

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

IN THE MATTER OF PUBLIC SERVICE)
COMPANY OF NEW MEXICO’S APPLICATION)
FOR APPROVAL OF PURCHASED POWER)
AGREEMENTS, ENERGY STORAGE)
AGREEMENTS, AND CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY FOR 2029-2032) **Docket No. 26-0000 ____**
SYSTEM RESOURCES AND THE ABANDONMENT)
OF THE FOUR CORNERS POWER PLANT)
)
PUBLIC SERVICE COMPANY OF NEW MEXICO,)
)
Applicant.)
)

DIRECT TESTIMONY
OF
LAURIE A. WILLIAMS

May 29, 2026

NMPRC DOCKET NO. 26-0000
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WITNESS FOR
PUBLIC SERVICE COMPANY OF NEW MEXICO

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SPONSORED EXHIBITS

PNM Exhibit LAW-1	Education and Professional Qualifications of Laurie A. Williams
PNM Exhibit LAW-2	Mid-State Transmission Line Term Sheet

AFFIDAVIT

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I. INTRODUCTION AND PURPOSE

Q. Please state your name, position, and business address.

A. My name is Laurie A. Williams. I am the Senior Vice President of Integrated Planning and Transmission Development at Public Service Company of New Mexico (“PNM” or “Company”). My business address is 2401 Aztec Rd. NE, Albuquerque, NM 87107.

Q. Please summarize your educational background and professional qualifications.

A. My education and professional qualifications are provided in PNM Exhibit LAW-1. In my role as Senior Vice President of Integrated Planning and Transmission Distribution, I oversee PNM’s integrated planning function, which coordinates long term resource planning with transmission and distribution system planning and the Company’s approach to meeting reliability, affordability, and environmental objectives as the system evolves in addition to various engineering and other functions.

Q. Have you previously testified in regulatory proceedings?

A. Yes. I previously provided testimony before the New Mexico Public Regulation Commission (“NMPRC” or “Commission”) in support of PNM’s renewable resources in Case No. 06-00340-UT.

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1 **Q. What is the purpose of your testimony?**

2 **A.** The purpose of my testimony is to provide the Commission with a holistic policy
3 level overview of PNM’s integrated planning and to explain how PNM’s Integrated
4 System Plan brings together generation, storage, transmission, evaluation of
5 resources at or near end-of-life, and economic development load planning into a
6 unified approach designed to serve customers reliably and cost-effectively while
7 meeting New Mexico’s energy and carbon policy requirements. I address PNM’s
8 integrated planning objectives and challenges, how the requested resources in this
9 Application support PNM’s current and future needs, and how those resources fit
10 within PNM’s long-term planning to ultimately achieve the Energy Transition Act
11 (“ETA”) milestones and achieve efficient, 100% carbon-free operations by 2045.
12 PNM’s Application seeks approval of the proposed replacement resource and the
13 abandonment PNM’s interest in the Four Corners Power Plant (“FCPP” or “Four
14 Corners”) effective in 2031 and describes the planned life extension of the existing
15 Reeves Generating Station (“Reeves”).

16
17 PNM’s resource proposals are based on numerous considerations including planned
18 transmission additions currently pending before the Commission, as well as those
19 expected to be filed by PNM in the near term, increasing system load, time-sensitive
20 federal tax incentives for renewable resources, and meeting carbon emissions limits
21 under the Energy Transition Act (“ETA”).

22
23 **Q. How is your testimony organized?**

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1 **A.** I begin with an overview of PNM’s integrated planning framework and the
2 Company’s Integrated System Plan. I then discuss how that framework supports
3 the resources and actions presented in this proceeding, including the need to serve
4 significant forecasted load growth, preserve eligibility for available federal tax
5 incentives and opportunities, and meet 2032 carbon-intensity requirements. I also
6 discuss how PNM’s planned exit from Four Corners and proposed life extension of
7 the existing Reeves natural gas plant fit within that integrated planning framework.
8 Finally, I discuss the additional generation margin that PNM seeks to create as part
9 of its resource portfolio to support economic-development readiness under SB 170,
10 that provides timely access to generation to attract economic development to New
11 Mexico. I conclude with a discussion of how the integrated plan, including the
12 resources identified in this Application, is in the public interest.

13

14 **Q. Are you sponsoring any exhibits as part of your testimony?**

15 **A.** Yes. I am sponsoring PNM Exhibit LAW-2, the Mid-State Transmission Project
16 term sheet between PNM and Pattern Energy that will provide the delivery of the
17 Palomas Wind Project’s output to PNM’s system.¹

18

19 **II. OVERVIEW OF PNM’S RESOURCE PLANNING**

20

21 **Q. Please describe PNM’s Integrated Planning.**

¹ The map associated with PNM Exhibit LAW-2 is confidential and redacted.

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1 **A.** PNM uses the term integrated planning to describe a broader approach than
2 traditional resource planning alone. Resource planning (including the Integrated
3 Resource Plan (“IRP”) and competitive procurements) remains foundational, but
4 integrated planning goes further and explicitly considers generation, storage, load,
5 transmission, regional market access, interconnection and deliverability, evaluation
6 of resources at or near their end-of-life, and execution sequencing so that PNM can
7 identify the least cost, feasible, and timely portfolio of solutions to meet load,
8 reliability, and long-term policy objectives. In short, resource planning is a
9 component of the Company’s integrated planning approach; integrated planning is
10 the system-wide, co-optimized set of solutions across related functions that were
11 historically siloed.

12
13 PNM’s integrated planning is a system-wide planning approach that recognizes that
14 energy transition to low or no carbon resources is increasing the interplay between
15 resource decisions and grid constraints; and that planning must account for
16 deliverability, congestion, operational flexibility, risks, and sequencing — not only
17 nameplate resource additions. PNM’s preferred resource plan is the product of this
18 approach, providing a roadmap through approximately 2032 that aligns near term
19 decisions with a longer-term transmission and resource strategy.

20
21 **Q.** **What are the key factors driving the need for integrated planning?**

22 **A.** PNM’s integrated planning responds to a confluence of major drivers while
23 maintaining customer affordability and system reliability requirements.

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1. Portfolio Costs - time sensitive federal tax incentives. PNM’s plan is structured to ensure it balances customer costs with other considerations. In this case, the portfolio sought to capture the customer cost benefits of federal tax incentives, set to phase out as a part of the federal government’s passage of the *One Big Beautiful Bill*, and avoid delays that can materially increase customer costs.

2. New Mexico legislative economic development policy objectives. New Mexico at large is seeking to attract economic development and very often, electric utility constraints can be an impediment to that objective. To address this concern, the New Mexico Legislature passed, and the Governor signed, new statutes including Senate Bills (“SB”) 169 and 170, and House Bill (“HB”) 93 designed to attract new economic development by removing barriers for electric utilities to serve potential large customers by ensuring site readiness, the ability of utilities to proactively create transmission/distribution and generation capacity on the system, and enable customers to develop and implement their own microgrids to attract economic development to New Mexico and ensure that PNM and the other utilities serving customers in New Mexico are prepared to meet their obligations to serve loads located in their respective service territories.

3. Extraordinary load growth and economic development. PNM expects nearly 40% load growth from contracted and forecasted customer demand by 2032. Existing and new large customers—including PNM’s Special Service Customer and others—are under contract for nearly 600 MW of new economic development load requiring service beginning in the late 2028–2029 timeframe.

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1 4. Physical system constraints and congestion. Transmission bottlenecks on
2 PNM’s system and congestion that limit market access already contribute to
3 inefficiency through renewable curtailment under certain conditions, such as
4 periods of significant renewable production and low load, which can limit
5 operational flexibility and deliverability. While PNM has utilized multiple grid
6 enhancing technologies (or “GETS”) to extract latent transmission capacity,
7 continued demand growth, more frequent extremes, and the need to stage the
8 system for successful carbon-free operation requires long-term efforts to increase
9 interconnection to neighboring systems and expanded regional market access to
10 dynamically balance weather-dependent resources, lower customer costs by selling
11 excess resource(s) into the market, and access to import power during low
12 renewable or extreme event(s). Given the generally lengthy lead times for
13 transmission development, expansion of PNM’s system requires long-term
14 systematic, steady system upgrades and support from new backbone transmission
15 expansion and continued use of GETs. Without sufficient transmission capacity,
16 low-cost renewable energy could be stranded, curtailments can increase, and each
17 of these can, in turn, limit the opportunities to reduce customer costs.

18

19 5. Carbon intensity requirements and resource transition. PNM’s plans must identify
20 portfolio additions that allow the utility to continue to meet current carbon intensity
21 requirements. By 2032, PNM must reduce the carbon intensity of its generation
22 portfolio from the current 400 lbs. CO₂/MWh standard to 200 lbs. CO₂/MWh under
23 17.9.561 NMAC. This 50% reduction in the applicable carbon-intensity limit is a

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1 key driver of PNM’s resource planning for the 2029-2032 period, including the
2 proposed exit from Four Corners and the addition of carbon-free and low-emitting
3 replacement resources. The preferred portfolio helps ensure that PNM’s system has
4 access to a balanced collection of three types of necessary resources: 1) carbon-free
5 energy resources, which produce clean but variable energy to meet a large portion
6 of customers’ energy needs; 2) dynamic balancing resources, which help balance
7 supply and demand for electricity on an instantaneous basis, recognizing that the
8 availability of carbon-free resources does not always coincide with demand; and 3)
9 firm generating capacity, which can operate at or near full capacity for extended
10 periods (such as periods of high demand or low renewable output) to ensure
11 portfolio and system resilience during both normal operations and/or periods of
12 prolonged stress such as extreme events. These resources would generally operate
13 at a lower capacity factor but are important for the time periods when other
14 resources are unavailable or exhausted.

15

16 **Q. Why is the 2029 to 2032 planning period different from prior resource filings?**

17 **A.** This period is different because PNM, like many utilities in New Mexico and
18 nationally, is experiencing transformational, step change growth while
19 simultaneously transitioning the grid to meet various state energy transition and
20 renewable polices. The exit from coal resources to meet the carbon intensity
21 requirements, which will be reduced by 50% in 2032 to 200 lbs./MWh from the
22 current 400 lbs/MWh, the scale, timing, and concentration of new load—
23 particularly large, high load factor customers—combined with constrained

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1 infrastructure and carbon requirements create conditions where system solutions
2 must be planned and sequenced together.

3
4 Supply chain challenges and the time needed to implement resources, along with
5 the associated network upgrades or expansions, generally require significant
6 development periods. As such, these require advanced planning of resource
7 additions to ensure timely completion. This is the primary reason why PNM
8 identified, as part of its 2023 IRP Action Plan (“Action Plan”), the need to seek
9 resources through an RFP for the period beginning 2029 through 2032. This was a
10 greater forward-looking timeframe for the Action Plan RFP than PNM had sought
11 in the past.

12
13 Subsequent to PNM receiving bids in the 2029-2032 RFP solicitation, the federal
14 government announced a near-term phase-out of federal tax credits for wind and
15 solar resources. This action created an increased urgency to identify a portfolio that
16 would achieve the required compliance with carbon intensity requirements, provide
17 replacement resources for PNM’s planned Four Corners exit, meet load
18 requirements, and capture favorable federal tax credit pricing for renewables to
19 benefit customers.

20
21 **Q. Are there any other notable differences in this filing from PNM’s prior filings?**
22 **A.** Yes. In this case, PNM is seeking approval for the power purchase agreements for
23 the Palomas Wind Project (“Palomas PPAs”), which will require the development

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1 and construction of a new 345 kV transmission line, the Mid-State Transmission
2 Line, to deliver the project’s output to PNM’s system load. This transmission line
3 addition will require PNM to seek NMPRC regulatory approvals, including a
4 Certificate of Public Convenience and Necessity (“CCN”). PNM would ideally
5 have filed an application requesting the necessary regulatory approvals in
6 conjunction with this resource filing; however, preparing that filing, along with
7 location control approval and right-of-way determination, will require additional
8 time.

9
10 PNM determined it would benefit PNM customers and the successful renewable
11 developers, who are required to be in ‘active construction’ by July 2026, to qualify
12 for safe harbor tax credit eligibility, to file for approval of the proposed resources
13 now instead of delaying this filing to coincide with the planned transmission
14 regulatory filings. PNM desires to give the NMPRC the necessary time to consider
15 these renewable resources, while limiting the period during which resource
16 developers are exposed to development risk at their own expense. However, it
17 should be noted that the Palomas PPAs will not proceed without the needed
18 transmission line. Correspondingly, the Mid-State Transmission Line will not
19 proceed in the absence of approval of the Palomas PPAs.

20
21 Overall, PNM’s integrated approach was initiated to position the Company to keep
22 pace with system demands, adhere to environmental requirements, ensure near-
23 term plans fit into longer term strategic planning on both the resource and

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1 transmission sides to best enable efficient system-wide decisions that maintain
2 customer affordability.

3

4 **Q. Are the Palomas Wind Project and the Mid-State Transmission Project**
5 **interdependent?**

6 **A.** Yes. The sequencing and risk allocation between the two projects are governed by
7 the binding term sheet, the future Development and Construction Agreement, and
8 a separate regulatory application to the NMPRC for the transmission project that
9 PNM expects to file by early 2027.

10

11 Under this structure, the binding term sheet ensures that all parties, including the
12 utility, the developer, customers, and regulators, have certainty regarding fixed
13 project cost, schedules, and termination terms. PNM's regulatory application for
14 Mid-State will provide the Commission a full opportunity to review the
15 transmission line on its own record, and the Palomas PPAs include conditions
16 precedent and termination rights so that customers are not committed to the
17 Palomas PPAs costs if the Mid-State line is not approved, or to Mid-State costs if
18 the Palomas PPAs are not approved or are materially modified. PNM is asking the
19 Commission to approve the Palomas PPAs in this proceeding with the
20 understanding that final approval of the Mid-State Transmission Project will be
21 addressed in a separate proceeding on a complete transmission record.

22

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1 By filing for approval of the proposed resources now, PNM is attempting to
2 mitigate the timing risk of foregoing considerable renewable pricing benefits from
3 federal tax credits, which are significantly larger than the risk created by the
4 staggered transmission line application by submitting an associated binding term
5 sheet for the transmission line. This provides assurance regarding the costs and
6 schedule of the new transmission line along with the protection for customers if the
7 associated resource procurement is denied or if there is some other default by the
8 counterparty to ensure customers are not harmed.

9
10 **Q. What is the Integrated System Plan and how was it developed?**

11 **A.** PNM's Integrated System Plan is the Company's unified roadmap that coordinates
12 resource additions combined with transmission expansion to meet load growth,
13 maintain reliability, comply with policy obligations through 2044, and lay the
14 groundwork necessary to ensure PNM's generation portfolio is prepared to operate
15 as a fully carbon-free system by 2045. It has been built over the course of multiple
16 years and relies on foundational studies, including PNM's first 20-year
17 Transmission Outlook, the 2023 IRP and 2023 IRP Supplemental Analysis, the
18 Condition Life Assessment for PNM Reeves Generating Station referenced in PNM
19 witness Warner, the Four Corners evaluation discussed in more detail by PNM
20 witness Duane, and associated subsequent competitive procurement and evaluation
21 activities, and related analyses that collectively support an integrated, cost-
22 effective, feasible plan.

23

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1 **Q. How does integrated planning improve outcomes compared to a more siloed**
2 **approach to planning?**

3 **A.** Integrated planning improves outcomes by evaluating a wide variety of credible
4 solutions together and selecting co-optimized portfolios that avoid redundant
5 investment, better account for deliverability and operational constraints and
6 continue to prepare the system, including the transmission, for carbon-free
7 operations by 2045.

8
9 PNM’s significant portfolio transition and use of renewable and storage resources
10 make integrated planning increasingly more important. Serving 1 MW of new
11 load—or replacing 1 MW of retiring dispatchable generation—can require 3 to 5
12 MW of renewables and storage to maintain reliability. For example, PNM’s annual
13 Loads and Resources table filed in Case No. 3137 shows an installed reserve margin
14 above 120%, reflecting the need to ensure a largely variable and energy-limited
15 portfolio is available throughout the year. Serving load requirements with
16 renewables and storage increases system flows during certain periods and requires
17 a coordinated evaluation of projected operating conditions, interconnection
18 requirements, system transfer capabilities, and storage charging limits. Integrated
19 system planning is necessary to incorporate these considerations to help reduce the
20 risk of reliability events for PNM’s existing system and its evolving portfolio.

21
22 **Q. How do the resources in the Application address PNM’s resource adequacy**
23 **needs?**

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1 **A.** The resources in the preferred portfolio identified in the Phase 3 modeling analysis
2 allow PNM to meet the system demand and energy requirements while also meeting
3 the resource adequacy needs of the system by achieving a Loss of Load Expectation
4 or “LOLE” of 0.1 (known as ‘one day in 10 years’ standard). The portfolio also
5 meets the system’s needs over a range of expected conditions, including extreme
6 events, and ensures PNM can serve load during expected hours of risk. This is
7 discussed in more detail in the testimonies of PNM witnesses Wintermantel and
8 Duane.

9

10 **Q.** **Has PNM considered new economic development load in its resource planning**
11 **goals and objectives in its Application?**

12 **A.** Yes. PNM’s integrated plan is structured to support projected load growth through
13 a diversified portfolio of renewable resources providing carbon-free energy, storage
14 providing dynamic balancing resources, continued operation of the existing Reeves
15 natural gas generation and a limited amount of new natural gas generation,
16 operating during a small number of hours, to provide firm generating capacity when
17 needed, and transmission expansion.

18

19 **Q.** **Please explain why PNM is including new economic development load in its**
20 **forecast used to develop the Integrated Plan.**

21 **A.** Four contracts for additional economic development load service have been
22 executed and were included as part of the 2029-2032 RFP evaluation. These four

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1 contracts for service include executed Electric Facilities Agreement(s) (“EFA”) or
2 executed Reimbursement Agreement(s) (“RA”).

3
4 The EFA requires commitment to the project and the associated minimum demand
5 payments that cover the customer’s costs, including the actual cost if it exceeds the
6 estimated cost. The RA requires advanced payment of the costs for preliminary
7 work which includes engineering and design, permit initiation, surveying, and
8 ordering of long-lead-time equipment to overcome supply chain timelines that can
9 inhibit service timelines. The RA also requires execution of a full EFA within eight
10 months.

11
12 Commitments for the four customers that signed agreements include an increase in
13 the existing Special Services Customer load from 400 MW to 640 MW.
14 Additionally, 75 MW and 200 MW loads for the Mesa del Sol area, and a 75 MW
15 load in Los Lunas. This totals about 600 MW of additional economic development
16 that is seeking to locate or expand their businesses in New Mexico and that will be
17 served by a resource portfolio that fully complies with the ETA carbon intensity
18 requirements, benefits from safe-harbored federal tax credits for renewables and
19 storage, and supports PNM’s transition to carbon-free. The load forecast is
20 discussed in more detail in PNM witness Aguirre’s testimony and includes loads
21 that have signed EFAs and RAs.

22

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1 PNM is also planning to file a large load tariff that aligns with various state efforts
2 that will protect existing retail customers from the risk of cost-shifting from these
3 large loads through various contractual tools. This is discussed in more detail in
4 PNM witness Sanders' testimony.

5
6 For purposes of this Application, PNM distinguishes between three categories of
7 forecasted economic-development load. First, committed load is supported by
8 executed Electric Facilities Agreements with minimum demand obligations, take-
9 or-pay terms, and direct assignment of dedicated facilities. Second, contingent load
10 is supported by executed Reimbursement Agreements that require execution of a
11 full Electric Facilities Agreement within eight months and that fund engineering,
12 permitting, and long-lead-equipment procurement at customer expense. Third, the
13 SB 170 generation margin is sized to permit timely service to prospective
14 economic-development customers who have not yet contracted with PNM, but who
15 would otherwise be precluded by lead times. PNM's load forecast, resource sizing,
16 and cost-allocation proposals reflect this distinction, and PNM will report material
17 changes in committed and contingent large-load status before seeking rate recovery
18 for material assigned costs.

19

20 **Q. Please explain why PNM is including new economic development generation**
21 **in its resource portfolio as a part of the Integrated Plan.**

22 **A.** The integrated planning generation portfolio includes an additional resource margin
23 sufficient to serve an additional 200 MW (or approximately 10%) above PNM's

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1 forecasted load. This will allow PNM to have available, low cost, and ETA-
2 compliant resources to serve new economic development loads that would not
3 otherwise locate in New Mexico due to lead times for service. PNM applied for and
4 was approved to develop transmission and substation infrastructure in two of the
5 areas with the greatest economic development load interest, Mesa del Sol and the
6 Westpointe 40 area in Albuquerque.² The additional generation reserve is the final
7 piece of economic readiness pursuant to the SB 170 legislation passed by New
8 Mexico’s lawmakers in the 2025 legislative session. The timing of this procurement
9 ensures PNM can utilize renewables that are eligible for safe-harbored tax credit
10 pricing before they expire for SB 170. If PNM waited to procure SB 170 resources
11 later, it would likely be priced without that beneficial offset. The generation to serve
12 these certified economic development sites is a proactive approach that will allow
13 PNM to offer more timely generation service to customers seeking to locate or grow
14 in New Mexico.

15 The additional generation margin sized for SB 170 economic-development
16 readiness is a proactive capacity reserve intended to enable PNM to provide timely
17 electric service to prospective economic-development customers whose lead-time
18 requirements may not align with the time needed to procure new generation
19 resources. The load forecast, resource sizing, and customer-impact treatments are
20 discussed in more detail by PNM witnesses Aguirre and Sanders.

21

² Docket No. 25-00088-UT, Order Approving PNM’s Application (March 12, 2026).

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1 **Q. How do the proposed resources support PNM’s efforts to transition to a**
2 **carbon-free generation portfolio?**

3 **A.** The proposed resources largely comprise additional carbon-free energy from
4 renewable resources and dynamic balancing resources from storage that
5 collectively allow PNM to meet its carbon intensity requirements, measured in
6 pounds of carbon produced per megawatt-hour (lbs/MWh) of energy generated.
7 This portfolio allows PNM to meet the current limit of 400 lbs/MWh and, once
8 PNM exits its interest in Four Corners, enables PNM’s system to operate at or
9 below 200 lbs/MWh, which becomes effective in 2032. These resources are
10 provided at pricing that includes the benefits of safe-harbored federal tax credits,
11 as discussed in PNM witness Barnard’s testimony. PNM’s portfolio also achieves
12 the Energy Transition Act as well as increased wind resources to provide more
13 geographic and technology diversity to the portfolio, as discussed more by PNM
14 witness Duane.

15

16 **Q. How does PNM’s long-term transmission strategy support PNM’s efforts to**
17 **transition to a carbon-free generation portfolio?**

18 **A.** The transmission additions proposed in Docket No. 26-0000041 filed in February
19 2026, and to be filed later in 2026 or 2027, support these resources and assist in
20 preparing the system to have increased load serving capability, reduced congestion
21 and curtailments, and improved resilience through increased access to regional
22 markets. As noted above, PNM’s longer term transmission strategy includes the
23 transmission additions in PNM’s CCN application in Docket No. 26-0000041-UT,

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1 along with the future applications for approval of a new 345 kV transmission line
2 to support the delivery of the wind resources, and a future 345 kV transmission line
3 to connect to the California Independent System Operator’s system via a connection
4 to the Pete Heinrich substation. The binding term sheet for the Mid-State
5 Transmission Project to support delivery of the Palomas wind resource is included
6 in this filing for regulatory consideration and is discussed in more detail in PNM
7 witness Hakimian’s testimony.

8

9 **Q. Will PNM be constructing the Mid-State Transmission Project?**

10 **A.** Pattern Energy will be constructing the Mid-State Transmission project. At the
11 completion of the project PNM will purchase the transmission facility from Pattern
12 via a Development and Construction Agreement (“DCA”). A DCA is an
13 arrangement in which a third-party developer designs and constructs a transmission
14 facility and, upon completion, transfers ownership of the facility to the utility,
15 which then owns and operates the asset as part of its regulated transmission system.

16

17 **Q. Has PNM entered into a DCA with Pattern?**

18 **A.** PNM has entered into a binding term sheet outlining the major elements of the
19 Development and Construction Agreement (“DCA”) and committing both parties
20 to those elements. This is for the purpose of allowing the NMPRC to fully consider
21 the resources, including Palomas wind project, holistically. PNM would normally
22 enter into a DCA and file an associated CCN prior to making the resource filing.
23 However, in this case with the expiring federal tax credits, PNM is seeking approval

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1 of the resources slightly ahead of a final CCN for the associated transmission
2 facilities. This will help mitigate cost risk for the renewable developers from whom
3 PNM is purchasing renewable resources. Seeking safe harbored pricing is also
4 advantageous for PNM's retail customers. PNM is seeking to provide price and
5 schedule assurance for the Mid-State Transmission Project to the NMPRC such that
6 it can adequately evaluate the proposed portfolio.

7

8 **Q. Please explain how the requested abandonment of PNM's share of Four**
9 **Corners aligns with PNM's Integrated Plan.**

10 **A.** PNM's abandonment of Four Corners in 2031 is necessary to meet the ETA's 200
11 lbs/MWh carbon intensity threshold beginning in 2032 and supports PNM's
12 transition to a carbon free portfolio by 2045. It is not economically feasible to
13 operate Four Corners within this carbon intensity threshold. Analyses regarding
14 early exit of Four Corners and abandonment of Four Corners are discussed in more
15 detail by PNM witness Duane.

16

17 **Q. Please explain why PNM is proposing to add the La Luz II natural gas**
18 **generating facility to its portfolio in light of the Energy Transition Act (ETA).**

19 **A.** Yes. PNM's proposal to add the 40 MW La Luz II gas generation facility is
20 consistent with the requirements and objectives of the Energy Transition Act (ETA)
21 and is driven by the need to maintain reliable, affordable, and increasingly clean
22 electric service for our customers. The plant is planning to operate through 2044

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1 and has been fully depreciated by that date as discussed in more detail in PNM
2 witnesses Barnard and Duane.

3
4 The ETA establishes ambitious carbon-free standards; however, it also recognizes
5 that the transition should proceed over the nearly two decades remaining to fully
6 decarbonize the portfolio by 2045 that also ensures reliability and resource
7 adequacy along the way. Concurrently, renewable energy standards applicable to
8 PNM, such as NMSA 1978, Section 62-16-4 B (2), states that, “the Commission
9 shall maintain and protect the safety, reliable operation and balancing of loads and
10 resources on the electric system.” To date, the only types of resources in PNM’s
11 last several RFPs that provide the characteristics of a firm generating resource have
12 been gas resources. While PNM continues to encourage other types of firm
13 generating resources (such as geothermal, long duration storage, nuclear) and
14 balance its renewable energy and carbon-free obligations, the market is thus far not
15 producing these resources for consideration in its required competitive solicitations.

16
17 La Luz II is being added to respond to real-time system needs, support reliability,
18 and maintain grid stability. This peaking capacity is expected to operate with a
19 generally low capacity factor but will be important during extreme weather events,
20 prolonged low renewable conditions, and peak load periods. Without such
21 dispatchable resources, PNM could face an increased risk of service interruptions.
22 La Luz is discussed in more detail in both PNM witness Barnard and Duane’s
23 testimonies.

**DIRECT TESTIMONY
OF LAURIE A. WILLIAMS
NMPRC DOCKET NO. 26-0000**_____

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III. THE PUBLIC INTEREST

Q. Please explain how PNM’s Integrated Plan serves the public interest.

A. PNM’s Integrated Plan serves the public interest by:

1. Supporting reliable service and resource adequacy under extraordinary load growth. The plan is designed to maintain system reliability while preparing for substantial economic development load growth in New Mexico.
2. Capturing time sensitive opportunities to reduce customer costs. The plan’s schedule is designed to reduce the risk that delays could increase costs, including the value of federal tax incentive timing. In fact, this portfolio allows PNM to lock in federal tax credit pricing for its proactive SB 170 generation margin as well.
3. Balancing affordability with necessary modernization. By co-optimizing resources and transmission and reducing operational inefficiencies such as curtailment and congestion, the plan is structured to pursue least cost, executable solutions rather than isolated investments that could be more expensive in combination. It also advances a noted goal in PNM’s 2023 IRP Action plan by extending the life of an existing resource, Reeves, rather than pursuing an entirely new greenfield development.
4. Advancing policy compliance and emissions objectives. The plan is aligned with achieving the carbon intensity reduction by 2032, including coordinating the transition away from coal resources in PNM’s portfolio, and continuing advancement toward future carbon-free operations.

**DIRECT TESTIMONY
OF LAURIE A. WILLIAMS
NMPRC DOCKET NO. 26-0000**_____

1 5. Enabling New Mexico economic development and broader customer
2 benefits. PNM’s testimony and exhibits show its application as an opportunity for
3 New Mexico that can benefit customers by spreading fixed infrastructure costs to
4 achieve the ETA across a larger customer base, while also enabling job creation
5 and expanded investment in the economy.

6
7 PNM is requesting approval of the resources, the abandonment of PNM’s share of
8 the Four Corners Power Plant effective in 2031, and the related accounting and
9 ratemaking treatment described in this Application. Nothing in this Application
10 asks the Commission to determine in advance the prudence, reasonableness, used-
11 and-useful status, final cost recovery, cost allocation, direct assignment, or
12 continued need for any approved resource or facility beyond the relief expressly
13 requested. PNM retains the burden of demonstrating prudence and continued need
14 in any future rate, rider, or compliance proceeding, and the Commission retains full
15 authority to review those issues at the appropriate time.

16
17 **Q. Are the proposed resources sufficient to cover the projected load growth**
18 **expected by PNM by 2032?**

19 **A.** Yes, the proposed resources satisfy the majority of PNM’s projected load growth.
20 However, approximately 50 to 250 MW of accredited capacity is still needed.
21 PNM’s Integrated Plan is structured to support projected load growth through a
22 diversified portfolio of renewable resources, storage, firm capacity, and
23 transmission expansion. PNM is simultaneously pursuing an RFP supplement for

**DIRECT TESTIMONY
OF LAURIE A. WILLIAMS
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1 additional resource additions needed to fully satisfy the projected load growth
2 through 2032.

3

4 **Q. Please describe the RFP Supplement for additional resource bids for the 2029-**
5 **2032 timeframe?**

6 **A.** PNM issued an RFP Supplement on May 1, 2026, as a complement to the original
7 2029-2032 RFP seeking up to 250 MW of additional accredited capacity to
8 complete its 2029-2032 resource portfolio. PNM’s goal is to continue to balance
9 reliability, affordability, and environmental impact. As PNM analyzed its modeling
10 and resource evaluation, it became clear that the system tended to select all firm
11 generating resource options that were part of PNM’s short-list. That called into
12 question whether PNM received the most optimal array of firm generating resource
13 bids. PNM determined it was worth taking time to assess whether additional bids
14 could provide more optimal options for PNM’s portfolio needs. Based on the
15 resource modeling to determine the preferred portfolio, PNM identified potential
16 for customer savings if alternative types of generating resources were a part of the
17 portfolio and thus determined it was prudent to pursue additional options through
18 the all-source RFP Supplement. This is discussed in more detail in both PNM
19 witness Duane’s testimony.

20

21 **Q. Will the RFP Supplement complement the 2029–2032 RFP results and protect**
22 **customers?**

**DIRECT TESTIMONY
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1 **A.** Yes. The RFP Supplement is intended to be narrowly focused on 50-250 MW of
2 accredited capacity and will complement—rather than revisit—the resource
3 selections associated with the 2029–2032 RFP. By conducting a competitive
4 procurement focused on a specific reliability need, PNM can compare additional
5 resource options on consistent evaluation criteria (including cost, deliverability,
6 development risk, and ability to perform during extended stress events). PNM’s
7 selections in this 2029-2032 Resource Application will be locked in to ensure they
8 do not lose federal tax credit pricing. It is unlikely given the tax credit phase out
9 that PNM will receive lower priced renewables but will not be taking the risk of
10 losing the current advantageous pricing.

11
12 Any resulting selections will be brought to the Commission in a subsequent filing
13 for review and approval, providing transparency and ensuring that customers
14 receive the benefit of competition and regulatory oversight. PNM cannot await the
15 results of the RFP Supplement before seeking approval of a final set of resources
16 because the delay could potentially risk or lose the federal tax benefits.

17
18 **Q.** **How is PNM ensuring fairness to the bidders from the original 2029-2032**
19 **RFP?**

20 **A.** To ensure PNM is not disadvantaging the original 2029-2032 RFP bidders, PNM
21 will consider the original bids along with the new bids in its analysis. Bidders do
22 not need to ‘re-bid’ but rather confirm their intention for continued consideration

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1 along with confirmation of pricing and schedule for analysis. The RFP Supplement
2 is discussed in more detail in PNM witness Barnard’s testimony.

3

4

IV. CONCLUSION

5

6 **Q. Please summarize your testimony and recommendations.**

7

A. PNM is entering a transformational period driven by major economic development
8 and increased load, while also needing to modernize constrained infrastructure,
9 prepare the system for efficient, fully carbon-free operations, and meet New
10 Mexico’s policy requirements. PNM’s integrated planning approach—and the
11 Integrated Plan that results from it—co-optimizes generation, storage, and
12 transmission into an executable roadmap through approximately 2032. This
13 approach is designed to maintain reliability, support affordability, reduce
14 congestion and curtailment, expand market access, and enable New Mexico’s
15 economic growth in a manner consistent with policy obligations. For these reasons,
16 the Commission should view the Company’s Integrated Plan and the related
17 resource and system actions as aligned with the public interest. For this reason,
18 PNM respectfully requests that the Commission approve the proposed new
19 resources and the abandonment of Four Corners effective in 2031.

20

21 **Q. Does this conclude your testimony?**

A. Yes, it does.

22

Education and Professional Qualifications of Laurie A. Williams

PNM Exhibit LAW-1

Is contained in the following 2 pages.

2401 AZTEC DR. NE • ALBUQUERQUE, NEW MEXICO 87107
PHONE 505-241-0641 • E-MAIL:LAURIE.WILLIAMS@TXNMENERGY.COM

LAURIE A. WILLIAMS

PROFESSIONAL EXPERIENCE

TXNM Energy Inc. (formerly PNM Resources, Inc.), Albuquerque, NM, 1992-Present

2025 – Present Senior *Vice President – PNM Integrated Planning and Transmission Development*

- Development and execution of an integrated utility strategy and plan covering generation, transmission, distribution, and loads that meets customer needs, manages costs, and meets environmental requirements in near-term and establishes plans for long-term achievement of Energy Transition Act
- Continued direction of Planning and Engineering teams noted below as well as Regional Markets, Transmission Strategy, and the Generation Contracts functions

2024 – 2025 *Vice President – PNM Integrated Planning*

- Continued direction of Transmission and Substation Engineering teams noted below as well as Integrated Resource Planning, Regional Markets, and the Distribution Planning function.
- Oversight of engineering for annual capital program

2020 –2024 *Executive Director and Director – PNM Transmission and Substation Engineering*

- Direct the activities of multiple technical teams including Strategic Asset Management, Transmission Planning and Contracts, Transmission Line and Substation Design and Engineering, and Protection, Controls and Communications Engineering
- Lead team of engineering personnel and contract employees in implementation of capital program and oversight of PNM Project Management and control center organizations on interim basis

2010 – 2020 *Director, Senior Manager and Senior Project Manager – PNMR NERC Reliability Governance*

- Directed the Internal Compliance Program (ICP) for PNMR and its utility subsidiaries including compliance with Federal Energy Regulatory Commission (FERC) and North American Electric Reliability Corporation (NERC) Compliance Program
- Lead team of engineering and auditing personnel in implementation of compliance program, ensuring company compliance with applicable federal and regional requirements through on-site Compliance Audits

2002 – 2010 *Senior Planning Engineer – Strategy Planning and Analytics – PNM Integrated Resource Planning*

- Performed 20-year Integrated Resource Planning and Electric Supply Planning studies including system modeling and simulation studies to identify optimal resource additions to meet long-term reliability needs
- Prepared filings and presentations for the system expansion studies and presented to various stakeholders and annual renewable resource plans to meet NM RPS- Testified in support PNM's renewable resources at NMPRC in Case No. 06-00340-UT

1997-2002 *Planning Engineer – Business Development and Special Projects*

- Provided analysis and prepared supporting merger testimony for SVP
- Supported FERC Market Power Assessment and provided transmission analysis for generation additions

1992-1997 *Planning Engineer – Transmission Planning*

- Provided power flow and stability computer modeling and analysis to support maintenance and expansion of Bulk Power System in New Mexico
- Prepared WECC reporting including Loads and Resources data submittals as well as FERC filings

EDUCATION

1987 - 1992 New Mexico State University Las Cruces, NM

Bachelor of Science Degree in Electrical Engineering

- Dean's List 1991

2018-2020 University of New Mexico Albuquerque, NM

Executive Master of Business Administration

2017 – 2018 Greater Albuquerque Chamber of Commerce Albuquerque, NM

- Leadership Albuquerque Program graduate

2014 – 2015 Central New Mexico Community College Albuquerque, NM

PMP Fast Track Certificate

2012-2013 TapRooT Root Cause Analysis Albuquerque, NM

- Trained Facilitator and Certified RCA Trainer

Mid-State Transmission Line Term Sheet

PNM Exhibit LAW-2

Is contained in the following 36 pages.

MID-STATE TRANSMISSION LLC
1088 Sansome Street
San Francisco, CA 94111

May 27, 2026

Public Service Company of New Mexico
414 Silver Ave. SW
Albuquerque, NM 87102
Attention: Law Department

Re: HIMO-WESP2 345-kV Transmission Project

Dear Ladies and Gentlemen:

Mid-State Transmission LLC (“Mid-State Project Company”) is proposing to connect the Western Spirit switchyard and the Hidden Mountain switchyard (the “HIMO-WESP2 Route”) with a new 345-kV alternating current transmission line by (a) removing and replacing approximately 56 miles of a single-circuit 115-kV alternating current transmission line owned by Public Service Company of New Mexico (“PNM”) between Willard to Belen and between a portion of Belen to Los Morros (the “Existing Transmission Line”) with a newly constructed 115-kV alternating current transmission line (the “Rebuilt Transmission Line”) and (b) constructing approximately 105 miles of a new 345-kV alternating current transmission line on the HIMO-WESP2 Route (the “New Transmission Line,” and together with the Rebuilt Transmission Line, the “Project”). The Rebuilt Transmission Line will be co-located with the New Transmission Line for the portion of the HIMO-WESP2 Route covered by the Rebuilt Transmission Line (and for such portion the Rebuilt Transmission Line and New Transmission Line will share transmission poles). Mid-State Project Company and PNM wish to negotiate a development and construction agreement (“DCA”) pursuant to which Mid-State Project Company would develop and construct the Project and PNM would provide access to Mid-State Project Company and its contractors for such development and construction. The DCA also would attach a form of bill of sale and assignment pursuant to which Mid-State Project Company would sell to PNM, and PNM would acquire from Mid-State Project Company, the Transferred Assets, as further defined in the DCA.

From and after the date hereof, Mid-State Project Company and PNM will use good faith efforts to negotiate and finalize a mutually acceptable definitive version of the DCA (and any exhibits thereto) as described in and as will be produced from Exhibit A.

This letter agreement shall be governed by and construed in accordance with the laws of the State of New Mexico (without regard to any principles of law that would require the application of the laws of another state).

This letter agreement and the rights hereunder shall not be assignable or otherwise transferable by Mid-State Project Company or PNM.

This letter agreement may be terminated (a) by either Mid-State Project Company or PNM if the DCA has not been executed and delivered by the parties thereto by October 31, 2026 (as such date may be extended by mutual agreement of Mid-State Project Company and PNM); and (b) by Mid-State Project Company and PNM’s mutual agreement to terminate this letter agreement. If either Mid-State Project Company or PNM wishes to terminate this letter agreement pursuant to clause (a) of the immediately

preceding sentence, it shall deliver written notice of termination to the other party, including the effective date of such termination. This letter agreement shall terminate automatically upon the execution and delivery of the DCA by Mid-State Project Company and PNM. If this letter agreement is terminated, then all obligations of PNM and Mid-State Project Company hereunder shall become void and of no effect with no liability on the part of either of PNM or Mid-State Project Company.

This letter agreement, the information contained herein and any discussions relating hereto or thereto are strictly confidential and are subject to the Nondisclosure Agreement between PNM and Pattern Renewables 2 LP dated January 21, 2025.

Unless otherwise specified herein, all notices shall be in writing and delivered by hand, overnight courier or email (if email addresses are identified below or by subsequent notice) to the applicable addresses below. All notices and other written communications required or permitted under this letter agreement which are addressed as provided herein are effective upon delivery. A party hereto may change its address for notices by providing notice of the same in accordance with this paragraph, but no such change is effective until it is actually received by the other party hereto.

If to Mid-State Project Company:

Mid-State Transmission LLC
c/o Pattern Energy Group LP
1088 Sansome Street
San Francisco, CA 94111
Attention: General Counsel
Email: generalcounsel@patternenergy.com

If to PNM:

Public Service Company of New Mexico
414 Silver Ave. SW
Albuquerque, NM 87102
Attention: Law Department
Email: leonard.sanchez@txnmenergy.com

If the foregoing accurately reflects your understanding, kindly execute this letter agreement in the space provided below and return it to Mid-State Project Company.

Sincerely,

MID-STATE TRANSMISSION LLC

Signed by:

By: _____
Name: Lauren Haller
Title: Vice President

Agreed and acknowledged by:

PUBLIC SERVICE COMPANY OF NEW MEXICO

DocuSigned by:
By: Don Tarry
Name: Joseph D Tarry
Title: President & CEO

**MID-STATE TRANSMISSION PROJECT
DEVELOPMENT AND CONSTRUCTION AGREEMENT TERM SHEET**

This term sheet (the “Term Sheet”) sets out a summary of the principal terms and conditions of the Development and Construction Agreement (“DCA”) expected to be entered into by the Parties (as defined below) with respect to the Project (as defined below). This Term Sheet is not a comprehensive statement of all of the terms and conditions of the DCA.

<p>1. Parties</p>	<p>Public Service Company of New Mexico, a New Mexico corporation (“PNM”), as buyer.</p> <p>Mid-State Transmission LLC, a Delaware limited liability company (“Mid-State Project Company”), as seller.</p> <p>PNM and Mid-State Project Company are each individually referred to as a “Party” and collectively as the “Parties.”</p>
<p>2. Project</p>	<p>Mid-State Project Company is developing (on behalf of PNM as further described herein) a transmission line that would connect the Western Spirit switchyard and the Hidden Mountain switchyard (the “HIMO-WESP2 Route”) with a new 345-kV alternating current transmission line by (a) removing and replacing approximately 56 miles of a single-circuit 115-kV alternating current transmission line owned by PNM between Willard to Belen and between a portion of Belen to Los Morros (the “Existing Transmission Line”) with a newly constructed 115-kV alternating current transmission line (the “Rebuilt Transmission Line”) and (b) constructing approximately 105 miles of a new 345-kV alternating current transmission line on the HIMO-WESP2 Route (the “New Transmission Line,” and together with the Rebuilt Transmission Line, the “Project”). The Rebuilt Transmission Line will be co-located with the New Transmission Line for the portion of the HIMO-WESP2 Route covered by the Rebuilt Transmission Line (and for such portion the Rebuilt Transmission Line and New Transmission Line will share transmission poles). For the avoidance of doubt, the 56-miles of the Existing Transmission Line will be permanently retired and removed from service. The Rebuilt Transmission Line shall be built to at least the existing capacity, using 795 ACSR (and with appropriate termination per PNM requirements).</p>

	<p>The proposed, contiguous HIMO-WESP2 Route for the Project is described and depicted on <u>Exhibit A</u>. Any change to the HIMO-WESP2 Route (other than immaterial changes) shall require PNM’s prior written consent, not to be unreasonably withheld. PNM and Mid-State Project Company acknowledge and agree that the potential need to re-route the Project is expected to be immaterial (less than 5% of the total mileage).</p> <p>The Project includes (1) any related switching, protection, control, telecommunications, fiber optic ground wire (which shall include termination work at both ends of the Project including Belen and Willard that existed with the Existing Transmission Line), switchable shunt reactors, breakers or other associated system upgrades, SCADA, series compensation and substation expansion or modification facilities at the Western Spirit switchyard (other than substation expansion or modification facilities at the Hidden Mountain switchyard (which shall be performed pursuant to the 2026 Transitional Cluster Study, including the Palomas LGIA (as defined below)) as may be adjusted pursuant to applicable regulations (the “Hidden Mountain Work”)) necessary for the safe and reliable operation of the Project, (2) the Shoofly Transmission Line (defined below), (3) the demolition and removal of the Existing Transmission Line and (4) rights and obligations under related project documents (such as EPC contracts, rights of way or leases, and other contracts), project permits and real property rights and other assets described in the DCA, all of which may not be described herein, but all of which shall be submitted, controlled, and prosecuted exclusively by PNM (or by Mid-State Project Company on behalf of PNM as provided herein); <u>provided</u>, that the Project shall not include the Hidden Mountain Work. All work shall be conducted in accordance with the standards set forth in Section 5 and Section 6 of this Term Sheet. All equipment selections, including reactor technology, shall be in accordance with the DCA or otherwise subject to prior written approval by PNM System Engineering. For the avoidance of doubt, all design, procurement, and construction at the Western Spirit switchyard, which shall include a switchable shunt reactor, shall be completed by Mid-State Project Company or one of its affiliates.</p>
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	<p><u>Exhibit B</u> includes a preliminary one-line and description of equipment anticipated to be used for the Project.</p> <p>Series compensation shall be located within 1-2 miles of PNM’s existing Abo series compensation facilities (along the existing 115kV ROW) and configured to achieve electrical impedance characteristics consistent with the Western Spirit transmission facilities, as determined by PNM System Engineering and vendor studies.</p> <p>The DCA shall include an asset disposition plan, subject to PNM’s prior written approval, addressing the removal, salvage, reuse, or disposal of existing PNM-owned transmission structures, conductor, insulators, and associated equipment, including PNM retaining title to reusable materials, cost responsibility, environmental handling, remaining book value, depreciation reserve, cost-of-removal treatment applicable FERC account treatment, and documentation necessary to support NMPRC and FERC regulatory and accounting treatment. Mid-State Project Company shall bear all costs and risks associated with such removal activities; provided that PNM shall retain exclusive authority over the salvage, reuse, and disposition of all PNM-owned transmission assets and all associated salvage value and shall provide documentation allowing PNM to implement appropriate accounting and regulatory treatment before the New Mexico Public Regulation Commission. Parties will pre-agree to designated PNM controlled locations (west and east) to drop materials to be salvaged, reused or disposed of in an organized manner within 10 miles of the alignment.</p>
<p>3. Transferred Assets</p>	<p>Mid-State Project Company currently holds, or intends to acquire, intangible assets, such as the right-of-way from the Western Spirit switchyard to Willard and associated assets that are needed for the New Transmission Line that, together with permits required for the construction of the Project and additional rights of way that, in each case, Mid-State Project Company acquires or obtains for the Project prior to the conveyance of the Initial Transferred Assets to PNM, will constitute “Initial Transferred Assets.”</p> <p>All of the assets comprising the Project that are owned by Mid-State Project Company (or its affiliates or contractors thereof) as of Substantial Completion that are needed for the operation or maintenance of the Project (including the</p>

	<p>EPC contracts, applicable reports, studies, physical assets and personal property) will constitute “Additional Transferred Assets,” and together with the Initial Transferred Assets, the “Transferred Assets.” For the avoidance of doubt, all real estate rights and owner permits associated with the Project will be obtained in the name of PNM (including all rights-of-way) at the earliest practicable time, and in all cases prior to Development Completion and therefore will not be Additional Transferred Assets.</p> <p>All agreements with private landowners that constitute Transferred Assets shall be substantially in the form attached to the DCA (unless PNM otherwise expressly approves deviations to such form in writing). In addition, prescribed forms that are required by applicable law to be used, including easements or rights-of-way granted by the New Mexico Commissioner of Public Lands, shall be in such form (unless otherwise agreed by the applicable governmental entity).</p>
<p>4. Transactions; Purchase Price; PEG LP Guaranty</p>	<p>PNM will acquire the Initial Transferred Assets in their entirety from Mid-State Project Company upon PNM’s receipt of the Required Regulatory Approvals, and PNM will assume all rights and obligations associated with the Initial Transferred Assets (other than payment obligations prior to Substantial Completion), subject to typical and customary obligations retained by Mid-State Project Company that are consistent with (with respect to retained obligations for assets that were transferred under) that certain Build Transfer Agreement, dated as of May 1, 2019, by and among New Mexico Renewable Energy Transmission Authority, Western Spirit Transmission LLC and PNM (the “Western Spirit BTA”), which was approved by the New Mexico Public Regulation Commission (“NMPRC”) on October 2, 2019 in Case No. 19-00129-UT and the Federal Energy Regulatory Commission (“FERC”) on August 8, 2019 in Docket No. EC19-90-000. Notwithstanding anything to the contrary, all real property rights, permits, and physical development assets necessary for the Project shall be acquired in the name of PNM (except to the extent required to be in the name of Mid-State Project Company or its contractors or subcontractors in order to develop and construct the Project, which shall be transferred to PNM at Substantial Completion as necessary for ownership, operation and maintenance of the</p>

	<p>Project thereafter), in order to preserve PNM’s ownership of the Project and its authority to exercise eminent domain.</p> <p>Following acceptance of the Development Completion Acknowledgement (as defined below), full notice to proceed shall be deemed issued by PNM to Mid-State Project Company, and within five (5) business days after such acceptance, Mid-State Project Company will issue a full notice to proceed under the primary EPC contract for the Project (the “NTP Date”).</p> <p>Upon Substantial Completion (as defined below) and Mid-State Project Company’s receipt of the Purchase Price, PNM will acquire the Additional Transferred Assets in their entirety from Mid-State Project Company, and PNM will assume all rights and obligations associated with the Additional Transferred Assets, subject to typical and customary obligations retained by Mid-State Project Company that are consistent with (with respect to retained obligations for assets that were transferred under) the Western Spirit BTA.</p> <p>The “Purchase Price” under the DCA will be due and payable by PNM at Substantial Completion and will be \$570,900,000, which is an all-in price for the Project. Prior to execution of the DCA, Mid-State Project Company shall deliver to PNM a draft allocation of the Purchase Price among the Project assets and applicable FERC plant accounts, together with supporting documentation reasonably necessary for PNM’s accounting, regulatory, rate-case, depreciation, and cost-recovery purposes. For the avoidance of doubt, the Purchase Price includes the reasonable out-of-pocket costs, fees and expenses of the PNM Work (as defined below) and shall be reduced as provided below to account for such PNM Work. The DCA shall include holdback language similar to the Western Spirit BTA with respect to eminent domain payments.</p> <p>Upon execution of the DCA, the PEG LP Guaranty (as defined below) shall be executed and delivered to PNM.</p>
<p>5. Development; Construction by Mid-State Project Company; Pre-Signing Diligence; Project Schedule</p>	<p>Prior to the execution of the DCA:</p> <p>(a) Mid-State Project Company will undertake the following activities with respect to the Project:</p>

	<ul style="list-style-type: none"> • advance engineering and design work; • advance permitting, including environmental permitting (subject to the Parties’ determination of which permits are required to be applied for by, or held in the name of, PNM); and • continue acquisition of the necessary, assignable rights-of-way. <p>(b) Mid-State Project Company will provide all work for permits and other governmental approvals that the Parties determine are required to be applied for and PNM will apply in due course for such permits and other government approvals that the Parties determine are required to be applied for by, or held in the name of, PNM;</p> <p>(c) PNM will conduct due diligence activities as deemed appropriate by PNM and execution of the DCA will be subject to results of such due diligence investigation satisfactory to PNM, in its sole discretion; and</p> <p>(d) Mid-State Project Company will consult with PNM on engineering, design including structure selection, and routing work, as appropriate, including as may be requested by PNM.</p> <p>Following the execution of the DCA, Mid-State Project Company will use commercially reasonable efforts to perform or provide, or cause to be performed or provided, all necessary work and services required in connection with the development, construction, financing, energization and testing of the Project in order to meet each Project milestone (as further set forth in the DCA, collectively, the “Project Milestones”). For clarity, Mid-State Project Company shall be responsible, at its sole cost and risk, except as expressly provided in the DCA, for all development, permitting support, engineering, procurement, construction, testing, commissioning, completion, and transfer activities necessary to deliver the Project in accordance with the Specifications, Prudent Utility Practice, applicable law, applicable permits, Required Regulatory Approvals, and PNM’s applicable reliability, engineering, operating, and interconnection standards; provided, Mid-State Project Company shall not</p>
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	<p>be responsible for any delay or failure in testing, commissioning or completion of the Project to the extent resulting from any delay in the Hidden Mountain Work (as further described in the DCA).</p> <p>Mid-State Project Company’s development services are expected to include hiring and managing land agents, drafting/editing real estate agreements (which includes negotiation of amendments to existing PNM real estate agreements, copies of which will be provided by PNM, as necessary for expansion or other modification of rights-of-way or similar real estate rights), tracking real estate progress, performing permitting studies, preparing permit applications, supporting testimony, engaging with stakeholders including ENGO community, tracking public sentiment, preparing and hosting public meetings, engaging surveyors for easement surveys of the route, provide support to PNM (as reasonably requested by PNM) for eminent domain proceedings that are determined to be necessary by PNM, as provided herein, and other development activities as may be required to secure project development entitlements. Mid-State Project Company’s construction services are expected to include sourcing and overseeing design, performing required technical studies (e.g., geotechnical studies), creating execution plans, procuring in-scope equipment, selecting EPC contractors, negotiating EPC contracts, managing construction and safety, and reporting. Mid-State Project Company shall provide all reasonable support requested by PNM in connection with NMPRC, FERC, or other governmental approvals, including testimony, affidavits, discovery responses, cost support, engineering support, witness availability, data-room materials, and documentation necessary to support approval, prudence, accounting, and cost-recovery treatment.</p> <p>Mid-State Project Company shall provide all studies, analyses, support testimony drafting and, as appropriate, provide testimony, exhibits, maps, schedules, land records, cost support, engineering support, environmental support, and witness support required or reasonably requested by PNM to support PNM’s applications for a Certificate of Public Convenience and Necessity (CCN), location approval, right-of-way width determination, and any related NMPRC, FERC, OATT, interconnection, environmental, land, or governmental approvals. Such</p>
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	<p>support shall include route selection, construction schedule, right-of-way width determination, environmental impacts, and any applicable mitigation. PNM will be responsible for evidence addressing project need, alternatives, system reliability, cost reasonableness, customer benefits, cost allocation, and landowner impacts. Mid-State Project Company shall not make, submit, or authorize any submission to NMPRC without PNM’s prior written approval, which shall not be unreasonably withheld, conditioned or delayed. Mid-State Project Company shall provide substantive support to PNM for PNM’s location control and right-of-way width determination application materials before the NMPRC. Mid-State Project Company shall not make, submit, or authorize any submission to a governmental entity in association with an application for a material authorization without PNM’s prior written approval (which shall be at PNM’s sole discretion, but shall be subject to the approval timing requirements set forth in the DCA).</p> <p>Mid-State Project Company shall assist PNM in preparing an asset retirement and disposition plan for the Existing Transmission Line (which will show which equipment will remain and be reused by PNM versus which equipment will be scrapped and salvaged, as applicable), including all supporting documentation required for NMPRC and FERC accounting and regulatory treatment</p> <p>For the avoidance of doubt, Mid-State Project Company shall reduce the Purchase Price dollar for dollar for all reasonable, out-of-pocket costs, fees and expenses related to the PNM Work.</p> <p>Mid-State Project Company shall pay its subcontractors in accordance with the requirements of the New Mexico Prompt Payment Act.</p> <p>All such work and services performed by Mid-State Project Company will be performed in accordance with Prudent Utility Practice, the Project’s technical specifications to be agreed upon by the Parties (anticipated to be consistent with PNM design, procurement, construction, and commissioning standards and specifications, and set forth in the DCA (the “Specifications”)), applicable conditions of the Required Regulatory Approvals (as defined below)</p>
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	<p>and otherwise in accordance with all applicable laws and permits.</p> <p>“Prudent Utility Practice” means any of the practices, methods, acts, equipment, materials, specifications and standards engaged in or approved by a significant portion of the electric transmission industry in the applicable region of the United States (and particularly as it relates to PNM and its affiliates, those of electric utilities in the applicable region of the United States) during the relevant time period which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost and in a manner consistent with applicable laws, permits, the Project documents, good business practices, reliability, safety, environmental protection and expedition. Prudent Utility Practice is not limited to the optimum practice, method, act, equipment, materials, specifications and standards to the exclusion of all others, but rather to the acceptable practices, methods, acts, equipment, materials, specifications and standards generally accepted in the region.</p> <p>During the period between the execution and delivery of the DCA and the achievement of final completion under the EPC contracts for the Project, Mid-State Project Company shall (A) maintain a single electronic data room accessible to PNM containing all Project documents and updates, (B) provide weekly schedule updates and monthly executive-level reporting packages, including cost tracking, schedule variance analysis, and a risk register during critical path phases, and (C) promptly notify PNM of any permitting, right-of-way, EPC, supply chain, or other issues that could reasonably be expected to impact Project cost or schedule (other than any immaterial impact). Any amendment, waiver, settlement, or exercise of rights by Mid-State Project Company under any contract to be assigned by Mid-State Project Company to PNM that could reasonably be expected to increase costs borne by PNM, reduce warranty coverage, or adversely affect operability, maintainability, or reliability following Substantial Completion shall require PNM’s prior written consent, not to be unreasonably withheld, conditioned, or delayed.</p> <p>The DCA will include a target Substantial Completion date of September 30, 2029 (the “Target Substantial</p>
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	<p>Completion Date”) and a guaranteed Substantial Completion date of February 28, 2030 (the “Guaranteed Substantial Completion Date”), each of which may be extended with respect to delays to the critical path work pursuant to similar concepts in Section 1.3 of the Western Spirit BTA to be agreed by the Parties; <u>provided</u> that any work by Mid-State Project Company, including without limitation, any right-of-way or eminent domain work, shall not be treated as a PNM-caused delay (to be defined and described further in the DCA and subject to other provisions provided herein), and PNM-caused delay shall include any delay in the Hidden Mountain Work (as further described in the DCA and subject to other provisions provided herein). If the Project fails to achieve Substantial Completion by the Target Substantial Completion Date, Mid-State Project Company shall pay delay liquidated damages equal to \$1,000 per MW (for up to 800 MW) per day up to the Guaranteed Substantial Completion Date; provided, that for any day that delay liquidated damages are due by Palomas under any Palomas PPA, no delay liquidated damages shall be due under the DCA. For the avoidance of doubt, these liquidated damages are cumulative to and are not in duplication of the indemnity related to Palomas PPA liabilities provided below (and are intended to keep PNM whole in such situations).</p>
<p>6. PNM Responsibilities</p>	<p>PNM will be responsible for initiation of eminent domain proceedings or other actions required to exercise eminent domain to obtain real property rights (other than the Initial Transferred Assets and real property rights already held by PNM) sufficient for the construction, testing, commissioning and operation of the Project (collectively, the “PNM Work”).</p> <p>PNM will be responsible for, and will perform, all of the PNM Work in accordance with Prudent Utility Practice, the Specifications, applicable conditions of the Required Regulatory Approvals (as defined below) and otherwise in accordance with all applicable laws and permits. PNM’s development responsibilities are expected to include coordinating with Mid-State Project Company’s development team on strategy, attending weekly meetings, reviewing and submitting permit applications in accordance with the permitting strategy agreed between PNM and Mid-State Project Company, providing necessary permit testimony, reviewing edits to real estate</p>

	<p>agreements, exercising condemnation for condemnation proceedings that are determined to be necessary by PNM, managing interconnection process, and leading regulatory filings including submitting Required Regulatory Approval filings with NMPRC, with request for expedited approval. PNM’s construction responsibilities are expected to include reviewing and approving design, specifications, and other technical matters on a timely basis, attending regular meetings with Mid-State Project Company and its affiliates and contractors on technical matters, and coordinating with Mid-State Project Company and its affiliates and contractors on testing and commissioning procedures. For clarity, PNM Work shall be limited to the specific tasks expressly identified as PNM Work in the DCA. PNM’s cooperation, review, approval, regulatory filing, access coordination, outage coordination, or permitting support obligations shall not make PNM responsible for Mid-State Project Company’s development, construction, cost, or schedule obligations. The DCA shall include a Purchase Price reduction process to account for any PNM Work.</p> <p>PNM has delivered to Mid-State Project Company each real property agreement needed for the Project that is in effect that PNM holds and, promptly after executing and delivering each new real property agreement needed for the Project, will deliver such real property agreement.</p> <p>Additionally, PNM shall have the right to consent and approve or reject (A) Development Completion and Substantial Completion (without the application of deemed consent) and (B) any development or construction activities undertaken by Mid-State Project Company or its Affiliates or with respect to which Mid-State Project Company has the right to consent, approve or reject, in each case that (i) are inconsistent with the Specifications in any material respect, (ii) would impact any warranty rights or obligations under any Project document, or (iii) would impact any other material rights or obligations under any Project documents that survive Substantial Completion. PNM’s consent rights shall be subject to deemed consent arrangements consistent with those discussed between the parties on different transmission line arrangements.</p> <p>For the avoidance of doubt, PNM shall retain exclusive authority to determine the content, timing, requested relief,</p>
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	<p>witnesses, legal positions, regulatory strategy, and evidentiary presentation for all CCN, location approval, right-of-way width determination, cost-recovery, accounting, FERC, OATT, interconnection, and other regulatory filings or proceedings involving PNM or the Project.</p> <p>The DCA will include target and guaranteed completion dates for the PNM Work and the Hidden Mountain Work that are reasonably expected to be achieved by PNM (and the failure to meet such target or guaranteed completion dates shall be deemed PNM-caused delay). PNM also will provide Mid-State Project Company, its affiliates and its contractors with access to the Existing Transmission Line and to real property held by PNM for the New Transmission Line to the extent reasonably required to perform the work contemplated by the DCA and the EPC contracts for the Project and shall obtain (with Mid-State Project Company’s assistance as applicable), maintain and comply with permits required to be obtained by, or maintained in the name of, the owner of the Project and assist Mid-State Project Company and its contractors in obtaining permits needed for the development, construction, testing and commissioning of the Project; <u>provided</u> that Mid-State Project Company, its affiliates and its contractors shall comply with PNM’s site safety and access requirements and all associated NERC requirements.</p> <p>The Parties agree that PNM-caused delay shall not include (and may not be claimed with respect to) delay resulting from (as further described in the DCA) normal regulatory review, NMPRC or FERC conditions, landowner opposition, third-party action, governmental action or inaction, force majeure, or PNM’s good-faith exercise of regulatory, reliability, safety, engineering, or approval rights, each of which shall be treated as excusable delay for such purposes.</p>
<p>7. Outage Planning; Shoofly Transmission Line</p>	<p>PNM will promptly perform an outage study to identify any seasonal outage constraints for planning and coordination purposes associated with the Shoofly Transmission Line. The Parties will work collaboratively to coordinate, schedule and manage outages of the Existing Transmission Line that are necessary to construct, test and commission</p>

	<p>the Project in accordance with applicable law and the PNM OATT.</p> <p>For the avoidance of doubt, Mid-State Project Company shall construct (or cause to be constructed) a temporary 115-kV transmission line in sections within the newly expanded or temporary construction right-of-way used for the buildout of the Rebuilt Transmission Line (the “Shoofly Transmission Line”). In certain constrained areas, short-term outages (1-2 weeks) may be necessary for construction given the constraints limit the ability to execute the shoofly strategy. Mid-State Project Company shall provide an outage execution plan identifying the anticipated number, duration and seasonal timing of Project-related outages and all such outages will be coordinated appropriately between the Parties.</p>
<p>8. Development Completion/ Development Completion Acknowledgement</p>	<p>Development completion of the Project (“Development Completion”) shall occur when the following conditions are satisfied:</p> <p>(a) PNM shall have received the Required Regulatory Approvals without a burdensome condition (to be defined in the DCA based on other burdensome condition constructs discussed between the parties on different transmission line arrangements, a “Burdensome Condition”) other than Burdensome Conditions that are adequately mitigated by PNM or Mid-State Project Company (pursuant to a process as agreed in the DCA and consistent with the Western Spirit BTA);</p> <p>(b) each Party will bring-down representations and warranties made by it at execution of the DCA;</p> <p>(c) the Large Generator Interconnection Agreement(s) by and between Palomas Power LLC (“Palomas”) and PNM (the “Palomas LGIAs”) and the Palomas PPAs (as defined below) will be in full force and effect;</p> <p>(d) a bill of sale and assignment for the Initial Transferred Assets shall have been executed and delivered by Mid-State Project Company and PNM;</p> <p>(e) Mid-State Project Company will:</p>

	<p>(i) deliver typical and customary easement surveys of the real property related to the Project;</p> <p>(ii) deliver a typical and customary Phase I Environmental Site Assessment prepared in accordance with current ASTM standards to which PNM does not object on the basis of environmental conditions that pose a risk of liability (other than immaterial liability) or that are reasonably likely to impair (other than in any immaterial way) the use and operation of the Project; and</p> <p>(iii) on behalf of PNM, have completed certain enumerated critical development activities (which will include: obtaining sufficient real property rights and permits (such as environmental, land, or other permits required or reasonably determined by PNM to be necessary for PNM to acquire, own, operate, maintain, rate-base, account for, and recover the costs of the Project and set forth in the DCA)) and provision of PNM-approved engineering, permit status, right-of-way status, environmental studies, EPC readiness materials, equipment procurement plan, outage execution plan, financing readiness evidence, regulatory-support materials, and a complete schedule of Transferred Assets (based on when such assets will be transferred);</p> <p>(iv) arrange debt and equity financing sufficient to construct the Project; and</p> <p>(f) any other criteria that may be identified by PNM during due diligence.</p> <p>Mid-State Project Company shall deliver to PNM a certificate certifying Development Completion and PNM shall have the right to accept or reject such acknowledgement pursuant to Section 6 above (such acceptance, the “Development Completion Acknowledgement”). The NTP Date shall occur within five (5) business days after Development Completion Acknowledgement occurs.</p>
<p>9. “Required Regulatory Approvals”</p>	<p>The regulatory approvals expected to be required for the transactions contemplated by the DCA are the following:</p> <p>(a) CCN for the Project;</p>

	<p>(b) Location approval(s), or equivalent authorization, from the NMPRC for the New Transmission Line;</p> <p>(c) Application for Right of Way Width Determination Approval from the NMPRC; and</p> <p>(d) All other NMPRC, FERC, NERC, accounting, rate-recovery, interconnection, OATT, environmental, land, governmental, or other approvals, filings, authorizations, or determinations required or reasonably determined by PNM to be necessary for PNM to acquire, own, operate, maintain, rate-base, account for, and recover the costs of the Project, which shall be set forth in the DCA.</p>
<p>10. Project Milestones</p>	<p>Mid-State Project Company shall deliver written notice to PNM promptly following the date on which any Project Milestone has been achieved, together with reasonable supporting evidence thereof. PNM shall deliver written notice to Mid-State Project Company within ten (10) business days following PNM's receipt of Mid-State Project Company's notification of proposed Project Milestone achievement, which shall confirm or reject the achievement of the applicable Project Milestone and which in the case of a rejection shall contain reasonable supporting evidence thereof. PNM shall be deemed to confirm any Project Milestone if it does not send any such written notice within such ten (10) business day period. Other concepts from the WST BTA would be incorporated, such as corrective action plans. The Parties shall resolve any dispute about whether a Project Milestone occurred in accordance with the "Dispute Resolution" provision.</p>
<p>11. Conditions to Substantial Completion</p>	<p>Substantial completion of the Project ("Substantial Completion") shall occur when the following conditions (subject to customary materiality and knowledge qualifiers other than for conditions related to "substantial completion" of the Project itself) are satisfied:</p> <p>(a) the Project has been physically completed and commissioned, and is fully operational and capable of continuous operation, all in accordance with the Specifications;</p> <p>(b) a certificate certifying substantial completion (including certification that there are no critical</p>

defects in the work) under each EPC contract in accordance with such EPC contract has been delivered by the applicable EPC contractor to, and approved by, Mid-State Project Company (with written consent of PNM in accordance with the DCA) pursuant to such EPC contract;

(c) all permits required for Mid-State Project Company or its contractors to construct the Project in compliance with law have been obtained and are in full force and effect (except to the extent that, under applicable law, any such permits are no longer required to remain in effect);

(d) each of the foregoing clauses (a) through (c) has been certified to PNM by the Mid-State Project Company;

(e) accuracy of Mid-State Project Company's representations and warranties under the DCA;

(f) performance of Mid-State Project Company's covenants under the DCA in all material respects;

(g) delivery of a certificate by Mid-State Project Company dated as of the Substantial Completion date certifying to the matters in clauses (e) and (f);

(h) absence of laws or orders that restrain, enjoin, prevent or make illegal the purchase or sale of the Additional Transferred Assets and of actions, suits or legal proceedings challenging the validity of, or seeking to impair, restrain, prohibit, invalidate or enjoin, the consummation of the purchase or sale of the Additional Transferred Assets;

(i) transfer of Additional Transferred Assets to PNM and execution and delivery of one or more related bills of sale by Mid-State Project Company (including receipt of assigned contract consents), pursuant to which PNM would assume all of Mid-State Project Company's rights and obligations under the Additional Transferred Assets, subject to typical and customary obligations retained by Mid-State Project Company under the EPC contracts that are consistent with the Western Spirit BTA (except that, in addition, Mid-State Project Company shall retain the obligation to make the final completion milestone

payments under assigned EPC contracts), with the effectiveness of the conveyances under such bills of sale conditioned on the Mid-State Project Company's receipt of the Purchase Price under the DCA;

(j) delivery of UCC lien searches establishing the lack of any liens on the Project granted by Mid-State Project Company or its affiliates, contractors or subcontractors, as applicable (other than permitted liens as to any personal property being transferred at Substantial Completion);

(k) written confirmation from the applicable holders of all indebtedness (if any) of Mid-State Project Company for borrowed money secured by any of the Project (or their agent), in customary form, that all liens on the Project with respect to all such outstanding indebtedness secured by any of the Project have been, or concurrently with PNM's payment of the Purchase Price will be, terminated and released (including by delivery of UCC-3 termination statements, if applicable);

(l) a guaranty by Pattern Energy Group LP (the "PEG LP Guaranty") of all of Mid-State Project Company's obligations under the DCA (subject to a cap on liability to be agreed) is in full force and effect;

(m) a PNM-approved allocation of the Purchase Price among the Project assets and applicable FERC plant accounts, together with supporting documentation reasonably necessary for PNM's accounting, regulatory, rate-case, depreciation, and cost-recovery purposes;

(n) delivery of final punch lists (containing non-critical items) that have been agreed with the applicable contractors;

(o) receipt of consents and approvals from all governmental entities, lenders, and other parties that are necessary for the transfer, assignment and assumption (as applicable) of the Additional Transferred Assets for the Project;

(p) not later than five (5) days prior to Substantial Completion, PNM shall have received from an environmental consultant a Phase I Environmental Site Assessment performed in accordance with the ASTM

	<p>standard (updated to include any new conditions determined after Development Completion and the ESA provided at that time) and such ESA shall not show environmental conditions that pose a risk of liability (other than an immaterial liability) on the Project or that are reasonably likely to impair the use and operation of the Project (other than in an immaterial way); and</p> <p>(q) other customary conditions to be mutually agreed by PNM and Mid-State Project Company.</p>
<p>12. Representations and Warranties of Mid-State Project Company</p>	<p>The DCA will contain customary representations and warranties of Mid-State Project Company, which will include but not be limited to representations and warranties regarding the following (subject to customary materiality and knowledge qualifiers and scheduled exceptions generally consistent with the Western Spirit BTA):</p> <p>(a) due organization and good standing;</p> <p>(b) power and authority to enter into, and due authorization of, the DCA and related ancillary agreements and power and authority to perform obligations thereunder;</p> <p>(c) due execution and delivery, and the enforceability of, the DCA and related ancillary agreements;</p> <p>(d) absence of conflicts with organizational documents, applicable law, or contracts or permits for the Project, and absence of liens caused by the DCA and ancillary agreements other than permitted liens;</p> <p>(e) consents and governmental approvals required for execution, delivery and performance of DCA;</p> <p>(f) conduct of Mid-State Project Company’s business in accordance with Prudent Utility Practice;</p> <p>(g) absence of material adverse effect;</p> <p>(h) absence of pending or threatened claims against Mid-State Project Company with respect to the Project before any governmental authority;</p> <p>(i) receipt of permits (including permits to be transferred to PNM or obtained in PNM’s name) and</p>

	<p>county approvals (as applicable) to be obtained by Mid-State Project Company for the Project (in PNM's name or to be transferred to PNM);</p> <p>(j) compliance with applicable laws and permits;</p> <p>(k) good and valid title to the Transferred Assets free and clear of liens, except for permitted liens;</p> <p>(l) possession of valid, binding and enforceable rights-of-way, easements, land use permits or licenses for occupancy and use of real property;</p> <p>(m) no other person (other than PNM) having leasehold interests, options or other rights to acquire an interest in the Project or in the real property held by the Mid-State Project Company;</p> <p>(n) no assets necessary for ownership, maintenance or operation of the Project other than the Transferred Assets and assets owned by PNM;</p> <p>(o) enforceability of, and no material breaches under, assigned contracts;</p> <p>(p) real property matters;</p> <p>(q) environmental matters;</p> <p>(r) tax matters;</p> <p>(s) rights to intellectual property and absence of infringement;</p> <p>(t) credit support provided by or on behalf of Mid-State Project Company relating to the Project;</p> <p>(u) affiliate arrangements;</p> <p>(v) absence of brokerage fees;</p> <p>(w) existence of insurance and absence of insurance claims; and</p> <p>(x) documents posted to data room.</p>
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<p>13. Representations and Warranties of PNM</p>	<p>The DCA will contain customary representations and warranties of PNM, which will include but not be limited to representations and warranties regarding the following (subject to customary materiality and knowledge qualifiers and scheduled exceptions generally consistent with the Western Spirit BTA):</p> <ul style="list-style-type: none"> (a) due organization and good standing; (b) power and authority to enter into, and due authorization of, the DCA and related ancillary agreements and power and authority to perform obligations thereunder; (c) due execution and delivery, and the enforceability of, the DCA and related ancillary agreements; (d) absence of conflicts with organizational documents, applicable law, or material contracts or permits; (e) consents and governmental approvals required for execution, delivery and performance of the DCA; (f) absence of pending or threatened claims against PNM before any governmental authority; (g) compliance with applicable laws; (h) absence of brokerage fees; (i) available funds for payment of the Purchase Price; and (j) receipt of permits necessary for PNM to own, operate and maintain Project and necessary for PNM to hold during the development, construction, testing and commissioning of the Project (except for those permits obtained by Mid-State Project Company on PNM’s behalf and in PNM’s name).
<p>14. Negative Covenants</p>	<p>During the period between the execution and delivery of the DCA and the achievement of final completion under the EPC contracts for the Project, the DCA will restrict Mid-State Project Company from taking the following actions, subject to customary and scheduled exceptions:</p>

	<p>(a) liquidate, dissolve, reorganize or otherwise wind up its business or operations;</p> <p>(b) grant, impose or permit to exist any liens on the Project (other than permitted liens);</p> <p>(c) enter into any additional contracts that would be assigned to PNM, except for EPC contracts that contain agreed-upon minimum terms and conditions (if applicable), pre-approved agreements and contracts entered into with the consent of PNM (not to be unreasonably withheld, conditioned or delayed in certain circumstances); and</p> <p>(d) amend, waive any material term of or terminate any contract to be assigned to PNM, in each case, except for:</p> <p>(i) amendments or modifications that do not amend or modify (A) the Specifications in any material respect, (B) any warranty rights or obligations under the applicable agreement, or (C) any other material rights or obligations under the applicable agreement that survive Substantial Completion;</p> <p>(ii) ministerial or immaterial amendments or waivers, in each case, that would not reasonably be expected to have an adverse impact on PNM or its rights thereunder following Substantial Completion; and</p> <p>(iii) amendments expressly required by the terms of any contract to be assigned to PNM.</p>
<p>15. EPC Contract Minimum Terms; Post-Assignment Obligations; Delivery of Project Records</p>	<p>The EPC contracts that Mid-State Project Company enters into shall contain the minimum EPC terms and conditions attached to the DCA that are similar to the minimum EPC terms and conditions that were included in the Western Spirit BTA but also consistent with those discussed between the parties on different transmission line arrangements (subject to specifics needed for the Project), which addressed the Project schedule, completion criteria, delay liquidated damages, warranties, indemnification, site issues and contractor representations.</p>

	<p>After Mid-State Project Company assigns the EPC contracts to PNM until final completion is achieved thereunder, Mid-State Project Company shall remain responsible for overseeing the EPC contractors' completion of their punch lists for (in collaboration with PNM), and for making any payments under the EPC contracts through, final completion thereunder; <u>provided</u>, that the Mid-State Project Company shall have the right to consent to any amendments or modifications to, or assertion of rights by PNM under, the EPC contracts after assignment thereof that would result in amounts becoming due by Mid-State Project Company under the EPC contracts at or prior to final completion thereunder.</p> <p>No later than one hundred twenty (120) days following Substantial Completion, Mid-State Project Company shall deliver to PNM all Project records, including as-built drawings, vendor/shop drawings, testing and commissioning records.</p>
<p>16. Indemnification; Exclusive Remedy; Limitations on Liability</p>	<p>From and after the date on which Substantial Completion occurs (the "Indemnity Commencement Date"), Mid-State Project Company will indemnify, protect, defend and hold harmless PNM and its indemnitees from and against any and all damages resulting from, due or relating to or arising out of (i) any breach by Mid-State Project Company of any representation, warranty or covenant of Mid-State Project Company set forth in the DCA, (ii) any failure by Mid-State Project Company to pay, perform or discharge any of its liabilities that are not assumed by PNM; and (iii) any transfer taxes for which Mid-State Project Company is liable pursuant to the DCA.</p> <p>Additional indemnification obligations of Mid-State Project Company may be identified through due diligence, including as may be related to county approvals, in accordance with the Western Spirit BTA.</p> <p>From and after the Indemnity Commencement Date, PNM will indemnify, protect, defend and hold harmless Mid-State Project Company and its indemnitees from and against any and all damages resulting from, due or relating to or arising out of (i) any breach by PNM of any representation, warranty or covenant of PNM set forth in the DCA and (ii) any failure by PNM to pay, perform or discharge any liabilities assumed by PNM. In addition,</p>

PNM will indemnify, protect, defend and hold harmless Mid-State Project Company and its indemnitees from and against any and all damages resulting from, due or relating to or arising out of any PNM-caused delay from not completing the Hidden Mountain Work by the dates to be agreed in the DCA.

After the Indemnity Commencement Date, indemnification will be the sole and exclusive remedy for money damages for the inaccuracy of representations and warranties, or the breach of covenants, contained in the DCA, or any certificate, instrument or document delivered pursuant thereto, except for a breach that constitutes fraud, gross negligence or willful misconduct.

No Party will be liable for consequential, special, incidental, exemplary or punitive damages (other than consequential, special, incidental or punitive damages awarded to a third party pursuant to a third-party claim) or for a diminution in value or lost business opportunity that arise out of or relate to the DCA or the performance or breach thereof or any liability assumed thereunder.

Each Party's respective indemnification liability for breaches of representations, warranties or covenants will not exceed 10% of the Purchase Price (except for breaches of fundamental representations, for which the cap will be 100% of the Purchase Price). Except for breaches of fundamental representations, no Party will have indemnification liability for breaches of representations, warranties or covenants unless a single claim or group of related claims is at least \$30,000 and the aggregate amount of all claims is at least 0.75% of the Purchase Price. To the extent such claim or group of related claims against an indemnifying Party exceeds the de minimis threshold and aggregate claims against an indemnifying Party exceed such deductible, such indemnifying Party shall be responsible for the full amount of damages without taking such de minimis amount or deductible amount into account.

Notwithstanding the foregoing, Mid-State Project Company shall indemnify, protect, defend and hold harmless PNM for all costs, liabilities and losses paid by PNM to Palomas under the power purchase agreements between PNM and Palomas (the "Palomas PPAs") to the

	<p>extent such losses arise from the failure of Substantial Completion to occur by the Target Substantial Completion Date. Such indemnity shall not be subject to the limitations of this Section 16.</p>
<p>17. Survival of Representations, Warranties and Covenants</p>	<p>All representations and warranties made by the Parties in the DCA will survive the Indemnity Commencement Date for a period of eighteen (18) months, except that fundamental representations and representations regarding tax matters shall survive until the expiration of the applicable statute of limitations plus thirty (30) days.</p> <p>The covenants contained in the DCA to be performed by their terms at or prior to the Indemnity Commencement Date will survive the Indemnity Commencement Date for a period of eighteen (18) months, and the covenants contained in the DCA to be performed by their terms on or after the Indemnity Commencement Date will survive the Indemnity Commencement Date until fully performed.</p> <p>Notwithstanding the foregoing, covenants relating to title, right-of-way, environmental matters, tax matters, retained liabilities, payment obligations, regulatory support, accounting support, asset allocation, and asset retirement or disposition shall survive until fully performed or until expiration of the applicable statute of limitations plus thirty (30) days. In addition, the Parties will discuss whether any carveouts from the indemnity limitations are appropriate with respect to these items.</p>
<p>18. Termination of DCA</p>	<p>The DCA may be terminated at any time prior to the later of Substantial Completion and the payment of the Purchase Price:</p> <p>(a) by PNM, if Mid-State Project Company has breached in any material respect any representation, warranty, covenant, agreement or obligation in the DCA or, to the extent such representation, warranty, covenant, agreement or obligation is already qualified by materiality or material adverse effect, has breached such representation, warranty, covenant, agreement or obligation and (i) such breach has not been cured within thirty (30) days following written notification thereof; <u>provided, however</u>, that if, at the end of such thirty (30)-day period, Mid-State Project Company is endeavoring in good faith, and proceeding diligently, to cure such breach,</p>

Mid-State Project Company shall have an additional thirty (30) days in which to effect such cure and (ii) such breach (to the extent not cured) would give rise to the failure of any condition to the Development Completion Acknowledgement or any condition to Substantial Completion;

(b) by Mid-State Project Company, if (i) PNM has breached its obligation to pay the Purchase Price or any installment thereof, which breach has not been cured within one (1) business day following written notification thereof, or (ii) PNM has breached in any material respect any other representation, warranty, covenant, agreement or obligation in the DCA or, to the extent such representation, warranty, covenant, agreement or obligation is already qualified by materiality or material adverse effect, has breached such representation, warranty, covenant, agreement or obligation, and such breach, in the case of this clause (ii), has not been cured within thirty (30) days following written notification thereof (provided, however, that if, at the end of such thirty (30)-day period, PNM is endeavoring in good faith, and proceeding diligently, to cure such breach, PNM shall have an additional thirty (30) days in which to effect such cure), and such breach to the extent not cured would give rise to the failure of any condition to the Development Completion Acknowledgement or any condition to Substantial Completion;

(c) by PNM or Mid-State Project Company, if any law or final, non-appealable order enjoins or otherwise prohibits or makes illegal the purchase or sale of Transferred Assets;

(d) by PNM or Mid-State Project Company, if the Required Regulatory Approvals for the Project have not been received by a deadline to be agreed;

(e) by PNM or Mid-State Project Company, following written notification by such Party of its intent to terminate the DCA due to the existence of a Burdensome Condition (to be defined in the DCA based on other burdensome condition constructs discussed between the parties on different transmission line arrangements) in any Required Regulatory Approval;

	<p>(f) by PNM or Mid-State Project Company, for extended force majeure that impairs Mid-State Project Company's performance for more than eighteen (18) consecutive months;</p> <p>(g) by Mid-State Project Company, for a PNM-caused delay that impairs Mid-State Project Company's performance for more than eighteen (18) consecutive months; <u>provided</u>, that for purposes of this clause (g), PNM-caused delay shall not include delay resulting from (as further described in the DCA) normal regulatory review, NMPRC or FERC conditions, landowner opposition, third-party action, governmental action or inaction, force majeure, or PNM's good-faith exercise of regulatory, reliability, safety, engineering, or approval rights, each of which shall not be treated as PNM-caused delay for such purposes;</p> <p>(h) (i) by PNM, by delivery of ten (10) business days' prior written notice to Mid-State Project Company at any time after an outside date to be set forth in the DCA, in the event that Substantial Completion has not occurred on or prior to the termination date stated in such notice, provided that the failure of Substantial Completion to have occurred on or prior to such termination date is not a result of any material breach or default by PNM, or (ii) by Mid-State Project Company, by delivery of ten (10) business days' prior written notice to PNM at any time after an outside date to be set forth in the DCA, in the event that Substantial Completion has not occurred on or prior to the termination date stated in such notice, provided that the failure of Substantial Completion to have occurred on or prior to such termination date is not a result of any material breach or default by Mid-State Project Company;</p> <p>(i) (i) by PNM, if the Development Completion Acknowledgement Date (to be defined in the DCA) has not occurred on or prior to a deadline to be agreed by the Parties and set forth in the DCA due to the failure to achieve any condition for which Mid-State Project Company is responsible, or (ii) by Mid-State Project Company, if the Development Completion Acknowledgement Date (to be defined in the DCA) has not occurred on or prior to a deadline to be agreed by the Parties and set forth in the DCA due to the failure to achieve any condition as a result of a failure or delay by</p>
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	<p>PNM in performing the PNM Work or the Hidden Mountain Work or a breach or default by PNM under the DCA;</p> <p>(j) by Mid-State Project Company, if a change in law consisting solely of increases in duties, tariffs, import taxes or other similar import fees or costs that become effective between the execution of the DCA and the date Required Regulatory Approvals are obtained, results in documented increases in Project costs that, in the aggregate, exceed 1.5% of the Purchase Price;</p> <p>(k) by PNM or Mid-State Project Company, if all of the Palomas PPAs have expired or otherwise been terminated; or</p> <p>(l) by the mutual written consent of PNM and Mid-State Project Company.</p> <p>Upon a termination of the DCA after the NTP Date, (x) PNM (i) shall assume the rights and obligations of Mid-State Project Company arising after the date of such assumption under any or all of contracts and purchase orders covering the unperformed parts of the work under those contracts and purchase orders, (ii) if PNM has terminated the DCA, may exercise, enforce, pursue and realize on any and all other rights and remedies available to PNM at law or in equity or under the DCA and all other agreements, documents and instruments executed in connection with the DCA, including, without limitation, any other damages, costs or liabilities under the Palomas PPA, and (iii) shall pay Mid-State Project Company the actual and documented costs reasonably incurred by Mid-State Project Company (not to exceed the amount of Purchase Price allocated to such costs) in performing the work described in Section 5 of this Term Sheet, specifically excluding any profit margin or contingency, and (y) Mid-State Project Company (i) shall transfer all of the Transferred Assets owned by Mid-State Project Company to PNM and (ii) if Mid-State Project Company has terminated the DCA, may exercise, enforce, pursue and realize on any and all other rights and remedies available to Mid-State Project Company at law or in equity or under the DCA and all other agreements, documents and instruments executed in connection with the DCA.</p>
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	<p>Upon a termination of the DCA prior to the NTP Date, PNM shall transfer all of the Transferred Assets and other assets comprising the Project that were paid for by or on behalf of Mid-State Project Company to the Mid-State Project Company free and clear of any liens (other than permitted liens).</p> <p>Termination of the DCA shall not relieve either Party for any responsibility it has under the DCA for loss or damage to the other Party arising prior to the effectiveness of such termination.</p>
<p>19. Transaction Costs</p>	<p>Each Party will pay its own costs and expenses incurred in anticipation of, relating to, and in connection with due diligence and the negotiation, execution, and performance of the DCA and any other transaction documents ancillary or related thereto.</p>
<p>20. Incomplete Terms</p>	<p>Any terms and conditions set forth in this Term Sheet, other than Section 19 (<i>Transaction Costs</i>), and this Section 20 (<i>Incomplete Terms</i>), are subject to due diligence, review, internal approval, and final negotiation by PNM and Mid-State Project Company and do not purport to be all of the terms, conditions, representations, warranties, or other provisions that would be contained in the DCA or the other transaction documents ancillary or related thereto.</p>
<p>21. Dispute Resolution</p>	<p>A Party may give any other Party written notice of any dispute (including any Technical Dispute (as defined below)) not resolved in the normal course of business (a “Dispute Notice”), pursuant to which the dispute must be referred for negotiations. Senior executives of the disputing Parties at levels at least one level above the personnel who have previously been involved in the dispute shall meet (whether by phone or in person) at a mutually acceptable time and (if such meeting is in person) place within thirty (30) days after delivery of a Dispute Notice, and thereafter as often as they reasonably deem necessary, to exchange relevant information and to attempt to resolve the dispute.</p> <p>If the dispute has not been resolved in writing within thirty (30) days after delivery of the Dispute Notice, any disputing Party may pursue all of its rights and remedies at law or in equity (including by initiating litigation), unless the dispute is with respect to technical issues that primarily require the application of engineering principles or other</p>

	<p>specialized technical knowledge in order to resolve the dispute (a “Technical Dispute”). For any Technical Dispute, after such thirty (30)-day period, the disputing Party may initiate dispute resolution by an independent engineer appointed by the Parties or, if the Parties cannot agree, appointed by an arbitral body, whose decision shall be final and binding on the Parties. No decision by an independent engineer shall override or limit PNM’s final authority with respect to safety, reliability, operating standards, NERC or FERC compliance, interconnection requirements, system protection, or Prudent Utility Practice. Notwithstanding the foregoing, PNM shall retain the right to take any immediate actions reasonably necessary to ensure system reliability, safety, or compliance with applicable law, including emergency outages, curtailments, or operational directives, with the merits of any related Technical Dispute to be resolved thereafter. The dispute resolution will be governed by additional procedures to be set forth in the DCA.</p>
<p>22. Governing Law</p>	<p>The DCA will be governed by and construed in accordance with the laws of the State of New Mexico (without regard to any principles of law that would require the application of the laws of another state).</p>

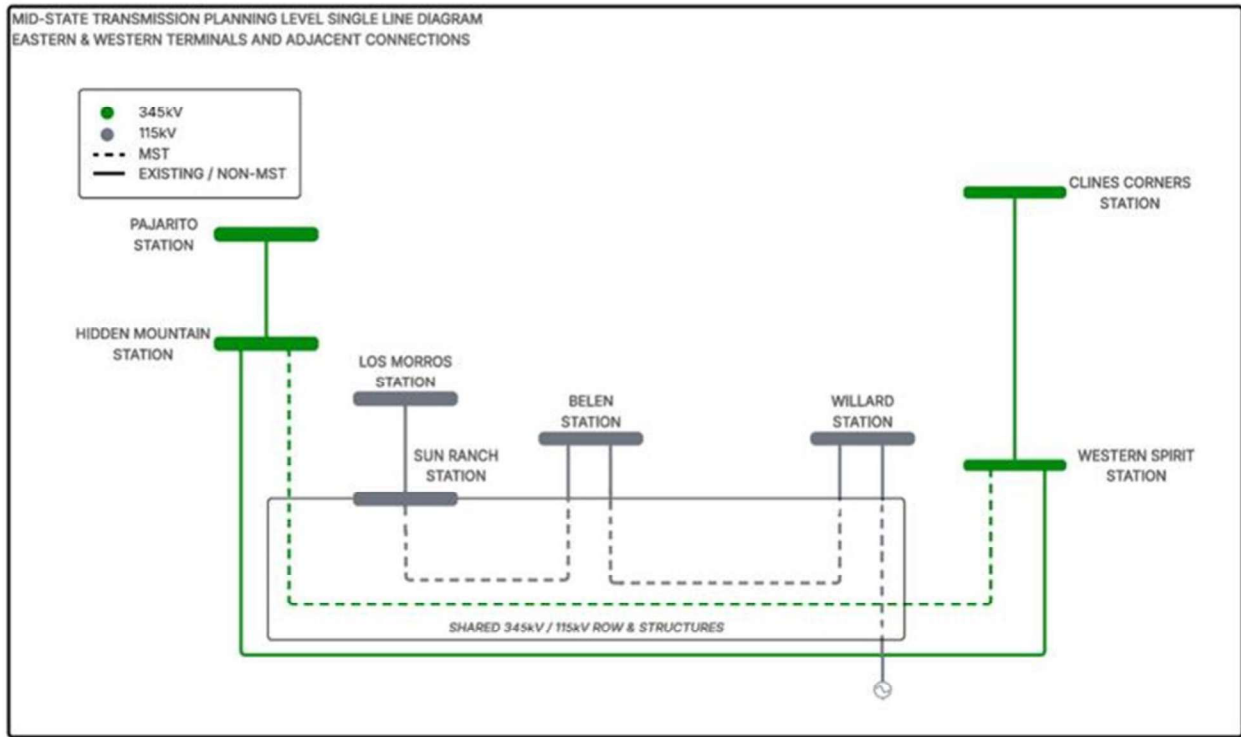
Exhibit A

Map of Proposed Route

[REDACTED]

Exhibit B

Preliminary One-Line and Equipment List



At Western Spirit:

If Bolo is proceeding -

- Two 345kV 3000A circuit breakers
- One 345kV 72MVar oil-filled shunt reactor with related surge arresters, neutral grounding reactor, and double neutral current transformers
- Two 345kV 3000A double side break motor operated disconnect switches
- Two 345kV 3000A double side break hand operated disconnect switches
- Three 345kV capacitor voltage transformers
- Control enclosure expansion or in lieu DC battery building
- Related protection and control panels

If Bolo is not proceeding -

- Five 345kV 3000A circuit breakers
- One 345kV 72MVar oil-filled shunt reactor with related surge arresters, neutral grounding reactor, and double neutral current transformers
- Two 345kV 3000A double side break motor operated disconnect switches
- Five 345kV 3000A double side break hand operated disconnect switches
- Nine 345kV capacitor voltage transformers
- Control enclosure expansion or in lieu DC battery building
- Related protection and control panels, including those for breaker-and-a-half conversion

At Hidden Mt (the Hidden Mountain Work):

- Two 345kV 3000A circuit breakers
- One 345kV 72MVAR oil-filled shunt reactor with related surge arresters, neutral grounding reactor, and double neutral current transformers
- Two 345kV 3000A double side break motor operated disconnect switches
- Two 345kV 3000A double side break hand operated disconnect switches
- Three 345kV capacitor voltage transformers
- Related protection and control panels

