65

Class "B" Helper - 0 to 6 Months	\$19.35	\$19.74	\$20.13
Senior Warehouseman	\$28.48	\$29.05	\$29.63
Warehouseman - More Than 24 Months	\$25.93	\$26.45	\$26.98
Warehouseman - 18 to 24 Months	\$24.45	\$24.94	\$25.44
Warehouseman - 12 to 18 Months	\$23.00	\$23.46	\$23.93
Warehouseman - 6 to 12 Months	\$20.81	\$21.22	\$21.65
Warehouseman - 0 to 6 Months	\$19.35	\$19.74	\$20.13

APPENDIX B-WAGE SCHEDULE FOR POWER PRODUCTION

APPENDIX B-WAGE SCHEDULE FOR POWER PRODUCTION			
All employees covered by this Agreement shall be paid according to the type and class of work they do for the Company, based on the classification set forth in the Agreement.			

CLASSIFICATIONS	7/7/2012	5/1/2013	5/1/2014
	2.0%	2.0%	2.0%
Inst Control & Elec Sr. Working Foreman	\$46.39	\$47.32	\$48.26
Inst Control & Elec Sr. Working Foreman 18 Months/Complete	\$45.54	\$46.45	\$47.38
Inst Control & Elec Sr. Working Foreman 12 – 18 Months	\$44.69	\$45.58	\$46.49
Inst Control & Elec Sr. Working Foreman 06 – 12 Months	\$43.85	\$44.73	\$45.62
Inst Control & Elec Sr. Working Foreman in Training	\$43.00	\$43.86	\$44.74
Welder Senior Working Foreman	\$43.23	\$44.09	\$44.97
Journeyman Operator - Senior	\$40.16	\$40.96	\$41.78
Inst Control & Elec Working Foreman	\$44.17	\$45.05	\$45.95
Inst Control & Elec Working Foreman in Training 18 Months Completed	\$43.35	\$44.22	\$45.10
Inst Control & Elec Working Foreman in Training 12 Months Completed	\$42.55	\$43.41	\$44.27
Inst Control & Elec Working Foreman in Training 06 Months Completed	\$41.77	\$42.60	\$43.46
Inst Control & Elec Working Foreman in Training	\$40.96	\$41.78	\$42.62
Gas Plant Technician Inst Control & Electrician Sr. Working Foreman	\$46.39	\$47.32	\$48.26
Gas Plant Technician Inst Control & Electrician Working Foreman	\$44.18	\$45.06	\$45.96
Gas Plant Technician Inst Control & Electrician Journeyman	\$40.18	\$40.98	\$41.80
Gas Plant Technician Journeyman-In-Training			
18 Months Completed	\$39.45	\$40.24	\$41.04
12 Months Completed	\$38.72	\$39.49	\$40.28
6 Months Completed	\$37.99	\$38.75	\$39.52
Entering	\$37.26	\$38.00	\$38.76
Gas Plant Technician Inst Control & Electrician			

Apprentice			
5th Year	\$36.14	\$36.86	\$37.60
4th Year	\$34.14	\$34.82	\$35.52
3rd Year	\$32.12	\$32.76	\$33.42
2nd Year	\$30.12	\$30.72	\$31.34
1st Year	\$28.12	\$28.68	\$29.26
Gas Plant Technician Maintenance & Operations Sr. Working Foreman	\$46.39	\$47.32	\$48.26
Gas Plant Technician Maintenance & Operations Working Foreman	\$44.18	\$45.06	\$45.96
Gas Plant Technician Maintenance & Operations- Journeyman	\$40.17	\$40.97	\$41.79
Gas Plant Technician Maintenance & Operations			
Apprentice			
Welder Working Foreman	\$41.17	\$41.99	\$42.83
Working Foreman	\$40.16	\$40.96	\$41.78
Senior Fuel and Water Analyst	\$40.16	\$40.96	\$41.78
Instrument Control & Elec Jry	\$40.16	\$40.96	\$41.78
Inst Control & Elec Jry In Training – 18 Months Completed	\$39.43	\$40.22	\$41.03
Inst Control & Elec Jry In Training – 12 Months Completed	\$38.69	\$39.46	\$40.25
Inst Control & Elec Jry In Training – 06 Months Completed	\$37.95	\$38.71	\$39.49
Inst Control & Elec Jry In Training	\$37.22	\$37.96	\$38.72
Welder	\$37.41	\$38.16	\$38.93
Journeyman	\$36.53	\$37.26	\$38.00
Plant Chemical Specialist	\$36.53	\$37.26	\$38.00
Journeyman Plant Operator	\$36.53	\$37.26	\$38.00
Journeyman Generation Board Operator	\$40.16	\$40.96	\$41.78
Journeyman Generation Board Operator - Journeyman in Training Step 3	\$38.73	\$39.50	\$40.29
Journeyman Generation Board Operator - Journeyman in Training Step 2	\$37.96	\$38.72	\$39.50
Journeyman Generation Board Operator - Journeyman in Training Step 1	\$37.21	\$37.95	\$38.71
Journeyman Environmental Board Operator	\$37.43	\$38.18	\$38.95
Journeyman Environmental Board Operator - Journeyman in Training Step 2	\$36.08	\$36.80	\$37.53

Journeyman Environmental Board Operator - Journeyman in Training Step 1	\$34.77	\$35.47	\$36.18
Journeyman Coal Board Operator	\$36.53	\$37.26	\$38.00
Journeyman Coal Board Operator - Journeyman in Training Step 1	\$34.77	\$35.47	\$36.18
Journeyman Environmental Operator	\$34.01	\$34.69	\$35.38
Apprentice			
3rd Year	\$31.02	\$31.64	\$32.27
2nd Year	\$29.22	\$29.81	\$30.40
1st Year	\$25.56	\$26.07	\$26.59
Chemical Specialist "A"	\$32.87	\$33.53	\$34.20
Fuel and Water Analyst "A"	\$32.87	\$33.53	\$34.20
Outside Operator "A"	\$32.87	\$33.53	\$34.20
Plant Operator Apprentice Year 3	\$34.92	\$35.62	\$36.34
Chemical Specialist "B"	\$31.02	\$31.64	\$32.27
Fuel and Water Analyst "B"	\$31.02	\$31.64	\$32.27
Outside Operator "B"	\$31.02	\$31.64	\$32.27
Plant Operator Apprentice Year 2	\$34.01	\$34.69	\$35.38
Chemical Specialist "C"	\$29.22	\$29.81	\$30.40
Fuel and Water Analyst "C"	\$29.22	\$29.81	\$30.40
Outside Operator "C"	\$29.22	\$29.81	\$30.40
Plant Operator Apprentice Year 1	\$32.39	\$33.03	\$33.69
Fuel and Water Analyst "D"	\$25.56	\$26.07	\$26.59
Outside Operator "D"	\$25.56	\$26.07	\$26.59
Apprentice Environmental Operator Year 2	\$32.39	\$33.03	\$33.69
Apprentice Environmental Operator Year 1	\$30.84	\$31.46	\$32.09
Senior Fuel Handler	\$32.87	\$33.53	\$34.20
Fuel Handler "A"	\$29.56	\$30.15	\$30.75
Fuel Handler "B"	\$22.63	\$23.09	\$23.55
Partsman "B"	\$22.63	\$23.09	\$23.55
Chemical Handler	\$22.63	\$23.09	\$23.55
Senior Helper	\$25.93	\$26.45	\$26.98
Class "A" Helper	\$24.45	\$24.94	\$25.44
Class "B" Helper	\$19.35	\$19.74	\$20.13
Senior Working Foreman	\$42.19	\$43.03	\$43.89
Senior Partsman	\$30.78	\$31.40	\$32.03
Partsman	\$28.11	\$28.67	\$29.25

Partsman "A"	\$25.18	\$25.69	\$26.20
Utility Helper	\$27.02	\$27.56	\$28.11
Heavy Equipment Operator	\$34.66	\$35.35	\$36.06
Tool Room Specialist	\$28.11	\$28.67	\$29.25

APPENDIX C-WAGE SCHEDULE FOR METER READERS AND COLLECTORS

CLASSIFICATIONS	07/07/2012	5/1/2013	5/1/2014
	2.0%	2.0%	2.0%
Collector more than 12 months	\$20.70	\$21.11	\$21.53
Collector 0 to 12 months	\$19.37	\$19.76	\$20.15
Senior Meter Reader more than 12 months	\$19.10	\$19.49	\$19.88
Senior Meter Reader 0 to 12 months	\$17.25	\$17.59	\$17.95
Meter Reader more than 12 months	\$16.45	\$16.78	\$17.12
Meter Reader 0 to 12 months	\$14.07	\$14.35	\$14.63

A Meter Reader, Senior Meter Reader, or Collector whose individual regular straight time hourly rate of pay on the date this Addendum becomes effective is equal to or greater than the hourly rate listed above for the employee's classification will retain the individual regular straight time hourly rate of pay ("red circled rate") unless and until the Company and the Union mutually agree on a wage rate increase that makes the hourly wage rate for the employee's classification equal to or greater than the employee's red circled rate. Meter Readers, Senior Meter Readers, and Collectors with red circled rates shall receive any future wage rate increases mutually agreed on by the Company and the Union for the above listed classifications in equivalent lump sums for the periods that such wage rate increases are effective.

Collector - Diversion and Investigation Premium

Collectors will receive a premium of 10% of their regular straight time hourly rate for performing diversion investigation work, high bill complaints, meter mix ups, and rate verifications as assigned or scheduled and approved by supervision.

Acting Senior / Coordinator Premium

Meter Readers assigned by Supervision to act as a Senior Meter Reader shall receive \$1.00 per hour premium for all hours worked. Meter Readers assigned by Supervision to act as a Coordinator shall receive \$2.00 per hour premium for all hours worked. Senior Meter Readers assigned by Supervision to act as Coordinators shall receive \$1.00 per hour premium for all hours worked.

2015 Medical & Dental Rates with Participant Count

PNM Exhibit GVM-3

Is contained in the following 1 page.

PNM Resources, Inc. -
 2015 MEDICAL RATES
 Full Time and Part Time Employees

As of 09/02/2014

PNMR COST per MONTH - 2015			
	NO Coverage	HealthSCOPE Benefits	
		PPO	CCP
EE Only	\$0.00	\$292.69	\$254.76
EE + 1	\$0.00	\$632.30	\$546.68
EE + Family	\$0.00	\$890.41	\$751.78

EMPLOYEE COST per MONTH - 2015			
	NO Coverage	HealthSCOPE Benefits	
		PPO	CCP
EE Only	\$0.00	\$127.24	\$81.69
EE + 1	\$0.00	\$312.54	\$202.54
EE + Family	\$0.00	\$453.36	\$287.46

PNM Resources, Inc.
 2015 DENTAL RATES
 Full Time and Part Time Employees

As of 09/02/2014

2015 PNM COST per MONTH @			50.00%
	NO Coverage	DELTA Premier/Adv	
		EE Only	\$0.00
EE + 1	\$0.00	\$33.17	
EE + Family	\$0.00	\$63.02	

2015 EMPLOYEE COST per MONTH @			50.00%
	NO Coverage	DELTA Premier/Adv	
		EE Only	\$0.00
EE + 1	\$0.00	\$33.17	
EE + Family	\$0.00	\$63.03	

As of 01/01/2015

2015 Medical Plan Participants					
Classification	Plan	Employee + Family	Employee + One	Employee Only	Grand Total
High-Deductible Plan	CCPHSB	65	71	159	295
Preferred Provider O	PPOHSB	602	417	371	1390

2015 Dental Plan Participants					
Classification		Employee + Family	Employee + One	Employee Only	Grand Total
DENTAL		724	546	471	1741

2015 Quarter 1 Medical & Dental Accruals

PNM Exhibit GVM-4

Is contained in the following 1 page.

PNM Resources — 2015 Q1 Medical and Dental Accruals

	2015 Q1 Net PNMR Accrual
Active Medical	\$3.2 million
Active Dental	\$0.2 million
Total Actives	\$3.4 million

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.)
_____)

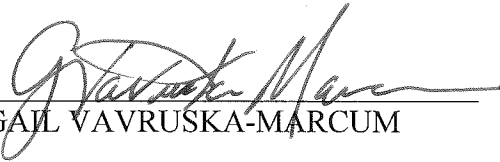
AFFIDAVIT

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

GAIL VAVRUSKA-MARCUM, Director of Compensation 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 Gail Vavruska-Marcum** and it is true and accurate based on my own personal knowledge and belief.

SIGNED this 19th day of August, 2015.


GAIL VAVRUSKA-MARCUM

SUBSCRIBED AND SWORN to before me this 19th day of August, 2015.


NOTARY PUBLIC IN AND FOR
THE STATE OF NEW MEXICO

