

PNM EXHIBIT HEM-4

Consisting of 3 pages

Estimated Incremental Annual Revenue Requirement for Undepreciated Investment in SJGS Unit 2 and 3

Line No	A 2018 Revenue Requirement	B Reference
1 Regulatory Asset - Undepreciated Investment in Unit 2 & 3	\$ 204,995,787	Exhibit HEM-4, Page 2, Column O, Line 36
2		
3 Accumulated Amortization	<u>(5,124,895)</u>	
4		
5 Average Unamortized Regulatory Asset	199,870,892	
6 <i>(Line 1 + Line 3)</i>		
7 ADIT	<u>(77,190,139)</u>	
8		
9 Net Regulatory Asset	<u>\$ 122,680,754</u>	
10 <i>(Line 5 + Line 7)</i>		
11		
12 WACC	8.18%	Exhibit HEM-3, Column E, Line 8
13		
14 Carrying Charge on Regulatory Asset	\$ 10,035,286	
15 <i>(Line 9 * Line 12)</i>		
16		
17 Total Amortization Expense	10,249,789	
18		
19 Income Taxes	3,913,540	
20		
21 Total Non-Fuel Revenue Requirement	<u>24,198,615</u>	
22 <i>(Line 14 + Line 17 + Line 19)</i>		
PNM Retail Share of Non-Fuel revenue requirement		
23 <i>(Line 21 * 93.33%)</i>	22,584,567	
24 Revenue Tax @ 0.508573%	114,859	
25 Total PNM Non-Fuel Retail Revenue Requirement, Assuming 20 Year Recovery	<u>\$ 22,699,426</u>	
26 <i>(Line 23 + Line 24)</i>		
27		
28 PNM Retail Revenue Requirement, Assuming 36 Year Recovery	<u>18,575,304</u>	Exhibit HEM-4, Page 3, Column A, Line 25
29		
30 Incremental Revenue Requirement for Undepreciated Investment of Unit 2 & Unit 3	<u>\$ 4,124,122</u>	Exhibit HEM-2, Page 1, Column A, Line 2
31 <i>(Line 25 - Line 28)</i>		

PNM EXHIBIT HEM-4

PNM Exhibit HEM-4
 Undepreciated Investment of SJGS Unit 2 and 3 after Exchange for 78 MW in SJGS Unit 4

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Estimated Undepreciated Investment in SJGS Unit 2 and 3 after Exchange for 78 MW in SJGS Unit 4

Line No.	Description	A	B	C	D = B / C	E
		Net book value as of 06/30/13	Current kW Ownership	\$ per kW as of 06/30/13	Estimated Capital Additions - 07/01/13 - 12/31/14	
1	San Juan Unit 1	\$ 95,095,936	170,000	\$ 559	\$ 5,473,048	
2	San Juan Unit 2	112,640,507	170,000	663	2,602,718	
3	San Juan Unit 3	170,124,725	248,000	686	4,645,958	
4	San Juan Unit 4	120,485,000	195,000	618	12,146,648	
5	San Juan Common & Switchyard	95,478,709			17,277,986	
6	Total San Juan	\$ 593,824,878	783,000	\$ 758	42,146,358	
7						
8						
9						
		F	G = B + E + F	H = G / C	I	
		Estimated Additional Accumulated Depreciation - 07/01/13 - 12/31/14	Estimated Balance at 01/01/15	\$ per kW as of 01/01/15	Transfer of kW	
10						
11	San Juan Unit 1	\$ (3,824,170)	\$ 96,744,814	\$ 569	-	
12	San Juan Unit 2	(4,420,751)	110,822,474	652	-	
13	San Juan Unit 3	(7,866,054)	166,904,629	673	(78,000)	
14	San Juan Unit 4	(5,971,609)	126,660,039	650	78,000	
15	San Juan Common & Switchyard	(3,724,030)	109,032,665			
16	Total San Juan	(25,806,614)	\$ 610,164,621	\$ 779	-	
17						
18						
19		J	K = G + J	L	M	
		\$ Value of Transferred kW	Estimated Net Book Value at 01/01/15, after Transfer	Estimated Capital Additions - 01/01/15 - 12/31/17	Estimated Additional Accumulated Depreciation - 01/01/15 - 12/31/17	
20						
21	San Juan Unit 1	\$ -	\$ 96,744,814	\$ 19,046,786	\$ (8,907,004)	
22	San Juan Unit 2	-	110,822,474	-	(9,203,127)	
23	San Juan Unit 3	(52,494,000)	114,410,629	-	(11,034,189)	
24	San Juan Unit 4	52,494,000	179,154,039	8,752,098	(17,719,003)	
25	San Juan Common & Switchyard		109,032,665	8,211,145	(7,390,328)	
26	Total San Juan	\$ -	\$ 610,164,621	\$ 36,010,029	\$ (54,253,652)	
27						
28						
29		N	O			
		Estimated Ending Net Book Value at 12/31/2017	Estimated Unrecovered Investment in San Juan Unit 2 and 3			
30						
31	San Juan Unit 1	\$ 106,884,596	\$ -			
32	San Juan Unit 2	101,619,347	101,619,347			
33	San Juan Unit 3	103,376,440	103,376,440			
34	San Juan Unit 4	170,187,134	-			
35	San Juan Common & Switchyard	109,853,482	-			
36	Total San Juan	\$ 591,920,998	\$ 204,995,787			

Exhibit HEM-4, Page 1, Column A, Line 1
 Exhibit HEM-4, Page 3, Column A, Line 1

Estimated Annual Revenue Requirement of SJGS Unit 2 & 3 Based on Remaining Life of SJGS

<u>Line No</u>	A 2018 Revenue Requirement	B Reference
1	\$ 204,995,787	Exhibit HEM-4, Page 2, Column O, Line 36
2		
3	<u>(2,847,164)</u>	
4		
5	202,148,623	
6		<i>(Line 1 + Line 3)</i>
7	<u>(78,069,798)</u>	
8		
9	<u>\$ 124,078,825</u>	
10		<i>(Line 5 + Line 7)</i>
11		
12	8.18%	Exhibit HEM-3, Column E, Line 8
13		
14	\$ 10,149,648	
15		<i>(Line 9 * Line 12)</i>
16		
17	5,694,327	
18		
19	3,958,139	
20		
21	<u>19,802,114</u>	
22		<i>(Line 14 + Line 17 + Line 19)</i>
		PNM Retail Share of Non-Fuel revenue requirement
23	18,481,313	
		<i>(Line 21 * 93.33%)</i>
24	93,991	
		Revenue Tax @ 0.508573%
25	<u>\$ 18,575,304</u>	Exhibit HEM-4, Page 1, Column A, Line 28
26		<i>(Line 23 + Line 24)</i>