

**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. )**

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**DIRECT TESTIMONY AND EXHIBITS**

**OF**

**LEONARD D. SANCHEZ**

**DECEMBER 11, 2014**

**NMPRC CASE NO. 14-00332- UT**  
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**WITNESS FOR**  
**PUBLIC SERVICE COMPANY OF NEW MEXICO**

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AFFIDAVIT

**DIRECT TESTIMONY OF  
LEONARD D. SANCHEZ  
NMPRC CASE NO. 14-00332-UT**

**I. INTRODUCTION AND PURPOSE**

**Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.**

**A.** My name is Leonard D. Sanchez. I am Associate General Counsel for Public Service Company of New Mexico ("PNM") and its affiliates. My business address is 414 Silver SW, MS-0805, Albuquerque, New Mexico 87102-3289.

**Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

**A.** PNM Exhibit LDS-1 is a summary of my educational background and experience.

**Q. PLEASE DESCRIBE THE DUTIES AND RESPONSIBILITIES OF YOUR CURRENT POSITION.**

**A.** In my current position, I advise PNM and its affiliates on Securities and Exchange Commission compliance and reporting and corporate governance issues. I also work on financing and other commercial transactions. My administrative responsibilities include supervision of in-house attorneys and staff, oversight of the Law Department budget, including outside counsel expenses, and negotiation and monitoring of retainers with outside counsel.

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

**A.** I will demonstrate that the litigation expenses that PNM seeks to recover in this case are prudent pursuant to NMSA 1978, Section 62-13-3 of the New Mexico Public

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1 Utility Act (the “Act”). I will do so by the addressing the prudence of various  
2 categories of litigation expenses that PNM incurred in the Base Period. These Base  
3 Period expenses were escalated at an annual rate of 1.5% for external expenses and  
4 2.5% for internal expenses to arrive at the litigation expenses that were included in  
5 the Test Period cost-of-service presented by PNM witness Henry Monroy.

6  
7 **Q. DO THE LITIGATION EXPENSES ADDRESSED IN YOUR TESTIMONY**  
8 **INCLUDE EXPENSES RELATED TO THE PRESENT RATE CASE?**

9 **A.** No, they do not. Rate case expenses are addressed in Henry Monroy’s direct  
10 testimony.

11  
12 **Q. HAVE YOU PREPARED ANY EXHIBITS?**

13 **A.** Yes. The exhibits I have prepared, or that have been prepared under my supervision  
14 are:

15 PNM Exhibit LDS-1 (Leonard D. Sanchez Educational Background and Experience)

16 PNM Exhibit LDS-2 (Tort Claim Litigation Expenses)

17 PNM Exhibit LDS-3 (Human Resources Litigation Expenses)

18 PNM Exhibit LDS-4 (FERC Litigation Expenses)

19 PNM Exhibit LDS-5 (NMPRC Litigation Expenses)

20 PNM Exhibit LDS-6 (Commercial Litigation Expenses)

21 PNM Exhibit LDS-7 (Summary of Base Period Litigation Expenses)

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**II. WHAT IS INCLUDED IN LITIGATION EXPENSES**

**Q. WHAT TYPES OF LEGAL MATTERS CONSTITUTE “LITIGATION” FOR PURPOSES OF YOUR TESTIMONY?**

**A.** Based on the definition in NMAC 17.9.530.7.P (“Rule 530.7.P”), I have considered “litigation” to be all contested matters before regulatory commissions, administrative bodies, arbitrators, and state and federal courts.

**Q. PLEASE DESCRIBE THE TYPES OF EXPENSES THAT COMPRISE “LITIGATION EXPENSES.”**

**A.** Litigation expenses are primarily legal fees associated with outside counsel and their staff, and expenses associated with in-house lawyers and paralegals incurred in connection with litigation as defined in Rule 530.7.P. Also included are matter expenses, such as expert witness fees, court reporter expenses, court fees, reproduction costs and miscellaneous charges.

**Q. PLEASE DESCRIBE THE CATEGORIES OF LITIGATION IN WHICH PNM IS INVOLVED?**

**A.** PNM is routinely involved in the following categories of civil litigation: (1) personal injury and property damage (referred to as “Tort Claims”); (2) employment, labor and benefits and workers’ compensation (referred to as “Human Resources Claims”); and (3) general civil litigation, including, but not limited to, contract and environmental

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1 disputes (referred to as “Commercial Litigation”). In addition, PNM is routinely  
2 involved in regulatory proceedings before the New Mexico Public Regulation  
3 Commission and the Federal Energy Regulatory Commission (referred to as  
4 “NMPRC matters” and “FERC matters,” respectively). These are the types of  
5 litigation that PNM was involved in during the Base Period and that are  
6 representative of the litigation matters in which PNM is reasonably expected to be  
7 involved during the Test Period and beyond.

8  
9 **Q. WHAT MATTERS WERE ANALYZED TO DETERMINE THAT THE**  
10 **LITIGATION EXPENSES ARE PRUDENT?**

11 **A.** Litigation expenses related to PNM’s Tort Claims, Human Resources Claims,  
12 Commercial Litigation, FERC matters, and NMPRC matters were reviewed. My  
13 evaluation of the prudence of these expenses and a brief description of these matters  
14 are summarized in this testimony and in PNM Exhibits LDS-2 through LDS-6. All of  
15 these expenses were incurred during the Base Period (July 1, 2013 through June 30,  
16 2014).

17  
18 **Q. PLEASE EXPLAIN HOW PNM DETERMINED THE AMOUNT OF ITS**  
19 **BASE PERIOD LITIGATION EXPENSES.**

20 **A.** The analysis initially involved a review of all legal expenses incurred during the Base  
21 Period. Consistent with Rule 530.7.P, however, only legal expenses related to

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1 contested matters before regulatory commissions, other administrative bodies, and  
2 state and federal courts (including arbitration matters) were included.

3  
4 Legal expenses for non-litigation matters, such as those relating to contract  
5 negotiations and drafting, uncontested regulatory filings, and routine legal advice  
6 were excluded. Litigation expenses that were not properly allocable to PNM's retail  
7 electric business also were excluded.

8  
9 **Q. HOW WERE LITIGATION EXPENSES ALLOCATED TO PNM'S RETAIL**  
10 **ELECTRIC BUSINESS?**

11 **A.** Only litigation expenses related to PNM's retail electric operations were included in  
12 the cost of service for the Base Period and Test Period. Where a litigation matter  
13 related solely to PNM's retail electric operations, the expenses were directly assigned  
14 to the PNM retail electric business. Where a litigation matter was related to both  
15 New Mexico jurisdictional activities and to other business activities, such as FERC-  
16 regulated activities, the expenses were allocated using the methodology described in  
17 PNM witness Henry Monroy's direct testimony

18  
19 **Q. PLEASE DESCRIBE THE LITIGATION EXPENSES ASSOCIATED WITH**  
20 **OUTSIDE COUNSEL.**

21 **A.** Generally, litigation expenses for outside counsel are comprised of the following:

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1. fees based on hourly billing rates;
2. fees based on alternative billing arrangements, including retainers, with various firms or on specific matters; and
3. expenses incurred by outside counsel in litigation matters.

**Q. HOW DID YOU DETERMINE THE AMOUNT OF THE FEES ATTRIBUTABLE TO LITIGATION WHEN A RETAINER WAS INVOLVED?**

**A.** Outside counsel with retainers provide billing statements for each matter reflecting fees for legal services of attorneys and paralegals charged on an hourly basis and for associated costs. The fees attributable to litigation matters were calculated using these notational billings and the outside counsel's billing rates for PNM, as set forth in the retainer agreements.

**Q. HOW WERE INTERNAL LITIGATION EXPENSES DETERMINED?**

**A.** In-house attorneys and paralegals track the amount of time they work on litigated matters through the Company's timekeeping system. This time was multiplied by the employee's hourly compensation, which includes benefits, and charged to the specific litigation matter.

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1   **Q.   WHAT WAS THE AMOUNT OF LITIGATION EXPENSE IN THE BASE**  
2   **PERIOD THAT PNM USED TO PROJECT TEST PERIOD EXPENSES?**

3   **A.**   PNM incurred \$1,938,970 in litigation expenses related to retail electric operations  
4       during the Base Period. This amount includes both external and internal expenses.  
5       Please see PNM Exhibit LDS-7 for a summary of these expenses.

6  
7                   **III.   PRUDENCE OF LITIGATION EXPENSES**

8   **Q.   HOW DID YOU DETERMINE THAT THE BASE PERIOD LITIGATION**  
9   **EXPENSES WERE PRUDENTLY INCURRED?**

10  **A.**   As an initial matter, the prudence of litigation expenses should not be determined  
11       solely by the nature of the claim or even the result of the litigation. Neither is it  
12       appropriate to trace every dollar spent to second-guess whether it was reasonably  
13       incurred. Instead, prudence must be determined by evaluating generally whether  
14       processes and mechanisms have been instituted to effectively control litigation costs.  
15       Further, I considered the litigation expenses in light of PNM's overall business  
16       operations and the business, legal, and regulatory environments in which PNM  
17       operates. By New Mexico standards, PNM is a relatively large company doing  
18       business in an environment in which litigation is a frequently used method for  
19       resolving business disputes, and PNM is heavily regulated. PNM will be sued, and  
20       will bring suit, in the regular course of its business. Further, in the ordinary course of  
21       its business as a public utility, PNM will initiate, defend, or intervene in proceedings

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1 before state and federal regulatory bodies. In all these matters, PNM must be  
2 represented by counsel.

3  
4 **Q. WHAT GENERAL MEASURES HAS PNM TAKEN TO CONTROL**  
5 **LITIGATION EXPENSES?**

6 **A.** PNM has an internal Law Department with general responsibility for the legal affairs  
7 of PNM and its affiliates. The mission of the Law Department is to provide high  
8 quality, effective and efficient legal services to assist PNM in achieving its business  
9 goals. Qualified in-house counsel have been hired and have the responsibility to: (1)  
10 provide legal advice and representation; (2) select and manage cost-efficient qualified  
11 outside counsel as needed to represent PNM in its legal affairs and litigation; (3)  
12 oversee the substance of its legal representation and litigation; (4) participate in  
13 strategic decisions in litigation; (5) establish budgets for certain matters; and (6)  
14 control legal fees and costs in all legal matters. The Law Department frees non-  
15 lawyer management from the responsibility of overseeing and managing litigation. In  
16 seeking to control PNM's legal expenses, in-house counsel have aggressively  
17 negotiated reduced legal fees with outside counsel providing legal services to PNM.  
18 Outside counsel retainers are an example of alternative billing techniques designed to  
19 both control overall legal costs and provide a high level of certainty to PNM and its  
20 affiliates regarding their annual legal expenditures.

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1   **Q.   DID YOU CONSIDER ANYTHING ELSE IN EVALUATING LITIGATION**  
2   **EXPENSES?**

3   **A.**   Yes. I considered several factors commonly used by New Mexico courts to  
4   determine whether the level of attorneys' fees incurred by a party to litigation is  
5   reasonable and prudent for purposes of an award of fees. These factors include the  
6   level of skill required, the nature and character of the controversy, the amount of  
7   damages claimed, the importance of the litigation, prevailing rates, and the benefits  
8   derived from the litigation. This list is not exhaustive and other considerations can  
9   come into play in any given case, including the importance of the litigation for  
10   precedential purposes. I have also applied my experience in managing legal costs and  
11   participating in various types of litigation in determining that the overall cost of  
12   litigation sought to be recovered in this case is prudent.

13  
14   In evaluating litigation expenses in individual cases for prudence, I considered all  
15   relevant factors and all the circumstances of each matter in making my determination.  
16   No one factor is dispositive as litigation expenses reflect both events within PNM's  
17   control as well as those outside its control. For instance, business objectives and  
18   precedential values may be of more importance than the financial exposure in a  
19   particular matter. Thus, different factors may be accorded different weight depending  
20   on the particular matter being evaluated. I have not described the details of  
21   settlements in the matters identified in my exhibits because: (1) a settlement may be

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1 subject to a court order of confidentiality or have confidentiality provisions as part of  
2 the settlement agreements; and (2) public disclosure of settlement amounts and  
3 methodology may harm the ability of PNM to aggressively negotiate settlements in  
4 future cases or may provide information that could be used to undermine its  
5 settlement strategy in pending or future matters.

6  
7 Finally, I reviewed the litigation expenses from previous years to ensure that the Base  
8 Period Litigation Expenses reflected the typical annual costs associated with  
9 litigation, and were not unusually high or low. The Base Period Litigation Expenses  
10 are, in fact consistent with those from previous years.

11  
12 **Q. IS THE LEVEL OF LITIGATION EXPENSES FOR WHICH PNM SEEKS**  
13 **RECOVERY PRUDENT?**

14 **A.** Yes, it is, based on the general considerations described above and my review of each  
15 category of litigation expenses relating to Tort Claims, Human Resources matters,  
16 FERC Litigation, NMPRC Litigation, and Commercial Litigation.

17  
18 Tort Claims involve property damage and personal injury claims filed by and against  
19 PNM. For claims filed against PNM, PNM engages on its behalf qualified defense  
20 counsel experienced in personal injury and property damage litigation. PNM also  
21 contracts with commercial practitioners to collect money from third parties who have

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1       damaged PNM's property or who owe PNM money via a court judgment. These  
2       litigation expenses are necessary to reduce the overall costs of repairing PNM's  
3       property. Please see PNM Exhibit LDS-2 for a high level summary of the issues,  
4       status, and expenses for the base period.

5  
6       In regard to Human Resources claims, the Law Department engages attorneys who  
7       have substantial expertise in employment law, labor relations, employment benefits  
8       and workers' compensation claims to represent PNM in litigation. These areas of law  
9       are complex and require attorneys who are experts in their field. Please see PNM  
10      Exhibit LDS-3 for a summary of the issues, status, and expenses for the base period.

11  
12      PNM is a FERC regulated electric utility and is subject to FERC's orders and  
13      investigations. FERC Litigation expenses incurred by PNM are for specific cases  
14      where PNM is an applicant, a respondent, or an intervenor in a case where PNM's  
15      interest is directly affected. The Law Department retains counsel qualified in FERC  
16      law and procedures to represent PNM in these matters. FERC attorneys are in one of  
17      the most highly specialized practice areas in the country. Please see PNM Exhibit  
18      LDS-4 for a summary of the issues, status, and expenses for the base period.

19  
20      As a provider of retail electric service in New Mexico, PNM is required by law to file  
21      with the NMPRC to obtain approval to engage in various activities related to its

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1 business operations. It must also respond to orders issued by the NMPRC. In some  
2 instances, it is necessary to intervene in proceedings that may set an important  
3 precedent applicable to PNM in future cases. PNM engages qualified counsel in state  
4 regulatory proceedings that have substantial experience with the laws administered by  
5 the NMPRC, and regulatory law in general, to represent PNM in NMPRC Litigation.  
6 Please see PNM Exhibit LDS-5 for a summary of the issues, status, and expenses for  
7 the base period.

8  
9 In the area of Commercial Litigation, the Law Department retains qualified litigators  
10 with expertise in commercial disputes, environmental matters, and other specialized  
11 areas as necessary. Please see PNM Exhibit LDS-6 for a summary of the issues,  
12 status, and expenses for the base period.

13  
14 **Q. ARE THE COSTS FOR NON-LAW DEPARTMENT PERSONNEL**  
15 **INVOLVED IN LITIGATION MATTERS PRUDENT?**

16 **A.** Yes. Although these costs are not included in the litigation expenses which are  
17 identified in my testimony, these labor costs for non-Law Department personnel are  
18 entirely consistent and reasonable with the demands of the individual cases. The  
19 issues involved in these cases tend to be complex and heavily contested. Given the  
20 significant impact on PNM's operations, PNM appropriately allocates internal  
21 resources to these proceedings. However, consistent with past interpretations of

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1 Section 62-13-3C of the Act and the additional time and resources involved, PNM has  
2 not attempted to comprehensively identify all in-house labor involved in its litigation  
3 matters. As a practical matter, the resources allocated and the levels of effort  
4 expended on litigation matters, both in-house and externally, are reasonable and  
5 prudent. The responsibility of non-Law Department personnel for the management  
6 and oversight of litigation is reduced from what it otherwise would be due to the  
7 existence of the Law Department. Non-Law Department labor is utilized where  
8 necessary to properly handle litigation and, in some instances, replaces outside  
9 consulting services or outside counsel and paralegals where it is more cost effective  
10 and promotes more efficient and effective handling of the matter.  
11

12 **Q. HOW DID PNM ESTIMATE ITS TEST PERIOD LITIGATION EXPENSES?**

13 **A.** To arrive at an estimate of its Test Period litigation expenses, PNM first identified  
14 the amount of internal and external fees and costs actually and prudently expended  
15 for litigation matters during the Base Period PNM then applied an annual 1.5%  
16 escalation rate to the external Base Period litigation expenses and 2.5% to internal  
17 Base Period litigation expenses to estimate its Test Period litigation expenses. This is  
18 described in the direct testimony of Henry Monroy. In my opinion the use of a 1.5%  
19 escalator results in a conservative estimate of Test Year litigation expenses. Actual  
20 annual increases in legal fees for outside counsel typically exceed 1.5%. The use of a  
21 2.5% escalator for internal expenses is likewise conservative, because compensation

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1 increases for in-house personnel have grown annually by between 2% and 3% in the  
2 recent years.

3  
4 **Q. WHAT IS THE TOTAL AMOUNT OF TEST PERIOD LITIGATION**  
5 **EXPENSE THAT PNM HAS INCLUDED IN THE COST OF SERVICE?**

6 **A.** PNM's Test Year cost of service on a total electric basis includes \$1,985,703 of  
7 litigation expense.

8  
9 **Q. IS THE AMOUNT OF TEST PERIOD LITIGATION EXPENSE INCLUDED**  
10 **IN THE COST OF SERVICE PRUDENT?**

11 **A.** Yes, it is. My opinion is based on, the historic costs involved in litigation matters, the  
12 cost-saving measures described above that PNM employs in engaging and  
13 supervising outside counsel, the level of ongoing and anticipated litigation activity,  
14 and anticipated increases in external and internal expenses. This confirms my  
15 opinion that PNM's estimate of Test Period litigation expense is reasonable and  
16 representative of the level of expense that PNM will incur when new rates become  
17 effective, and that the amount expected to be spent on litigation is prudent.

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

20 **A.** Yes, it does.

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Educational Background and Experience

# PNM Exhibit LDS-1

Is contained in the following 2 pages.

**LEONARD D. SANCHEZ**  
Educational Background and Experience

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**PROFESSIONAL:**

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**NEW MEXICO STATE BAR ASSOCIATION**, *Admitted 1995*  
**CALIFORNIA STATE BAR ASSOCIATION**, *Admitted 1991*

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**EDUCATION:**

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**STANFORD LAW SCHOOL**, *Juris Doctor*, 1991  
Activities: Environmental Law Journal and Stanford Public Interest Law Foundation

**UNIVERSITY OF NEW MEXICO**, *Bachelor of Arts, Political Science*, 1988  
Honors: Phi Beta Kappa, University of New Mexico Presidential Scholar

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**LEGAL EXPERIENCE:**

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**PNM RESOURCES, INC.** *Albuquerque, New Mexico*  
May 2005 – Present *Associate General Counsel*  
Practicing business law in the areas of commercial transactions, finance, Securities and Exchange Commission compliance and reporting, and corporate governance.

**MILLER STRATVERT, P.A.** *Albuquerque, New Mexico*  
March 2003 – May 2005 *Attorney, Director*  
Practiced business law in the areas of commercial transactions, corporate counseling and commercial litigation.

**PUBLIC SERVICE COMPANY OF NEW MEXICO** *Albuquerque, New Mexico*  
October 1997 - February 2003 *Attorney*  
Represented and advised management and operating divisions on general corporate and business issues, negotiated and drafted contracts and advised and represented management on regulatory compliance and legislative matters.

**MILLER, STATVERT & TORGERSON, P.A.** *Albuquerque, New Mexico*  
September 1994 - September 1997 *Attorney, Associate*  
Practiced in the areas of general civil litigation and counseling involving insurance coverage, personal injury, oil and gas royalty and marketing issues, and contractor negligence.

**PILLSBURY, MADISON & SUTRO**

*San Francisco, California*

September 1991 - August 1994; May - August 1990

*Attorney; Summer Associate*

Specialized in commercial transactions and counseling involving real property issues, dealer and distributor agreements and general commercial law issues. Member of employment committee.

**MEMBERSHIPS AND ACTIVITIES:**

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**BUSINESS LAW SECTION - NEW MEXICO STATE BAR ASSOCIATION, *Past Chair***

**ST. THERESE CATHOLIC SCHOOL, *Volunteer***

Tort Claim Litigation Expenses

# PNM Exhibit LDS-2

Is contained in the following 3 pages.

NMPRC Case No. 14-00332-UT  
Tort Claims

Case Description	Issues	Status	File Number	Base Period Litigation Expenses
CL/CollectElec	These are lawsuits filed by PNM to collect money owed to PNM for damages.	Various matters where PNM retained outside legal counsel to collect money owed to PNM for damages caused by 3 <sup>rd</sup> parties. Pending.	200502153	391
Caughran and Martinez v. PNM et al.	Complaint for Damages for Personal Injury filed on 8/23/2013 alleging PNM failed to property maintain street lights.	Summary Judgment granted.	201300117	17,018
Lannaghan v. APS, et al.	Complaint filed on 5/6/14 alleging wrongful death arising out of asbestos exposure.	Dismissed.	201400041	6,346
Lorentzen v. PNM	Complaint filed on 5/21/2013 alleging PNM failed to lock gate which caused burglary.	Dismissed.	201300052	19,040
Trujillo/Mora v. PNM	Lawsuit filed on 5/23/2014 alleging property damage and personal property due to the alleged power lines sparking.	Pending.	201200114	3,123

NMPRC Case No. 14-00332-UT  
Tort Claims

<b>Case Description</b>	<b>Issues</b>	<b>Status</b>	<b>File Number</b>	<b>Base Period Litigation Expenses</b>
Romancito v PNM etal	Lawsuit filed in August 2013 alleging personal injury arising out of an electrical shock.	Pending.	201300109	5,628
Satterwhite v. PNM	Lawsuit filed on 9/27/2013 alleging injuries suffered on at SJGS due to a power outage.	Pending.	201200143	4,692
Smith v. PNM	Lawsuit filed on 4/11/2014 alleging PNM violated the New Mexico Fraud against Taxpayers Act; retaliation; breach of contract; invasion of privacy-false light; Prima Facie Tort.	Pending.	201400050	1,689
Swanson v. Westland/PNM	Complaint for Breach of Contract and for Negligence filed on 6/3/2013 alleging that the 'cracking' of her home may be related to a utility trench that was laid by PNM.	Dismissed.	201300062	3,564

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Tort Claims

<b>Case Description</b>	<b>Issues</b>	<b>Status</b>	<b>File Number</b>	<b>Base Period Litigation Expenses</b>
Akins vs Babcock et al	Plaintiff claims he was injured at SJGS. PNM is not named but is defending its employees' and former employees' depositions.	Settled.	201300028	2,338
Bratton/Honeyfield	Mr. Bratton claims he was injured when the insulation he was hanging on a building he was erecting made contact with the outside phase of PNM's 7200 volt primary. Mr. Honeyfield also claims injury stemming from the same incident.	No claims pursued or lawsuit filed. Matter closed on 9/15/2014.	201400032	451
Risk Insurance - Asbestos	Potential dispute with insurance for recovery of costs associated with asbestos claims.	No claims pursued or lawsuit filed.	200900087	2,054

Human Resources Litigation Expenses

# PNM Exhibit LDS-3

Is contained in the following 7 pages.

NMPRC Case No. 14-00332-UT  
Human Resources Claims

<b>Case Description</b>	<b>Issues</b>	<b>Status</b>	<b>File Number</b>	<b>Base Period Litigation Expenses</b>
HR-S.C. Litigation	Complaint for Employment Discrimination and Retaliation filed on 05/09/2012, alleging disparate treatment; Second Judicial District Court No. D-202-CV-2012-004467.	Settled.	201200054	86,422
HR-IBEW-FMCS #52605 (J.B.)	Federal Mediation and Conciliation Service arbitration regarding union grievance alleging that union employee (J.B.) was terminated without just reasonable cause.	Pending.	201400007	824
HR-IBEW-FMCS #52606 (D.P.)	Federal Mediation and Conciliation Service arbitration regarding Union grievance alleging that union employee (D.P.) was terminated without just reasonable cause.	Pending.	201400008	558
HR-IBEW-FMCS #53417 (Lag)	Federal Mediation and Conciliation Service arbitration regarding union grievance alleging that the Company scheduled overtime in violation of the CBA.	Closed.	201300012	719
HR-IBEW-FMCS #53418 (J.M.)	Federal Mediation and Conciliation Service arbitration regarding union grievance alleging union employee (J.M.) was placed on a DML without just reasonable cause.	Closed.	201300011	5,382

NMPRC Case No. 14-00332-UT  
Human Resources Claims

<b>Case Description</b>	<b>Issues</b>	<b>Status</b>	<b>File Number</b>	<b>Base Period Litigation Expenses</b>
HR-IBEW-FMCS #54241 (S.S)	Federal Mediation and Conciliation Service arbitration regarding union grievance alleging that the Company assigned work outside of job classifications in violation of the CBA.	Closed.	201300024	16,704
HR-IBEW-FMCS #54243 (M.S.)	Federal Mediation and Conciliation Service arbitration regarding union grievance alleging that the Company assigned work outside of job classification in violation of the CBA.	Closed.	201300025	876
HR-IBEW-FMCS #54473 (Unscheduled OT)	Federal Mediation and Conciliation Service arbitration regarding union grievance alleging unscheduled overtime scheduled in violation of the CBA.	Closed.	201300026	153
HR-IBEW-FMCS #56072 (A.R.)	Federal Mediation and Conciliation Service arbitration regarding union grievance alleging that union employee (A.R.) was disciplined without just reasonable cause.	Closed.	201300046	6,774
HR-IBEW-FMCS #57524 (R.S.)	Federal Mediation and Conciliation Service arbitration regarding union grievance alleging improper pay for mid-week employees in violation of the CBA.	Closed.	201400013	1,279

NMPRC Case No. 14-00332-UT  
Human Resources Claims

<b>Case Description</b>	<b>Issues</b>	<b>Status</b>	<b>File Number</b>	<b>Base Period Litigation Expenses</b>
HR-IBEW-FMCS #59238 (L.R.)	Federal Mediation and Conciliation Service arbitration regarding union grievance alleging denial of personal leave for union employee (L.R.) in violation of the CBA.	Pending.	201300121	229
HR-IBEW-FMCS #59239 (By-Pass Overtime)	Federal Mediation and Conciliation Service Arbitration regarding union grievance alleging Company canceled overtime resulting in bypass overtime in violation of the CBA.	Pending.	201300122	229
HR-IBEW-FMCS #59241 (Fuel & Ash)	Federal Mediation and Conciliation Service regarding union grievance alleging Company bypassed HEO and assigned work to Fuel and Ash employees, in violation of CBA.	Pending.	201300123	250
HR-IBEW-FMCS #59245 (Blanket Coverage)	Federal Mediation and Conciliation Service Arbitration regarding union grievance alleging "blanket covering" of an entire crew for overtime violates the CBA.	Pending.	201300124	250
HR-IBEW-FMCS #59253 (Employee Tailboard)	Federal Mediation and Conciliation Service Arbitration regarding union grievance alleging that management required employees to perform Tailboards in violation of OSHA.	Pending.	201300125	229
HR-IBEW-FMCS #59257 (Board Op Tailboard)	Federal Mediation and Conciliation Service Arbitration regarding union grievance alleging supervisor failed to conduct Tailboard job briefing in violation of OSHA.	Pending.	201300126	188

NMPRC Case No. 14-00332-UT  
Human Resources Claims

Case Description	Issues	Status	File Number	Base Period Litigation Expenses
HR-IBEW-FMCS #59260 (Bargaining Work)	Federal Mediation and Conciliation Service Arbitration regarding union grievance alleging two supervisors performed bargaining unit work in violation of the CBA.	Pending.	201300127	188
HR-IBEW-FMCS #59261 (Harassment)	Federal Mediation and Conciliation Service Arbitration regarding union grievance alleging harassment of steward and denial of representation in violation of the CBA.	Pending.	201300128	188
HR-T.M. (EEOC)	Charge filed on 07/24/2013 alleging age discrimination. EEOC Charge No. 543-2013- 00521.	Pending.	201200050	5,724
HR-J.M. Litigation	Complaint for Damages filed on 11/15/2012, alleging race discrimination, retaliation, and breach of implied contract. USDC, District of NM Court Case No.14cv0079 WJ/RHS. (Previously Bernalillo County District Court Case No. D-202-CV-2012-10589).	Pending.	201200140	21,406
HR-NLRB-IBEW (28-CA-105815)	NLRB charge filed by IBEW on 5/23/2013 (NLRB Case No. 28-CA-105815).	Closed.	201300051	86,820
HR-NLRB-IBEW (28-CA-111296)	NLRB charge filed by IBEW on 8/26/2013 (NLRB Case No. 28-CA-111296).	Closed.	201300113	6,694

NMPRC Case No. 14-00332-UT  
Human Resources Claims

Case Description	Issues	Status	File Number	Base Period Litigation Expenses
HR-NLRB-IBEW (28-CA-23391 & 066164)	NLRB charge filed by IBEW on 3/4/2011 (NLRB Case No. 28-CA-23391). This matter was consolidated with NLRB charge filed by IBEW on 10/05/2011 (NLRB Case No. 28-CA-066164). Company filed appeal on 05/12/2014 (D.C. Circuit Court of Appeals Case No. 14-1074).	Pending.	201100028	11,759
HR-K.N. (EEOC)	Charge filed on 10/12/2011 alleging age discrimination. EEOC Charge No. 543-2011-01768.	Pending.	201100148	749
HR-M.O. (EEOC)	Charge filed on 06/18/2013 alleging disability discrimination and retaliation. EEOC Charge No. 543-2013-00936.	Closed.	201300063	12,020
HR-PNM v. J.G. Collection	Complaint for Money Due filed on 03/08/2013. Bernalillo County District Court Case No. D-202-CV-2013-02308.	Closed.	201300018	363
HR-R.R. Litigation	Complaint filed on 12/12/2013 alleging FMLA and ADA retaliation, common law retaliation and breach of implied contract. USDC, District of NM Court Case No. 14cv60 KBM/RHS. (Previously Bernalillo County District Court Case No. D-202-CV-2013-09711).	Settled.	201400001	28,810

NMPRC Case No. 14-00332-UT  
Human Resources Claims

Case Description	Issues	Status	File Number	Base Period Litigation Expenses
HR-G.S. v. Prudential, PNMR	Complaint filed on 09/21/2012 alleging wrongful denial of benefits for short-term disability benefits. USDC, Northern District of Texas, Dallas Division, Case No. 3:12-CV-03844-B. Plaintiff filed appeal on 09/03/2014 (U.S.D.C., Fifth Circuit Court of Appeals Case No. 14-10983).	Pending.	201200139	9,788
HR-G.S. Litigation	Complaint filed on 09/26/2012 alleging age and disability discrimination and retaliation. Dallas County District Court No. DC-12-11431.	Closed.	201200116	58,514
HR-A.V. (EEOC)	Charge filed on 01/12/2012 alleging sex and equal pay discrimination and retaliation. EEOC No. 543-2012-00391.	Closed.	201100163	2,484
HR--WC-D.B.	Workers' compensation claim filed by electric services employee. NM WCA No. 05-00071.	Pending.	200502277	4,826
HR-WC-K.T.	Workers' compensation claim filed by electric services employee. NM WCA No 01-07235.	Pending.	200201639	5,248
HR-WC-F.J.	Workers' compensation claim filed by electric services employee. NM WCA No. 02-02099.	Closed.	CCMSI	2,229
HR-WC-L.A.	Workers' compensation claim filed by an electric services employee. NM WCA No. 10-01923.	Pending.	201000062	4,839

NMPRC Case No. 14-00332-UT  
Human Resources Claims

<b>Case Description</b>	<b>Issues</b>	<b>Status</b>	<b>File Number</b>	<b>Base Period Litigation Expenses</b>
HR-WC-J.A.	Workers' compensation claim filed by electric services employee. NM WCA No. 05-00530.	Pending.	200702531	3,023
HR-WC-C.F.	Workers' compensation claims filed by PNMR Services Company employee. NM WCA Nos. 02-06697, 03-04655, 06-01615 and 06-03989.	Pending.	200702557	1,877
HR-WC-J.P.	Workers' compensation claim filed by electric services employee. NM WCA No. 09-01469.	Closed.	200900076	189
HR-WC-J.S.	Workers' compensation claim filed by SJGS employee. NM WCA No. 94-05587.	Pending.	200800003	2,379
HR-WC-H.A.	Workers' compensation claim filed by electric services employee. NM WCA No. 92-13065.	Closed.	CCMSI	12,306
HR-WC-D.G.	Workers' compensation claim filed by electric services employee. NM WCA No. 14-01102.	Closed.	CCMSI	1,113
HR-WC-M.N.	Workers' compensation claim filed by PNMR Services Company employee. NM WCA No. 07-64319.	Pending.	CCMSI	3,185
HR-WC-K.W.	Workers' compensation claim filed by electric services employee. NM WCA No. 11-56917.	Pending.	CCMSI	11,497

FERC Litigation Expenses

# PNM Exhibit LDS-4

Is contained in the following page.

NMPRC Case No. 14-00332-UT  
FERC Matters

<b>Case Description</b>	<b>Issues</b>	<b>Status</b>	<b>File Number</b>	<b>Base Period Litigation Expenses</b>
EPNG - FERC Rate Case 2011	El Paso Natural Gas filed for a system-wide increase in rates for natural gas shipping, which would result in higher fuel costs for PNM.	Initial Decision issued June 18, 2012. FERC issued Order Affirming in Part and Modifying in Part on October 17, 2013. Track II Procedure established October 23, 2013. Initial Order on Track II Proceeding issued September 17, 2014.	201000122	2,487
SPS Litigation	Complaint v. SPS re overcharging for energy deliveries through their fuel cost adjustment clause, resulting in higher energy costs for PNM retail customers.	FERC in August 2013 issued an order clarifying earlier orders regarding the allocation of fuel costs and denying refunds for PNM's contractual load. Motions for rehearing are pending.	200502128	79,630

NMPRC Litigation Expenses

# PNM Exhibit LDS-5

Is contained in the following 5 pages.

NMPRC Case No. 14-00332-UT  
NMPRC Matters

<b>Case Description</b>	<b>Issues</b>	<b>Status</b>	<b>File Number</b>	<b>Base Period Litigation Expenses</b>
11-00317-UT Protest of PNM's 201 Integrated Resource Plan	Protest by Coalition for Clean Affordable Energy of PNM's 2011 Integrated Resource Plan.	Notice of Proposed Dismissal filed by Commission on 9/18/13. Awaiting further Commission action.	200900203	242
11-00466-UT Western Water and Power Production v. PNM	Dispute between Western Water and Power and PNM regarding Western Water's offer to sell generation output from biomass facility that will be a QF near Estancia, NM.	Awaiting Commission action. Case has been mostly dormant since the end of 2013.	201200001	159
12-00250-UT - NOPR – Energy Efficiency and Decoupling Rule	PRC rulemaking proceeding to amend Rule 17.7.2.9 NMAC to provide for a decoupling mechanism.	Awaiting Commission action.	201200052	463
12-00374-UT Notice of Inquiry into line extension policies	PRC inquiry into line extension policies of electric utilities.	On 11/27/12, Commission issued a Bench Request directing electric utilities to advise as to why their line extension tariffs are not unreasonably discriminatory. Awaiting further Commission action.	201200138	5,172
13-00175-UT - La Luz CCN	Application for CCN to construct La Luz gas plant.	Amended Stipulation between most of the parties filed 2/20/14. Final Order approving Certification of Stipulation and granting CCN issued 6/18/14.	201100138	23,044

NMPRC Case No. 14-00332-UT  
NMPRC Matters

<b>Case Description</b>	<b>Issues</b>	<b>Status</b>	<b>File Number</b>	<b>Base Period Litigation Expenses</b>
13-00183-UT 2014 Renewable Procurement Plan	Application for approval of 2014 Renewable Energy Procurement Plan and rider.	Final Order approving the Recommended Decision issued 12/18/13.	201200093	34,652
13-00187-UT FPPCAC	Application for continued use of Fuel and Purchased Power Cost Adjustment Clause (FPPCAC).	Stipulation between most of the parties filed 12/20/13. Final Order approving Certification of Stipulation filed 4/23/14.	201200095	39,270
13-00310-UT NOPR - Energy Efficiency Rule NMAC 17.7.2	PRC rulemaking proceeding to amend Rule 17.7.2 NMAC to implement of the Efficient Use of Energy Act.	Commission issued Final Order Repealing and Replacing Rule 17.7.2 on 10/8/14. Several parties, including PNM, filed motions for rehearing to allow for further revisions to the rule. On 11/19/14, the Commission denied motions for rehearing and granted variances related to rate recovery and application filing dates.	201300129	15,572
13-00390-UT NMPRC BART Application	Application for abandonment of San Juan Generating Station Units 2 and 3, issuance of CCNs for replacement power resources and determination of related ratemaking principles and treatments.	Stipulation settling some filed on 10/1/14. Public hearing on the Stipulation and remaining issues currently scheduled for 1/5/15 through 1/16/15.	201100137	84,006

NMPRC Case No. 14-00332-UT  
NMPRC Matters

<b>Case Description</b>	<b>Issues</b>	<b>Status</b>	<b>File Number</b>	<b>Base Period Litigation Expenses</b>
14-00102-UT Valencia Power billing dispute	Billing dispute between PNM and Southwest Generation Operating Company re: billings to Valencia Power, LLC.	On 9/30/14 PNM and Southwest Generation Operating Company filed an Uncontested Stipulation settling the dispute. Hearing on the Uncontested Stipulation was held on 11/18/14.	201400024	21,004
14-00152-UT Joint Petition for Independent Evaluator	Petition filed by Southwest Generation Operating Company and other entities requesting the PRC issue an order establishing a process for appointment of independent evaluator to review and monitor PNM's RFP's and selections of proposals for resources to replace SJGS Units 2 and 3.	On 6/19/14 PNM filed a response to the Petition. Petitioners filed a reply on 7/3/14. Awaiting Commission action.	201400047	138
2014 Integrated Resource Plan; 14-00228-UT Protest to PNM's 2014 Integrated Resource Plan	Protest of 2014 Integrated Resource Plan filing.	Integrated Resource Plan filed 7/1/14. A protest to the Plan was filed on 7/31/14. Commission issued an order holding the protest case in abeyance until after the conclusion of the SJGS abandonment case (13-00390-UT) and the 2015 renewable plan case (14-00158-UT).	201200090	6,402

NMPRC Case No. 14-00332-UT  
NMPRC Matters

<b>Case Description</b>	<b>Issues</b>	<b>Status</b>	<b>File Number</b>	<b>Base Period Litigation Expenses</b>
14-00158-UT 2015 Renewable Procurement Plan	Application for approval of 2015 Renewable Procurement Plan and rider.	Stipulation filed 9/25/14. Certification of Stipulation filed 11/12/14. Approved by Commission at 11/26/14 open meeting with modification on price cap for RECs purchased to make up for 2013 and 2014 RPS deficiency. Awaiting issuance of final order.	201200096	12,316
13-00295-UT CFO/Tr 2013 Authorization Pertaining to Unsecured Revolving Credit Facility	Application for authorization pertaining to an unsecured revolving credit facility of up to \$50 million.	Final Order adopting Recommended Decision filed 10/2/13.	201300035	8,952
14-00310-UT 2014 Energy Efficiency Plan Application	Application for approval of 2014 energy efficiency and load management programs.	Application filed 10/6/14. Awaiting Commission action.	201100139	3,044
NMPRC Customer Complaints	Miscellaneous informal customer complaints filed with PRC.	Ongoing—PNM responds to customer complaints as received from PRC.	201300065	9,467

NMPRC Case No. 14-00332-UT  
NMPRC Matters

<b>Case Description</b>	<b>Issues</b>	<b>Status</b>	<b>File Number</b>	<b>Base Period Litigation Expenses</b>
SC 33,373 Appeal of 11-00308/11-00123	Appeal of NMPRC cases challenging the validity of incentive adder for energy efficiency and load management programs.	Supreme Court issued opinion on 8/29/13 affirming the final order in Case No. 11-00308. Commission issued an Order Closing Docket on 10/2/13.	201100096	2,025

Commercial Litigation Expenses

# PNM Exhibit LDS-6

Is contained in the following 4 pages.

NMPRC Case No. 14-00332-UT  
Commercial Litigation

<b>Case Description</b>	<b>Issues</b>	<b>Status</b>	<b>File Number</b>	<b>Base Period Litigation Expenses</b>
Appeal - EIB New Energy Economy	PNM and other parties challenged the promulgation of Rule 100. The rule was repealed, effective June 07, 2012.	Dismissed.	201000026	290
Appeal - NMED Cap & Trade	PNM and other parties challenged the promulgation of Rule 350. The rule was repealed, effective, April 9, 2012.	Dismissed.	201000092	963
Appeal - SJGS BART determination	On September 16, 2011, PNM filed its petition for review of the FIP in the Tenth Circuit Court.	Pending.	201000056	96,157
Bankruptcy - PNM New Mexico	Various bankruptcy litigation matters.	Pending.	200301913	1,206
LIT-Franchise Fee Bernalillo County	On February 28, 2014, PNM, in conjunction with NM Gas Company and Qwest Corp. filed suit in federal district court challenging a franchise fee ordinance and related fee resolutions adopted by the Bernalillo County Commission.	Pending.	201300045	
Buffet Partners Bankruptcy	Ch. 11 Bankruptcy, filed 02/04/2014.	Matter closed.	201400017	2,862
County of SF Permit Fee Issue	PNM, NMGCO and CenturyLink filed a lawsuit challenging a Santa Fe ordinance increasing fees.	Pending.	200900095	410

NMPRC Case No. 14-00332-UT  
Commercial Litigation

<b>Case Description</b>	<b>Issues</b>	<b>Status</b>	<b>File Number</b>	<b>Base Period Litigation Expenses</b>
GCT Consent Decree Litigation	Dispute with NMED, Sierra Club and Grand Canyon Trust over mercury reduction optimization reports and optimal injection rate to maximize reductions in mercury emissions.	PNM is in the process of complying with the testing and reporting requirements set forth in the stipulated order.	201000089	43,687
Lit-Allottees AY Line Appeal	Navajo Allottees filed Notice of Appeal to IBIA concerning the Regional Director's August 20, 2012 grant of a renewal of right of way held by PNM for its AY line.	Dismissed.	201200119	3,297
LIT-CDEC v PNM	Complaint for Declaratory Judgment filed on 3/13/2014.	Settled.	201400031	5,146
LIT-Four Corners NSR Litigation	Earth Justice filed a complaint on 10/4/2011 against the owners and operators of the Four Corners Power Plant. The notice alleges violations of the Clean Air Act; New Source Performance Standards (NSPS) Violations. Plaintiffs reissued the NOI on September 2, 2011.	APS matter; PNM is monitoring. Pending.	201000039	746
Lit-Heal Utah, et al v. EPA	Case filed 2/8/2013, PNM is intervening in challenge to final action taken by EPA "Approval and Promulgation of SIP, State of New Mexico; Regional Haze Rule Requirement for Mandatory Class I Areas.	Consolidated with WEG vs EPA Petition for Review. Dismissed.	201300014	696

NMPRC Case No. 14-00332-UT  
Commercial Litigation

<b>Case Description</b>	<b>Issues</b>	<b>Status</b>	<b>File Number</b>	<b>Base Period Litigation Expenses</b>
LIT-LPP Mortgage v. Hernandez, Jorge et al	Complaint for Foreclosure filed on 9/9/2013.	Dismissed.	201300138	203
Lit-WEG vs EPA Petition for Review	Complaint filed on 12/27/2012, Wildearth Guardians v. US-EPA, et al. - Petition for Review of SIP Regional Haze Rule Requirements for Mandatory Class I Areas.	Consolidated with Heal Utah, et al v. EPA. Dismissed.	201300002	42,286
Mervyn's - bankruptcy	Bankruptcy – filed 2008.	Matter resolved.	200800155	407
Navajo Allottees vs. PNM et al	Complaint filed 2/11/2009, plaintiffs seek declaratory and injunctive relief against the US for breach of trust for failure to obtain appraisals, failure to assist and advise the Navajo allottees of appraisal information and failure to insist on fair market value as a condition for granting ROWs on Navajo Allottees lands.	Pending.	200900018	1,154
New Mexico Surgicenter	Ch. 11 Bankruptcy filed 10/18/2013, converted to Ch. 7.	Matter resolved; to be dismissed by the court.	201300134	3,729
Pro's ABQ Ranch Markets, L.L.C.	Ch. 11 Bankruptcy filed 05/28/2013.	Matter resolved.	201300055	1,616

NMPRC Case No. 14-00332-UT  
Commercial Litigation

<b>Case Description</b>	<b>Issues</b>	<b>Status</b>	<b>File Number</b>	<b>Base Period Litigation Expenses</b>
Repeal - EIB New Energy Economy	NEE and WRA filed a joint notice of appeal challenging the repeal of Part 100 on May 31, 2012 ("Part 100 Repeal Appeal"). The repeal appeal was dismissed on July 3, 2013.	Dismissed.	201200065	157
Repeal - NMED Cap & Trade	PNM was granted leave to intervene in the appeal or the repeal of Part 350 ("Part 350 Repeal Appeal") filed by NEE and WRA. The repeal appeal was dismissed on July 3, 2013.	Dismissed.	201200064	244
San Juan River Adjudication	State of New Mexico v. USA & Jicarilla Apache Tribe; CV 75-184-1; San Juan River General Stream Adjudication. In NM Court of Appeals.	Pending.	200101618	302
SJGS - SJCC 2009 Audit Arbitration	Arbitration demand from PNM under the UG-CSA regarding 3rd party audit.	Resolved.	201200024	892,757
SJGS EIB Revised SIP Proceeding	Revised SIP being presented to EIB for approval regarding regional haze and BART for NoX at SJGS that incorporates the term sheet; and implementation before EPA. EIB 13-02(R).	Pending.	201300043	3,336
Tamara Davis Bankruptcy	Adversary proceeding from Davis' bankruptcy filing.	Matter settled.	201300111	3,656

Summary of Base Period Litigation Expenses

# PNM Exhibit LDS-7

Is contained in the following page.

NMPRC Case No. 14-00332-UT  
Summary of Base Period Litigation Expenses

<b>SUMMARY OF BASE PERIOD LITIGATION EXPENSE</b>	<b>NMPRC Case No. 14-00332-UT</b>	
64,860	LDS-2	TORT CLAIMS
419,284	LDS-3	HUMAN RESOURCES CLAIMS
82,117	LDS-4	FERC MATTERS
265,928	LDS-5	NMPRC MATTERS
1,106,781	LDS-6	COMMERCIAL LITIGATION
<b>TOTAL: 1,938,970</b>		

**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** ) **Case No. 14-00332-UT**  
**ELECTRIC RATES PURSUANT TO ADVICE** )  
**NOTICE NO. 507** )  
 )  
**PUBLIC SERVICE COMPANY OF NEW MEXICO,** )  
**Applicant.** )  
\_\_\_\_\_ )

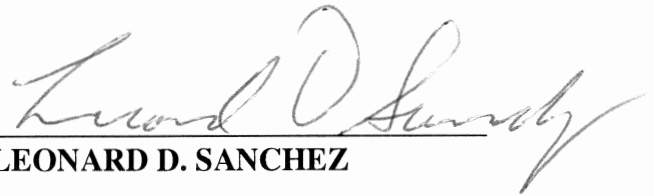
**AFFIDAVIT**

STATE OF NEW MEXICO )  
 ) ss  
COUNTY OF BERNALILLO )


**LEONARD D. SANCHEZ, Associate General Counsel, Public Service**

**Company of New Mexico**, upon being duly sworn according to law, under oath, deposes  
and states: I have read the foregoing **Direct Testimony and Exhibits of Leonard D.**  
**Sanchez** and it is true and accurate based on my own personal knowledge and belief.

SIGNED this 3rd day of December, 2014.

  
**LEONARD D. SANCHEZ**

SUBSCRIBED AND SWORN to before me this 3rd day of December, 2014.

  
NOTARY PUBLIC IN AND FOR  
THE STATE OF NEW MEXICO

