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. 595	)	**Case No. 22-00270-UT**
PUBLIC SERVICE COMPANY OF NEW MEXICO,	)	
Applicant	)	

DIRECT TESTIMONY

OF

JASON A. PETERS

December 5, 2022

NMPRC CASE NO. 22-00270-UT
INDEX TO THE DIRECT TESTIMONY OF JASON A. PETERS
WITNESS FOR
PUBLIC SERVICE COMPANY OF NEW MEXICO

DIRECT TESTIMONY OF
JASON A. PETERS
NMPRC CASE NO. 22-00270-UT

I. INTRODUCTION AND PURPOSE

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

A. My name is Jason A. Peters. I am the Director, General Accounting for PNMR Services Company ("Shared Services"). I am testifying on behalf of Public Service Company of New Mexico ("PNM" or "Company"). My business address is 414 Silver Ave. SW, Albuquerque, NM 87102.

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

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

- Provide background and support for PNM's accounting books and records;
- Provide background and support for the Company's capital loads, including Allowance for Funds Used During Construction ("AFUDC"), used to support projected capital budgets;
- Provide background and support for allocated costs from Shared Services and PNM Resources, Inc. ("PNMR") to PNM as set forth in the Cost Allocation Manual ("CAM");
- Present the Company's Lead-Lag study;

- Provide background and support for the Company's pension and other post-retirement benefits;
- Provide background and support for the accounting for asset retirement obligations;
- Describe and provide support for the cost-benefit analysis to support inclusion of the Loss on Reacquired Debt;
- Describe and provide support for the Company's COVID-19 regulatory asset and liability; and
- Describe the Company's accounting for merger-related costs.

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

A. As Director, General Accounting, I am responsible for oversight of the corporate accounting, division accounting, general ledger administration, accounts payable and payroll functions for PNMR and all its regulated subsidiaries, including PNM and Texas New Mexico Power Company. My statement of qualifications is contained in PNM Exhibit JAP-1.

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

A. I am sponsoring Rule 530 Schedules Q-3, Q-4, Q-5, and Q-6.

II. ACCOUNTING BOOKS AND RECORDS

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

A. All unadjusted Base Period[1] data used in the filed schedules, workpapers and electronic models are from the Company's books and records. The unadjusted Base Period data include PNM's production, transmission, distribution, and administrative and general operations. PNM also incurs costs from Shared Services that provide administrative and other support services to PNM. Similarly, as explained below, certain costs at the PNMR level are allocated to PNM and included in the cost of service. Rule 530 17.9.530.13(Q)(6) NMAC requires that PNM submit an opinion of an independent certified public accountant stating that an independent examination of the per book amounts and accounting adjustments in PNM's books and records has been made for the Base Period and that the results are in all material respects in compliance with the Uniform System of Accounts prescribed by the Commission. The accounting firm of KPMG LLP performs external auditing services for PNM and was engaged to perform the independent review in this rate case and provided the opinion as required by Commission Rule 530 Schedule Q-6.

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

[1] The Base Period is the 12-month period ending June 30, 2022.

A. The Company develops and maintains its accounting books and records in compliance with the Uniform System of Accounts ("USOA") prescribed for public utilities by Federal Energy Regulatory Commission ("FERC") and as prescribed by the Commission in 17.3.510.10.A NMAC and in accordance with generally accepted accounting principles ("GAAP"). The Company's financial statements are subject to quarterly reviews and annual audits by the Company's external auditor, KPMG LLP.

Administratively, the Company maintains its accounting books and records in various integrated computer software programs including PeopleSoft (general ledger, accounts payable, payroll), PowerPlan (asset management), Banner (retail billing), work order management systems and various other applications.

Q. WHAT ARE THE KEY COMPONENTS OF THE COMPANY'S ACCOUNTING STRUCTURE?

A. The key components of the Company's accounting structure include FERC account, cost type, and location. The Company's FERC account is a six-digit numerical value based on the USOA. For example, FERC account 101000 is electric plant in-service and is based on USOA account 101.

Cost types identify specific types of costs incurred consistent with the term "elements of cost" as defined in 17.1.3 NMAC (the "Future Test Year Rule" or

"FTY Rule"). These include cost types such as: labor, materials and outside services. Location is used to identify costs by physical locations associated with PNM facilities, or by a general area of the Company to allow recording of expenses that are not identifiable by a specific location. As outlined in the CAM discussed later in my testimony, PNM utility common locations and Shared Services locations are used to record transactions to perform certain allocations. Please see PNM Exhibit JAP-2 for the list of cost types and locations used by the Company.

III. CAPITAL LOADS

Q. WHAT IS A CAPITAL LOAD?

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

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

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

fleet, and administrative and general ("A&G"). It is not cost effective or practical to charge support costs to each individual capital project; therefore, PNM utilizes capital loads or load factors to properly assign these costs to construction projects. In addition, the Company applies AFUDC and capitalized interest loads to capital projects using calculated rates as discussed later in my testimony.

Q. PLEASE EXPLAIN THE CAPITAL LOAD FACTORS THAT HAVE BEEN APPLIED TO PNM'S CAPITAL SPENDING IN THIS CASE.

A. Generally, capital load factors are calculated using actual and budget data in the year before they are used (e.g., 2022 load factors are calculated in 2021). Please see PNM Exhibit JAP-3 for a list of these capital load factors for 2021 and 2022 and projected for 2023. PNM utilized the 2023 capital load factors for 2024, because PNM does not anticipate significant changes to these load factors.

A description of these loads and how the amounts are determined is provided below.

- Payroll loads consist of payroll taxes ("PRT"), injuries and damages insurance ("I&D"), and pension and benefit costs ("P&B") costs. Payroll loads are applied to all labor costs included in construction projects. The purpose of payroll loads is to recognize the additional overhead expense to capital labor for these expenses. PRT consists of Federal Insurance Contributions Act ("FICA"), Federal Unemployment Tax ("FUTA") and State Unemployment Tax

("SUTA") expenses. I&D consists of insurance premiums and claims expenses. P&B consists of premiums for benefit costs. The allocation of these costs to capital projects is based on labor dollars charged to the project.

- Material loads consist of minor material, stores (items kept in inventory), non-stores (items ordered from the supplier's warehouse), and purchasing costs that are applied to material in Company warehouses. These loads allocate the cost of inventoried and non-inventoried warehouse items, including expenses incurred in warehouse operations and purchasing activities. The allocation of these costs to capital projects occurs through the application of these loads to warehouse issuances and returns. Purchasing loads are applied to all purchase transactions, including purchases of outside services.
- E&S load includes the portion of the wages and expenses of engineers, supervisors and others applicable to construction work. E&S load is applied to all costs included in capital projects.
- Capitalized fleet load is the allocation of costs associated with the use of fleet vehicles on construction jobs. The allocation of these costs to capital projects is based on labor dollars charged to the project depending on whether fleet vehicles are used.
- A&G load is a predetermined overhead rate that is used to allocate the expenses of administrative and general costs that cannot be readily assigned to particular operations and maintenance ("O&M"), construction, or special accounts. The A&G load rate is determined through periodic studies that survey Shared

Services functions to determine the amount of time used to support capital projects. The rate is applied to all costs included in capital projects.

Q. WHAT IS AFUDC AND CAPITALIZED INTEREST?

A. AFUDC, or capitalized interest at Shared Services, reflects the cost of borrowed funds used for construction purposes and a reasonable rate of return on other funds used for construction. In other words, it represents capitalized interest cost and a reasonable return on capital expenditures during the construction period before plant is placed in service. PNM records AFUDC on its jurisdictional construction and nuclear fuel in process assets in accordance with FERC Order No. 561. Shared Services records capitalized interest on its construction projects and major computer software projects.

Q. PLEASE DESCRIBE HOW AFUDC AND CAPITALIZED INTEREST RATES WERE CALCULATED DURING THE BASE PERIOD.

A. AFUDC rates are calculated using the AFUDC rate formula provided under FERC Order No. 561, which provides that rates are calculated using average balances of construction expenditures and short-term debt during the year and long-term debt and equity balances and rates at the end of the prior year. Capitalized interest rates at Shared Services are calculated using debt balances and exclude equity balances in accordance with GAAP. Please see PNM Exhibit KTS-11 for the Company's AFUDC rate calculation for the base period.

IV. ALLOCATED COSTS FROM SHARED SERVICES AND PNMR

Q. WHAT COSTS ARE ALLOCATED FROM SHARED SERVICES OR FROM PNMR TO PNM?

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

Q. IS THE CAM, AS PERIODICALLY REVISED, FILED WITH THE NMPRC?

A. Yes. The CAM allocators are updated at least annually and PNM files each revised CAM with the NMPRC pursuant to certain compliance requirements established in NMPRC Case No. 03-00017-UT. The 2022 CAM was filed with the NMPRC on December 21, 2021, in NMPRC Case No. 03-00017-UT and became effective January 1, 2022.

Q. DID PNM USE THE 2022 CAM FOR THE TEST PERIOD[2] IN THIS CASE?

A. No. Please refer to PNM Exhibit JAP-4 for PNM's 2023 CAM allocation rates. As was done in Case No. 15-00261-UT ("2015 Rate Case") and Case No. 16-00276-UT ("2016 Rate Case"), PNM used the updated 2023 CAM allocation rates given that it will file the 2023 CAM with the Commission in December 2022 pursuant to the filing requirement established in NMPRC Case No. 03-00017-UT. PNM utilized the 2023 CAM allocation rates for 2024, because PNM does not anticipate significant changes to these allocation rates.

V. LEAD-LAG STUDY

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

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

- Revenue Lag
    - Meter reading

[2] The Test Period is the 12-month period ending December 31, 2024.

- Billing
- Collection

- Expense Lead
  - Fuel expense
  - Payroll
  - Taxes other than income
  - Allocated charges
  - Income taxes
  - Other O&M

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

A. The resulting revenue lag days and expense lead days are used to calculate the cash working capital allowance included in rate base. The calculation of the cash working capital amount is included in Rule 530 Schedule E-1 and the testimony of PNM witness Sanders. The resulting cash working capital balance developed through the lead-lag study discussed below is reasonable and is included in the Base Period and Test Period revenue requirements.

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

A. Yes. In 2022, the Company engaged Pricewaterhouse Coopers ("PwC") to conduct a lead-lag study based on data from the period of July 1, 2021, through June 30, 2022. The resulting lead-lag days were used to calculate the cash working capital allowance included in the revenue requirements. The study was performed consistent with the methodology employed in the Company's previous rate cases, including the 2016 Rate Case.

Q. HOW IS THE EXPENSE LEAD DETERMINED?

A. The expense lead is the average number of days from the time of service to the date the Company remits payment for the service to the vendor. The expense lead for each invoice is the difference between the number of days it takes for the Company's payment to the vendor to clear the bank and the mid-point date of each invoice's service period. The lead-lag study analyzed the following primary categories of expense:

- fuel expense,
- payroll,
- taxes other than income,
- allocated charges,
- income taxes, and
- other O&M expenses.

Q. HOW IS REVENUE LAG DETERMINED?

A. The revenue lag is the average time period (calculated in days) between the period in which service is rendered to the customer and the date on which payment is received from the customer. The revenue lag is determined by calculating the meter reading lag, billing lag, and collection lag.

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

Billing lag is the period from the meter reading date until the date the customer is billed. Because the Company has three different methods of billing its electric sales (traditional system billing, summary billing, and manual billing), billing lag was calculated separately for each method, and the weighted average was utilized in calculating the final revenue lag days.

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

VI. PENSION AND OTHER POST RETIREMENT BENEFITS

Q. DOES THE COMPANY HAVE PENSION PLANS?

A. Yes, the Company has two pension plans, a qualified plan and a non-qualified retirement plan ("NQRP"), as defined by the Employee Retirement Income Security Act. The qualified plan is the PNM Resources, Inc. Employee's Retirement Plan ("Qualified Plan"). The NQRP is the PNM Resources, Inc. Non-Qualified Retirement Plan, which includes the Accelerated Management Performance Plan, the Service Bonus Plan, and the Supplemental Executive Retirement Plan. Please see the testimony of PNM witness Gagne for a description of the accounting treatment for PNM's pension plans.

Q. IS PNM SEEKING TO INCLUDE ANY AMOUNTS IN ITS RATE BASE ASSOCIATED WITH PENSION ASSETS AND LIABILITIES?

A. Yes. PNM has included an asset in rate base for PNM's share of the Qualified Plan (the "Prepaid Pension Asset"). In addition, PNM is including a rate base reduction for PNM's share of the NQRP. Reducing rate base by the liability balance of the NQRP was approved in NMPRC Case No. 07-00077-UT ("2007 Rate Case") to be consistent with the inclusion of the Prepaid Pension Asset in rate base. Please refer to PNM Exhibit KTS-4, WP ORB-6 for the calculation.

Q. PLEASE DESCRIBE THE PREPAID PENSION ASSET.

A. The Prepaid Pension Asset is the result of contributions made by PNM to the pension trust in excess of amounts that were expensed and recovered from customers in accordance with Accounting Standards Codification ("ASC") 715-30. More specifically, the Prepaid Pension Asset included in rate base takes into account the total pension expense through the end of the Test Period, and contributions that have been or will be funded to the pension plan through that date. By including the Prepaid Pension Asset in rate base, PNM is proposing to earn a return on the cash that shareholders have contributed in excess of the amount expensed and recovered from customers. This approach is consistent with past NMPRC cases, including the 2015 Rate Case and the 2016 Rate Case. Please refer to PNM Exhibit KTS-4, WP ORB-8 for the calculation of the Prepaid Pension Asset.

Q. HAVE CUSTOMERS BENEFITED FROM THE EXISTENCE OF THE PREPAID PENSION ASSET?

A. Yes. The Prepaid Pension Asset results in lower pension expense being charged to customers. Specifically, the Prepaid Pension Asset is the result of excess contributions made by the Company over amounts expensed in accordance with accounting guidance and recovered in rates. The excess contributions were made using shareholder capital. These contributions have not yet been reflected as pension expense and, therefore, have not yet been recovered from customers.

However, since this shareholder capital is now included as assets in the pension plan and is generating a return, this translates into lower pension expense charged to customers. In other words, because the Prepaid Pension Asset has not been reflected in rates as a pension expense, it serves to benefit customers via reduced pension expense. Therefore, it is appropriate to include the Prepaid Pension Asset in rate base, consistent with past treatment approved by the Commission in previous cases, including the 2007 Rate Case, Case No. 08-00273-UT ("2008 Rate Case"), Case No. 10-00086-UT ("2010 Rate Case"), the 2015 Rate Case and the 2016 Rate Case.

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

A. PNM prepared a cost-benefit analysis consistent with the methodology approved in the final order in the 2015 Rate Case and the 2016 Rate Case, which is reflected in PNM Exhibit KTS-4, WP ORB-10. This analysis demonstrates that revenue requirements, including a full return on the Prepaid Pension Asset included in rate base, are slightly higher than the expense that would have been included in PNM's revenue requirement calculation absent the additional shareholder funding. Therefore, PNM is proposing to only include the amount of Prepaid Pension Asset in rate base up to the breakeven point in revenue requirements for the expense without the contributions compared to the revenue requirements associated with the inclusion of Prepaid Pension Asset in rate base. This results in a reduction of $17.7

million to the amount that would otherwise be requested for the Prepaid Pension Asset in this proceeding. Including the amount up to the breakeven point allows the Company to earn a fair return on the shareholder funded contributions to the trust, which reduces the pension expense, while ensuring that customers do not pay more than they otherwise would have had the Company not made the contributions. Please refer to the testimony of PNM witness Gagne for discussion of contributions to the Company's pension plans.

Q. HAVE THE COMPANY'S CONTRIBUTIONS UNDERLYING THE PREPAID PENSION ASSET BEEN FULLY RECOVERED FROM CUSTOMERS BY THE AMOUNT OF PENSION EXPENSE IN RATES?

A. No. Please see PNM Exhibit KTS-4, WP ORB-9 for an analysis demonstrating that the Company's contributions have exceeded expenses recovered from customers over the life of the Prepaid Pension Asset. This analysis clearly demonstrates that shareholder contributions far exceed the amounts recovered in rates, and the Prepaid Pension Asset appropriately reflects contributions in excess of amounts recovered from customers.

Q. PLEASE DESCRIBE THE ANALYSIS PERFORMED IN PNM EXHIBIT KTS-4, WP ORB-9.

A. This analysis compares cash contributions made by the Company (Column D) to pension expense included in rates (Column E) since 1987, the year the Company

began recognizing pension costs in the manner they are recognized today. The difference between these two amounts results in excess shareholder cash contributions made to the plan in each year (Column F). The accumulation of the excess shareholder cash contributions since 1987 represents the total amount of Prepaid Pension Asset that could be included in rate base.

Q. HOW IS PNM EXHIBIT KTS-4, WP ORB-9 DIFFERENT FROM PNM EXHIBIT KTS-4, WP ORB-10?

A. PNM Exhibit KTS-4, WP ORB-10 compares the Test Period revenue requirements including the Prepaid Pension Asset of $134.7 million to what the Test Period revenue requirements would have been if not for the excess contributions, which would have resulted in higher pension expense. The Prepaid Pension Asset of $134.7 million was calculated by comparing Company contributions to actual pension expense reflected on the financial statements of the Company. This exhibit demonstrates that customers benefit from the Prepaid Pension Asset through lower pension expense.

As described above, PNM Exhibit KTS-4, WP ORB-9 calculates the Prepaid Pension Asset by comparing Company contributions to amounts of pension expense included in rates and collected from customers. In preparing PNM Exhibit KTS-4, WP ORB-9, the Company started with the information included in the 2016

Rate Case and added contributions and expense included in rates through the end of the Test Period.

Q. WHAT IS THE RESULT OF THE ANALYSIS PERFORMED IN PNM EXHIBIT KTS-4, WP ORB-9?

A. PNM Exhibit KTS-4, WP ORB-9 shows that the amounts collected from customers have not exceeded the amounts funded to the pension plan. This analysis demonstrates that the amount included in the Test Period rate base, $134.7 million, is less than the cumulative amount of excess shareholder cash contributions over the life of the Prepaid Pension Asset, $151.2 million.

Q. IS PNM SEEKING RECOVERY OF EXPENSES ASSOCIATED WITH RETIREE MEDICAL AND PENSION EXPENSES?

A. Yes.

Q. WHAT IS THE BASIS FOR THESE EXPENSES?

A. As discussed by PNM witness Gagne, PNM's pension, retiree medical, and NQRP expense is based on actuarial calculations prepared by PNM's actuary, Willis Towers Watson, in accordance with ASC 715-30 and ASC 715-60. ASC 715-60 is the applicable GAAP for Post-Employment Benefits Other than Pensions ("PBOP"), which includes PNM's retiree medical plan.

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

A. Yes. In Case No. 2529, the Commission addressed the funding requirements for the annual test period allowance for PBOP costs. In that case, the Commission determined that for any utility adopting full accrual accounting for PBOP costs in accordance with GAAP accounting requirements for PBOP costs in its cost of service, the utility must fund such amounts through an external trust. In addition, a utility must report the status of its PBOP program and the initiatives taken under the program to reduce or control costs since its last rate case and provide the effects of these cost saving initiatives on the overall cost of the PBOP plan, the annual cost benefits, and the impacts on current revenue requirements. Please see the testimony of PNM witness Pino for discussion of the cost saving initiatives. In compliance with the Final Order in Case No. 2529, all PBOP accrual amounts booked and deemed recovered in rates since the Commission's Order in Case No. 2529 have been funded through an external trust.

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

A. Yes. As discussed in the testimony of PNM witness Gagne, the net periodic benefit cost/(income) for the PBOP plan is projected to be ($1,751,534). As shown in PNM Exhibit YG-4, PNM's funding of its ASC 715-60 liability has resulted in a net benefit to customers by lowering this expense by approximately $4.2 million. This

is reflected in PNM Exhibit YG-4. In addition, as reflected in PNM Exhibit YG-4, PNM has contributed $17.6 million more to the PBOP Trust than required under Case No. 2529. Please see PNM witness Gagne's Direct Testimony for additional discussion regarding future funding contributions expected by the Company.

Q. WHAT AMOUNT IS PNM INCLUDING IN THE REVENUE REQUIREMENTS IN THIS CASE RELATED TO PBOP EXPENSE?

A. The specific amount of PBOP expense included in PNM's Test Period cost of service is zero as discussed in the testimony of PNM witness Gagne.

VII. ASSET RETIREMENT OBLIGATIONS

Q. WHAT IS AN ASSET RETIREMENT OBLIGATION (ARO)?

A. An ARO represents an entity's legal obligation associated with the retirement of a tangible long-lived asset.

Q. HOW DOES PNM DETERMINE ARO LEVELS?

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

Q. PLEASE DESCRIBE THE APPLICABLE ACCOUNTING GUIDANCE AND PNM'S APPLICATION OF THE GUIDANCE REGARDING AROS.

A. PNM accounts for AROs in accordance with GAAP, ASC 410-20. AROs are legal obligations to retire a tangible long-lived asset in the future, based on cost estimates for the retirement of the asset and the settlement of the obligation. Typically, these cost estimates are provided as cash flows in current year dollars, which are escalated to the settlement date(s) of the retirement obligation using an appropriate escalation rate. The escalated cash flow estimates are then discounted using the Company's current credit adjusted risk free rate to determine the present value. An ARO liability is recorded at the present value of the legal obligation to retire the tangible long-lived asset. A corresponding asset retirement cost ("ARC") asset is capitalized by adjusting the carrying amount of the related tangible long-lived asset by the same amount as the ARO liability. The ARC asset is depreciated on a straight-line basis over the life of the retirement obligation.

If the facts and circumstances of an existing ARO change or the Company receives a new cost estimate for its AROs, both the ARO liability and ARC asset are adjusted by recording a new ARO layer in the same manner as described above. Please refer to PNM Exhibit KTS-4, WP ORB-5 for a summary of PNM's AROs.

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

A. Accretion expense is recorded to recognize the time value of money, with an offset recorded as an increase to the ARO liability. Accretion expense is calculated by

multiplying the present value of the ARO liability by the credit adjusted risk free rate originally used to discount the escalated cash flow estimates to their present value. Please refer to PNM Exhibit KTS-4, WP ORB-3 and WP ORB-4, which include the scheduled accretion amounts as prescribed by GAAP. PNM utilized these scheduled accretion expenses to develop the linkage data and the amounts included in the Test Period. Due to the complexity of these calculations, the accretion amounts are not fully functional in the model. Please refer to the testimony of PNM witness Sanders for a discussion on the treatment of ARO balances and accretion expense in the Test Period revenue requirements.

Q. WHAT IS SAN JUAN COUNTY ORDINANCE NO. 121?

A. On November 9, 2021, the Board of County Commissioners of San Juan County, New Mexico approved and adopted Ordinance No. 121 requiring full demolition and remediation of coal-fired electric generating facilities in San Juan County upon retirement of the facility.

Q. HOW DID ORDINANCE NO. 121 IMPACT THE JOINT OWNERS' DECOMMISSIONING PLANS RELATED TO SAN JUAN GENERATING STATION ("SJGS")?

A. The SJGS is located in San Juan County, and Ordinance No. 121 requires full demolition and remediation of the SJGS. Before Ordinance No. 121 was approved, the joint owners of the SJGS planned for a retirement in place ("RIP")

decommissioning option. The RIP option anticipated structure isolation, cleaning equipment, abatement of environmental constituents, and closure and long-term monitoring of the process and evaporation ponds consistent with industry standard RIP decommissioning approaches for similar facilities. The full demolition mandate by San Juan County includes the same closure activities identified in the RIP option in addition to full demolition of structures to existing grade and full site restoration.

Q. DID PNM REMEASURE ITS SJGS PLANT DECOMMISIONING ARO AFTER ORDINANCE NO. 121 WAS PASSED?

A. Yes, as the facts and circumstances surrounding the SJGS plant decommissioning ARO changed, PNM remeasured its ARO in December 2021 using the full decommissioning scenario in its 2019 decommissioning study, which was the most current study at the time. PNM recorded a new layer to its ARO based on this remeasurement.

Q. HAS A NEW SJGS PLANT DECOMMISSIONING STUDY BEEN PERFORMED SINCE ORDINANCE NO. 121 WAS PASSED?

A. Yes. PNM received a new decommissioning study in the third quarter of 2022 and remeasured its ARO utilizing the full decommissioning scenario in its 2022 decommissioning study. PNM recorded an incremental layer to its ARO based on

this remeasurement related to Ordinance No. 121. See PNM Exhibit JAP-5 for a summary of estimated joint owners' costs to decommission the SGJS.

Q. DID THE IMPACT OF GOING FROM A RIP TO A FULL DECOMMISSIONING SCENARIO CHANGE THE ESTIMATED COSTS TO DECOMMISSION THE SJGS?

A. Yes, going from a RIP to a full decommissioning scenario increased PNMs estimated costs to decommission the SJGS. The remeasurements discussed above resulted in an overall increase above the RIP option to the ARC asset of $16.1 million, incremental ARC asset depreciation of $1.6 million, and incremental accretion of $1.0 million, for a total of $18.7 million as of September 30, 2022.

Q. IS PNM SEEKING RECOVERY OF THE INCREMENTAL COST RELATED TO ORDINANCE NO. 121 THROUGH THE SECURITIZED BONDS TO BE ISSUED UNDER THE ENERGY TRANSITION ACT ("ETA")?

A. No. The ETA limits recovery of plant decommissioning and coal mine reclamation costs through securitized financing to $30.0 million. Including the incremental costs related to Ordinance No. 121 for recovery under the securitized bond issuance would cause PNM to exceed the ETA's cap for the amount of decommissioning and reclamation costs that can be financed by securitized bonds. The incremental amounts above those that are financed will be recovered through base rates.

Q. DOES THE ETA ALLOW FOR A RECONCILIATION OF AMOUNTS FINANCED BY THE ENERGY TRANSITION BONDS AND THE FINAL ACTUAL ENERGY TRANSITION COSTS?

A. Yes, as discussed in PNM's SJGS abandonment filing, NMPRC Case No. 19-00018-UT, the ETA allows for a reconciliation of amounts financed by the energy transition bonds and the final actual energy transition costs. In this case, PNM received approval to track and reconcile each component of the energy transition cost and record the difference to either a regulatory asset (if the actual final energy transition costs are greater than the estimated energy transition costs) or a regulatory liability (if the actual final energy transition costs are less than the estimated energy transition costs).

Q. IS PNM SEEKING RECOVERY OF THE INCREMENTAL COST RELATED TO ORDINANCE NO. 121 IN THIS CASE?

A. Yes, the total $18.7 million of the decommissioning amounts described above have been deferred to a regulatory asset as approved in NMPRC Case No. 19-00018-UT. PNM has included this amount in its cost of service in this case. Please refer to the testimony of PNM witness Sanders for further discussion of how PNM proposes to recover these costs.

VIII. LOSS ON REACQUIRED DEBT

Q. DID PNM INCLUDE IN THE TEST PERIOD REVENUE REQUIREMENTS PREMIUMS PAID TO REACQUIRE HIGH-COST DEBT?

A. Yes. Consistent with the treatment of these costs in prior Commission cases, PNM included in rate base the premiums paid in connection with the refinance of certain high-cost debt. As described below, PNM calculated the benefits to customers as a result of PNM's actions to refinance high-cost debt.

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

A. Yes. In Case Nos. 1916 and 2262, and more recently in the 2015 Rate Case and the 2016 Rate Case, PNM requested and was granted similar cost of service treatment for its allocated share of the loss on reacquired debt. The inclusion of loss on reacquired debt in the determination of revenue requirements proposed in this filing is consistent with past Commission decisions.

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

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

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

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

A. PNM is seeking a return on and return of the unamortized balance of $12.0 million for costs incurred to refinance high-cost debt as shown on PNM Exhibit KTS-4, WP RA-2, page 1.

Q. HAS PNM PERFORMED A CALCULATION SHOWING THAT THE OVERALL COST OF CAPITAL IS LOWER WITH THESE ANTICIPATED LONG-TERM DEBT RETIREMENTS?

A. Yes. As shown in PNM Exhibit KTS-4, WP RA-2, page 2, the overall cost of capital would have been 7.45% instead of 7.12%, as shown in Rule 530 Schedule A-5 Test, had PNM not retired or refinanced its long-term debt. The change in the overall cost of debt is driven by the debt retirements, as shown on PNM Exhibit KTS-4, WP RA-2, page 3. Without the debt retirements, the Company's cost of debt would have been 4.41% versus the 3.72% included in the cost of capital in this proceeding.

Q. DO THE SAVINGS IN TERMS OF REVENUE REQUIREMENTS OUTWEIGH THE COST OF INCLUDING THE LOSS ON REACQUIRED DEBT IN THE COST OF SERVICE?

A. Yes. The calculation in PNM Exhibit KTS-4, WP RA-2, page 1 demonstrates a net benefit to PNM customers of $6,489,208 in the form of lower annual revenue requirements, when comparing the revenue requirements with and without the refinancing of the high-cost debt after taking into account the costs of these actions.

IX. COVID-19 REGULATORY ASSET AND LIABILITY

Q. DID PNM INCLUDE IN THE TEST PERIOD REVENUE REQUIREMENTS A REGULATORY ASSET AND LIABILITY RELATED TO COVID-19 COSTS AND SAVINGS?

A. Yes. PNM included a regulatory asset of $1.8 million for COVID-19 related bad debt expense and a regulatory liability of $0.9 million for savings identified as the result of the COVID-19 pandemic as authorized in NMPRC Case No. 20-00069-UT.

Q. HOW DID PNM CALCULATE THE $1.8 MILLION COVID-19 REGULATORY ASSET INCLUDED IN THE TEST PERIOD REVENUE REQUIREMENT?

A. PNM compared the amount of bad debt expense due to actual account write offs of $9.7 million to the bad debt amounts that PNM currently recovers in rates of $7.9

million during the period beginning March 1, 2020 through June 30, 2022. PNM recorded the $1.8 million difference to the COVID-19 regulatory asset.

Q. DOES PNM ANTICIPATE ADDITIONAL BAD DEBT EXPENSE RELATED TO THE COVID-19 PANDEMIC?

A. Yes, as of June 30, 2022, PNM has recorded a COVID-19 regulatory asset of $6.3 million. This amount consists of $1.8 million of actual bad debt write-offs above amounts collected in rates as described above, and $4.5 million in estimated future bad debt write-offs above amounts to be collected in rates. As required by Accounting Standards Update 2016-13 – Financial Instruments – Credit Losses (ASC Topic 326), PNM must record a reasonable and supportable forecast of future losses related to its current trade receivables balance. Actual bad debt expense will not be known until all future payment plan options are exercised and PNM can accurately measure the final bad debt expense related to COVID-19. PNM is not seeking recovery of the estimated future write offs at this time; however, PNM will seek recovery of actual future write offs above amounts collected in rates related to COVID-19 in a future rate case. Please refer to the testimony of PNM witness Cervantes for a more detailed discussion of the payment plans offered by PNM.

Q. OVER WHAT PERIOD IS PNM PROPOSING TO COLLECT THE $1.8 MILLION COVID-19 REGULATORY ASSET INCLUDED IN THE TEST PERIOD REVENUE REQUIREMENTS?

A. PNM is proposing to collect the COVID-19 regulatory asset over a two-year period. This recovery period was chosen as it reflects approximately the same amount of time the bad debt expense was incurred.

Q. DID PNM INCLUDE A REGULATORY LIABILITY FOR OFFSETTING COST SAVINGS RESULTING FROM THE COVID-19 PANDEMIC?

A. Yes. PNM has included a regulatory liability of $0.9 million related to cost savings resulting from the COVID-19 pandemic. These cost savings were a result of reduced employee travel and miscellaneous expenses at PNM as well as COVID-19-related cost savings reported to PNM by the operator of the Four Corners Power Plant and Palo Verde Nuclear Generating Station. These savings were demonstrated and realized in the initial stages of the pandemic while significant lockdown/shutdown initiatives were in place that derived those savings.

Q. OVER WHAT PERIOD IS PNM PROPOSING TO REFUND THE COVID-19 REGULATORY LIABILITY INCLUDED IN THE TEST PERIOD REVENUE REQUIREMENTS?

A. PNM is proposing to refund the COVID-19 regulatory liability over a two-year period to align with the same recovery period as the COVID-19 regulatory asset.

Q. DID PNM TRACK THE REQUIRED DATA AND FILE THE REQUIRED PERIODIC REPORTS WITH THE COMMISSION CONCERNING USAGE, INCREASED COSTS AND OFFSETTING SAVINGS FROM MARCH 11, 2020 THROUGH THE DATE OF THIS FILING?

A. Yes. PNM conducted the necessary tracking and made all periodic filings as required by NMPRC Case No. 20-00069-UT concerning usage, increased costs and offsetting savings from March 11, 2020, through the date of this filing.

Q. DID PNM IDENTIFY OTHER INCREASED COSTS DUE TO THE COVID-19 PANDEMIC THAT ARE NOT INCLUDED IN ITS REVENUE REQUIREMENT IN THIS CASE?

A. Yes. Through 2021, PNM continued to track increased costs due to the COVID-19 pandemic. PNM determined that because the pandemic had persisted for almost two years, it was reasonable to assume that pandemic conditions would remain for the foreseeable future. Given the extended duration of the pandemic, other costs, as well as any related savings, initially identified as incremental to operations, had become normal and ongoing. Incremental costs exceeded identified savings and both incremental costs and savings were reflected in the unadjusted Base Period that was used as the basis to develop the Test Period, as described further by PNM witness Sanders. Therefore, PNM is not seeking recovery of other incremental costs related to COVID-19 other than bad debt expense as a regulatory asset as discussed above.

X. MERGER-RELATED COSTS

Q. PLEASE DISCUSS FERC'S POLICY REGARDING ACCOUNTING FOR COSTS ASSOCIATED WITH MERGER TRANSACTIONS.

A. In Docket No. PL15-3-000, FERC issued a Policy Statement on May 19, 2016, 155 FERC ¶ 61,189, ("FERC Policy Statement") to provide guidance regarding hold harmless commitments related to merger transactions. Through the FERC Policy Statement, FERC adopted policies regarding implementation of hold harmless commitments offered by applicants as ratepayer protection mechanisms to mitigate adverse effects on rates that may result from transactions subject to section 203 of the Federal Power Act.[3]

The FERC Policy Statement adopted, as general guidance, lists of transaction-related costs and transition costs that should be subject to any hold harmless commitment[4] and provides additional clarifications regarding transition costs,[5] capital costs,[6] labor costs[7] and the costs of transactions that are not consummated.[8] The FERC Policy Statement also established controls and procedures for transaction-related costs subject to any hold harmless commitment.[9]

[3] 155 FERC ¶ 61,189 at 1:1.
[4] *Id* at 31:44.
[5] *Id* at 34:49
[6] *Id* at 36:50.
[7] *Id* at 38:55.
[8] *Id* at 40:58.
[9] *Id* at 43:61-50:72.

Q. PLEASE DISCUSS PNM'S ACCOUNTING FOR COSTS ASSOCIATED WITH THE REQUESTED MERGER BETWEEN PNMR AND AVANGRID, INC.

A. In accordance with the FERC Policy Statement, PNM issued internal guidance establishing controls and procedures for tracking transaction and transition costs related to the proposed Avangrid merger. PNM tracks such costs with a specific project and work order established for that specific purpose. Please see the testimony of PNM witness Sanders for discussion on the procedures implemented to ensure that merger-related costs were not included in the revenue requirements in this case.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

GCG#530059

Statement of Qualifications

PNM Exhibit JAP-1

Is contained in the following 2 pages.

JASON A. PETERS
EDUCATIONAL AND PROFESSIONAL SUMMARY

Name: Jason A. Peters

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

Position: Director, General Accounting

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

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

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

Testimony Filed:

- In the Matter of the Application of Texas-New Mexico Power Company for Interim Update of Wholesale Transmission Rate Pursuant to Subst. R. 25.192(h), PUCT Docket No. 41176, filed January 31, 2013.

- In the Matter of Public Service Company of New Mexico's Application for a Certificate of Public Convenience and Necessity and Related Approvals for the La Luz Energy Center, NMPRC Case No. 13-00175-UT, filed May 17, 2013.

- In the Matter of the Application of Texas-New Mexico Power Company for Interim Update of Wholesale Transmission Rate Pursuant to Subst. R. 25.192(h), PUCT Docket No. 41727, filed August 1, 2013.

- In the Matter of the Application of Texas-New Mexico Power Company for Interim Update of Wholesale Transmission Rate Pursuant to Subst. R. 25.192(h), PUCT Docket No. 42181, filed January 21, 2014.

- In the Matter of the Application of Texas-New Mexico Power Company for Interim Update of Wholesale Transmission Rate Pursuant to Subst. R. 25.192(h), PUCT Docket No. 42691, filed July 18, 2014.

- In the Matter of the Application of Public Service Company of New Mexico for Revision of Its Retail Electric Rates Pursuant to Advice Notice No. 507, NMPRC Case No. 14-00332-UT, filed December 11, 2014.

- In the Matter of the Application of Texas-New Mexico Power Company for Interim Update of Wholesale Transmission Rate Pursuant to Subst. R. 25.192(h), PUCT Docket No. 44340, filed January 20, 2015.

- In the Matter of the Application of Public Service Company of New Mexico's Application for a Revision of its Retail Electric Rates Pursuant to Advice No. 513, NMPRC Case No. 15-00261-UT, filed August 27, 2015.

Listing of Cost Types and Locations

PNM Exhibit JAP-2

Is contained in the following 8 pages.

PNM Exhibit JAP-2
Listing of Cost Types and Locations

Cost Types

COST_TYPE	DESCRIPTION
110	Straight Time-General
120	Overtime-General
140	Misc Pay Pension Eligible
150	Paid Absence
151	Vacation
152	Illness
153	Holiday
15S	Paid Time Off Hours
200	Fleet Vehicle Maint-Rental - Allocation of PNM fleet costs to capital spend or O&M
203	Fleet Other Expense
204	Fleet Maintenance Expense
205	Fleet Fuel Expense
206	Fleet Lease Expense
324	Postage Expenses
325	Freight
331	Supplies and Equipment - Miscellaneous supplies and minor purchases
332	Subsciptions & Renewals
345	Consumables - Nonloading - Miscellaneous supplies, chemicals, and minor purchases not loaded
350	Material Issues-Major - Material issued to work orders that is standard stock in the warehouse
359	Non-Stock Materials - Material issued to work orders that is not regularly stocked in the warehouse
370	Outside Services
374	Outside Services Legal
376	Vegetation Management
377	Outside Services-Temp Labor
390	Joint Project Bills to PNM-Labor - Charges to PNM for plants where PNM is a participant
391	Joint Project Bills to PNM-Non-Labor - Charges to PNM for plants where PNM is a participant
406	Computer Maintenance - Costs for maintenance on computer equipment
421	Depreciation
422	Amortization
425	Commitment Fees-Transact Costs
426	Capitalized Interest
427	Interest Income or Expense
428	Computer Software - Licenses for various software packages
429	Computer Hardware - Purchase costs for computer hardware

COST_TYPE	DESCRIPTION
430	Line Of Credit Fees
436	Equipment-Safety
450	Insurance Premiums
472	Leases - Long Term
473	Leases - Short Term
490	Tax-General
500	Utility Payments
501	Phones
522	Damages - Payment
524	Damages-Vehicles (Non Company)
525	Damages - General
530	Employee Expense
535	Per Diem - Union Contract
548	Overtime Meals
550	Meals
554	Professional Dues
555	Reproduction and Printing - Internal
560	Dues Fees Fines - Membership dues, permit fees, and miscellaneous fees
581	Bad Debt Uncollectible
600	Incentive Compensation
610	Expenses - General
611	Advertising
622	Contributions and Donations
623	Customer Adjustments and Over-Short
671	Base Energy Expense
674	Demand Energy Expense
684	Nuclear Fuel Uranium - Project
685	Nuclear Fuel-Natural Uranium
686	Nuclear Fuel - Conversion
687	Nuclear Fuel - Enrichment
688	Nuclear Fuel - Fabrication
689	Nuclear Fuel - Miscellaneous
690	Nuclear Fuel - Non Cash
696	Nuclear Fuel - Accruals
722	Fuel Costs
724	Fuel - Fleet Equipment
725	Fuel - Burn
770	Revenue-General
771	Merchandising and Jobbing Revenue
772	Fuel Clause Adjustment
773	Base Energy Revenue
774	Demand Energy Revenue
779	Energy Efficiency Rider
783	Renewable Rate Rider
800	Asset

COST_TYPE	DESCRIPTION
802	Level 2 SFAS 157
803	Level 3 SFAS 157
805	Land and Land Rights
807	Non Refundable Contribution
808	Refundable Advances
811	Joint Trench Cr
813	Customer Built System
818	Salvage - Material Cr
825	Clearings
829	Construction Adjustment - Used for high level construction adjustments for budgeting purposes only
831	Decommission Cost-Palo Verde Nuclear Generating Station
832	Lease Accrual - Palo Verde Nuclear Generating Station
838	Excess Gain Amortization-Palo Verde Nuclear Generating Station
871	Excess Gross Receipts
872	Excess Franchise
874	Tax-Other Than Income
875	Tax-Property-NM Non-Leased
877	Tax-Property-Arizona
879	Tax-Native American
880	Tax-Gross Receipts
882	Tax-Compensating
883	Tax-FICA
884	Tax-FUTA
885	Tax-SUTA
887	Tax-Franchise
888	Tax-NMPSC (S and I)
889	Tax-Federal Excise
891	Tax-Federal Highway Use
892	Tax-State Highway Use
896	Tax-Transaction Privilege
897	Tax-Use
901	Tax-Federal Withhold
902	Tax-State Withhold
905	Algodones Accounts Receivable-Labor
906	Algodones Accounts Receivable - Other
907	Algodones A&G Load
908	Luna AR - Labor
909	Luna AR - Other
911	Time Off Allowances
913	Payroll Taxes Load
914	Pension and Benefits Load
915	Injuries and Damages Load
916	Pension Load Non-Service Cost
918	San Juan AR-Labor - Charges to Other Participants of San Juan Generating Station

COST_TYPE	DESCRIPTION
919	System Operations - Labor
920	Switchyard - Labor
921	Stores / Purchasing Load
922	Minor Material Load
924	Corporate O and M
925	E&S Loads
926	A&G Loads
927	Transportation Clearing
928	AFUDC - Debt
929	AFUDC - Equity
931	System Operations - Other - Charges to Other Participants of San Juan Generating Station
937	San Juan AR - Other - Billings to Participants of San Juan Generating Station
938	Switchyard - Other - Charges to Participants for San Juan Switchyard
939	San Juan A&G Load
940	Luna A&G Load
951	NSC E&S
955	NSC CIAC
961	Luna A&G PNMR D&V
970	Company 6 Allocation
976	Eliminations 976
996	Load/Allocation Adjustment-NSC
998	Load/Allocation Adjustment
999	Suspense Accounts

Locations

Area1	Area2	GL_LOCATION	DESCRIPTION
TOTAL_PNM_ELECTRIC	PNM_ELECTRIC	010	Electric Services-General
TOTAL_PNM_ELECTRIC	PNM_ELECTRIC	011	Distribution Renewable Rider
TOTAL_PNM_ELECTRIC	PNM_ELECTRIC	012	Distribution Renewable Base Rate
TOTAL_PNM_ELECTRIC	PNM_ELECTRIC	014	Future 2015 Renewable
HAZARD_SHARING		032	TSGT Hazard
GENERATION_LOCATIONS	GENERATION_RENEWABLE	037	Generation Facebook
GENERATION_LOCATIONS	PURCHASE_CONTRACTS	041	Southwest Public Service (SPS) Firm
GENERATION_LOCATIONS	PURCHASE_CONTRACTS	045	Wind
GENERATION_LOCATIONS	PURCHASE_CONTRACTS	046	Rio Bravo
GENERATION_LOCATIONS	PURCHASE_CONTRACTS	048	Valencia
SALES_CONTRACTS		049	Off System Juris Gas
SALES_CONTRACTS		052	City Of Gallup
SALES_CONTRACTS		057	ITS Non-Specific
SALES_CONTRACTS		058	STS Excess Sales
SALES_CONTRACTS		059	Forwards Non-Specific
SALES_CONTRACTS		061	Coal Mine Decommissioning
BTS_UTILITYPROJECTS		091	BTS Projects - PNM Electric
BTS_UTILITYPROJECTS		092	BTS Projects - PNM Transmissio
BTS_UTILITYPROJECTS		093	BTS Projects - PNM Generation
BTS_UTILITYPROJECTS		098	BTS Projects - TNMP
TOTAL_PNM_ELECTRIC	PNM_ELECTRIC	100	Albuquerque Electric Services
TOTAL_PNM_ELECTRIC	PNM_ELECTRIC	105	PNM Grid Modernization
TOTAL_PNM_ELECTRIC	PNM_ELECTRIC	120	Western Division
TOTAL_PNM_ELECTRIC	PNM_ELECTRIC	128	Facebook PPA Pass Through Rev
TOTAL_PNM_ELECTRIC	PNM_ELECTRIC	129	Facebook Over Production Creds
TOTAL_PNM_ELECTRIC	PNM_ELECTRIC	130	Distribution Facebook
TOTAL_PNM_ELECTRIC	PNM_ELECTRIC	135	Solar Direct
TOTAL_PNM_ELECTRIC	PNM_ELECTRIC	140	East Mountain Division
TOTAL_PNM_ELECTRIC	PNM_ELECTRIC	141	Elec PNM South General
TOTAL_PNM_ELECTRIC	PNM_ELECTRIC	142	Elec Alamagordo
TOTAL_PNM_ELECTRIC	PNM_ELECTRIC	143	Elec Ruidoso
TOTAL_PNM_ELECTRIC	PNM_ELECTRIC	144	Elec Silver city
TOTAL_PNM_ELECTRIC	PNM_ELECTRIC	145	Solar Direct credits
TOTAL_PNM_ELECTRIC	PNM_ELECTRIC	150	TNMP NM Dist General
TOTAL_PNM_ELECTRIC	PNM_ELECTRIC	151	Alamagordo Services Dist
TOTAL_PNM_ELECTRIC	PNM_ELECTRIC	152	Ruidoso Services Dist
TOTAL_PNM_ELECTRIC	PNM_ELECTRIC	155	Silver City Services Dist
TOTAL_UTILCOMM_ALLOC		174	Allocation General Management - Company 1,2,34,35
TOTAL_UTILCOMM_ALLOC		192	PNM-TNMP Texas
TOTAL_PNM_ELECTRIC	PNM_ELECTRIC	200	Deming Electric Services
TOTAL_PNM_ELECTRIC	PNM_TRANSMISSION	220	TNMP NM Transmission General
TOTAL_PNM_ELECTRIC	PNM_ELECTRIC	300	Las Vegas Electric Services
GENERATION_LOCATIONS	GENERATION_RENEWABLE	301	Gen PNMRD FB1
GENERATION_LOCATIONS	GENERATION_RENEWABLE	302	Gen PNMRD FB2
GENERATION_LOCATIONS	GENERATION_RENEWABLE	303	Gen PNMRD FB3
GENERATION_LOCATIONS	GENERATION_RENEWABLE	304	Casa Mesa Wind
GENERATION_LOCATIONS	GENERATION_RENEWABLE	305	Route 66 Solar
GENERATION_LOCATIONS	GENERATION_RENEWABLE	306	La Joya Wind I
GENERATION_LOCATIONS	GENERATION_RENEWABLE	307	Encino Solar
GENERATION_LOCATIONS	GENERATION_RENEWABLE	308	Britton Solar
GENERATION_LOCATIONS	GENERATION_RENEWABLE	309	Encino North solar FB

Area1	Area2	GL_LOCATION	DESCRIPTION
GENERATION_LOCATIONS	GENERATION_RENEWABLE	311	Sky Ranch solar FB
GENERATION_LOCATIONS	GENERATION BATTERY	312	Sky Ranch solar Battery FB
GENERATION_LOCATIONS	GENERATION_RENEWABLE	313	Jicarilla I Center Solar
GENERATION_LOCATIONS	GENERATION BATTERY	314	Jicarilla I Center solar Batte
GENERATION_LOCATIONS	GENERATION BATTERY	315	Sandia Peak Battery (Able Grid
GENERATION_LOCATIONS	GENERATION_RENEWABLE	316	Atrisco Solar (Clenera)
GENERATION_LOCATIONS	GENERATION BATTERY	317	Atrisco Solar Battery (Clenera
BULK_POWER_ALLOCS		357	Bulk Power Building Allocation
GENERATION_LOCATIONS	GENERATION_RENEWABLE	370	Gen Renewable La Joya Wind 2
GENERATION_LOCATIONS	GENERATION_RENEWABLE	371	Solar Direct
GENERATION_LOCATIONS	GENERATION_RENEWABLE	372	Jicarilla Solar
GENERATION_LOCATIONS	GENERATION BATTERY	373	Jicarilla Solar Battery
GENERATION_LOCATIONS	GENERATION_RENEWABLE	374	Rockmont (201LC 8me) Solar
GENERATION_LOCATIONS	GENERATION BATTERY	375	Rockmont (201LC 8me) Battery
GENERATION_LOCATIONS	GENERATION_RENEWABLE	376	San Juan I Solar
GENERATION_LOCATIONS	GENERATION BATTERY	377	San Juan I Solar Battery
GENERATION_LOCATIONS	GENERATION_RENEWABLE	378	Arroyo Solar
GENERATION_LOCATIONS	GENERATION BATTERY	379	Arroyo Solar Battery
TOTAL_PNM_ELECTRIC	PNM_ELECTRIC	410	Santa Fe Electric Servics
TOTAL_PNM_ELECTRIC	PNM_ELECTRIC	500	Belen Division
TOTAL_PNM_ELECTRIC	PNM_ELECTRIC	600	Electric System
TOTAL_PNM_ELECTRIC	PNM_TRANSMISSION	615	Transmission-Four Corners
TOTAL_PNM_ELECTRIC	PNM_TRANSMISSION	620	Ancillary Schedule 1 ST PTP incl interc
TOTAL_PNM_ELECTRIC	PNM_TRANSMISSION	635	APS Palo Verde Transmission
TOTAL_PNM_ELECTRIC	PNM_TRANSMISSION	637	EPE - Afton Transmission
TOTAL_PNM_ELECTRIC	PNM_TRANSMISSION	638	Pre-OATT Demand Allocation
TOTAL_PNM_ELECTRIC	PNM_TRANSMISSION	639	Long Term Firm PTP-Sch 7 Transmission
TOTAL_PNM_ELECTRIC	PNM_TRANSMISSION	640	Short Term Firm PTP-Sch 7 Transmission
TOTAL_PNM_ELECTRIC	PNM_TRANSMISSION	642	Short Term Non Firm PTP Transmission
TOTAL_PNM_ELECTRIC	PNM_TRANSMISSION	644	Ancillary Svcs-Sch 1 Transmission
TOTAL_PNM_ELECTRIC	PNM_TRANSMISSION	645	Bilateral Transmission Pre OATT
TOTAL_PNM_ELECTRIC	PNM_TRANSMISSION	646	EPE - Luna Transmission
TOTAL_PNM_ELECTRIC	PNM_TRANSMISSION	647	Other - Transmission
TOTAL_PNM_ELECTRIC	PNM_TRANSMISSION	648	Transmission General 2
TOTAL_PNM_ELECTRIC	PNM_TRANSMISSION	650	Transmission General
TOTAL_PNM_ELECTRIC	PNM_TRANSMISSION	658	Palo Verde Transmission
TOTAL_PNM_ELECTRIC	PNM_TRANSMISSION	661	Western Spirit
TOTAL_PNM_ELECTRIC	PNM_TRANSMISSION	676	Transmission San Juan Switchyard
GENERATION_LOCATIONS	PRODUCTION	700	Production Division
GENERATION_LOCATIONS	PRODUCTION	701	Gas Storage
GENERATION_LOCATIONS	AFTON_STATION	702	Afton
GENERATION_LOCATIONS	LORDSBURG_STATION	703	Lordsburg
GENERATION_LOCATIONS	OTHER_PLANTS	705	Bulk Power Projects
GENERATION_LOCATIONS	AFTON_STATION	707	Afton-1
GENERATION_LOCATIONS	REEVES_POWER_STATION	713	Reeves Power Station
GENERATION_LOCATIONS	FOUR_CORNERS	715	Four Corners Power Station
GENERATION_LOCATIONS	ALGODONES_STN	716	Algodones
GENERATION_LOCATIONS	OTHER_PLANTS	717	Las Vegas Turbine
GENERATION_LOCATIONS	PALO_VERDE_POWER_ST	720	Palo Verde-Power Station
GENERATION_LOCATIONS	PALO_VERDE_POWER_ST	721	Palo Verde Unit 1
GENERATION_LOCATIONS	PALO_VERDE_POWER_ST	722	Palo Verde Unit 2

Area1	Area2	GL_LOCATION	DESCRIPTION
GENERATION_LOCATIONS	PALO_VERDE_POWER_ST	723	Palo Verde Unit 3
GENERATION_LOCATIONS	PALO_VERDE_POWER_ST	724	Palo Verde Common All Units
GENERATION_LOCATIONS	PALO_VERDE_POWER_ST	725	Palo Verde Water Reclamation Facility
SALES_CONTRACTS		726	Ancillary Schedule 2-5
SALES_CONTRACTS		727	OATT 15.7 Energy Losses
GENERATION_LOCATIONS	PRODUCTION	730	Production Common All Power Plants
BULK_POWER_MARKETING		731	PNM Marketing
GENERATION_LOCATIONS	SAN_JUAN	735	San Juan 4 132MW Acquisition
GENERATION_LOCATIONS	SAN_JUAN	736	San Juan 4 65 MW Acquisition
GENERATION_LOCATIONS	LUNA_POWER_STATION	740	Luna General
GENERATION_LOCATIONS	LUNA_POWER_STATION	744	Luna Common All Units
GENERATION_LOCATIONS	LUNA_POWER_STATION	745	100 Percent TEP soley owned
GENERATION_LOCATIONS	LUNA_POWER_STATION	746	100 Percent FMI soley owned
GENERATION_LOCATIONS	LUNA_POWER_STATION	747	100 Percent PNM soley owned
BULK_POWER_MARKETING		750	Power Operations Facility
GENERATION_LOCATIONS	GENERATION_RENEWABLE	751	Gen Renewable Base Rate
GENERATION_LOCATIONS	OTHER_PLANTS	752	Gen La Luz Gas Plant
GENERATION_LOCATIONS	GENERATION_RENEWABLE	753	Gen Renewable Rider 2
GENERATION_LOCATIONS	GENERATION_RENEWABLE	755	Gen Renewable Rider 1
GENERATION_LOCATIONS	GENERATION_RENEWABLE	757	Gen Renewable Geothermal
GENERATION_LOCATIONS	GENERATION_RENEWABLE	759	Gen Renewable Red Mesa Wind
GENERATION_LOCATIONS	SAN_JUAN	760	San Juan General
GENERATION_LOCATIONS	SAN_JUAN	761	San Juan Unit 1
GENERATION_LOCATIONS	SAN_JUAN	764	San Juan Unit 4
GENERATION_LOCATIONS	SAN_JUAN	765	San Juan Common U1 And U2
GENERATION_LOCATIONS	SAN_JUAN	766	San Juan Common All Units
GENERATION_LOCATIONS	SAN_JUAN	767	San Juan Common U3 And U4
GENERATION_LOCATIONS	SAN_JUAN	768	Variable Fuel Allocation
GENERATION_LOCATIONS	SAN_JUAN	769	100 Pct TEP Solely Owned
GENERATION_LOCATIONS	SAN_JUAN	770	100 Pct PNM Solely Owned
GENERATION_LOCATIONS	SAN_JUAN	771	100 Pct LAC Solely Owned
GENERATION_LOCATIONS	SAN_JUAN	772	100 Pct TRI Solely Owned
GENERATION_LOCATIONS	SAN_JUAN	773	100 Pct MSR Solely Owned
GENERATION_LOCATIONS	SAN_JUAN	774	100 Pct COF Solely Owned
GENERATION_LOCATIONS	SAN_JUAN	776	San Juan Switchyard 65 Percent PNM - 35 Percent TEP
GENERATION_LOCATIONS	SAN_JUAN	777	100 Percent UMP Solely Owned
GENERATION_LOCATIONS	SAN_JUAN	778	100 Percent SCP Solely Owned
GENERATION_LOCATIONS	SAN_JUAN	779	San Juan Switchyard Miscellaneous 50 Percent PNM-50 Percent TEP
GENERATION_LOCATIONS	SAN_JUAN	787	Post 2017 Coal supply allocation
GENERATION_LOCATIONS	SAN_JUAN	788	Fuel Supply remaining participation
GENERATION_LOCATIONS	SAN_JUAN	789	Decomm-Reclaim-Pre-2017 YE
GENERATION_LOCATIONS	SAN_JUAN	790	Decomm-Reclaim-Post-2017 YE
TOTAL_PNM_ELECTRIC	PNM_ELECTRIC	899	Bernalillo Division
TOTAL_PNM_ELECTRIC	PNM_ELECTRIC	900	Clayton Division
CORP_ALLOCATIONS	TRANSACTIONAL_ALLOCS	911	Corp Alloc Financial Systems
CORP_ALLOCATIONS	TRANSACTIONAL_ALLOCS	912	Corp Alloc Accounts Payable
CORP_ALLOCATIONS	TRANSACTIONAL_ALLOCS	914	Corp Alloc Number of Assets
CORP_ALLOCATIONS	DIRECT_ALLOCS	917	Corp Alloc 100pct PNMR DM
CORP_ALLOCATIONS	GENERAL_ALLOCS	941	Corp Alloc-Gen PNMR Utility
CORP_ALLOCATIONS	DIRECT_ALLOCS	942	Corp Alloc 100 Percent Electric
CORP_ALLOCATIONS	DIRECT_ALLOCS	946	Corp Alloc 100 Percent Bulk Power

Area1	Area2	GL_LOCATION	DESCRIPTION
CORP_ALLOCATIONS	DIRECT_ALLOCS	947	Corp Alloc 100 Percent Transmission
CORP_ALLOCATIONS	GENERAL_ALLOCS	948	Corp Alloc PNM Utility Common
CORP_ALLOCATIONS	GENERAL_ALLOCS	951	Corp Alloc PNM Utility with Bulk Gen
CORP_ALLOCATIONS	DIRECT_ALLOCS	953	Corp Alloc 100 Percent TNMP Texas
CORP_ALLOCATIONS	TRANSACTIONAL_ALLOCS	968	Corp Alloc-IT Infrastructure
CORP_ALLOCATIONS	TRANSACTIONAL_ALLOCS	973	Corp Alloc-Building-Lewisville
CORP_ALLOCATIONS	TRANSACTIONAL_ALLOCS	974	Corp Alloc-Building-Las Colinas-Lewisville
CORP_ALLOCATIONS	TRANSACTIONAL_ALLOCS	977	Corp Alloc-Downtown Buildings
CORP_ALLOCATIONS	TRANSACTIONAL_ALLOCS	980	Corp Alloc-Building-Abuquerque Aztec
CORP_ALLOCATIONS	TRANSACTIONAL_ALLOCS	986	Corp Alloc - MMS-Maximo
CORP_ALLOCATIONS	TRANSACTIONAL_ALLOCS	993	Corp Alloc Employee Count
UNALLOCATED		999	Corporate Unallocated

Please refer to PNM Exhibit JAP-4 for explanation of Corporate Allocations locations in the Cost Allocation Manual.

Capital Loads

PNM Exhibit JAP-3

Is contained in the following 14 pages.

PNM EXHIBIT JAP-3
CAPITAL LOADS

Contents

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

PNM Exhibit JAP-3
Capital Loads

Payroll Loads

Payroll Loads 2021

		Electric Distribution	*Electric Transmission*	*Bulk Power*	*PNM Common Utility*	*Corporate*	*TNMP Texas*	*PNMR DM*
	CT	**Co. 001**	**Co. 002**	**Co. 003**	**Co. 006**	**Co. 007**	**Co. 012**	**Co. 009**
Payroll Taxes (PRT)	913	7.4900%	7.4900%	6.9800%	7.4900%	7.3600%	7.5100%	7.3600%
Pension & Benefits (P&B)	914	21.0700%	21.0700%	35.4600%	21.0700%	22.5400%	20.6400%	22.5400%
Injuries & Damages (I&D)	915	7.5700%	7.5700%	3.1200%	7.5700%	1.5900%	9.7200%	1.5900%
Pension & Benefits (P&B NSC)	916	1.0400%	1.0400%	0.0000%	1.0400%	0.0000%	-1.2100%	0.0000%
Total		36.1300%	36.1300%	45.5600%	36.1300%	31.4900%	37.8700%	31.4900%
Total incl NSC		37.1700%	37.1700%	45.5600%	37.1700%	31.4900%	36.6600%	31.4900%

Payroll Loads 2022

		Electric Distribution	*Electric Transmission*	*Bulk Power*	*PNM Common Utility*	*Corporate*	*TNMP Texas*	*PNMR DM*
	CT	**Co. 001**	**Co. 002**	**Co. 003**	**Co. 006**	**Co. 007**	**Co. 012**	**Co. 009**
Payroll Taxes (PRT)	913	7.5700%	7.5700%	6.8400%	7.5700%	7.9800%	7.6900%	7.9800%
Pension & Benefits (P&B)	914	21.5200%	21.5200%	34.4100%	21.5200%	22.4800%	21.5700%	22.4800%
Injuries & Damages (I&D)	915	8.5600%	8.5600%	3.3500%	8.5600%	1.7400%	9.9000%	1.7400%
Pension & Benefits (P&B NSC)	916	0.4900%	0.4900%	0.0000%	0.4900%	0.0000%	-1.2100%	0.0000%
Total		37.6500%	37.6500%	44.6000%	37.6500%	32.2000%	39.1600%	32.2000%
Total incl NSC		38.1400%	38.1400%	44.6000%	38.1400%	32.2000%	37.9500%	32.2000%

Payroll Loads 2023

		Electric Distribution	*Electric Transmission*	*Bulk Power*	*PNM Common Utility*	*Corporate*	*TNMP Texas*	*PNMR DM*
	CT	**Co. 001**	**Co. 002**	**Co. 003**	**Co. 006**	**Co. 007**	**Co. 012**	**Co. 009**
Payroll Taxes (PRT)	913	7.5300%	7.5300%	7.0700%	7.5300%	7.9800%	7.6100%	7.9800%
Pension & Benefits (P&B)	914	23.0300%	23.0300%	35.4100%	23.0300%	23.5400%	23.0400%	23.5400%
Injuries & Damages (I&D)	915	9.9500%	9.9500%	4.7200%	9.9500%	2.2000%	12.6300%	2.2000%
Pension & Benefits (P&B NSC)	916	-0.5200%	-0.5200%	0.0000%	-0.5200%	0.0000%	-1.1300%	0.0000%
Total		40.5100%	40.5100%	47.2000%	40.5100%	33.7200%	43.2800%	33.7200%
Total incl NSC		39.9900%	39.9900%	47.2000%	39.9900%	33.7200%	42.1500%	33.7200%

Engineering & Supervision Loads

202107

		Electric Distribution	*Electric Transmission*	*Bulk Power*	*PNM Common Utility*	*Corporate*	*TNMP Texas*	*PNMR DM*
	CT	**Co. 001**	**Co. 002**	**Co. 003**	**Co. 006**	**Co. 007**	**Co. 012**	**Co. 009**
184071 - Distribution (1)	925	11.590386%					6.7200%	
184070 - Transmission (2)	925		2.568997%				4.7100%	
184201 - Generation (3)	925				0.0000%			

202108

		Electric Distribution	*Electric Transmission*	*Bulk Power*	*PNM Common Utility*	*Corporate*	*TNMP Texas*	*PNMR DM*
	CT	**Co. 001**	**Co. 002**	**Co. 003**	**Co. 006**	**Co. 007**	**Co. 012**	**Co. 009**
184071 - Distribution (1)	925	10.232124%					6.7200%	
184070 - Transmission (2)	925		1.916915%				4.7100%	
184201 - Generation (3)	925				0.0000%			

202109

		Electric Distribution	*Electric Transmission*	*Bulk Power*	*PNM Common Utility*	*Corporate*	*TNMP Texas*	*PNMR DM*
	CT	**Co. 001**	**Co. 002**	**Co. 003**	**Co. 006**	**Co. 007**	**Co. 012**	**Co. 009**
184071 - Distribution (1)	925	11.082065%					7.0000%	
184070 - Transmission (2)	925		6.762875%				3.0000%	
184201 - Generation (3)	925				0.0000%			

202110

		Electric Distribution	*Electric Transmission*	*Bulk Power*	*PNM Common Utility*	*Corporate*	*TNMP Texas*	*PNMR DM*
	CT	**Co. 001**	**Co. 002**	**Co. 003**	**Co. 006**	**Co. 007**	**Co. 012**	**Co. 009**
184071 - Distribution (1)	925	11.234839%					7.0000%	
184070 - Transmission (2)	925		4.841514%				3.0000%	
184201 - Generation (3)	925				0.0000%			

202111

		Electric Distribution	*Electric Transmission*	*Bulk Power*	*PNM Common Utility*	*Corporate*	*TNMP Texas*	*PNMR DM*
	CT	**Co. 001**	**Co. 002**	**Co. 003**	**Co. 006**	**Co. 007**	**Co. 012**	**Co. 009**
184071 - Distribution (1)	925	8.543962%					7.0000%	
184070 - Transmission (2)	925		2.674038%				3.0000%	
184201 - Generation (3)	925				0.0000%			

202112

		Electric Distribution	*Electric Transmission*	*Bulk Power*	*PNM Common Utility*	*Corporate*	*TNMP Texas*	*PNMR DM*
	CT	**Co. 001**	**Co. 002**	**Co. 003**	**Co. 006**	**Co. 007**	**Co. 012**	**Co. 009**
184071 - Distribution (1)	925	4.822013%					7.0000%	
184070 - Transmission (2)	925		1.581544%				3.0000%	
184201 - Generation (3)	925				0.0000%			

202201

		Electric Distribution	*Electric Transmission*	*Bulk Power*	*PNM Common Utility*	*Corporate*	*TNMP Texas*	*PNMR DM*
	CT	**Co. 001**	**Co. 002**	**Co. 003**	**Co. 006**	**Co. 007**	**Co. 012**	**Co. 009**
184071 - Distribution (1)	925	10.605176%					6.0000%	
184070 - Transmission (2)	925		7.489897%				2.0000%	
184201 - Generation (3)	925				0.0000%			

202202

		Electric Distribution	*Electric Transmission*	*Bulk Power*	*PNM Common Utility*	*Corporate*	*TNMP Texas*	*PNMR DM*
	CT	**Co. 001**	**Co. 002**	**Co. 003**	**Co. 006**	**Co. 007**	**Co. 012**	**Co. 009**
184071 - Distribution (1)	925	8.422838%					6.0000%	
184070 - Transmission (2)	925		9.245242%				2.0000%	
184201 - Generation (3)	925				0.0000%			

202203

		Electric Distribution	*Electric Transmission*	*Bulk Power*	*PNM Common Utility*	*Corporate*	*TNMP Texas*	*PNMR DM*
	CT	**Co. 001**	**Co. 002**	**Co. 003**	**Co. 006**	**Co. 007**	**Co. 012**	**Co. 009**
184071 - Distribution (1)	925	7.055502%					6.0000%	
184070 - Transmission (2)	925		6.587905%				2.0000%	
184201 - Generation (3)	925				0.0000%			

202204

		Electric Distribution	*Electric Transmission*	*Bulk Power*	*PNM Common Utility*	*Corporate*	*TNMP Texas*	*PNMR DM*
	CT	**Co. 001**	**Co. 002**	**Co. 003**	**Co. 006**	**Co. 007**	**Co. 012**	**Co. 009**
184071 - Distribution (1)	925	10.156012%					6.0000%	
184070 - Transmission (2)	925		15.857102%				2.0000%	
184201 - Generation (3)	925				0.0000%			

202205

		Electric Distribution	*Electric Transmission*	*Bulk Power*	*PNM Common Utility*	*Corporate*	*TNMP Texas*	*PNMR DM*
	CT	**Co. 001**	**Co. 002**	**Co. 003**	**Co. 006**	**Co. 007**	**Co. 012**	**Co. 009**
184071 - Distribution (1)	925	10.315384%					6.0000%	
184070 - Transmission (2)	925		5.148954%				2.0000%	
184201 - Generation (3)	925				0.0000%			

202206

		Electric Distribution	Electric Transmission	Bulk Power	PNM Common Utility	Corporate	TNMP Texas	PNMR DM
	CT	Co. 001	Co. 002	Co. 003	Co. 006	Co. 007	Co. 012	Co. 009
184071 - Distribution (1)	925	8.078320%					6.0000%	
184070 - Transmission (2)	925		2.685131%				2.0000%	
184201 - Generation (3)	925				0.0000%			

2023

		Electric Distribution	Electric Transmission	Bulk Power	PNM Common Utility	Corporate	TNMP Texas	PNMR DM
	CT	Co. 001	Co. 002	Co. 003	Co. 006	Co. 007	Co. 012	Co. 009
184071 - Distribution (1)	925	11.5000%					5.0000%	
184070 - Transmission (2)	925		5.0000%				2.0000%	
184201 - Generation (3)	925				0.0000%			

Administrative & General Loads

Administrative & General Loads 2021

		Electric Distribution	Electric Transmission	Bulk Power	PNM Common Utility	Corporate	TNMP Texas	PNMR DM
	CT	Co. 001	Co. 002	Co. 003	Co. 006	Co. 007	Co. 012	Co. 009
922100 - Major (1)	926		3.0000%	see below			3.0000%	
922200 - Minor (2)	926	6.0000%	6.0000%	see below			6.0000%	6.0000%
922300 - Other (3)	926		0.8200%	see below				

Bulk Power Co. 003			BP BLDG	GENERAL	AFT	LORD,LUN	REE	LV,MKTG	FC	PV
	CT	046	357	700	702,707, 708	703,706	713	717,731	715	720-725
922100 - Major	926	3.0000%			3.0000%	3.0000%	3.0000%			
922200 - Minor	926	6.0000%	6.0000%	6.0000%	6.0000%	6.0000%	6.0000%	6.0000%		
922300 - Other (JPP)	926								0.8200%	0.8200%

Bulk Power Co. 003		LUNA	LUNA D&M	D&M ADJ PNMCR	LUNA	RENEW	SJ	SJ	SJ SNCR
	CT	741-746	741-744	741-744	747	751	760	761-790	761,764, 770
922100 - Major	926	30.5600%	1.1200%	-10.1870%	3.0000%	3.0000%	0.0000%	0.0000%	1.0000%
922200 - Minor	926	30.5600%	2.2410%	-10.1870%	6.0000%	6.0000%	6.7100%	6.7100%	6.7100%
922300 - Other (JPP)	926								

Administrative & General Loads 2022

		Electric Distribution	Electric Transmission	Bulk Power	PNM Common Utility	Corporate	TNMP Texas	PNMR DM
	CT	Co. 001	Co. 002	Co. 003	Co. 006	Co. 007	Co. 012	Co. 009
922100 - Major (1)	926		3.9600%	see below			3.9600%	
922200 - Minor (2)	926	3.9600%	3.9600%	see below			3.9600%	3.9600%
922300 - Other (3)	926		0.8200%	see below				

Bulk Power Co. 003			BP BLDG	GENERAL	AFT	LOR,DLUN	REE	LV,MKTG	FC	PV
	CT	046	357	700	702,707, 708	703,706	713	717,731	715	720-725
922100 - Major	926	3.9600%			3.9600%	3.9600%	3.9600%			
922200 - Minor	926	3.9600%	3.9600%	3.9600%	3.9600%	3.9600%	3.9600%	3.9600%		
922300 - Other (JPP)	926								0.8200%	0.8200%

Bulk Power Co. 003		LUNA	LUNA D&M	D&M ADJ PNMCR	LUNA	RENEW	SJ	SJ	SJ SNCR	
	CT	741-746	741-744	741-744	747	751	760	761-790	761,764, 770	
922100 - Major	926	30.5600%	1.1200%	-10.1870%	3.9600%	3.9600%	0.0000%	0.0000%	1.0000%	
922200 - Minor	926	30.5600%	2.2410%	-10.1870%	3.9600%	3.9600%	3.5000%	3.5000%	3.5000%	
922300 - Other (JPP)	926									

Administrative & General Loads 2023

		Electric Distribution	Electric Transmission	Bulk Power	PNM Common Utility	Corporate	TNMP Texas	PNMR DM		
	CT	Co. 001	Co. 002	Co. 003	Co. 006	Co. 007	Co. 012	Co. 009		
922100 - Major (1)	926		3.5900%	see below			3.5900%			
922200 - Minor (2)	926	3.5900%	3.5900%	see below			3.5900%	3.5900%		
922300 - Other (3)	926		0.8200%	see below						

Bulk Power Co. 003			BP BLDG	GENERAL	AFT	LOR,DLUN	REE	LV,MKTG	FC	PV
	CT	046	357	700	702,707, 708	703,706	713	717,731	715	720-725
922100 - Major	926	3.5900%			3.5900%	3.5900%	3.5900%			
922200 - Minor	926	3.5900%	3.5900%	3.5900%	3.5900%	3.5900%	3.5900%	3.5900%		
922300 - Other (JPP)	926								0.8200%	0.8200%

Bulk Power Co. 003		LUNA	LUNA D&M	D&M ADJ PNMCR	LUNA	RENEW	SJ	SJ	SJ SNCR
	CT	741-746	741-744	741-744	747	751	760	761-790	761,764, 770
922100 - Major	926	30.5600%	1.3200%	-10.1870%	3.5900%	3.5900%	0.0000%	0.0000%	1.0000%
922200 - Minor	926	30.5600%	1.3200%	-10.1870%	3.5900%	3.5900%	3.5000%	3.5000%	3.5000%

Minor Material, Stores, Non-Stores Loads

202107

		Electric Distribution	*Electric Transmission*	*Bulk Power*	*PNM Common Utility*	*Corporate*	*TNMP Texas*	*PNMR DM*
	CT	**Co. 001**	**Co. 002**	**Co. 003**	**Co. 006**	**Co. 007**	**Co. 012**	**Co. 009**
MML - Minor Material	922	19.149000%					20.1500%	
STL - Stores	921	5.150280%	5.150280%	21.0000%	5.150280%	5.150280%	10.8000%	
NSL - Non-Stores	921	2.150280%			2.150280%			
Purchasing	921	0.3135%	0.3135%	0.3135%	0.3135%	0.3135%	0.3135%	0.3135%

202108

		Electric Distribution	*Electric Transmission*	*Bulk Power*	*PNM Common Utility*	*Corporate*	*TNMP Texas*	*PNMR DM*
	CT	**Co. 001**	**Co. 002**	**Co. 003**	**Co. 006**	**Co. 007**	**Co. 012**	**Co. 009**
MML - Minor Material	922	18.490000%					20.1500%	
STL - Stores	921	5.879700%	5.879700%	21.0000%	5.879700%	5.879700%	10.8000%	
NSL - Non-Stores	921	2.879700%			2.879700%			
Purchasing	921	0.3135%	0.3135%	0.3135%	0.3135%	0.3135%	0.3135%	0.3135%

202109

		Electric Distribution	*Electric Transmission*	*Bulk Power*	*PNM Common Utility*	*Corporate*	*TNMP Texas*	*PNMR DM*
	CT	**Co. 001**	**Co. 002**	**Co. 003**	**Co. 006**	**Co. 007**	**Co. 012**	**Co. 009**
MML - Minor Material	922	10.965400%					14.0000%	
STL - Stores	921	3.576300%	3.576300%	21.0000%	3.576300%	3.576300%	11.0000%	
NSL - Non-Stores	921	0.576300%			0.576300%			
Purchasing	921	0.3135%	0.3135%	0.3135%	0.3135%	0.3135%	0.3135%	0.3135%

202110

		Electric Distribution	*Electric Transmission*	*Bulk Power*	*PNM Common Utility*	*Corporate*	*TNMP Texas*	*PNMR DM*
	CT	**Co. 001**	**Co. 002**	**Co. 003**	**Co. 006**	**Co. 007**	**Co. 012**	**Co. 009**
MML - Minor Material	922	9.998500%					14.0000%	
STL - Stores	921	2.039300%	2.039300%	21.0000%	2.039300%	2.039300%	11.0000%	
NSL - Non-Stores	921	0.000000%			0.000000%			
Purchasing	921	0.3155%	0.3155%	0.3155%	0.3155%	0.3155%	0.3155%	0.3155%

202111

		Electric Distribution	*Electric Transmission*	*Bulk Power*	*PNM Common Utility*	*Corporate*	*TNMP Texas*	*PNMR DM*
	CT	**Co. 001**	**Co. 002**	**Co. 003**	**Co. 006**	**Co. 007**	**Co. 012**	**Co. 009**
MML - Minor Material	922	14.114200%					14.0000%	
STL - Stores	921	5.246370%	5.246370%	21.0000%	5.246370%	5.246370%	11.0000%	
NSL - Non-Stores	921	2.246370%			2.246370%			
Purchasing	921	0.3155%	0.3155%	0.3155%	0.3155%	0.3155%	0.3155%	0.3155%

202112

		Electric Distribution	*Electric Transmission*	*Bulk Power*	*PNM Common Utility*	*Corporate*	*TNMP Texas*	*PNMR DM*
	CT	**Co. 001**	**Co. 002**	**Co. 003**	**Co. 006**	**Co. 007**	**Co. 012**	**Co. 009**
MML - Minor Material	922	21.717600%					14.0000%	
STL - Stores	921	3.596480%	3.596480%	21.0000%	3.596480%	3.596480%	11.0000%	
NSL - Non-Stores	921	0.596480%			0.596480%			
Purchasing	921	0.3155%	0.3155%	0.3155%	0.3155%	0.3155%	0.3155%	0.3155%

202201

		Electric Distribution	*Electric Transmission*	*Bulk Power*	*PNM Common Utility*	*Corporate*	*TNMP Texas*	*PNMR DM*
	CT	**Co. 001**	**Co. 002**	**Co. 003**	**Co. 006**	**Co. 007**	**Co. 012**	**Co. 009**
MML - Minor Material	922	25.4176%					20.0000%	
STL - Stores	921	5.56943%	5.56943%	21.00000%	5.56943%	5.56943%	15.00000%	
NSL - Non-Stores	921	2.56943%			2.56943%			
Purchasing	921	0.3149%	0.3149%	0.3149%	0.3149%	0.3149%	0.3149%	0.3149%

202202

		Electric Distribution	*Electric Transmission*	*Bulk Power*	*PNM Common Utility*	*Corporate*	*TNMP Texas*	*PNMR DM*
	CT	**Co. 001**	**Co. 002**	**Co. 003**	**Co. 006**	**Co. 007**	**Co. 012**	**Co. 009**
MML - Minor Material	922	22.8088%					20.0000%	
STL - Stores	921	0.00000%	0.00000%	21.00000%	0.00000%	0.00000%	15.00000%	
NSL - Non-Stores	921	0.00000%			0.00000%			
Purchasing	921	0.3149%	0.3149%	0.3149%	0.3149%	0.3149%	0.3149%	0.3149%

202203

		Electric Distribution	*Electric Transmission*	*Bulk Power*	*PNM Common Utility*	*Corporate*	*TNMP Texas*	*PNMR DM*
	CT	**Co. 001**	**Co. 002**	**Co. 003**	**Co. 006**	**Co. 007**	**Co. 012**	**Co. 009**
MML - Minor Material	922	9.9682%					20.0000%	
STL - Stores	921	5.971625%	5.971625%	21.00000%	5.971625%	5.971625%	15.00000%	
NSL - Non-Stores	921	2.971625%			2.971625%			
Purchasing	921	0.3149%	0.3149%	0.3149%	0.3149%	0.3149%	0.3149%	0.3149%

202204

		Electric Distribution	*Electric Transmission*	*Bulk Power*	*PNM Common Utility*	*Corporate*	*TNMP Texas*	*PNMR DM*
	CT	**Co. 001**	**Co. 002**	**Co. 003**	**Co. 006**	**Co. 007**	**Co. 012**	**Co. 009**
MML - Minor Material	922	12.0420%					20.0000%	
STL - Stores	921	4.518930%	4.518930%	21.00000%	4.518930%	4.518930%	15.00000%	
NSL - Non-Stores	921	1.518930%			1.518930%			
Purchasing	921	0.3149%	0.3149%	0.3149%	0.3149%	0.3149%	0.3149%	0.3149%

202205

		Electric Distribution	*Electric Transmission*	*Bulk Power*	*PNM Common Utility*	*Corporate*	*TNMP Texas*	*PNMR DM*
	CT	**Co. 001**	**Co. 002**	**Co. 003**	**Co. 006**	**Co. 007**	**Co. 012**	**Co. 009**
MML - Minor Material	922	24.2200%					20.0000%	
STL - Stores	921	8.667630%	8.667630%	21.00000%	8.667630%	8.667630%	15.00000%	
NSL - Non-Stores	921	5.667630%			5.667630%			
Purchasing	921	0.3149%	0.3149%	0.3149%	0.3149%	0.3149%	0.3149%	0.3149%

202206

		Electric Distribution	*Electric Transmission*	*Bulk Power*	*PNM Common Utility*	*Corporate*	*TNMP Texas*	*PNMR DM*
	CT	**Co. 001**	**Co. 002**	**Co. 003**	**Co. 006**	**Co. 007**	**Co. 012**	**Co. 009**
MML - Minor Material	922	15.4906%					20.0000%	
STL - Stores	921	7.610450%	7.610450%	21.00000%	7.610450%	7.610450%	15.00000%	
NSL - Non-Stores	921	4.610450%			4.610450%			
Purchasing	921	0.3149%	0.3149%	0.3149%	0.3149%	0.3149%	0.3149%	0.3149%

2023

		Electric Distribution	*Electric Transmission*	*Bulk Power*	*PNM Common Utility*	*Corporate*	*TNMP Texas*	*PNMR DM*
	CT	**Co. 001**	**Co. 002**	**Co. 003**	**Co. 006**	**Co. 007**	**Co. 012**	**Co. 009**
MML - Minor Material	922	17.0500%					22.0000%	
STL - Stores	921	7.0000%	7.0000%	0.0000%	7.0000%	7.0000%	22.0000%	
NSL - Non-Stores	921	4.0000%			4.0000%			
Purchasing	921	0.2962%	0.2962%	0.2962%	0.2962%	0.2962%	0.2962%	0.2962%

2023 Cost Allocation Manual-Allocators

PNM Exhibit JAP-4

Is contained in the following 16 pages.

PNM Exhibit JAP-4
2023 Cost Allocation Manual-Allocators

Company 7 – PNMR Services Allocations

Direct Charge Allocations:

There are various employees of PNMR Services Company who work on projects that benefit only one operating unit. To provide the ability to direct charge time spent on such projects, the company has devised allocators that move 100% of charges recorded with these allocators directly to the operating unit benefiting from their work. All are part of the PNMR Services Allocation. The following Locations provide for 100% allocation:

Location	Allocates to Company	
917	9	PNMR DM
942	1	PNM Electric Services
946	3	PNM Bulk Power Marketing
947	2	PNM Electric Transmission Services
953	12	TNMP – Texas
999	8	PNM Resources

Allocation Code 999 – PNM Resources

Location 999 is part of the PNMR Services Allocation. 100% of costs charged to this location are allocated to Company 8 – PNM Resources, Inc. This method of allocation provides a direct charge from PNMR Services Company to PNM Resources while still capturing the appropriate corporate home center that incurred those costs. It is used primarily for items that should be recorded at the Holding Company level.

Allocation Code 911 – Financial Systems

Allocation Code 911 – Financial Systems is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to the operating units.

Transactional rate based on volume produced will be used for the distribution of costs to business units. The allocation rate is based on the number of the financial transactions. The total is composed of all the general ledger transactions and is allocated proportionally based on the number of financial transactions recorded in the general ledger by each company.

The Financial Systems allocator is primarily used for expenses incurred in finance support groups as well as maintenance of the general ledger systems.

	PNM ELEC	PNM BULK	PNM TRANS	TNMP	PNMR DM	
	001	003	002	012	009	TOTAL
Number of Transactions	526,252	55,237	87,393	437,835	963	**1,107,680**
San Juan Transactions	0	925	0	0	0	**925**
Total GL Transactions	526,252	56,162	87,393	437,835	963	**1,108,605**
Co. 006 Allocated	6,852	0	2,429	0	0	**9,281**
Co. 007 Allocated	18,653	10,762	5,264	13,724	682	**49,085**
Total Allocated	25,504	10,762	7,693	13,724	682	**58,366**
Total Transactions*	**551,756**	**66,924**	**95,086**	**451,559**	**1,645**	**1,166,971**
Percent to be applied**	**47.29%**	**5.73%**	**8.15%**	**38.69%**	**0.14%**	**100.00%**

* = 526252 + 25504 = 551756

** = 551756 / 1166971 = 44.96%

Allocation Code 912 - Accounts Payable

Allocation Code 912 – Accounts Payable is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to the operating units.

Transactional rate based on volume produced will be used for the distribution of costs to business units. The allocation rate is based on the number of invoices. The total is composed of the general ledger transactions related to accounts payable and is allocated proportionally based on the number of invoices processed for each company.

The Accounts Payable allocator is primarily used for expenses incurred in processing vendor payments.

	PNM ELEC	PNM BULK	PNM TRANS	TNMP	PNMR DM	
	001	003	002	012	009	TOTAL
Number of AP Transactions	7,064	2,349	1,989	9,764	68	**21,234**
San Juan	0	120	0	0	0	**120**
Total AP Transactions	7,064	2,469	1,989	9,764	68	**21,354**
Co. 006 Allocated	1,413	0	633	0	0	**2,046**
Co. 007 Allocated	1,747	699	573	1,354	5	**4,378**
Total Allocated	3,159	699	1,207	1,354	5	**6,424**
Total*	**10,223**	**3,168**	**3,196**	**11,118**	**73**	**27,778**
Percent to be applied**	**36.81%**	**11.40%**	**11.50%**	**40.03%**	**0.26%**	**100.00%**

* = 7064 + 3159 = 10223
** = 10223 / 27778 = 36.81%

Allocation Code 914 - Asset Management

Allocation Code 914 – Asset Management is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to the operating units.

Transactional rate based on volume produced will be used for the distribution of costs to business units. The allocation rate is based on the total of depreciable assets and is allocated proportionately based on number of depreciable assets on record for each company.

The Asset Management allocator is primarily used for general functions related to the management of assets including depreciation, asset retirement, clearing completed construction projects to plant and for general maintenance of the fixed asset software system.

	PNM ELEC	PNM BULK	PNM TRANS	TNMP	PNMR DM	TOTAL
	001	003	002	012	009	
Number of Assets	80,961	6,921	15,090	55,996	0	**158,968**
Co. 006 Allocated	20	150	9	0	0	**179**
Total	**80,981**	**7,071**	**15,099**	**55,996**	**0**	**159,147**
Percent to be applied*	**50.88%**	**4.44%**	**9.49%**	**35.19%**	**0.00%**	**100.00%**

* = 80981 / 159147 = 50.88%

Allocation Code 941 – Direct-PNMR Utility

Allocation Code 941 – Direct-PNMR Utility is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to PNMR's operating units (companies 1, 2, 3, and 12).

Allocation rates are based on the Massachusetts Method, which incorporates employee headcount, gross margin and net utility plant amounts and calculates a composite average of all three.

	PNM ELEC	PNM BULK	PNM TRANS	TNMP	PNMR DM	TOTAL
	001	003	002	012	009	
Margin	365,101,146	340,889,262	134,489,211	324,658,772	0	**1,073,945,141**
Percent Calculation*	**31.34%**	**29.26%**	**11.54%**	**27.86%**	**0.00%**	**100.00%**
Net Utility Plant	1,279,067,154	1,930,358,470	1,458,102,109	2,122,485,736	0	**5,906,000,908**
Co 006 Allocated	556,759	0	634,690	0	0	**1,250,258**
Total Utility Plant	1,279,623,913	1,930,358,470	1,458,736,799	2,122,485,736	0	**5,907,251,166**
Percent Calculation**	**18.84%**	**28.42%**	**21.48%**	**31.25%**	**0.00%**	**100.00%**
Number of Employees	529	97	47	369	0	**1,236**
Co 006 Allocated	21	0	33	0	0	**50**
Total Number of Employees	550	97	80	369	0	**1,286**
Percent Calculation***	**50.18%**	**8.85%**	**7.30%**	**33.67%**	**0.00%**	**100.00%**
Total	**100.36%**	**66.53%**	**40.32%**	**92.79%**	**0.00%**	**300.00%**
Percent to be applied****	**33.45%**	**22.18%**	**13.44%**	**30.93%**	**0.00%**	**100.00%**

* = $ 365101146 / $ 1073945141 = 31.34%
** = $ 1279623913 / $ 5907251166 = 18.84%
*** = 550 / 1286 = 50.18%
**** = (31.34% + 18.84% + 50.18% = 100.36%) / 3 = 33.45%

Allocation Code 948 - Co 6 Utility General

Allocation Code 948 – Co 6 Utility General is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to PNM's operating units (companies 1 and 2).

Allocation rates are based on the Massachusetts Method, which incorporates employee headcount, gross margin and net utility plant amounts and calculates a composite average of all three.

	PNM ELEC	PNM BULK	PNM TRANS	TNMP	TOTAL
	001	003	002	012	
Margin	365,101,146		134,489,211		**499,590,357**
Percent Calculation*	**73.08%**		**26.92%**		**100.00%**
Net Utility Plant	1,279,067,154		1,458,102,109		**2,737,169,263**
Co 006 Allocated	556,759		634,690		**1,191,449**
Total Utility Plant	1,279,623,913		1,458,736,799		**2,738,360,712**
Percent Calculation**	**46.73%**		**53.27%**		**100.00%**
Number of Employees	529		47		**576**
Co 006 Allocated	21		33		**54**
Total Number of Employees	550		80		**630**
Percent Calculation***	**87.30%**		**12.70%**		**100.00%**
Total	**207.11%**		**92.89%**		**300.00%**
Percent to be applied****	**69.04%**		**30.96%**		**100.00%**

* = $ 365101146 / $ 499590357 = 73.08%
** = $ 1279623913 / $ 2738360712 = 46.73%
*** = 550 / 630 = 87.30%
**** = (73.08% + 46.73% + 87.30% = 207.11%) / 3 = 69.04%

Allocation Code 951 – Direct-PNM Utility

Allocation Code 951 – Direct-PNM Utility is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to PNM's operating units (companies 1, 2, and 3).

Allocation rates are based on the Massachusetts Method, which incorporates employee headcount, gross margin and net utility plant amounts and calculates a composite average of all three.

	PNM ELEC	PNM BULK	PNM TRANS	TNMP	TOTAL
	001	003	002	012	
Margin	365,101,146	340,889,262	134,489,211		**840,479,619**
Percent Calculation*	**43.44%**	**40.56%**	**16.00%**		**100.00%**
Net Utility Plant	1,279,067,154	1,930,358,470	1,458,102,109		**4,667,527,733**
Co 006 Allocated	556,759	0	634,690		**1,191,449**
Total Utility Plant	1,279,623,913	1,930,358,470	1,458,736,799		**4,668,719,182**
Percent Calculation**	**27.41%**	**41.35%**	**31.24%**		**100.00%**
Number of Employees	529	97	47		**673**
Co 006 Allocated	21	0	33		**54**
Total Number of Employees	550	97	80		**727**
Percent Calculation***	**75.65%**	**13.34%**	**11.00%**		**100.00%**
Total	**146.50%**	**95.25%**	**58.25%**		**300.00%**
Percent to be applied****	**48.83%**	**31.75%**	**19.42%**		**100.00%**

* = $ 365101146 / $ 840479619 = 43.44%
** = $ 1279623913 / $ 4668719182 = 27.41%
*** = 550 / 727 = 75.65%
**** = (43.44% + 27.41% + 75.65% = 146.50%) / 3 = 48.83%

Allocation Code 968 - IT Infrastructure

Allocation Code 968 – IT Infrastructure is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to the operating units.

Transactional rate based on volume will be used for the distribution of costs to business units. The allocation rate is based on the total number of Network ID's and is allocated proportionately based on number of employee Network ID's belonging to each company.

The IT Infrastructure allocator is used for expenses incurred in maintaining information technology that cannot be traced to an individual operating unit used by the Company.

	PNM ELEC	PNM BULK	PNM TRANS	TNMP	PNMR DM	TOTAL
	001	003	002	012	009	
Number of NT Ids	1,126	149	67	457	0	**1,799**
Co. 006 Allocated	91	0	41	0	0	**132**
Co. 007 Allocated	424	200	123	247	0	**994**
Total	**1,641**	**349**	**231**	**704**	**0**	**2,925**
Percent to be applied*	**56.10%**	**11.94%**	**7.88%**	**24.08%**	**0.00%**	**100.00%**

* = 1641 / 2925 = 56.10%

Allocation Code 973 – Lewisville Building

Allocation Code 973 – Building-Lewisville is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to PNMR.

Transactional allocation based on square footage will be used for the distribution of costs to business units. The allocation rate is based on the total square footage and occupancy of Lewisville Building and is allocated proportionately based on building square footage and department's occupancy per each company.

The Lewisville Building allocator is used to allocate lease expenses among the operating units supported by shared services occupying space at Lewisville.

	PNM ELEC	PNM BULK	PNM TRANS	TNMP	TOTAL
	001	003	002	012	
Direct	0	0	0	0	**0**
Corporate Allocated[1]	141	57	31	232	**461**
Total	**141**	**57**	**31**	**232**	**461**
Percent to be applied*	**30.56%**	**12.33%**	**6.81%**	**50.30%**	**100.00%**

* = 141 / 461 = 30.56%

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

Allocation Code 974 – Dallas-Las Colinas Building

Allocation Code 974 – Buildings-Dallas-Las Colinas is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to PNMR.

Transactional allocation based on square footage will be used for the distribution of costs to business units. The allocation rate is based on the total square footage and occupancy of Dallas-Las Colinas Building and is allocated proportionately based on building square footage and department's occupancy per each company.

The Dallas-Las Colinas Building allocator is used to allocate lease expenses among the operating units occupying space in Dallas.

	PNM ELEC	PNM BULK	PNM TRANS	TNMP	PNMR DM	TOTAL
	001	003	002	012	009	
Direct	0	0	0	0	0	**0**
Corporate Allocated[1]	3,683	784	517	1,581	0	**6,565**
Total	**3,683**	**784**	**517**	**1,581**	**0**	**6,565**
Percent to be applied*	**56.10%**	**11.94%**	**7.88%**	**24.08%**	**0.00%**	**100.00%**

* = 3683 / 6565 = 56.10%

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

Allocation Code 977 – Downtown Albuquerque Buildings

Allocation Code 977 – Downtown Albuquerque Buildings is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to the operating units.

Transactional allocation based on square footage will be used for the distribution of costs to business units. The allocation rate is based on the total square footage and occupancy of Downtown Albuquerque Buildings and is allocated proportionately based on building square footage and department's occupancy per each company.

The Downtown Albuquerque Buildings allocator is primarily used to allocate costs associated with the maintenance of these facilities.

	PNM ELEC	PNM BULK	PNM TRANS	TNMP	PNMR DM	TOTAL
	001	003	002	012	009	
Direct	0	0	0	0	0	**0**
Corporate Allocated[1]	60,355	21,429	13,638	36,128	28	**131,578**
Total	**60,355**	**21,429**	**13,638**	**36,128**	**28**	**131,578**
Percent to be applied*	**45.87%**	**16.29%**	**10.36%**	**27.46%**	**0.02%**	**100.00%**

* = 60355 / 131578 =
45.87%

[1]Note: Certain Services Company areas are housed in the Albuquerque downtown building.

Allocation Code 980 - Aztec Building

Allocation Code 980 – Aztec Building is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to the operating units.

Transactional allocation based on square footage will be used for the distribution of costs to business units. The allocation rate is based on the total square footage and occupancy of Aztec Building and is allocated proportionately based on building square footage and department's occupancy per each company.

The Aztec Building allocator is primarily used to allocate costs associated with the maintenance of the Aztec Facility.

	PNM ELEC	PNM BULK	PNM TRANS	TNMP	TOTAL
	001	003	002	012	
Direct	0	40,639	0	0	**40,639**
Corporate Allocated[1]	12,381	2,136	5,402	2,979	**22,898**
Total	**12,381**	**42,775**	**5,402**	**2,979**	**63,537**
Percent to be applied*	**19.49%**	**67.32%**	**8.50%**	**4.69%**	**100.00%**

* = 12381 / 63537 =
19.49%
[1]Note: Certain Services Company areas are housed in the Albuquerque Aztec building.

Allocation Code 986 – Maximo (PNMR)

Allocation Code 986 – Maximo is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to the operating units.

Transactional allocation based on the Maximo transaction count. The total is composed of all Maximo transactions posted to the financials and is allocated proportionately based on the number of transactions posted by each company.

The Maximo allocator reflects products and services designed to impact or benefit all PNMR. This basis of assignment is described for each Area in Exhibit IV. Maximo transaction count is primarily used to allocate costs associated with managing the Maximo work management system.

	PNM ELEC	PNM BULK	PNM TRANS	TNMP	
	001	003	002	012	TOTAL
Number of Maximo	22,469	3,365	3,412	20,044	**49,290**
San Juan	0	719	0	0	**719**
Total Maximo Transactions	22,469	4,084	3,412	20,044	**50,009**
Co. 006 Allocated	826	0	371	0	**1,197**
Co. 007 Allocated	489	127	127	369	**1,113**
Total Allocated	1,316	127	498	369	**2,310**
Total*	**23,785**	**4,211**	**3,910**	**20,413**	**52,319**
Percent to be applied**	**45.46%**	**8.05%**	**7.47%**	**39.02%**	**100.00%**

* = 22469 + 1316 = 23785
** = 23785 / 52319 =
45.46%

Allocation Code 993 - Employee Headcount (PNMR)

Allocation Code 993 – Employee Headcount is a part of the PNMR Services Allocation where expenses incurred for shared services are equitably allocated to the operating units.

Transactional allocation based on the employee headcount. The total is composed of all PNMR employees and is allocated proportionately based on the number of employees in each company.

The Employee Headcount allocator reflects products and services designed to impact or benefit all PNMR employees. This basis of assignment is described for each Area in Exhibit IV. Employee Headcount is primarily used to allocate costs associated with Benefits, Ethics and Governance, Payroll, People Services, Communications, and related technology utilized by these areas.

	PNM ELEC	PNM BULK	PNM TRANS	TNMP	TOTAL
	001	003	002	012	
Number of Employees	529	97	47	369	**1,042**
Co. 006 Allocated	21	0	33	0	**54**
Co. 007 Allocated	148	120	31	99	**398**
Total	**698**	**217**	**111**	**468**	**1,494**
Percent to be applied*	**46.72%**	**14.52%**	**7.43%**	**31.33%**	**100.00%**

* = 698 / 1494 = 46.72%

Company 6 – PNM General Utility Allocations

Direct Charge Allocations:

There are various employees of the general PNM Utility who work on projects for TNMP Texas. Such services are described in the Services Agreement between PNM and TNMP filed as a Class I transaction on November 29, 2005. To provide the ability to direct charge time spent on such activities, the company has devised allocators that move 100% of charges recorded with these allocators directly to the operating unit benefiting from their work. Beginning January 1, 2017, the formerly TNMP southern New Mexico operations Transmission and Distribution operations will be integrated with the respective PNM's northern operations and companies and will continue to cross-company charge to operating units within the Business Unit. No 100% direct allocators are used as they can cross-company charge.

The following Locations provide for 100% allocation:

- Location 192 – TNMP-Texas

Allocation Code 192 – TNMP-Texas

Location 192 is a part of the Services Agreement Allocation between PNM and TNMP. 100% of costs charged to this location are allocated from PNM to TNMP Texas. This method of allocation allows us to provide a direct charge from the corporate level to TNMP Texas while still capturing the appropriate corporate home center that incurred those costs.

Allocation Code 174 - Massachusetts Method (Companies 1, 2, 34, 35)

Allocation Code 174 – Massachusetts Method (Companies 1, 2) is a part of the PNM Common Utility Allocation where expenses incurred by the general PNM Utility (Company 6) are equitably allocated to the operating units (Company 1 – PNM Electric, Company 2 – PNM Transmission)

Allocation rates are based on the Massachusetts Method. This method incorporates employee head count, gross margin (revenues less operating expenses), and net utility plant (plant in service less depreciation) amounts and calculates a composite average of all three.

The costs allocated to PNM Electric Distribution and Transmission, based on the Massachusetts Method, are related to engineering and technology support provided for safe transmission and distribution operations.

	PNM ELEC		PNM TRANS	TNMP	
	001		002	012	TOTAL
Net Utility Balance*	1,279,623,913		1,458,736,799		**2,738,360,712**
	46.73%		**53.27%**		**100.00%**
Margin**	365,101,146		134,489,211		**499,590,357**
	73.08%		**26.92%**		**100.00%**
Number of Employees***	550		80		**630**
	87.30%		**12.70%**		**100.00%**
Percent to be applied****	**69.04%**		**30.96%**		**100.00%**

* = $1279623913 / $2738360712 = 46.73%
** = $365101146 / $499,590,357 = 73.08%
*** = 550 / 630 = 87.30%
**** = (46.73% + 73.08% + 87.30%) / 3 = 69.04%

2022 SJGS Decommissioning Study Costs

PNM Exhibit JAP-5

Is contained in the following 2 pages.

San Juan Generating Station
Full Demolition Cost Estimate excluding River & Lake Work (2023 Dollars)

Cost Categories	Unit 1	Unit 2	Unit 3	Unit 4	Unit 1 & 2 Common	Unit 3 & 4 Common	Plant Common	GRAND TOTAL
Mobilization & General Conditions	$ 1,395,280	$ 1,395,280	$ 1,395,280	$ 1,395,280			$ 1,852,480	$ 7,433,600
Decommissioning and Cleaning	$ 346,670	$ 123,760	$ 382,380	$ 382,380	$ 20,290	$ 20,353	$ 752,220	$ 2,028,053
Environmental	$ 973,370	$ 973,370	$ 1,629,320	$ 1,313,060	$ 626,520	$ 828,220	$ 2,617,460	$ 8,961,320
Demolition and Disposal	$ 4,640,140	$ 4,640,140	$ 6,105,630	$ 6,251,250	$ 319,760	$ 358,340	$ 1,755,570	$ 24,070,830
Site Restoration	$ 1,041,660	$ 1,041,660	$ 1,253,670	$ 2,245,480	$ 212,790	$ 361,440	$ 3,309,200	$ 9,465,900
Lake Station & Dam Breeching								
River Station								
Shumway & Memorial Closure							$ 1,323,530	$ 1,323,530
Process Pond & Coal Pile Closure							$ 4,338,070	$ 4,338,070
South Evaporation Ponds Closure							$ 14,821,730	$ 14,821,730
Subtotal Direct Costs	*$ 8,397,120*	*$ 8,174,210*	*$ 10,766,280*	*$ 11,587,450*	*$ 1,179,360*	*$ 1,568,353*	*$ 30,770,260*	*$ 72,443,033*
Indirect Costs	$ 2,519,150	$ 2,452,280	$ 3,229,900	$ 3,476,240	$ 353,820	$ 470,520	$ 9,231,090	$ 21,733,000
Scrap Credit	$ (5,570,570)	$ (5,570,570)	$ (7,483,920)	$ (7,483,920)			$ (2,018,970)	$ (28,127,950)
TOTAL COST	$ 5,345,700	$ 5,055,920	$ 6,512,260	$ 7,579,770	$ 1,533,180	$ 2,038,873	$ 37,982,380	$ 66,048,083

Note: Indirect costs include: Engineering, Permitting, Demolition Management, Bonds, Insurance and Contingency
Note: Costs shown above do not include ongoing maintenance.

BURNS McDONNELL

San Juan Generating Station
Owners Annual Costs

Activities Needed After Final Day of Operation			Post ShutDown Pre-Demolition (RIP) Annual Cost	Post Shutdown During Demolition Annual Cost	Post Shutdown Post Demo Annual Cost
Plant Support Activities	***Comments/Description***	***Activity Need Ends***			
PNM Labor (Management & Non Craft)	For Management & Oversight (3 FTE @ $85/hr) starting in 2023	Demolition of plant complete.	$ 530,400	$ 530,400	$ 175,000
Mechanical Contractor labor for O&M	Call-out to repair pumps and equipment as needed 2 FTE @ $75/hr).	Final termination of permits	$ 100,000	$ 100,000	$ 75,000
Maint & Op Shumway, Westwater, Lake rec.	Shumway Operaton & maintenance per Sierra Club Decent decree .	Consent Decree & DP-1843	O&M	O&M	O&M
Maintain & Op Memorial Well	Operaton & maintenance of memorial well to South Evap Pond #2.	Final termination of DP-1327	O&M	O&M	O&M
Maintain Fire Protection	As need for safety, insurance and dust control.	Demolition of plant complete.	O&M	O&M	
Maintain Stack Lights	FAA requirement, repair and maintain as needed.	Demolition of stacks complete.	O&M	O&M	
Maintain Needed lighting	As needed for safety.	Demolition of plant complete.	O&M	O&M	
Maintain/Operate Lake Station Pumps	Water to Mine for reclamation & fire protection after BOR sale.	Reclamation Complete in 2030	O&M	O&M	
Maintain Reclaim sump pumps	As needed to support decommissioning and ongoing work.	Demolition of plant complete.	O&M	O&M	
Maintain plant pump/systems for drainage	As needed to support decommissioning and ongoing work.	Demolition of plant complete.	O&M	O&M	
Connect/Disconnect Power	As needed to support decommissioning and ongoing work.	Demolition of plant complete.	O&M	O&M	
Surety Bond	As required by NMED for DP- 1327 & DP-306.	Final termination of permits	$ 490,000	$ 490,000	$ 150,000
Insurance	Property, Workers Comp, Reserves, D/O, Liability, Liability Reserves	Demolition of plant complete.	$ 559,097	$ 559,097	$ 559,097
UST and AST inspections and testing	3 USTs and 8 ASTs inspected monthly by SJGS & tested annually by cont.	Final closure of tanks	$ 4,000	$ 4,000	
Energy Costs	On-site power, per 2019 Decom. Study (charts B2 thru B9)	Demolition of plant complete.	$ 76,000	$ 35,000	$ 5,000
Elevator Repair Call-Out (contractor)	As needed for stack elevators.	Demolition of plant complete.	$ 100,000		
Fire System & Extinguisher Inspections	As need for safety and insurance.	Demolition of plant complete.	$ 6,000		
Fire Pump Annual testing	As need for safety and insurance.	Demolition of plant complete.	$ 1,800		
Weed Control	Annual spray of weeds.	Demolition of plant complete.	$ 14,100	$ 14,100	
Insect Control	Annual insect/pest control.	Demolition of plant complete.	$ 8,676	$ 8,676	
Trash Pick-up	Weekly dumpster disposal.	Demolition of plant complete.	$ 10,000	$ 10,000	
Potable Water	Lower Valley Water Users Ass. Potable water to plant.	Demolition of plant complete.	$ 2,000	$ 2,000	
Fee to BOR for Lake Maint. after BOR sale.	Fee to BOR for Proportionate O&M & Equipment Replacement.	Reclamation Complete in 2030	$ 100,000	$ 100,000	$ 100,000
		Plant Support Activities Total Costs	**$ 2,002,073**	**$ 1,853,273**	**$ 1,064,097**
Environmental Support Contracts					
Shumway Instrumentation and ADAS	Contractor support needed for instrumentation maintenance.	Termination of Consent Decree	$ 15,000	$ 15,000	$ 15,000
West Water Data Gathering	Contractor support needed for instrumentation maintenance.	Sierra Club & terminate DP-1843	$ 5,000	$ 5,000	$ 5,000
Lease Fees for Shumway Piping	Operaton & maintenance of memorial to South Evap Pond #2.	Sierra Club & terminate DP-1843	$ 1,000	$ 1,000	$ 1,000
Clean Harbors	Hazardous waste & asbestos transportation and disposal.	Demolition of plant complete.	$ 15,000		
Safety Kleen	Parts washer service and used oil recycling.	Demolition of plant complete.	$ 10,000		
Envirosource dba Green Analytical Lab	Monitor well and hazardous water analysis.	Final termination of DP-1327	$ 40,000	$ 40,000	$ 40,000
Envirotech	Spill clean-up in the SPCC plan, and occasional lab work.	Final termination of SPCC plan.	$ 10,000		
Air Permit State of NM	The 2022 air permit fees will be invoiced/paid in 2023	Final termination of permits.	$ 3,000	$ 3,000	$ 3,000
Air Permit Consult Class 1 - Montrose	Contractor support for post-closure permit modifications	Demolition of plant complete.	$ 20,000	$ 20,000	$ 10,000
CEMS Reporting CEMTEK	Contractor support for post-closure permit modifications	Demolition of plant complete.	$ 15,000	$ 15,000	
Consulting Fees RMB/Agora	Contractor suppor post-closure permit consulting	Demolition of plant complete.	$ 15,000	$ 15,000	
General Expenses	Contractor labor (Jana Franchini) & storage tank related costs	Demolition of plant complete.	$ 30,000	$ 30,000	
Ground Water Sampling	Includes Delphi contractor support.	Terminate groundwater permits.	$ 15,000	$ 15,000	$ 15,000
Recycling Costs Waste Mgmnt	Waste Management	Demolition of plant complete.	$ 25,000	$ 25,000	
Supplies	Water sample bottles, etc.	Terminate groundwater permits.	$ 3,750	$ 1,000	
		Environmental Support Total Costs	**$ 222,750**	**$ 185,000**	**$ 89,000**
		GRAND TOTAL ANNUAL COSTS	**$ 2,224,823**	**$ 2,038,273**	**$ 1,153,097**

BURNS McDONNELL

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. 595	)	**Case No. 22-00270-UT**
PUBLIC SERVICE COMPANY OF NEW MEXICO,	)	
Applicant	)	

SELF AFFIRMATION

JASON A. PETERS, Director, General Accounting, PNMR Services Company, upon penalty of perjury under the laws of the State of New Mexico, affirm and state: I have read the foregoing **Direct Testimony of Jason A. Peters** and it is true and accurate based on my own personal knowledge and belief.

Dated this 5th day of December, 2022.

/s/ Jason A. Peters
JASON A. PETERS

GCG # 530026