

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF PUBLIC SERVICE)
COMPANY OF NEW MEXICO’S REQUEST)
FOR A COMMISSION ORDER GOVERNING)
THE ACCOUNTING TREATMENT OF)
COSTS RELATED TO JOINING THE)
EXTENDED DAY-AHEAD MARKET)
)
PUBLIC SERVICE COMPANY OF NEW MEXICO,)
)
Applicant.)
_____)**

Case No. 25-000 __-UT

**DIRECT TESTIMONY
OF
DR. TOBE C. PHELPS**

August 22, 2025

NMPRC CASE NO. 25-00__-UT
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WITNESS FOR
PUBLIC SERVICE COMPANY OF NEW MEXICO

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I. INTRODUCTION AND PURPOSE

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

A. My name is Dr. Tobe C. Phelps. I am the Associate Director of Information Technology (“IT”) Project Management for PNMR Services Company. My business address is PNM, 2401 Aztec Road NE, Albuquerque, New Mexico 87107. I am testifying on behalf of Public Service Company of New Mexico (“PNM” or “Company”).

Q. Please summarize your educational background and professional qualifications.

A. My educational background and professional experience are summarized in PNM Exhibit TCP-1.

Q. Please describe your responsibilities as the Associate Director of IT Project Management.

A. I am responsible for the strategic and operational direction for all IT-related programs and projects at PNM. The Program and Portfolio Management Office (“PPMO”) in which I work is responsible for managing technology programs and projects for the successful delivery of technology assets, portfolio management, project governance, continuous process improvement, and strategic planning. We manage the corporate capital budget for all IT projects.

Q. Please state the purpose of your testimony.

A. The purpose of my testimony is to describe the Company’s investments, which include capital investments, implementation and incremental on-going Operations and

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1 Maintenance (“O&M”) expenses needed for PNM to participate in the Extended Day
2 Ahead Market (“EDAM”) operated by the California Independent System Operator
3 (“CAISO”). I also explain the project implementation schedule that allows PNM to begin
4 trading through the EDAM in October of 2027. Specifically, in the sections that follow, I:

- 5 1. Provide an overview of the type of capital expenditures needed for membership in
6 the EDAM;
- 7 2. Describe the process for evaluating these capital investments and selecting the best
8 solution(s) for PNM to operate in the EDAM; and
- 9 3. Describe the IT O&M expenses needed for EDAM membership. This includes
10 EDAM implementation O&M expenses, as well as incremental on-going O&M
11 expenses required to maintain and support the assets.

12
13 **II. SYSTEM IMPLEMENTATION AND INTEGRATION PROCESS FOR JOINING**
14 **THE EDAM**

15 **Q. How did PNM analyze the systems and processes needed to join the EDAM?**

16 **A.** PNM contracted with Utilicast Corporation to perform a gap analysis on process and
17 systems for PNM to join the EDAM. The Direct Testimony of PNM witness Kelsey
18 Martinez, including PNM Exhibit KLM-2, outlines EDAM requirements and cost
19 estimates that included capital, incremental O&M implementation costs and incremental
20 ongoing O&M costs for products, services, and resources. Vendor costs vary between
21 competitors depending on functionality and ease of integration. These estimates were
22 further refined by PNM staff as more information became available through discussions
23 with other utilities who participate in the EDAM and through internal planning meetings.

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1 **Q. Please describe the EDAM Implementation schedule.**

2 **A.** With an anticipated go-live by October 2027, there are interrelated parallel work streams
3 being performed that are prerequisites for EDAM implementation activities and those
4 directly related to implementing EDAM solution(s) (collectively, the “EDAM Program”).
5 These prerequisites start in 2025 and include initiation and planning the EDAM Program
6 and undertaking the “RFx” process, described below, to evaluate and select the necessary
7 EDAM products and solution integrators to implement and support EDAM trading.

8
9 In addition, certain PNM base systems must first be upgraded which requires a substantial
10 lead time to review and complete. The EDAM solutions are dependent on the integrity and
11 modernization of the base systems, and the base system upgrades must be completed prior
12 to installing the EDAM solutions.

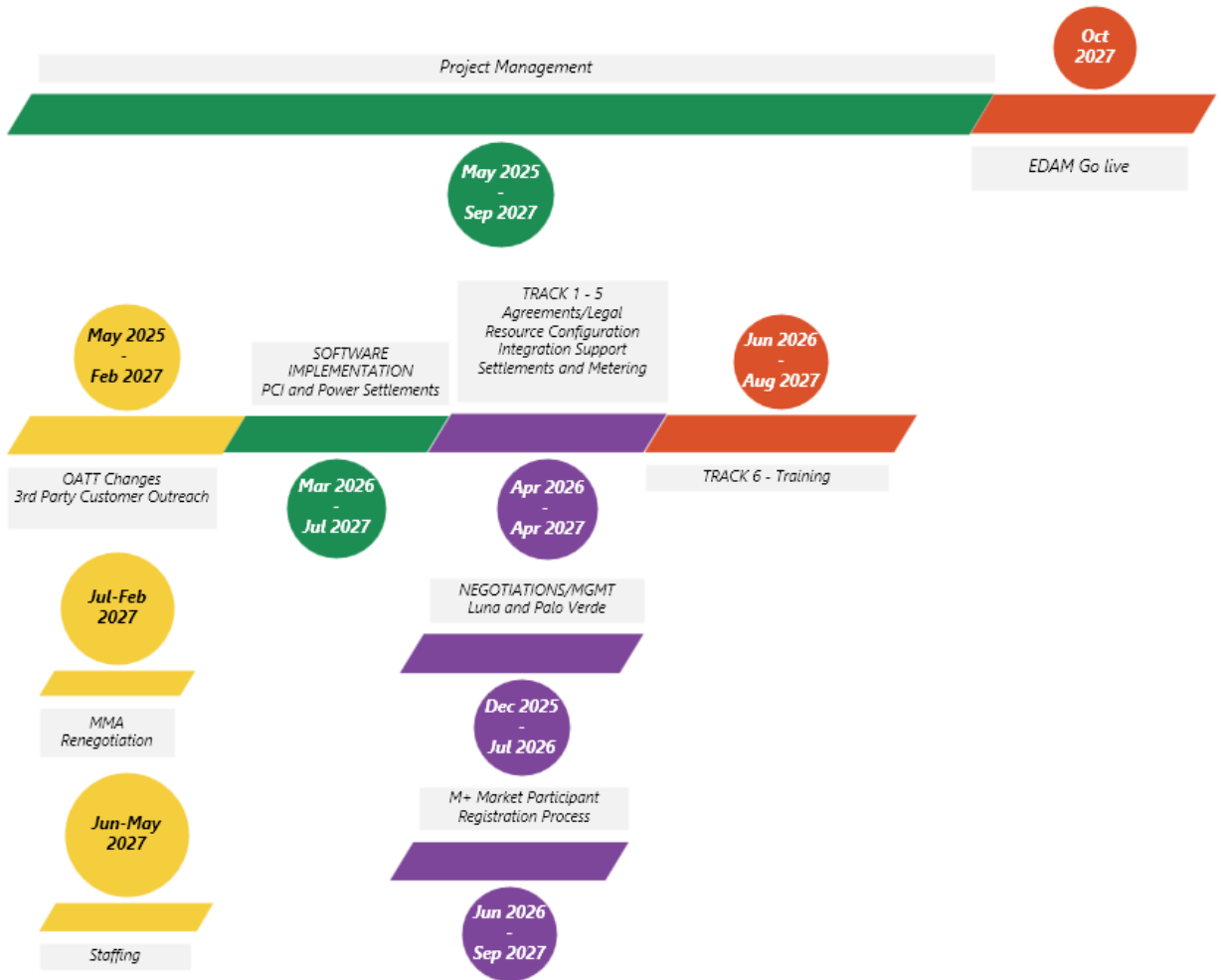
13
14 The EDAM systems implementation, testing, training, and parallel operations occurs in the
15 18 months prior to go-live with post-implementation activities through Q4 2027. Refer to
16 PNM Table TCP-2 below for a high-level schedule.

17

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1

PNM Table TCP-2



2

3

4 **Q. Is this implementation schedule reasonable?**

5 **A.** Yes. The implementation schedule provides for as many project stages as possible to be
 6 run in parallel, while recognizing that certain system upgrades and integration must be
 7 conducted sequentially. The implementation schedule is also based on the timeline and
 8 milestones set by CAISO as the system operator. PNM also compared the implementation
 9 schedule to that of other utilities that have announced their intention to join the EDAM and

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1 found that it is comparable to the average timeframe involved of approximately 18 months
2 for EDAM Program implementation.

3
4 **Q. How does PNM evaluate alternative solutions needed for the EDAM Program to**
5 **ensure PNM selects reasonable cost systems?**

6 **A.** PNM uses a competitive bidding process (“RFx”) for evaluating products and vendors to
7 provide services against requirements, selecting the best solutions for PNM and negotiating
8 the best price possible. This process supports the appropriate due diligence in ensuring that
9 we obtain the best overall value for funds expended. Exceptions to the RFx process are for
10 single/sole source acquisitions or acquisitions where PNM has contract pricing and a basis
11 for determining that ongoing purchases under that contract price is reasonable. There are
12 three approaches that can be used in documenting the RFx process:

13 a) Request for Information is used to gather information about the capabilities of various
14 vendors to aid PNM in making decisions on what the next steps might be.

15 b) Request for Quote is used when the exact type and/or quantity of goods or services that
16 are being solicited are known.

17 c) Request for Proposal is used when requesting a vendor to provide a solution for the
18 requirement, which can include equipment, systems, and services. Vendor responses
19 are reviewed and scored, product demonstrations conducted, market terms and
20 conditions are negotiated with the selected vendor(s) and the team makes the final
21 decision on the solution and/or system integrator(s) to pursue.

22 Since EDAM is built on top of existing CAISO Western Energy Imbalance Market (“EIM”)
23 infrastructure and software, the two primary contractors, Utilicast and PCI, were selected

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1 based on the sole source exception outlined above. Utilicast was involved in the EIM
2 assessment and is the leader in Western Grid knowledge and assessment. PCI was required
3 to be sole source since EDAM requires modification and augmentation of PCI-owned
4 Intellectual Property.

III. CAPITAL EXPENDITURES FOR EDAM INTEGRATION

7 **Q. Please describe the capital investments necessary for EDAM Integration.**

8 **A.** The capital investment for EDAM integration is estimated at \$11.1 million, which includes
9 capital loads for materials, such as software and hardware acquisition, external service
10 contracts with vendors to perform implementation services, PNM labor, and capital
11 interest. Of the total, an estimated 23% is for materials which include the acquisition of
12 hardware and multiple EDAM software packages and 77% for incremental labor, including
13 external vendor services, needed to execute the implementation of EDAM. This
14 investment allows PNM to:

- 15 a) Implement upgrades to the bid-to-bill suite of programs that meet EDAM system
16 requirements and settlement needs;
- 17 b) Procure the EDAM software modules needed to operate in the EDAM with CAISO
18 interface capability;
- 19 c) Execute the EDAM Program through the program office that blends resources from
20 PNM's program office and the EDAM Solution Integrator;
- 21 d) Expand the EIM data warehouse to store the increased amount of data related to the
22 EDAM transactions;

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1 e) Contract with vendors for solution integration services to assist with the
2 implementation of the required EDAM systems; and

3 f) Pay CAISO the required EDAM implementation fee and incorporate a contingency to
4 address risks associated with expenses not anticipated or a higher premium on software
5 and services based on bids received through the PNM competitive bidding RFX process.
6

7 **Q. Could PNM fully integrate into the EDAM without these investments?**

8 **A.** No, these investments are required to participate in the EDAM.
9

10 **Q. Would any of the capital investments described be made if PNM was not participating**
11 **in the EDAM?**

12 **A.** No. These investments are exclusive of the capital expenditures needed in the normal
13 course of business to maintain PNM's existing systems. Costs associated with prerequisite
14 activities are not included in the EDAM capital investments as these upgrades would occur
15 as part of the normal course of business.
16

17 **Q. Are the capital investments that were incurred for participation in the EIM applicable**
18 **to PNM's participation in the EDAM?**

19 **A.** No. The investments outlined in this testimony are exclusive to participation in the EDAM.
20 While the EDAM infrastructure is built on top of the current EIM infrastructure, only net
21 new investments are captured herein.
22
23

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IV. O&M EXPENSES RELATED TO EDAM INTEGRATION

1
2 **Q. Please describe the incremental O&M costs related to EDAM implementation leading**
3 **up to PNM becoming a member of EDAM.**

4 **A.** The O&M costs related to EDAM implementation are incremental and are necessary for
5 full participation in the EDAM. They are estimated to be \$3.1 million. They cover activities
6 that cannot be capitalized, such as: 1) initiation and planning costs, 2) RFX development
7 and product and vendor selection; 2) training preparation and materials; 3) organizational
8 change management; 4) legal and contractual fees; 5) new Full-Time Equivalent (“FTE”)
9 salaries and overtime; 6) relocation costs for new full-time employees; 7) external software
10 hosting or maintenance fees incurred; 8) general expenses; and 9) a contingency to address
11 the risk of higher cost competitive bid proposals that exceed the original estimate.
12 Approximately 6.5% of these costs are for software hosting or maintenance and support
13 fees; 18.5% for general expenses; 54% for incremental PNM labor; and 21% for external
14 services and fees.

15
16 **Q. Please describe the incremental O&M costs related to EDAM participation.**

17 **A.** In addition to the O&M costs leading up to EDAM implementation, there are incremental
18 on-going expenses required to maintain and support the assets and EDAM business
19 processes after PNM begins participating in CAISO’s EDAM trading platform. They range
20 from \$1.4 million to \$1.6 million annually between 2028 and 2030. These expenses relate
21 to: 1) software license and hardware costs for hosted EDAM solutions; 2) maintenance and
22 support costs on EDAM systems; and 3) salaries for new FTE EDAM positions.

23

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1 **Q. Are additional employees required to support PNM participation in the EDAM?**

2 **A.** Yes. Additional FTEs are outlined in the Direct Testimony of PNM witness Kelsey
3 Martinez. Those associated salaries for the eight new FTEs are included in the incremental
4 O&M costs referred to in the above sections.

5

6 **Q. Are new information technology employees required to provide software and
7 hardware program support in order for PNM to participate in the EDAM?**

8 **A.** Yes. The FTEs include one additional IT employee who is required to maintain and support
9 EDAM systems (software and hardware) and interfaces with CAISO and vendor solutions.
10 Because of the number of PNM systems required to be maintained when interfacing with
11 the regional EDAM trading system, it is not possible to provide reliable IT support for the
12 EDAM Program without increasing current staffing levels. PNM's proposed FTE addition
13 for IT support is consistent with the IT staffing needs identified by other utilities who have
14 joined the EDAM.

15

16 **Q. Will PNM still incur operating expenses for its participation in the EIM?**

17 **A.** Yes. There will be continued operating expenses for EIM participation. Operating expenses
18 outlined in this testimony are specific to the new EDAM participation and will be
19 incremental to the existing support costs associated with the EIM.

20

21 **V. CONCLUSIONS**

22 **Q. Please summarize the process required to prepare PNM's system to integrate with
23 the EDAM.**

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1 **A.** PNM will follow a standard project management methodology for managing the EDAM
2 Program and the RFX process for evaluating and selecting the products and solution
3 integrators to ensure PNM receives the best value for the investment. PNM has developed
4 a timeline, in conjunction with the schedule provided by the CAISO, that allows PNM to
5 upgrade or add hardware and software systems so that PNM's systems can interface with
6 the EDAM, allows for implementation and testing of the integration process, and provides
7 for operational maintenance and support once PNM begins participating in the EDAM
8 trading platform.

9

10 **Q.** **Are the capital investments and incremental O&M expenses necessary in order to**
11 **join the EDAM?**

12 **A.** Yes. The capital investments and incremental O&M expenses are necessary to provide the
13 tools, systems, and resources needed to participate in the EDAM; but for these investments
14 and expenditures, PNM would not be able to participate in and benefit from the EDAM.
15 Therefore, the costs are reasonable and necessary.

16

17 **Q.** **Does this conclude your direct testimony?**

18 **A.** Yes.

GCG#534069

Dr. Tobe Phelps' Resume

PNM Exhibit TCP-1

Is contained in the following 3 pages.

Dr. Tobe Phelps

Tobe.phelps@txnmenergy.com

PROFESSIONAL SUMMARY

Technology, digital innovation, data architecture, and project management experience with leadership and hands-on experience overseeing complex, global technical ecosystems. Strong record of success in using organizational data to drive innovation. Proven record of aligning a PMO with the strategic direction of the organization. Forward-thinking executive with a proven record of accomplishment in Executive Leadership Consulting, Semiconductor Manufacturing, Services Consulting, Higher Education, and Utilities during 30-year career. Driven and ambitious change manager dedicated to continuous business improvement focused on enhancing revenue and streamlining business operations through data driven continuous improvement. Culturally diverse IT executive with experience leading change in over 35 countries.

WORK HISTORY

TXNM Energy (formerly PNM Resources) – Associate Director Project Management Office Albuquerque, NM • 12/2020 – Present

Currently direct a large cross functional team including all program manager, project manager, programmer analyst, and business analyst functions. Under my leadership, the PMO has made significant advances in project and process transparency, process automation, and reduction of process complexity. The current portfolio is complex and challenges myself and my team to manage significant risk and run at an accelerated pace while juggling multiple priorities. Unlike most other PMOs, I own the financials for all capital projects falling in my portfolio and my Project Managers are required to manage the financials for all projects.

PNMR (Robert Half International) – Enterprise M365 Program Manager Albuquerque, NM • 09/2020 – 12/2020

Worked as a contract program manager to manage and facilitate migration and integration of Microsoft's M365 suite. This complex program was successfully implemented on time with minimal defects and high customer satisfaction.

Central New Mexico Community College – Chief Technology Innovation Officer Albuquerque, NM • 10/2014 – 06/2020

Focused on technology innovation at the college level through efforts such as blockchain, artificial intelligence, machine learning, and virtual reality. Successfully issued blockchain diplomas to all graduating students gaining global media attention for the college including the innovator of the year award in 2018. Developed multiple leading-edge technology integrations into classroom instruction through the use of strategic vendor partnerships and strong financial and project management efforts.

- Responsible for the startup of the CNM Online College. Had the online college up and running within a year and healthy enough to be passed back to the academic side of the house for operations.
- Have lectured, guest taught, and presented at various venues around North America. My presentations on blockchain technology in higher education are considered groundbreaking in the sector.
- Work, day to day, with the executive leadership at the college to plan technology innovation and implement strategies for leading edge educational technology. Some examples are blockchain credentials, aquaponics integration on campus as a living lab, Office 365, access control, and eSports.

- Student-driven decision making across the gambit of educational departments and priorities including a focus on an enrollment task force over 3 years using data to drive needed changes to student experience in order to positively influence enrollment numbers.

Hewlett Packard Enterprise Co (formerly EDS) – Project Executive
Auburn Hills, MI • 07/1996 - 04/2014

Led sales initiatives to offer managed services and hardware to various large corporations, then was responsible for delivering those services based on long term projects. During my tenure at HP, I sold and delivered enterprise solutions to General Motors, Molson Coors, Conway Freight, Deutsche Bank, Kraft Foods, and Mondelez International. Each engagement lasted 1-3 years including the sales cycle and delivery. Each implementation included the complete replacement or retrofit of all IT systems including ITIL based service delivery models, data architecture. and governance. Successfully delivered over \$7 billion in contract value in 38 countries across 8 years of sales and delivery. While working under Electronic Data Systems (before the merger with HP), I worked as a Semiconductor subject matter expert and lead executive. I successfully consulted with and delivered semiconductor automation solutions across North America and Singapore.

A few examples of typical engagements:

- Executive Programme Manager responsible for splitting Kraft Foods into two companies (Kraft Foods NA and Mondelez) then implementing a new corporate-wide IT infrastructure.
 - 3-year engagement
 - 35 direct reports with another 120 matrixed employees
 - TCV : ~ \$7 million - came in well under budget
- Executive Programme Manager responsible for replacing the ticketing system for Conway Freight. Implementation included the integration of ITIL processes into Conway's business acumen
 - 2-year engagement
 - 14 direct reports with another 35 matrixed employees
 - TCV : ~\$4 million; on budget
- Directed the 35-person team responsible for renegotiation of IT services contract with General Motors. Negotiated scope of IT services, service level agreements and price.
 - TCV : \$2 billion over 10 years

Philips Semiconductors - Senior Production Specialist
Albuquerque, NM • 07/1993 - 07/1996

Worked to provide quality etch engineering and production support through leading edge process and quality improvements. Had first-hand operational and maintenance knowledge of a variety of photolithography and etch equipment.

Intel Corp - Etch Engineering Tech
Rio Rancho, NM • 09/1989 - 05/1992

Increased production reliability and yield through short run statistical process improvements. Characterized etch processing equipment for production reliability.

Education

Doctor of Management in Organizational Leadership – University of Phoenix
11/2018

Dissertation titled: Organizational Change in Higher Education, a Grounded Theory Approach.
Theory generated: Barycentric Leadership

MBA (Masters of Business Administration) – University of Phoenix
08/2015

BSBM (Bachelors of Science in Business Management) – University of Phoenix
10/2006

Certifications

PMP (Project Management Professional) – PMI
09/2003 – 09/2025 #74121

PMI-ACP (Agile Certified Practitioner) – PMI
12/2016 – 12/2025 #1992628

ITIL Foundations v3 - CSME

Organizational Affiliations

Board member – United Way of Central New Mexico Community Impact Council

GCG#534070

