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. 507	)	**Case No. 14-00332-UT**
PUBLIC SERVICE COMPANY OF NEW MEXICO,	)	
Applicant	)	

DIRECT TESTIMONY AND EXHIBITS

OF

ELISABETH A. EDEN

DECEMBER 11, 2014

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WITNESS FOR
<u>PUBLIC SERVICE COMPANY OF NEW MEXICO</u>

DIRECT TESTIMONY OF
ELISABETH A. EDEN
NMPRC CASE NO. 14-00332-UT

I. INTRODUCTION AND PURPOSE

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

A. My name is Elisabeth Eden. I am Executive Director, Financial Planning and Business Analysis for PNMR Services Company ("PNMR Services"). PNMR Services provides corporate services through shared services agreements to PNM Resources, Inc. ("PNMR") and all of its subsidiaries, including Public Service Company of New Mexico ("PNM"). My address is 414 Silver Avenue, SW, Albuquerque, New Mexico 87102.

Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES AS EXECUTIVE DIRECTOR, FINANCIAL PLANNING AND BUSINESS ANALYSIS.

A. As Executive Director, Financial Planning and Business Analysis I am responsible for the financial planning and budget activities for PNMR and its subsidiaries, including PNM. My responsibilities include the formulation of strategies and plans to accomplish financial objectives and lead strategic initiatives with large financial implications for PNMR and its subsidiaries. My educational background and experience is summarized in PNM Exhibit EAE-1.

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Q. HAVE YOU PREVIOUSLY TESTIFIED IN UTILITY REGULATION PROCEEDINGS?

A. Yes I have testified before this Commission in Case Nos. 10-00029-UT, 10-00629-UT and 12-00096-UT. I have also testified in front of the Public Utility Commission of Texas.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. The purpose of my testimony is to explain why maintaining PNM's financial health is in the best interests of PNM's customers and how the requested rate relief is an important component in maintaining PNM's financial health. In addition, I discuss the purchase and extension of Palo Verde Nuclear Generating Station ("PVNGS" or "Palo Verde") leases and proposed annuitization of gas pension benefits. Specifically, in the sections that follow, I discuss:

- the importance of maintaining PNM's credit ratings and sound financial health;
- PNM's proposed capital structure and cost of capital;
- the purchase and extension of eight PVNGS Units 1 and 2 leases; and
- the proposed annuitization of pension participant benefits related to the 2009 sale of PNM's natural gas operations.

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Q. PLEASE DESCRIBE THE SCHEDULES THAT YOU ARE SPONSORING.

A. I am sponsoring the following Rule 530 Schedules, which were prepared by me or under my direct supervision: G-01 through G-10, and Q-03 through Q-05.

II. SUMMARY OF KEY CONCLUSIONS

Q. WHAT ARE THE KEY CONCLUSIONS OF YOUR TESTIMONY?

A. First, maintaining PNM's sound financial health is very important because it means that our customers can rely on PNM to deliver long-term, high quality, reliable service while allowing PNM to raise capital on favorable terms. This ultimately translates into lower financing costs and thus lower rates for customers, which is particularly important at this time given PNM's planned capital investments of approximately $1.7 billion between 2014 and 2018.

Second, PNM should maintain a properly balanced capital structure comprised of debt and equity in proportions that are balanced so as to minimize the long-term after-tax cost of capital for the benefit of customers. The capital structure utilized by PNM in the determination of Test Period revenue requirements consists of 50.0% long-term debt, 0.4% preferred stock and 49.6% common equity.

Third, PNM has developed a strategy to retain its capacity at PVNGS, which continues to serve customers reliably and economically. PNM's strategy to extend or purchase its existing PVNGS leases preserves ongoing generating capacity and diversifies purchase price risk by securing the leases with very short extension options today, while maintaining the option to purchase the leases with longer extension options in the future.

Finally, in order to mitigate its ongoing gas pension liability, for which it does not recover any costs from customers, PNM would like to purchase annuities from an insurance company for the remaining gas share of costs. There would be no impact to customers compared to the existing liability and pension expense.

III. IMPORTANCE OF CREDIT RATINGS AND FINANCIAL HEALTH

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

A. In this section of my direct testimony, I address the benefits to customers of maintaining PNM's good credit ratings and sound financial health.

Q. WHAT DO YOU MEAN BY SOUND FINANCIAL HEALTH?

A. To a utility, sound financial health means that it has sufficient revenues from its utility operations to meet its ongoing costs of doing business, so that it may attract and maintain needed capital on favorable terms, including paying reasonable dividends to its shareholders. The financial health of a regulated utility is a function of many factors, such as its capital structure, return on equity ("ROE"), capital investment needs, cash flow and regulatory environment. Sound financial health results in strong credit ratings that allow the utility to raise debt at a lower borrowing cost, and refinance debt at opportune times, resulting in savings for customers. Similarly, it results in a strong common stock price that allows the utility or its parent, as the case may be, to access the equity capital markets on favorable terms, thereby maximizing sales proceeds without undue dilution of existing shareholders' equity.

Q. PLEASE EXPLAIN WHY SOUND FINANCIAL HEALTH IS IMPORTANT TO THE CUSTOMERS OF A UTILITY.

A. PNM's sound financial health means that our customers can rely on PNM to deliver long-term, high quality, reliable service while allowing PNM to raise capital on favorable terms. This ultimately translates into lower financing costs and thus lower rates for customers because of the significant capital requirements of electric utilities.

Q. WHAT IS THE SIGNIFICANCE OF THIS PROCEEDING IN TERMS OF PNM'S FINANCIAL HEALTH?

A. For PNM, this rate case is very important to its ability to maintain sound financial health. The requested rates will continue to support PNM's financial metrics and credit ratings to allow it to obtain financing on favorable terms. The timing of this case is critical in light of long-term debt financing required to fund PNM's planned capital investments, which total approximately $1.7 billion between 2014 and 2018.

Q. HOW DOES PNM FUND ITS CAPITAL AND OPERATIONAL EXPENDITURES?

A. PNM utilizes the cash flow from operations to provide funds for both construction and operational expenditures. If cash flow from operations is insufficient to fund its ongoing O&M and capital needs, PNM typically finances that shortfall through its revolving credit facilities, which currently total $450 million ("Revolvers"). Once there is a sufficient amount of short-term debt (typically $150-300 million) on the Revolvers, PNM will issue long-term bonds in the capital markets to more closely match the long-term nature of the assets being financed and restore liquidity under the Revolvers. In addition to using cash flow from operations, PNMR contributes equity, as necessary, to ensure that the capital structure remains properly balanced to maintain an investment grade credit rating and stay in line with PNM's approved regulatory capital structure, which I address in this testimony.

Q. WHY IS IT IMPORTANT TO MATCH LONG-TERM ASSETS WITH LONG-TERM FINANCING?

A. A general principle of financing is to match the term or length of the financing with the useful life of the asset being financed. For example, one should pay cash for a meal since it is an immediately consumed asset under this principle. The purchase of a car that is expected to be utilized for 5-10 years should be financed with a loan of no more than ten years. There are more considerations that a corporate entity takes into account when making financing decisions, but generally there is consistency between the useful life of the assets and the underlying financing. Although assets such as generation plants have useful lives spanning several decades, PNM typically issues long-term debt with 10-year maturities, which are then refinanced for additional 10-year terms as needed, because this is generally the most liquid and cost-effective segment of the long-term debt capital markets.

Q. WHAT ARE CREDIT RATINGS AND HOW ARE THEY USED?

A. Credit ratings are assigned to a company's debt by credit rating agencies such as Moody's Investors Services ("Moody's") and Standard & Poor's Rating Services ("S&P"). The ratings reflect the agencies' assessment of the risk that a company will be unable to make interest and principal payments, and thereby default on its debts. Potential lenders use credit ratings as a measure of the risk of default and charge a lower interest rate to borrowers with higher credit ratings. Conversely, borrowers with lower credit ratings are perceived to be riskier, and must pay a higher interest rate on debt. Equity investors also consider credit ratings and typically require higher equity returns on investments in firms that have lower credit ratings.

Q. WHAT ARE THE CATEGORIES OF CREDIT RATINGS?

A. Moody's and S&P use similar categories of credit ratings as shown in the table below, with Aaa or AAA representing the highest credit ratings:

	Moody's Category	S&P Category
Investment Grade Ratings	Aaa	AAA
	Aa	AA
	A	A
	Baa	BBB
Below Investment Grade Ratings	Ba	BB
	B	B
	Caa	CCC
	Ca	CC
	C	C
	--	D

Within each rating category, Moody's assigns a number between 1 and 3 while S&P assigns a "+" or "-" to further distinguish ratings within that category. For example a rating from Moody's of Baa1 is higher than Baa2 or Baa3, and a rating from S&P of BBB+ is higher than BBB or BBB–. In addition, the rating agencies assign a Positive, Negative or Stable outlook to the credit rating, which indicates whether their next action is likely to be an upgrade, downgrade or no change to the existing rating.

Q. WHAT IS AN INVESTMENT GRADE RATING?

A. A rating of at least Baa3 from Moody's or BBB– from S&P is considered to be an investment grade rating. Debt that is rated investment grade can be held by a larger universe of investors and generally has a lower interest rate because it is considered less risky than debt that is rated below investment grade. Companies that are rated below investment grade may not be able to access capital in capital-constrained market conditions, except possibly under onerous terms and conditions. A common colloquialism for non-investment grade bonds is "junk bonds."

Q. WHAT IS THE OPTIMAL CREDIT RATING FOR AN ELECTRIC UTILITY IN ORDER TO ACHIEVE THE MOST INVESTOR DEMAND AT THE BEST MARKET PRICES?

A. Market perceptions of the investment risk of a utility vary over time, so there is not a single optimal credit rating for a utility under all economic conditions. While a AAA rating would provide a utility with the best access to the capital markets at the lowest debt financing cost, most utilities seek to maintain at least a strong BBB credit rating, which provides for adequate access to the capital markets while needing lower revenue requirements to support the rating when compared to the revenue requirement that would be needed to maintain a AAA credit rating. Earning a AAA credit rating would require a much higher proportion of equity in the capital structure, which would be significantly more expensive for customers.

Q. WHAT ARE PNM'S CURRENT CREDIT RATINGS?

A. Moody's and S&P rate PNM's senior unsecured debt at Baa2 / BBB, respectively, which are both investment grade ratings. In addition, the "outlook" for PNM from both Moody's and S&P is Positive. Recent rating agency reports indicate that they expect PNM to continue its efforts to maintain financial stability and strong credit metrics, accompanied by rate recovery to support any new debt.

Q. PLEASE DESCRIBE HOW PNM'S CURRENT CREDIT RATINGS COMPARE TO THAT OF OTHER REGULATED ELECTRIC UTILITIES.

A. In S&P's report published on July 30, 2013: "Issuer Ranking: U.S. Regulated Electric Utilities, Strongest to Weakest," PNM was ranked 176th out of 227 utilities or in the bottom 25% despite improved credit ratings since 2008. However, since that time, PNM has received a positive outlook from both credit rating agencies which would move its ranking to approximately 145th out of 227 utilities, which remains below the median ranking.

Q. HOW CRITICAL IS IT FOR PNM TO MAINTAIN ITS INVESTMENT GRADE CREDIT RATINGS?

A. Maintaining an investment grade credit rating is especially critical at this juncture because of PNM's capital expenditure and financing requirements during the next five years. Investors use PNM's credit ratings to determine their willingness to invest in PNM, and at what price. The rating agencies typically will formally reassess a company's credit ratings annually and in conjunction with a major capital expenditure program and financing. Investors commonly rely on the credit ratings published by the rating agencies to determine whether they will invest in a company and the return that they require on their investment. A lower credit rating directly results in a higher cost of debt and less access to the financial markets. Given the global financial uncertainty that has existed over the last few years, and still exists, if PNM's credit ratings were to again fall below investment grade, investors may increase the return that they require on their capital or could decide not to invest in PNM. Credit ratings therefore impact not only the cost of PNM's capital, but may also have a direct impact on PNM's *access* to capital. Under severe economic conditions, this could affect PNM's liquidity and its ability to reliably and affordably serve its customers.

The rating agencies continually review PNM's current and projected financial health, which is materially affected by regulatory recovery, cash flow, capital investments and the financing for those investments. Regulatory risk is a critical factor in determining a utility's credit rating. A regulatory environment that allows for timely cost recovery of prudent expenditures is a positive consideration for a utility achieving and maintaining an investment grade rating. Therefore, for PNM to maintain its access to capital and fund necessary capital expenditures on favorable terms, it must maintain its investment grade status. This will ensure that PNM will continue to have access to favorably priced capital, even in the face of some adverse or unpredictable event or some structural shift in capital markets. Any delays, uncertainties or denials in the recovery could hurt PNM's credit quality.

Q. HAS PNM'S ACCESS TO THE CAPITAL MARKETS BEEN ADVERSELY IMPACTED IN THE PAST DUE TO ITS CREDIT RATINGS?

A. Yes. In late 2007 to mid-2008, PNM was downgraded three times in a very short period of time to a below investment grade rating of BB+ by S&P and to Baa3 by Moody's, its lowest investment grade rating, while placing PNM on review for possible further downgrade. These actions resulted from the credit rating agencies' concerns about PNM's deteriorating credit metrics at the time and their reactions to a Recommended Decision in PNM's 2007 rate case (Case No. 07-00077-UT) which recommended approving only about 30% of PNM's requested revenue increase and denial of a fuel and purchased power cost adjustment clause

("FPPCAC"). S&P noted in its March 10, 2008 report titled "PNM Resources' And Subs' Outlook Is Revised to Negative", PNM Exhibit EAE-2:

> The negative outlook reflects our perception of increased regulatory risk at PNM that, if not managed or mitigated, could harm credit quality and lead to lower ratings for PNMR and its subsidiaries.... The hearing examiner's recommendation in PNM's pending electric rate case... could lead to weaker credit metrics than previously expected if adopted by the New Mexico Public Service [sic] Commission.... In addition, the company's liquidity position is stretched and maturities coming due in 2008 will necessitate access to markets.

Moody's removed the potential for a further downgrade as a result of the Final Order in that case, which improved the rate relief slightly, to about 44% of the initial request, and postponed the decision on a FPPCAC. Moody's deferred further action while awaiting the Commission's decision on a FPPCAC. The Commission ultimately approved a FPPCAC for PNM, significantly improving cash flows, and resulting in no further adverse credit action by Moody's or S&P, which allowed PNM to at least maintain a split credit rating at the time, i.e., S&P rated PNM below investment grade and Moody's rated PNM at its lowest investment grade level.

In addition, the global financial crisis that began in 2008 impaired access to the capital markets for all but the highest rated borrowers. Indeed, prior to the Commission's action authorizing a FPPCAC, PNM had been advised by debt underwriters that PNM's deteriorating financial condition and the uncertainty about the outcome of the FPPCAC and the 2007 rate case would prevent PNM from issuing long-term debt, at any cost, in the then-existing capital-constrained market.

When PNM was finally able to access the capital markets, it had to pay an interest rate of 7.95% on $350 million of 10-year fixed rate bonds, which was significantly higher than the rate of approximately 6% that it would have paid had it been investment grade at the time. This difference translates into an additional $6.8 million of annual interest, or $68 million over the 10-year term of the bonds. In the best of times, PNM must maintain investment grade credit ratings to minimize financing costs. But as demonstrated by PNM’s past experience, investment grade ratings are especially important when capital markets are volatile and there is uncertainty in the market. Although capital markets today are not in the crisis mode that existed in 2008, there remains a considerable level of uncertainty and volatility.

Q. WHAT FACTORS COULD CAUSE A DOWNGRADE IN PNM’S CREDIT RATINGS?

A. PNM's credit ratings or outlooks could be revised downward if adverse rate case rulings or cost recovery disallowances result in a deterioration of cash flow, or if there is uncertainty regarding the adequate and timely recovery of significant costs.

In its report on June 24, 2014, PNM Exhibit EAE-3, Moody's stated that PNM's rating could be adjusted downward "if we believe the New Mexico regulatory framework becomes less supportive or more unpredictable which results in unexpectedly adverse regulatory decisions or cost recovery disallowances; or if financial metrics deteriorated …." In its report on April 30, 2014, PNM Exhibit EAE-4, S&P cited similar factors that could cause a rating downgrade and noted that PNM's current positive outlook "reflects the probability that the company's continued efforts to manage regulatory risk could result in a gradually improving business risk profile."

Q. COULD ADEQUATE AND TIMELY COST RECOVERY RESULT IN AN UPGRADE OF PNM'S CREDIT RATING?

A. Yes. Granting adequate and timely cost recovery will be viewed favorably by the rating agencies and will contribute to maintaining and possibly improving PNM's credit rating. On June 24, 2014, when Moody's affirmed PNM's Positive rating outlook, PNM Exhibit EAE-3, it stated:

> PNM's positive rating outlook reflects our expectation that the regulatory environment in New Mexico continues to improve; financial metrics will continue to strengthen; and that the timeline for the San Juan environmental compliance requirements plays out such that PNM is able to recover prudently incurred costs and investments in a reasonably timely manner.

Clearly, the credit rating agencies are monitoring the Commission's decisions and their impact on PNM's financial health. Therefore, favorable rulings on PNM's proposals in this case would strengthen the rationale for an upgrade in its credit rating from the mid-BBB range to the high-BBB range in line with the majority of regulated U.S. electric utilities.

Q. HOW WOULD A CREDIT RATING DOWNGRADE AFFECT PNM'S FINANCING COST?

A. A one-notch downgrade in PNM's credit ratings could result in an increase in its borrowing cost on new 10-year debt of approximately 0.40% while a two-notch downgrade could increase its borrowing cost by an additional 0.60%, or a total of 1% from its current cost, based on current market conditions and as shown in PNM Exhibit EAE-5. The table below summarizes the estimated effects of a one-notch or two-notch downgrade on PNM's borrowing cost based on indicative levels from several banks and $750 million of debt issuances that PNM anticipates over the next five years to fund new capital expenditures and refinance maturing long-term debt. A 10-year maturity is assumed because it is the most common maturity for a utility debt financing, and therefore the most liquid and cost-effective form of long-term financing available.

PNM Indicative Borrowing Costs	Moody's / S&P Ratings	Interest Rate	Annual Interest Expense	Total Interest for 10 Years
Current rating	Baa2 / BBB	4.73%(1)	$35.5 MM	$355 MM
One-notch downgrade	Baa3 / BBB –	5.13%	$38.5 MM	$385 MM
Two-notch downgrade	Ba1 / BB+	5.73%	$43.0 MM	$430 MM

(1) Interest rate based on projected financing in October 2015.

Over 10 years, the impact of a one-notch downgrade on this long-term debt would be approximately $30 million in today's low interest rate environment, while the impact of a two-notch downgrade would be approximately $75 million. This represents a significant cost to customers. This is based on today's interest rate differential of approximately 1% between BBB and BB spreads. However, as shown in PNM Exhibit EAE-5, this differential reached almost 5% in 2009 or *five times greater* than current spreads and interest costs. Under those conditions, the impact of a one-notch downgrade on all of this debt would be $150 million, while the impact of a two-notch downgrade would be $375 million over 10 years, which is a significant cost to ratepayers. And these are only the debt costs. The equity return required by shareholders to compensate for the risk of investing in a company with deteriorating credit ratings would also go up substantially. Also, as seen in prior periods when PNM was rated below investment grade, counterparties to transactions with PNM (for example, off-system electricity trading, natural gas purchases for gas plants, or electricity and natural gas hedging activities) demand higher compensation or guarantees to protect themselves from the greater risk PNM might not be able to pay its bills in full or in a timely fashion. Either higher compensation or guarantees increases the cost of these transactions. The costs of falling below investment grade can be very costly and last for many years.

Q. WHAT IMPACT WOULD A CREDIT DOWNGRADE HAVE ON PNM'S EXISTING CREDIT LINE?

A. In addition the increased long-term debt costs quantified above, PNM would incur additional short-term borrowing costs resulting from a downgrade on PNM's $450 million Revolvers. The impact of a one-notch downgrade on the Revolvers would be an increase in the interest rate by 25 bps (0.25%) and the impact of a two-notch downgrade would be an increase of 50 bps (0.50%).

Q. WILL GRANTING PNM'S APPLICATION AS REQUESTED BE HELPFUL IN KEEPING FINANCING COSTS DOWN?

A. Yes. The cost of capital, both debt and equity, is directly related to the risk of repayment. If the perceived risk of repayment is high, then the cost of the capital is higher than it would be if the risk of repayment and corresponding uncertainty were lower. As indicated in the reports cited above, rating agencies, and ultimately potential lenders and investors, place substantial weight on their assessment of the regulatory environment in which the utility operates in assessing the risk of repayment for a regulated utility. New Mexico has not historically been considered a credit supportive regulatory regime. Even with the constructive NMPRC orders in recent years, New Mexico is still ranked among the least credit supportive regulatory environments in the country (See PNM Exhibit EAE-6) because of historical adverse decisions including the

Recommended Decision and Final Order in PNM's 2007 rate case that I described earlier. Granting PNM's Application will be viewed by the rating agencies and providers of debt and equity capital as evidence of lower risk and uncertainty resulting from a more constructive regulatory environment. Therefore, the cost of the capital will be lower, creating savings for customers, and necessary access to the capital markets will be facilitated to help assure continued reliability of service.

IV. PROPOSED CAPITAL STRUCTURE AND COST OF CAPITAL

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

A. In this section of my direct testimony, I address PNM's proposed capital structure and average cost of capital.

Q. WHAT IS A PROPERLY BALANCED CAPITAL STRUCTURE?

A. A properly balanced utility capital structure is one that is comprised of debt and equity in proportions that are balanced so as to minimize the long-term after-tax cost of capital for the benefit of customers. Interest paid on debt is tax deductible, contributing to a lower cost for debt than equity, so generally a corporation benefits from its use. However, if too much debt is in the capital structure, the risk of default increases, credit ratings deteriorate, and the cost of debt and consequently equity increases, offsetting any tax benefits, and the availability of financing becomes less certain. The cost of equity is not tax deductible and is generally more expensive than debt because it is a riskier investment, but in spite of this, equity is required to balance the debt in a capital structure. Greater amounts of equity in a capital structure reduce default risk for debt holders, resulting in higher credit ratings, a lower cost of debt and better access to debt financing when needed. Therefore, an optimal balance of debt and equity is necessary in a firm's capital structure to minimize the long-term after-tax cost of capital.

This optimal balance of debt and equity differs by industry, and often by company within an industry. Industries with more business risk, such as high tech, have less debt, whereas industries with less business risk, like regulated utilities, can support more financial risk and therefore more debt. Generally, an appropriate range for electric utilities is an approximate mix of 50% debt and 50% equity, plus or minus 5%, which corresponds to the 45% to 55% debt range that Moody's considers appropriate for Baa-rated utilities[1].

[1] *"Proposed Refinements to the Regulated Utilities Rating Methodology and our Evolving View of US Utility Regulation," Moody's Investors Service, September 23, 2013.*

Q. WHAT CAPITAL STRUCTURE WAS USED IN THE DETERMINATION OF THE TEST PERIOD REVENUE REQUIREMENTS?

A. The capital structure utilized in the determination of Test Period revenue requirements is based on an average of PNM's projected capital structure for the period December 2015 through December 2016, reflecting projected debt issuances and refinancing expected to occur in that thirteen month period. The projected capital structure consists of 49.7% long-term debt, 0.4% preferred stock, and 49.9% common equity. However, the capital structure utilized by PNM in the determination of Test Period revenue requirements consists of 50.0% long-term debt, 0.4% preferred stock and 49.6% common equity, which results in a more favorable cost of capital for customers due to the lower amount of common equity. PNM's actual capital structure as of June 30, 2014 was 49.3% long-term debt, 0.4% preferred stock, and 50.3% common equity.

Q. HAS PNM HAD ITS PROPOSED TEST PERIOD CAPITAL STRUCTURE INDEPENDENTLY ANALYZED?

A. Yes. PNM witness Robert B. Hevert conducted an analysis of utility capital structures utilizing a proxy group of utilities as shown in PNM Exhibit RBH-11. It is his conclusion that PNM's proposed capital structure is consistent with the proxy companies and reasonable for purposes of determining PNM's rate of return.

Q. WHAT ROE DID PNM USE IN THE DEVELOPMENT OF TEST PERIOD REVENUE REQUIREMENTS?

A. PNM used an ROE of 10.50% in the Test Period, which is PNM's cost of equity capital as determined by PNM witness Robert B. Hevert.

Q. WHAT COST OF DEBT DID PNM USE IN THE DEVELOPMENT OF TEST PERIOD REVENUE REQUIREMENTS?

A. PNM used its projected cost of 6.12% for the debt component of the capital structure in the development of test period revenue requirements.

Q. HOW DID PNM CALCULATE THE COST OF DEBT USED IN THE DEVELOPMENT OF TEST PERIOD REVENUE REQUIREMENTS?

A. PNM adjusted the base period average cost of debt to account for an expected issuance of $175 million of Senior Unsecured Notes ("SUNs") in October 2015 and $50 million of SUNs in May 2016. PNM's expected interest rates on these notes are 4.73% and 5.06%. In addition, PNM is expecting to refinance $39.3 million of tax-exempt Pollution Control Bonds ("PCBs") in June 2015. The assumed interest rate for that refinancing is 4.17%. The inclusion of the new SUNs and refinancing of the PCBs results in a test period weighted average cost of debt of 6.12%. The support for the cost of debt calculation is included in Rule 530 Schedule G-3. PNM's current weighted average cost of debt is 6.35%.

Q. HOW DID PNM ESTIMATE THE INTEREST RATES USED FOR NEW ISSUANCES AND REFINANCINGS INCLUDED IN THE WEIGHTED AVERAGE COST OF DEBT?

A. The interest rates used for the new taxable issuances and refinancings are based on a forecast of PNM's projected borrowing costs at the time of the issuance or refinancing, which in turn consists of two components: (1) the projected interest rate for risk-free U.S. Treasuries, and (2) PNM's credit spread over this risk-free rate. Future Treasury rates are taken from publicly available forward interest rate curves, which can be obtained through sources such as Bloomberg, L.P. These curves show the market's expectation of the future Treasury yield for a given maturity and issuance date in the future. PNM then adds a credit spread reflecting its current credit ratings as well as issuance costs to estimate the all-in borrowing cost for a future financing. For tax-exempt debt, PNM uses the same methodology and applies a percentage to the taxable interest rate based on the current market relationship between taxable and tax-exempt interest rates.

Q. WHAT COST OF PREFERRED STOCK DID PNM USE IN THE DEVELOPMENT OF TEST PERIOD REVENUE REQUIREMENTS?

A. PNM used its actual embedded cost of 4.62% for the preferred stock component of the capital structure in both the Base Period and Test Period. The support for the cost of preferred stock is included in Rule 530 Schedule G-5.

Q. WHAT IS THE WEIGHTED AVERAGE COST OF CAPITAL ("WACC") FOR THE TEST PERIOD?

A. The WACC for the test period, which is the return to be applied to rate base, is 8.29% as shown in the table below:

PNM Capital Structure and Weighted Average Cost of Capital			
Class of Capital	**% of Total**	**% Cost**	**Weighted Average Cost**
Long-Term Debt	50.00%	6.12%	3.06%
Preferred Stock	0.40%	4.62%	0.02%
Common Equity	49.60%	10.50%	5.21%
Total	**100.00%**		**8.29%**

V. PURCHASE AND EXTENSION OF PVNGS LEASES

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

A. In this section of my direct testimony, I address PNM's extensions and purchases of eight PVNGS Units 1 and 2 leases.

Q. PLEASE DESCRIBE PNM'S PARTICIPATION IN PVNGS.

A. PNM is a participant in the three units of PVNGS, also known as the Arizona Nuclear Power Project ("ANPP"). PNM is entitled to 10.2% of the power and energy generated by PVNGS, which equates to 402 MW of generation capacity equally split among Units 1, 2 and 3. PNM's 10.2% ownership is comprised of a combination of direct ownership and leasing arrangements. Currently, PNM has ownership interests of 2.3% in Unit 1, 4.6% in Unit 2 and 10.2% in Unit 3 and has leasehold interests of 7.9% in Unit 1 and 5.6% in Unit 2.

Q. PLEASE DESCRIBE PNM'S RECENT STRATEGY AND RATIONALE FOR EXTENDING OR PURCHASING ITS PVNGS UNIT 1 AND UNIT 2 LEASES.

A. As discussed in the direct testimony of PNM witness Chris M. Olson, PNM relies on the equivalent of the full amount of the capacity from its leasehold interests in PVNGS Units 1 and 2 to serve customers reliably and economically. In order to retain this capacity at the most reasonable cost upon lease expiration, PNM has developed a strategy that has involved exercising renewal options to extend the terms of five PVNGS Unit 1 and 2 leases representing 114 MW for an additional eight years from the end of their original lease terms, while purchasing the three remaining Unit 2 leases representing 64 MW at fair market value because these three leases only had extension options for an additional two years. This strategy preserves ongoing generating capacity at PVNGS and diversifies purchase price risk by securing the leases with very short extension options today, while maintaining the option to purchase the leases with longer extension options in the future. PNM has purchased three leases at current market prices, and can assess market conditions between now and 2024 to determine the optimal strategy for the additional leases. The table below summarizes the PNM's Unit 1 and 2 leases:

PVNGS Unit	Capacity (MW)	Initial Lease Term	Maximum Renewal Term	Status
Unit 1	15	2015	2023	Extended to 2023
Unit 1	18	2015	2023	Extended to 2023
Unit 1	22	2015	2023	Extended to 2023
Unit 1	49	2015	2023	Extended to 2023
Unit 2	10	2016	2024	Extended to 2024
Unit 2	15	2016	2018	Agreement to Purchase
Unit 2	18	2016	2018	Agreement to Purchase
Unit 2	31	2016	2018	Agreement to Purchase

Q. WHAT ARE PNM'S LEASING ARRANGEMENTS FOR PVNGS UNIT 1?

A. PNM has four remaining facility leases for PVNGS Unit 1 representing 104 MW of generation capacity. On January 6, 2012, PNM provided the lessors of each lease with irrevocable notices that it would retain control of the lease interests upon expiration of the initial lease terms in January 2015. On January 9, 2013, PNM notified each of the lessors that it would renew the PVNGS Unit 1 leases at 50% of current lease payments for an additional eight years to January 2023. These renewals will reduce PNM's annual lease payments by approximately $16.5 million beginning January 15, 2015.

Q. DO THE PVNGS UNIT 1 LEASE RENEWALS REQUIRE ADDITIONAL NMPRC APPROVAL?

A. No. The exercise of the lease renewals under the provisions of each lease was approved as part of the approval for the original leases in Case No. 1995. Even though no approval was required, PNM made the Commission aware of these elections in a presentation on October 30, 2013.

Q. WHAT ARE PNM'S LEASING ARRANGEMENTS FOR PVNGS UNIT 2?

A. PNM has four remaining facility leases for PVNGS Unit 2 representing 74 MW of generation capacity. 64 MW of these leases have an option to extend the leases for only two years, or until 2018. The remaining 10 MW lease has an option to extend the lease for additional eight years expiring in 2024. On January 9, 2013, PNM provided irrevocable notices to each of the lessors that it will retain control of the lease interests upon expiration of the initial lease terms in 2016. On December 30, 2013, PNM notified the lessor of the 10 MW Unit 2 lease that it would renew the lease at 50% of current lease payments for an additional eight years to January 2024.

On January 13, 2014, PNM notified the lessors of the other three Unit 2 leases (totaling 64 MW) that it would exercise the fair market value purchase options specified in the leases, and has since negotiated agreements with each lessor regarding the purchase price for each lease. On February 25, 2014, PNM entered into a letter agreement with CGI Capital, Inc. ("CGI") specifying a fair market value for 31.25 MW of generating capacity at Unit 2 of $78.2 million or $2,500/kW as of the end of the original lease term, January 15, 2016. On May 1, 2014, PNM entered into a letter agreement with Cypress Verde LLC and Cypress Second PV Partnership (together, the "Cypress Entities") specifying a fair market value for 32.76 MW of generating capacity at Unit 2 of $85.2 million or $2,600/kW as of the end of the original lease term, January 15, 2016.

Q. DOES THE LEASE RENEWAL OR EXERCISE OF THE PURCHASE OPTION UNDER EACH PVNGS UNIT 2 LEASE REQUIRE ADDITIONAL NMPRC APPROVAL?

A. No. The exercise of either the lease renewal or the fair market value purchase option under the provisions of each lease was approved as part of the approval for the original leases in Case No. 2019, Phase I. Nonetheless, PNM advised the Commission of its intentions in a presentation on October 30, 2013 and in letters dated January 13, 2014, February 28, 2014 and May 2, 2014.

Q. PLEASE DISCUSS PNM'S OTHER RECENT ATTEMPTS TO PURCHASE PVNGS LEASES.

A. PNM purchased 29.8 MW of PVNGS lease interests in Unit 2 in a 2008 auction process at a capital cost of approximately $2,850/kW. Because this purchase did not occur pursuant to the terms of the lease, Commission approval was required. The purchase was approved by the NMPRC in Case No. 08-00305-UT and, per the stipulation adopted in that case, the value for ratemaking purposes was established at approximately $2,500/kW. More recently, PNM attempted to purchase another PVNGS Unit 2 lease in 2011. In August of 2011, one of the lessors contacted PNM regarding an auction process it was initiating to sell its 14.89 MW PVNGS Unit 2 lease interest. PNM submitted, subject to regulatory approval, an offer of approximately $37.3 million or $2,505/kW. The lessor advised PNM that there were two higher bids and PNM was provided the opportunity to increase its bid. PNM raised its bid to a total consideration of $2,578/kW. PNM's bid was not accepted and the PVNGS Unit 2 lease was sold to another bidder, presumably at a higher price.

Q. PLEASE COMPARE THE AMOUNTS TO PURCHASE THESE LEASES WITH THE INITIAL RATE BASE VALUE OF $1,650/KW UTILIZED IN A SEPARATE PROCEEDING IN WHICH PNM IS SEEKING

COMMISSION APPROVAL TO INCLUDE ITS 10.2% INTEREST IN PVNGS UNIT 3 AS A JURISDICTIONAL RESOURCE.

A. The $1,650/kW initial rate base value for Unit 3 is the result of a comprehensive settlement in Case No. 13-00390-UT that involved a "give-and-take" by the stipulating parties on many issues. The stipulated amount is not a market-based value and is not comparable to the values of $2,500/kW to $2,600/kW that were required to purchase three of the PVNGS Unit 2 leases on the open market, and is not a precedent for valuing the converted leasehold interests into ownership interests. As demonstrated by PNM's prior attempts to purchase PVNGS leases, lessors have not been willing to sell ownership interests at lower valuations. In the pre-filed testimony in NMPRC Case No. 13-00390-UT, PNM presented an expert appraisal that demonstrated that the actual market value of its interest in PVNGS Unit 3 is $2,500/kW, which is entirely consistent with prices for the leasehold interests in PVNGS Units 1 and 2. Customers will benefit from the purchase of these leases at fair market value to secure ongoing generating capacity at PVNGS Unit 2, while receiving additional benefit from the below-market price for PVNGS Unit 3. However, it is important to remember that the $1,650/kW figure is the result of a much broader proposed settlement and is not reflective of the market value of Palo Verde ownership interests.

Q. WHAT IS THE PURPOSE OF THE PVNGS NUCLEAR DECOMMISSIONING TRUST ("NDT")?

A. The purpose of the NDT is to provide funds for the decommissioning of the PVNGS nuclear units, as required by the Nuclear Regulatory Commission ("NRC") and the Arizona Nuclear Power Project ("ANPP") Participation Agreement, at the end of their useful lives.

Q. HOW ARE THE PVNGS NDT'S CURRENTLY FUNDED AND MANAGED?

A. Funding for the NDT for Palo Verde Units 1 and 2 is included in rates for electric service that are paid by PNM's customers. Currently, customers contribute $2.6 million annually for PVNGS Unit 1 and 2 decommissioning based on IRS dictated methodology. The accumulated contributions and respective earnings on those funding amounts are segregated into separate trust accounts for each PVNGS unit. Although they are legally and financially separated by unit, they are managed in a combined manner to optimize investment efficiencies.

Q. WHAT IS THE CURRENT NDT FUNDING STATUS OF EACH OF THE PVNGS UNITS?

A. As of September 30, 2014, PNM's PVNGS Unit 1 NDT is funded at 91.2% of the latest cost study by TLG Services, Inc. ("TLG") while Unit 2 is at 101.2%. Each unit of PVNGS has a different estimate of its ultimate decommissioning obligation. TLG's most recent cost report, in 2014 dollars, estimates that PNM's share of decommissioning Unit 1 will cost $81.3 million and Unit 2 is at $79.1 million. As of September 30, 2014, Unit 1 had $74.1 million accumulated and Unit 2 had $80.1 million.

Q. WILL THE PURCHASE OR EXTENSION OF ANY OF THE PVNGS UNIT 1 OR 2 LEASES INCREASE PNM'S OBLIGATION FOR DECOMMISSIONING OF THOSE UNITS?

A. No. PNM will not assume any additional decommissioning liabilities with respect to the purchase or extension of the PVNGS Unit 1 and 2 leases. Specifically, there will be no impact to PNM's existing obligation for decommissioning of those units as a result of these extensions and purchases. PNM's obligation for the decommissioning of those units would also remain the same if the leases were allowed to expire.

VI. ANNUITIZATION OF GAS PENSION BENEFITS

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

A. In this section of my direct testimony, I address PNM's proposed annuitization of pension participant benefits related to the 2009 sale of PNM's natural gas operations to New Mexico Gas Company.

Q. PLEASE DESCRIBE THE CURRENT TREATMENT OF THE GAS PORTION OF PNM'S PENSION LIABILITY.

A. When PNM sold its natural gas operations in 2009, PNM retained the gas portion of the pension liability. PNM agreed in a stipulation that in all future rate cases it would agree to 58% electric and 42% gas company allocation of pension costs, making the 42% gas portion the responsibility of shareholders. Paragraph 12 of the Amended Stipulation in the gas sale case 08-00078-UT reads:

> In all future electric rate cases, PNM will freeze the allocation percentage of pension costs revenues and prepaid pension assets used to develop its revenue requirement at fifty-eight percent (58%), the level identified in PNM's last electric rate case.

Q. WHAT IS PNM PROPOSING FOR THE GAS PORTION OF THE PENSION LIABILITY?

A. In order to mitigate PNM's ongoing gas pension liability, for which it does not recover any costs from customers, PNM would like to purchase annuities from an insurance company for the 42% gas share of costs. Participants comprising this portion of the liability would continue to receive the same retirement benefit, however it would be provided by a highly rated insurance company selected by an independent fiduciary, rather than PNM.

Q. IS THERE A COST TO THIS PROPOSED TRANSACTION?

A. Yes. PNM estimates that assuming the gas portion of the plan is fully funded, and those assets are transferred to an insurance company to fund future retirement benefits through annuities, the insurance company would require an additional premium of approximately $30 million to bear future risks that shareholders currently bear, such as investment risk and changes in mortality assumptions.

Q. WOULD CUSTOMERS BE RESPONSIBLE FOR ANY PORTION OF THIS ADDITIONAL COST?

A. No. The responsibility for any funding required to complete the transaction is the responsibility of shareholders.

Q. IS THERE ANY OTHER IMPACT TO CUSTOMERS?

A. No. There would be no impact to customers compared to existing liability and pension expense, since the amount remaining will be the 58% that is currently recovered through rates. In any subsequent rate case filing made by PNM, 100%

of the remaining liability and pension expense would be entirely attributable to the electric portion of the pension plan, which is the responsibility of customers.

Q. DOES THE PROPOSED TRANSACTION REQUIRE APPROVAL BY THE ORIGINAL SIGNATORIES OR THE COMMISSION?

A. No. The proposed annuitization only affects the gas portion of the plan, for which PNM shareholders are fully responsible, and is simply an implementation of the provisions of the original stipulation. In this case, PNM is seeking confirmation that PNM's annuitization of the pension benefits of PNM's former gas utility operations will result in eliminating the need to allocate pension expense between electric and gas in future rate cases because 100% of the remaining pension expense will be attributable to PNM's electric operations.

Q. WOULD THE REMAINING ELECTRIC PARTICIPANTS IN THE PLAN BE AFFECTED?

A. No. There would be no impact to electric participants remaining in the plan.

Q. DOES PNM RECOMMEND ANNUITIZING THE ELECTRIC PORTION OF THE PENSION PLAN?

A. No it does not. PNM is willing to fully fund the gas portion of the plan and pay the incremental cost to purchase annuities because it does not recover any costs associated with the gas portion. However, annuitizing the 58% electric portion, which is nearly 40% larger than the 42% gas portion and would involve commensurately greater costs, would require customers to fully fund the electric portion; pay the incremental premium required by an insurance company to assume the liability; and reimburse PNM for pre-paid pension contributions made by PNM to the electric portion of the plan. Therefore, PNM is not recommending an annuitization of the electric portion of the plan at this time. If PNM were to annuitize the remaining portion, it would also seek to recover the associated transaction costs.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

GCG#518975

Resume of Elisabeth A. Eden

PNM Exhibit EAE-1

Is contained in the following page.

ELISABETH A EDEN
EDUCATIONAL AND PROFESSIONAL SUMMARY

Name: Elisabeth A. Eden

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

Position: Executive Director, Financial Planning and Business Analysis

Education: Bachelor of Business Administration, University of New Mexico, 1989
Master of Business Administration, University of New Mexico, 1992
Chartered Financial Analyst charter holder, 2005

Employment: Employed by PNM Resources/Public Service Company of New Mexico since 2001

Positions held within the Company include:
Assistant Treasurer
Director, Corporate Strategy
Senior Manager, Corporate Strategy
Project Manager, Investor Relations
Senior Investment Analyst, treasury
Planner, gas Supply

Testimony Filed:

- In the Matter of the Application of Public Service Company of New Mexico for Authorizations Pertaining to the Issuance of up to $403,845,000 of Pollution Control Revenue Refunding Bonds – NMPRC – Case No. 10-00029-UT, filed February 10, 2010.

- Application of Texas-New Mexico Power Company for Authority to Change Rates – PUCT – Docket No. 38480, (SOAH Docket No. 473-10-6053) filed August 26, 2010.

- In the Matter of the Application of Public Service Company of New Mexico for Authorizations Pertaining to the (1) Issuance of up to $20,000,000 of Pollution Control Revenue Refunding Bonds, and (2) Exercise of Extension Options Under Its $400 Million Credit Facility, NMPRC – Case No. 12-00096-UT, filed April 4, 2012.

Standard & Poor's Research Update, March 10, 2008, "PNM Resources' and Subs' Outlook Is Revised to Negative"

PNM Exhibit EAE-2

Is contained in the following 4 pages.

STANDARD & POOR'S

Standard & Poor's Research

March 10, 2008

Research Update:

PNM Resources' And Subs' Outlook Is Revised To Negative

Primary Credit Analyst:
Antonio Bettinelli, San Francisco (1) 415-371-5067;antonio_bettinelli@standardandpoors.com

Table Of Contents

Research Update:

PNM Resources' And Subs' Outlook Is Revised To Negative

Rationale

On March 10, 2008, Standard & Poor's Ratings Services revised its outlook to negative from stable on the credit ratings of PNM Resources Inc. (PNMR) and electric utility subsidiaries Public Service Co. of New Mexico (PNM) and Texas-New Mexico Power Co. (TNMP).

The negative outlook reflects our perception of increased regulatory risk at PNM that, if not managed or mitigated, could harm credit quality and lead to lower ratings for PNMR and its subsidiaries. Consolidated ratings are underpinned by utility operations, which are the primary source of cash flow. The hearing examiner's recommendation in PNM's pending electric rate case for a $24 million (4.4%) increase, which compares to the company's request of $82 million (14.7 %.), could lead to weaker credit metrics than previously expected if adopted by the New Mexico Public Service Commission. The examiner also rejected the company's request for a fuel clause in its tariff that would improve the utility's cash flow stability by more closely matching fuel and purchase power revenues with actual expenses. In addition, the company's liquidity position is stretched and maturities coming due in 2008 will necessitate access to markets. The pending rate case should be finalized by May 2008 and the commission is not required to adopt the hearing examiner's recommendation.

We do not expect PNM's plans to sell its natural gas utility operations to a subsidiary of Continental Energy Systems for $620 million and purchase regulated electric utility Cap Rock Energy in Texas for $202.5 million to have a net impact on the company's credit quality if the company uses a considerable portion of the proceeds to reduce debt. Unstable margins at competitive retail energy provider First Choice Power and growth of nonregulated EnergyCo, which is a joint venture between PNMR and ECJV (a subsidiary of Cascade Investment LLC), are ongoing rating consideration, with the parent relying on distributions from unregulated operations to service debt.

Short-term credit factors

PNMR's and PNM's short-term rating is 'A-3', but the company's liquidity position is under pressure. Lines of credit for PNM and PNMR are $1 billion combined, with total combined availability as of Feb. 18, 2008 of $355 million. Cash balances stood at $18 million as of Dec. 31, 2008. Short-term debt balances are high due to acquisitions and ongoing capital needs in the absence of strong cash flows.

The company's $450 million (about a 27% of its consolidated long-term debt) in scheduled maturities this year will need to be financed. About $300 is due at PNM and $150 million due at the TNMP. These amounts do not include obligations of about $347 million in equity-linked units at parent PNMR, subject to remarketing in 2008, because we expect corresponding equity purchases to offset these obligations if the remarketing is not successful. Maturities are scheduled for May and September and because of their size and the line balances on the company's revolvers, access to the capital markets will be critical this year. Free cash flows after capital expenditures is expected to remain negative, therefore we do not expect that a significant level of operating cash flow will be available for financing activities.

Outlook

The negative outlook reflects our assessment that credit metrics may not return to levels needed to maintain an investment-grade rating. If the decision in PNM's pending electric rate case does not support credit ratings and future cash flow, a downgrade is possible if the company cannot demonstrate the ability to adequately manage its financial and business profile to maintain a 'BBB-' rating. Our outlook also reflects the company's currently stretched liquidity position. A return to stable may require consistent plant performance, solid performance in nonregulated investments, and a regulatory environment that allows PNM to reasonably collect its costs. Upside rating potential is limited at this time.

Ratings List

Outlook Revised To Negative

	To	From
PNM Resources Inc		
Corp. Credit Rating	BBB-/Negative/A-3	BBB /Stable/A-3
Texas-New Mexico Power Co.		
Corp. Credit Rating	BBB-/Negative/--	BBB-/Stable/--
Public Service Co. of New Mexico		
Corp. Credit Rating	BBB-/Negative/A-3	BBB-/Stable/A-3

Complete ratings information is available to subscribers of RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; select your preferred country or region, then Ratings in the left navigation bar, followed by Credit Ratings Search.

Moody's Credit Opinion, June 24, 2014, "Public Service Company of New Mexico"

PNM Exhibit EAE-3

Is contained in the following 7 pages.

MOODY'S
INVESTORS SERVICE

Credit Opinion: Public Service Company of New Mexico

Global Credit Research - 24 Jun 2014

Albuquerque, New Mexico, United States

Ratings

Category	**Moody's Rating**
Outlook	Positive
Issuer Rating	Baa2
Senior Unsecured	Baa2
Parent: PNM Resources, Inc.	
Outlook	Positive
Senior Unsecured	Baa3

Contacts

Analyst	**Phone**
Jeffrey F. Cassella/New York City	212.553.1665
William L. Hess/New York City	212.553.3837

Key Indicators

[1]**Public Service Company of New Mexico**

	3/31/2014(L)	**12/31/2013**	**12/31/2012**	**12/31/2011**	**12/31/2010**
CFO pre-WC + Interest / Interest	**4.1x**	**4.1x**	**4.6x**	**5.0x**	**4.5x**
CFO pre-WC / Debt	**18.6%**	**19.1%**	**21.2%**	**21.5%**	**17.9%**
CFO pre-WC - Dividends / Debt	**9.5%**	**10.0%**	**19.0%**	**18.7%**	**16.2%**
Debt / Capitalization	**46.6%**	**46.7%**	**45.4%**	**48.3%**	**50.5%**

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. Source: Moody's Financial Metrics

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

Credit supportiveness from New Mexico regulatory framework continues to improve

Financial metrics expected to improve and support higher rating

Timely recovery of San Juan environment compliance costs and investment is a risk to monitor

Corporate Profile

Public Service Company of New Mexico (PNM) is a vertically integrated electric utility with approximately 510,000 electricity customers in north central New Mexico, including the cities of Albuquerque, Rio Rancho, and Santa Fe, and certain areas of southern New Mexico. PNM also provides electricity to wholesale customers in New Mexico and Arizona. PNM is the principal operating subsidiary of PNM Resources, Inc. (PNMR: Baa3 positive), a utility holding company that also owns Texas-New Mexico Power Company (TNMP: Baa1 positive). PNM accounts for about 80% of PNMR's total revenues and about 75% of earnings, while TNMP accounts for essentially the remainder. PNM is regulated by the New Mexico Public Regulation Commission (NMPRC).

SUMMARY RATING RATIONALE

PNM's Baa2 senior unsecured rating reflects the improving regulatory environment in New Mexico including reasonable cost recovery mechanisms, and financial metrics that will continue to improve and support a higher rating. The rating also takes into account that capital expenditures will be funded in a balanced manner consistent with PNM's current financial position.

DETAILED RATING CONSIDERATIONS

NEW MEXICO REGULATORY ENVIRONMENT CONTINUES TO IMPROVE

We consider the credit supportiveness of the New Mexico regulatory environment as improving. Over the last couple of years, we have seen signs of improved coordination between regulators, PNM, and intervenors, particularly with the finalization of the future test year rule, which helps reduce regulatory lag. In addition, PNM has reasonable cost recovery mechanisms, which include a fuel and purchased power clause and a renewable energy rider which helps streamline regulatory proceedings for renewable spending resulting in more timely recovery of some of its costs outside of a general rate case.

The New Mexico regulatory framework, historically, had not been as constructive as most US state regulatory jurisdictions in terms of predictability and timeliness of rate decisions and overall supportiveness to credit quality, but has recently shown signs of improvement. In November 2012, New Mexico voters passed measures to reduce the NMPRC's responsibilities of non-utility tasks, which allow the Commission to focus primarily on the state's utilities and utility related matters. Voters also have elected qualification requirements, based on educational background and experience, for new commissioners elected to the NMPRC. The qualification standard applies to new commissioners elected in the coming November 2014 general election. We believe these changes to the Commission are credit positive.

In November 2012, the NMPRC finalized its rule that established the use of a future test year by utilities filing rate cases. The use of the historical test year had been the norm in New Mexico and combined with any lengthy duration of rate case decision process, such as PNM's last rate case settled in 15 months, created a regulatory lag such that PNM had been unable to earn its allowed ROE over a multi-year time period. So far, the future test year has only been used once, in Southwestern Public Service's latest rate case. The results of that rate case, which was finalized in March 2014, were somewhat mixed given that although it was the first rate case in New Mexico that utilized a full future test year, the rate case was decided more than 15 months after the date of filing.

In PNM's last rate case decided and implemented in August 2011, the NMPRC's final order modified a previous stipulation agreed upon by major parties, including Staff and several intervenors, in February 2011. The approved rate increase by the NMPRC was for a $72.1 million single-step increase rather than the stipulated two-step increase of $85 million originally agreed upon in February 2011. In its final rate order, the NMPRC also reduced the allowed ROE to 10% from the 10.25% included in the proposed stipulation. In addition, the NMPRC rejected the capital additions rider. However, the final rate order did include a renewable energy rider and continued the fuel and purchased power costs (FPPCAC) recovery mechanism, albeit with some limitations. Although the NMPRC ordered a reasonable rate increase, we believe that rejecting a settlement reached between opposing parties indicated there was not adequate communication on key priorities amongst the NMPRC, Staff, intervenors, and PNM. Furthermore, PNM's rate case completed in 15 months was longer than the roughly one year average across most US jurisdictions and longer than the approximate 11 month average for the NMPRC's rate cases decided over the last decade.

FINANCIAL METRICS EXPECTED TO IMPROVE AND SUPPORT HIGHER RATING

PNM's financial metrics are expected to continue to improve and support a higher rating. For the twelve months ended March 31, 2014, cash flow from operations pre-working capital changes (CFO pre-W/C) to debt was 18.6% cash flow interest coverage of 4.1x is comparable to rated regulated US electric utilities in the Baa2 rating category. With improved cost control and modest customer growth, we anticipate PNM will continue to earn closer to its allowed ROE and we expect PNM's cash flow pre-W/C to debt and cash flow interest coverage to improve from current levels, which would support a higher rating. Over the next two years, we expect PNM's cash flow pre-W/C to debt to be in the low 20% range and cash flow interest coverage in the high 4x range, which would be similar to A3 rated peers.

SAN JUAN CAPITAL SPENDING TO COMPLY WITH ENVIRONMENTAL COMPLIANCE AND RECOVERY OF INVESTMENTS IS A RISK TO MONITOR

On February 15, 2013, PNM, the New Mexico Environment Department (NMED), and the United States Environmental Protection Agency (EPA) entered into a non-binding agreement on a revised plan that would allow the coal-fired San Juan generating station to meet the Best Available Retrofit Technology (BART) standards and comply with federal visibility rules. The agreement would result in the retirement of the San Juan Units 2 and 3 by the end of 2017 and the installation of Selective Non-Catalytic Reduction (SNCRs) technology on Units 1 and 4 by the later of January 31, 2016 or 15 months after EPA approval of a New Mexico revised State Implementation Plan. In addition, PNM would also build a natural gas-fired peaking generating plant at the San Juan site to partially replace the capacity lost from the retired coal units. Considering that PNM's current generation mix is approximately 56% coal-fired generation and 30% nuclear, albeit both considered low cost, we view the additional gas-fired capacity to diversify the utility's generation mix as credit positive.

PNM currently owns 50% of Units 1 - 3 and about 38.5% of Unit 4. Under the revised plan, PNM's share of the estimated costs to install SNCRs and the additional equipment to comply with air quality standards on San Juan's Units 1 and 4 would be approximately $63 million. The estimated cost of building a natural gas-fired peaking generating plant at the San Juan site as well as 40 MW of utility scale solar capacity to replace some of the lost generating capacity would cost about $276 million. This revised plan is a departure from the more expensive previously issued ruling by the EPA in August 2011, which required the installation of Selective Catalytic Reduction (SCR) technology on all four units of the San Juan station by September 2016. The estimated cost to install SCRs on all four units of the San Juan plant would have been between approximately $824 million and $910 million, of which PNM would have been responsible for approximately half. Under the revised plan, PNM may need to put in additional base load generating capacity, which could be addressed with the inclusion of the Palo Verde nuclear plant into rate base or additional gas-fired generation.

On April 1, 2013, PNM filed a BART analysis with NMED, which included the installation of SNCRs on Units 1 and 4 and the retirement of Units 2 and 3. NMED developed a revised SIP and submitted it to the New Mexico Environmental Improvement Board (NMEIB) for approval in May 2013. After public hearings, the NMEIB approved the revised SIP in September 2013 and it was submitted to EPA for approval on October 18, 2013. The SIP application was considered complete by the EPA on December 17, 2013 and the EPA announced its proposed approval of the plan on April 30, 2014. A final decision is expected later this year.

On December 20, 2013, PNM filed an application with the NMPRC to retire Units 2 and 3 of the SJGS on December 31, 2017. PNM also seeks approval to recover the net book value of Units 2 and 3 at the date of retirement, which is estimated to be about $205 million. In the application, PNM is also requesting certificates of convenience and necessity (CCNs) to include PNM's ownership interest of 134 MW of the Palo Verde plant as a resource to replenish the capacity lost from shutting down Units 2 and 3. Further, PNM has requested to install SNCRs on Units 1 and 4 of SJGS, and a CCN to exchange 78 MW in SJGS Unit 3 for the same amount of capacity in SJGS Unit 4. The NMPRC is expected to issue its final ruling on the application no later than February 2015. A public hearing on the application has been scheduled to begin on October 6, 2014. Depending on the hearing negotiations, PNM is allowed to amend its December 20, 2013 filing with the NMPRC.

Although the revised plan calls for a reduced level of additional invested capital, PNM's capital expenditure budget would increase by approximately $350 million through 2017 as a result of the environmental compliance plan at the SJGS. However, the increased spending level will also coincide with a lower potential rate impact on rate payers. We believe PNM will likely wait until 2015 to file its rate case in order to include the investments made for the San Juan environmental compliance. PNM's ability to recover and earn a return on these investments in a timely manner is critical to maintain its financial metrics.

Liquidity

PNM's liquidity profile appropriately supports its planned capital expenditures and dividends. We anticipate PNM's core maintenance capital expenditures to be about $150-175 million annually over the next several years. As such, we expect PNM's cash flow from operations to cover maintenance capital expenditures and dividend distributions to PNMR. We expect PNM's total capex, maintenance and growth, should total about $1.5 billion over the next four years or average about $375 million annually, which is higher than the approximately $230 million invested annually for the last five years. The increase in capital expenditures is mainly attributed to additional San Juan compliance spending, investments in additional generation capacity as well as renewable energy resources. In 2013, PNM distributed dividends of $156 million to its parent, which was a higher than normal distribution amount due to a catch up of dividends not paid in 2012. The dividends were not paid because an expected tax refund of around $96 million was delayed and ultimately received in Q2 of 2013, at which time PNM started distributing the catch up dividends. We anticipate the payout ratio to revert back to more normalized levels of over 90% going forward. Given the high capital expenditures and dividend payout ratio, we expect PNM to incur additional debt as well as issue equity to fund these activities but also maintain its overall capital structure at a level of around a 50% debt to capitalization.

PNM has a $400 million revolving credit facility that expires in October 2018 and a $50 million revolving credit facility with New Mexico banks, entered into on January 8, 2014, which expires in January 2018. As of April 25, 2014, PNM had no borrowings on its credit facilities, $3.2 million of letters of credit outstanding, and $9.3 million of cash on hand. The credit facility's only financial covenant limits debt to total capitalization of 65%. As of March 31, 2014, PNM's debt to total capitalization was approximately 54%. PNM can also borrow up to $100 million from its parent as part of an inter-company borrowing arrangement which was undrawn as of March 31, 2014. PNM has no debt maturing until 2018 but has $39 million of tax-exempt debt putable in 2015 and $57 million of tax-exempt debt putable in 2017.

Rating Outlook

PNM's positive rating outlook reflects our expectation that the regulatory environment in New Mexico continues to improve; financial metrics will continue to strengthen; and that the timeline for the San Juan environmental compliance requirements plays out such that PNM is able to recover prudently incurred costs and investments in a reasonably timely manner. The outlook also assumes that planned capital expenditures will be financed in a manner that is consistent with PNM's current financial position.

What Could Change the Rating - Up

PNM's rating could be upgraded if we continue to observe sustained improvement in the credit supportiveness of the New Mexico regulatory environment that includes greater predictability, timeliness and/or sufficiency of rates such that financial metrics would be expected to improve on a sustained basis including CFO pre-W/C to debt in the low 20% range. In addition, we would also expect to see that the latest agreed upon implementation plan for the San Juan environmental compliance requirements are resolved with the EPA in a timely and consistent manner.

What Could Change the Rating - Down

PNM's rating could be stabilized if we believe the New Mexico regulatory framework becomes less supportive or more unpredictable which results in unexpectedly adverse regulatory decisions or cost recovery disallowances; or if financial metrics deteriorated to levels such that CFO pre-W/C to debt were to decline to the mid teens on a sustained basis. In addition, negative rating pressure could occur if the San Juan environmental implementation plan were to be modified in an adverse manner such that PNM's cost recovery is delayed or uncertain.

Rating Factors

Public Service Company of New Mexico

Regulated Electric and Gas Utilities Industry Grid [1][2]	**Current LTM 3/31/2014**		[3]**Moody's 12-18 Month Forward ViewAs of June 2014**	
Factor 1 : Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	Baa	Baa	Baa	Baa
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	Baa	Baa	Baa	Baa
b) Sufficiency of Rates and Returns	Ba	Ba	Ba	Ba
Factor 3 : Diversification (10%)				
a) Market Position	Baa	Baa	Baa	Baa
b) Generation and Fuel Diversity	Baa	Baa	Baa	Baa
Factor 4 : Financial Strength (40%)				

a) CFO pre-WC + Interest / Interest (3 Year Avg)	4.2x	Baa	4.7x-5.2x	A
b) CFO pre-WC / Debt (3 Year Avg)	19.6%	Baa	19%-24%	A
c) CFO pre-WC - Dividends / Debt (3 Year Avg)	12.7%	Baa	12%-17%	Baa
d) Debt / Capitalization (3 Year Avg)	46.2%	Baa	42%-47%	Baa
Rating:				
Grid-Indicated Rating Before Notching Adjustment		Baa2		Baa1
HoldCo Structural Subordination Notching				
a) Indicated Rating from Grid		Baa2		Baa1
b) Actual Rating Assigned		Baa2		Baa2

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. [2] As of 3/31/2014(L); Source: Moody's Financial Metrics [3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.

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Standard & Poor's Research Update, April 30, 2014, "PNM Resources Inc. And Subsidiaries Outlook Revised to Positive; 'BBB' Credit Ratings Affirmed"

PNM Exhibit EAE-4

Is contained in the following 7 pages.

STANDARD & POOR'S
RATINGS SERVICES
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Research

Research Update:

PNM Resources Inc. And Subsidiaries Outlook Revised to Positive; 'BBB' Credit Ratings Affirmed

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Research Update:

PNM Resources Inc. And Subsidiaries Outlook Revised to Positive; 'BBB' Credit Ratings Affirmed

Overview

- Albuquerque, N.M.-based PNM Resources Inc. (PNMR) continues to execute its strategy of effectively managing regulatory risk by minimizing regulatory lag.
- We are revising the rating outlook on holding company PNM Resources Inc. and its utility subsidiaries Public Service Co. of New Mexico and Texas-New Mexico Power Co. to positive from stable.
- We are affirming the ratings on PNM Resources and its subsidiaries, including the 'BBB' issuer credit ratings.
- The positive outlook reflects the probability that the company's continued efforts to manage regulatory risk could result in a gradually improving business risk profile.

Rating Action

On April 30, 2014, Standard & Poor's Ratings Services revised its rating outlook on PNM Resources Inc. and its subsidiaries Public Service Co. of New Mexico and Texas-New Mexico Power Co. to positive from stable. At the same time, we affirmed our ratings on PNM Resources and its subsidiaries, including the 'BBB' issuer credit ratings.

Rationale

We base the positive outlook on our expectations that the company will continue to gradually improve its management of regulatory risk by reducing its regulatory lag and consistently earning close to its allowed return on equity. We believe this could lead to an overall improvement of the company's competitive position and business risk profile.

Standard & Poor's bases its ratings on New Mexico-based PNM Resources on its "strong" business risk profile and "significant" financial risk profile as defined by our criteria. PNMR's subsidiaries include Public Service Co. of New Mexico and Texas New Mexico Power Co. We view PNMR as a regulated utility company whose rates are approximately regulated 70% by the New Mexico Public Regulation Commission, 22% by the Public Utility Commission of Texas, and 8% by the Federal Energy Regulatory Commission.

The "strong" business risk profile reflects the company's lower-risk regulated operations offset by its "satisfactory" competitive position. This reflects the company's weaker volatility of profitability compared with the utility industry average.

We view PNMR's financial measures as consistent with the "significant" financial risk profile under the medial volatility table. The use of the medial volatility table reflects PNMR's lower risk rate-regulated utilities that include the higher operating risk of generation. Under our base case scenario of higher capital spending and minimal rate case increases over the next two years, we expect funds from operations to debt of about 17% and debt to EBITDA of about 4x. We expect that the company will be able to maintain its financial measures despite its higher capital spending partially through the use of riders.

Outlook

The positive outlook reflects the increased probability that PNMR will continue to effectively manage regulatory risk, resulting in longer-term consistent improvement to the company's business risk profile. At the same time, we expect the company will maintain financial measures that are consistent with the significant financial risk profile category, despite its high capital spending program. Specifically, we expect FFO to debt of about 17% and debt to EBITDA of about 4x.

Upside Scenario

We could raise the rating if the company demonstrates consistent and effective regulatory risk management so that there is longer-term improvement to the company's volatility of profitability, leading to an overall improvement to the company's business risk profile. At the same time, we expect the company will maintain financial measures that are consistent with the middle of the range for the "significant" financial risk profile.

Downside Scenario

We could affirm the ratings and revise the outlook to stable if there is no definitive improvement to the company's business risk profile. This would most likely occur if the regulatory lag persists and there is only minimal improvement to the company's longer-term volatility of profitability.

Liquidity

PNMR has "adequate" liquidity, in our view, and can more than cover its needs for the next 12 months, even if EBITDA declines by 10%. We expect the company's liquidity sources over the next 12 months will exceed its uses by about 1.5x. Under our stress scenario, we do not expect that PNMR would require access to the capital markets during that period to meet its liquidity needs.

Principal Liquidity Sources

- Operating cash flow of more than $400 million in 2014.
- Credit facility availability of more than $700 million.
- Minimal cash assumed.

Principal Liquidity Uses

- Maintenance capital spending of about $400 million.
- Long-term debt maturities of about $150 million in 2015.
- Dividend payments of about $60 million.

Recovery analysis

- We rate the senior unsecured debt at PNMR one notch lower than the issuer credit rating because of structural subordination. This results from priority obligations exceeding 20% of total assets.
- We assign recovery ratings to first-mortgage bonds (FMB) issued by U.S. utilities, which can result in issue ratings being notched above a utility's corporate credit rating depending on the rating category and the extent of the collateral coverage. The FMBs issued by U.S. utilities are a form of "secured utility bond" (SUB) that qualify for a recovery rating as defined in our criteria (see "Collateral Coverage And Issue Notching Rules for '1+' and '1' Recovery Ratings on Senior Bonds Secured by Utility Real Property," published Feb. 14, 2013).
- The recovery methodology is supported by the ample historical record of 100% recovery for secured bondholders in utility bankruptcies in the U.S. and our view that the factors that enhanced those recoveries (limited size of the creditor class and the durable value of utility rate-based assets during and after a reorganization given the essential service provided and the high replacement cost) will persist in the future.
- Under our SUB criteria, we calculate a ratio of our estimate of the value of the collateral pledged to bondholders relative to the amount of FMBs outstanding. FMB ratings can exceed a utility's corporate credit rating by up to one notch in the 'A' category, two notches in the 'BBB' category, and three notches in speculative-grade categories, depending on the calculated ratio.
- Texas-New Mexico Power's FMBs benefit from a first-priority lien on substantially all of the utility's real property owned or subsequently acquired. Collateral coverage of more than 2x supports a recovery rating of '1+' and an issue rating two notches above the ICR.

Ratings Score Snapshot

Issuer Credit Rating: BBB/Positive/--

Business risk: Strong

- Industry risk: Very low risk
- Country risk: Very low risk

- Competitive position: Satisfactory

Financial risk profile: Significant

- Cash flow and leverage: Significant

Anchor: 'bbb'

Modifiers:

- Diversification/portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Neutral (no impact)

Related Criteria And Research

Related Criteria

- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Jan. 2, 2014
- Corporate Methodology, Nov. 19, 2013
- Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Methodology: Industry Risk, Nov. 19, 2013
- Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- Group Rating Methodology, Nov. 19, 2013

Ratings List

Ratings Affirmed; Outlook Revised		
	To	From
PNM Resources Inc.		
Public Service Co. of New Mexico		
Texas-New Mexico Power Co.		
Corporate Credit Rating	BBB/Positive/--	BBB/Stable/--
Ratings Affirmed		
Texas-New Mexico Power Co.		
Senior Secured	A-	
Recovery Rating	1+	
PNM Resources Inc.		
Senior Unsecured	BBB-	
Public Service Co. of New Mexico		
Senior Unsecured	BBB	
Preferred Stock	BB+	

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at www.spcapitaliq.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

Evolution of Credit Spread Differentials

PNM Exhibit EAE-5

Is contained in the following page.

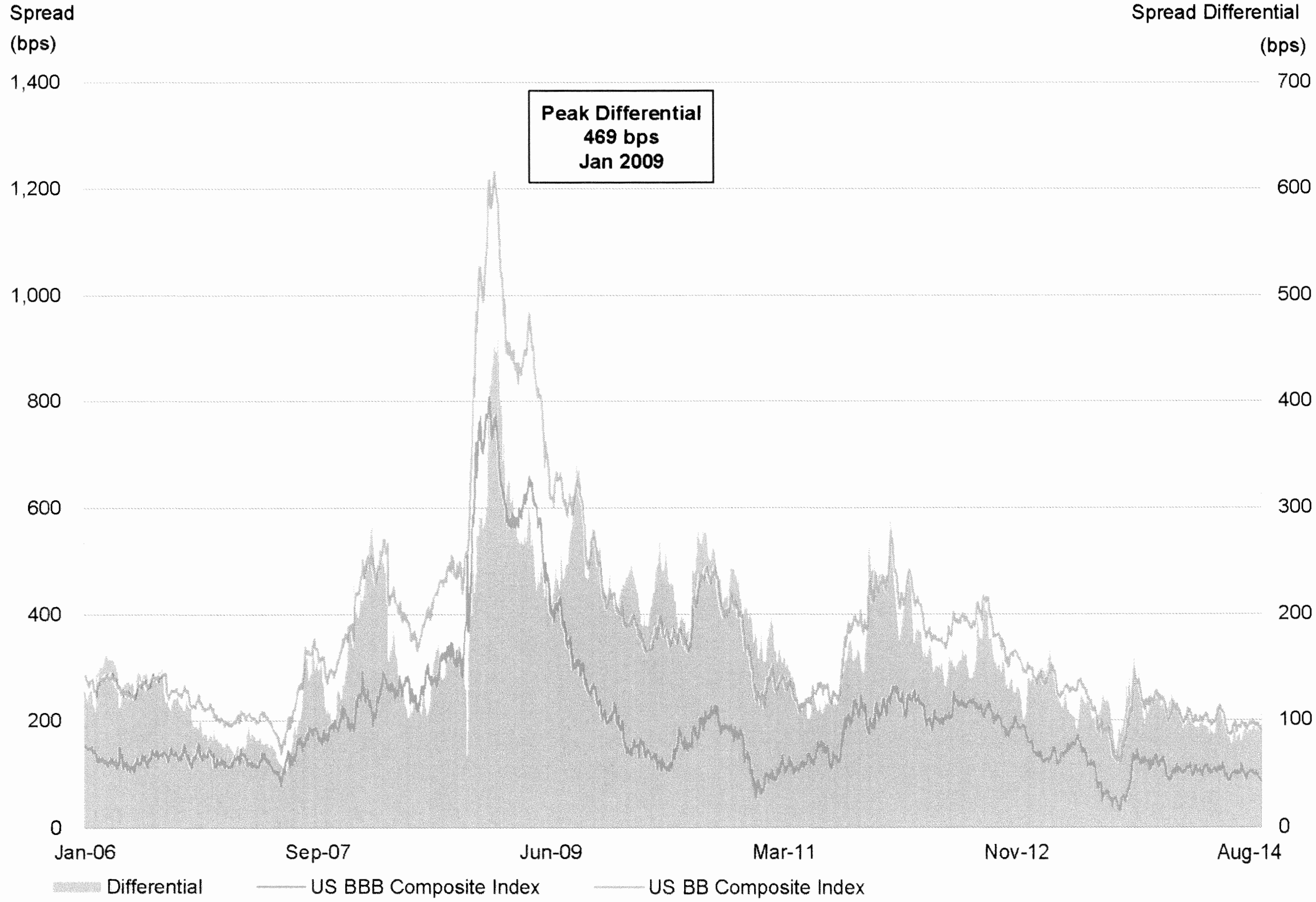
PNM Resources

- USD BBB Composite Index has traded on average 165 bps tighter than USD BB Composite Index since 2006
  - Since the crisis, the differential between the BB and BBB indices has tightened significantly, as spreads compress across the credit spectrum
  - Currently the BBB index is trading 96 bps through the BB index

Evolution of Credit Spread Differentials

BBB / BB Indices | As of September 9, 2014

Differential between USD Composite BBB and BB Index Spreads Tightens Post-Crisis



Source Bloomberg, Morgan Stanley

Standard & Poor's Ratings Direct, January 7, 2014, "Utility Regulatory Assessments For U.S. Investor-Owned Utilities"

PNM Exhibit EAE-6

Is contained in the following 5 pages.

STANDARD & POOR'S
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Utility Regulatory Assessments For U.S. Investor-Owned Utilities

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Utility Regulatory Assessments For U.S. Investor-Owned Utilities

In Standard & Poor's Ratings Services' commentary "Assessing U.S. Investor-Owned Utility Regulatory Environments," published on Jan. 7, 2014, on RatingsDirect, we discussed our views on what constitutes a credit-supportive regulatory climate in the U.S.

We use those factors to create assessments of the regulatory environments in jurisdictions that regulate the electric, gas, and water utilities that we rate. We base the assessments on quantitative and qualitative factors, focusing on four main categories: the stability of the basic regulatory paradigm employed in the jurisdiction, tariff-setting procedures, financial stability, and the political independence of the regulator.

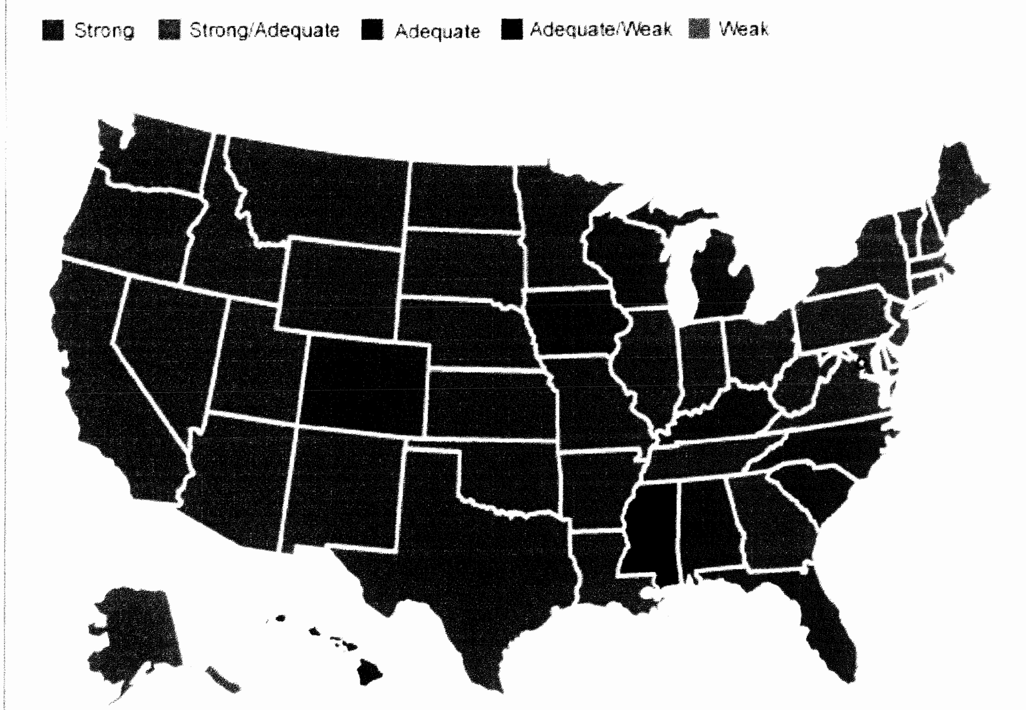
The following table, which lists the jurisdictions in rank order, and map show our updated assessments of regulatory jurisdictions. Since the scale is now global and the categories are different, comparisons to the previous assessments are not valid.

Regulatory Jurisdictions For Investor-Owned Utilities In The U.S.

Strong	Strong/Adequate	Adequate	Adequate/Weak	Weak
U.S. (federal)	California	Hawaii		
Wisconsin	Georgia	Mississippi		
Florida	Louisiana			
Michigan	Minnesota			
Alabama	Oklahoma			
Iowa	Texas (RR Comm.)			
South Carolina	Vermont			
North Carolina	Pennsylvania			
Kentucky	Virginia			
Colorado	Oregon			
	Kansas			
	Tennessee			
	Nevada			
	Maine			
	Utah			
	Wyoming			
	Indiana			
	Arkansas			
	South Dakota			
	Arizona			
	North Dakota			
	Idaho			
	Nebraska			
	New York			
	Illinois			

Regulatory Jurisdictions For Investor-Owned Utilities In The U.S. (cont.)
Ohio
Massachusetts
New Jersey
West Virginia
Rhode Island
Delaware
Alaska
Missouri
Texas (PUC)
Connecticut
District of Columbia
Maryland
Washington
New Mexico
New Hampshire
Montana

Utility Regulatory Assessments—U.S. Investor-Owned Utilities



U.S. (federal) is 'Strong' and District of Columbia is 'Strong/Adequate.'

Related Criteria And Research

Related Criteria

- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013

Related Research

- Assessing U.S. Investor-Owned Utility Regulatory Environments, Jan. 7, 2014

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. 507	)	**Case No. 14-00332-UT**
PUBLIC SERVICE COMPANY OF NEW MEXICO, Applicant.	)	

AFFIDAVIT

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

ELISABETH A. EDEN, Executive Director, Financial Planning and Business Analysis for PNMR Services Company, upon being duly sworn according to law, under oath, deposes and states: I have read the foregoing **Direct Testimony and Exhibits of Elisabeth A. Eden** and it is true and accurate based on my own personal knowledge and belief.

GCG # 518946

SIGNED this 8th day of December, 2014.

ELISABETH A. EDEN

SUBSCRIBED AND SWORN to before me this 8th day of December, 2014.

NOTARY PUBLIC IN AND FOR
THE STATE OF NEW MEXICO

My Commission Expires:

OFFICIAL SEAL
Ronda Morehead
NOTARY PUBLIC
STATE OF NEW MEXICO
My Commission Expires: 7/5/15

GCG # 518946