

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

**IN THE MATTER OF THE JOINT APPLICATION OF )  
PUBLIC SERVICE COMPANY OF NEW MEXICO, )  
TXNM ENERGY, INC. AND TROY PARENTCO LLC FOR )  
APPROVAL OF AN ACQUISITION AND MERGER OF ) Case No. 25-00060-UT  
TROY MERGER SUB INC. WITH TXNM ENERGY, INC.; )  
APPROVAL OF A GENERAL DIVERSIFICATION PLAN; )  
AND ALL OTHER AUTHORIZATIONS AND )  
APPROVALS REQUIRED TO CONSUMMATE AND )  
IMPLEMENT THIS TRANSACTION )  
)  
PUBLIC SERVICE COMPANY OF NEW MEXICO, )  
TXNM ENERGY, INC. AND TROY PARENTCO LLC, )  
)  
JOINT APPLICANTS. )**

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**DIRECT TESTIMONY  
OF  
SEBASTIEN SHERMAN**

**April 6, 2026**

**NMPRC CASE NO. 25-00060-UT  
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SEBASTIEN SHERMAN**

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SELF AFFIRMATION

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1                   **I.    INTRODUCTION AND PURPOSE OF TESTIMONY**

2   **Q:    Please state your name and business address.**

3   **A:**My name is Sebastien Sherman. My business address is 345 Park Avenue, 16th  
4           Floor, New York, NY 10154.

5

6   **Q:    By whom are you employed and what is your position?**

7   **A:**I am employed by Blackstone Inc. (“Blackstone”), a publicly traded investment  
8           firm listed on the New York Stock Exchange (NYSE: BX), as a Senior Managing  
9           Director. In that role, I lead the team within Blackstone that focuses primarily on  
10          investments made by Blackstone Infrastructure<sup>1</sup> in the utilities and transportation  
11          sectors in North America.

12

13   **Q:    On whose behalf are you submitting this testimony?**

14   **A:**I am submitting testimony on behalf of Troy ParentCo LLC (“Troy”).

15

16   **Q:    Please briefly describe your professional experience and your educational  
17          qualifications.**

18   **A:**My resume was attached to my Direct Testimony in this proceeding as JA Exhibit  
19          SS-1. I have an Honours BA (Economics) from Queen’s University, and I am a  
20          Chartered Financial Analyst Charterholder. Since joining Blackstone, I have been  
21          involved in several Blackstone Infrastructure investments or acquisitions, including

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<sup>1</sup> Blackstone Infrastructure and other capitalized terms not defined herein have the meanings provided in Exhibit F to the Application, the 2026 General Diversification Plan filed in this matter.

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1 NIPSCO Holdings II LLC, FirstEnergy Corp. (“FirstEnergy”), Carrix, Inc. and  
2 Applegreen Limited. I also serve on the boards of several of Blackstone  
3 Infrastructure’s portfolio companies.

4  
5 Before joining Blackstone, I spent 14 years with OMERS Infrastructure, the  
6 infrastructure investment advisor and manager of the Ontario Municipal Employees  
7 Retirement System, including most recently as its Head of the Americas region.  
8 Over the course of my career, I have led investments in numerous sectors, including  
9 utilities, LNG import infrastructure, power generation, high-speed rail  
10 infrastructure, airports, ports, toll roads, motorway service areas, land registry, and  
11 satellites. Prior to OMERS Infrastructure, I spent seven years in the banking  
12 industry.

13  
14 **Q: Have you previously filed testimony before the New Mexico Public Regulation  
15 Commission (“Commission”) or any other regulatory authorities?**

16 **A:** Yes. I filed testimony before the Commission on August 25, 2025 in connection  
17 with Troy’s proposed acquisition of TXNM Energy Inc. (“TXNM”) in this case  
18 (the “Acquisition”).

19  
20 **Q: Are you familiar with the sale of shares of stock by TXNM to Troy TopCo. LP  
21 (“TopCo”)<sup>2</sup> in June 2025 (“Financing Transaction”)?**

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<sup>2</sup> TopCo is the indirect parent of Troy and indirectly owns all of the equity interests of Troy.

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1   **A:**    Yes. TopCo is a wholly owned subsidiary of Blackstone Infrastructure. I was  
2           involved on behalf of Blackstone Infrastructure in the Financing Transaction  
3           between TXNM and TopCo.

4  
5   **Q:    What role did you play in connection with the Financing Transaction?**

6   **A:**    I led Blackstone Infrastructure’s efforts in evaluating the Financing Transaction, as  
7           well as the discussions and negotiations with TXNM in relation to the Financing  
8           Transaction.

9  
10  **Q:    What is the purpose of your testimony in this Show Cause proceeding?**

11  **A:**    The purpose of my testimony is to help contextualize the Financing Transaction,  
12           including when, why, and how TopCo structured the Financing Transaction. I also  
13           put forth proposed options that TXNM and Blackstone Infrastructure could pursue  
14           to ensure TXNM has access to the capital TXNM requires, including in the event  
15           the Commission determines the Financing Transaction is void and should be  
16           unwound. I incorporate by reference the information contained in my Affidavit,  
17           dated March 4, 2026, that was attached as an exhibit to the Joint Applicants’ Reply  
18           to Responses Regarding Prosperity Works’ Motion for Order to Show Cause.

19  
20  **Q:    Do you sponsor any exhibits in this testimony?**

21  **A:**    Yes. I sponsor the exhibits attached to my direct testimony.

22

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1           **II.   BLACKSTONE INFRASTRUCTURE’S INTEREST IN TXNM**

2   **Q:    Please explain why Blackstone Infrastructure was interested in investing in**  
3           **TXNM through the Financing Transaction.**

4   **A:**   Blackstone Infrastructure and its team have significant experience investing in  
5           utilities and other highly regulated, critical infrastructure. In considering potential  
6           investments, my colleagues at Blackstone Infrastructure and I look for  
7           opportunities that align with our values of stability, growth, and community  
8           support. As described below, investing in TXNM through the Financing  
9           Transaction met Blackstone Infrastructure’s investment goals. It is a well-run  
10          business, operating in markets that Blackstone Infrastructure expects will have  
11          sustained growth over time. Blackstone Infrastructure’s goal is that its investments  
12          benefit everyone involved, and the Financing Transaction met this goal.

13  
14                           **III.   THE FINANCING TRANSACTION**

15   **Q:    Please briefly describe the nature of the Financing Transaction.**

16   **A:**    The Financing Transaction was a “private investment in public equity,” or “PIPE”  
17          for short. A PIPE transaction is a transaction where a publicly traded company like  
18          TXNM sells its shares directly to one or more investors at a negotiated price in a  
19          private placement rather than through a public offering (like an IPO).

20  
21   **Q:    Before the Financing Transaction, had you ever participated in a PIPE**  
22          **transaction?**

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1   **A:**    Yes, I was involved in a PIPE transaction in connection with Blackstone  
2            Infrastructure’s investment in FirstEnergy. FirstEnergy is an electric utility serving  
3            over six million customers across six states. It is engaged in the generation,  
4            transmission, and distribution of energy at wholesale and retail. In December 2021,  
5            Blackstone Infrastructure acquired 5.1% ownership in FirstEnergy. Blackstone  
6            Infrastructure’s investment supported balance sheet improvement and contributed  
7            to FirstEnergy’s credit rating being upgraded from sub-investment grade to  
8            investment grade the day after FirstEnergy announced Blackstone Infrastructure’s  
9            investment.

10

11   **Q:**    **How and when did you learn of the possibility of entering into the Financing**  
12            **Transaction?**

13   **A:**    In early 2025, Blackstone Infrastructure was in communication with TXNM’s  
14            bankers during a competitive auction process for the Acquisition. In round two of  
15            that process, TXNM’s bankers sent a letter on behalf of TXNM to Blackstone  
16            Infrastructure, requesting that Blackstone Infrastructure, as a participant in the  
17            Acquisition process, submit a separate bid for a PIPE transaction that would help  
18            fund TXNM’s short-term capital needs.

19

20   **Q:**    **What was your understanding of why TXNM had these short-term capital**  
21            **needs?**

22   **A:**    I understood that TXNM needed equity financing to help fund its capital and  
23            operational budgets at TXNM’s utilities while maintaining its credit ratings and

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1 metrics. That made sense to me, as I know that TXNM and its subsidiary utilities  
2 require significant capital investment. TXNM's 2025 Annual Operating Plan  
3 ("AOP") included raising \$900 million of equity financing through equity-linked  
4 securities.

5

6 **Q: Did you consider the Financing Transaction to be a different transaction than**  
7 **the Acquisition?**

8 **A:** Yes. The Financing Transaction and the Acquisition were different transactions  
9 and consummated through separate agreements. Blackstone Infrastructure  
10 understood that, in the event Blackstone Infrastructure failed to obtain shareholder  
11 or regulatory approval for the Acquisition, TopCo would retain the shares it  
12 acquired through the Financing Transaction, would not have a right to require  
13 TXNM to repurchase those shares, and could either hold onto those shares or sell  
14 them in the public market. Blackstone Infrastructure always considered and  
15 intended the Financing Transaction to be separate from the Acquisition.

16

17 **Q: After TXNM proposed the Financing Transaction, did you and your team**  
18 **review the Financing Transaction independent of the Acquisition to determine**  
19 **if the Financing Transaction made financial sense from Blackstone**  
20 **Infrastructure's perspective?**

21 **A:** Yes. As I discussed above, given that TopCo would retain the shares acquired  
22 through the Financing Transaction, Blackstone Infrastructure had to evaluate the  
23 merits of the Financing Transaction on a standalone basis. After engaging in

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1 extensive due diligence, I came to believe that investing in TXNM's shares of stock  
2 through the Financing Transaction would be a good investment opportunity  
3 independent of the Acquisition. In May 2025, based on management guidance  
4 about annual rate base growth and how TXNM was trading, Blackstone  
5 Infrastructure believed that TXNM would grow its earnings faster than the US  
6 electric utility sector average, which represented compelling value from an investor  
7 perspective. This is why I came to believe the PIPE was an attractive investment  
8 in its own right.

9

10 **Q: Why did Blackstone Infrastructure choose to make a PIPE investment in**  
11 **TXNM?**

12 **A:** As I mentioned above, Blackstone Infrastructure has previously made a PIPE  
13 investment in a regulated electric utility. That investment has gone well and also  
14 benefited the party seeking the investment. I understood TXNM's need for capital,  
15 and Blackstone Infrastructure's analysis showed that the Financing Transaction  
16 was an attractive investment independent of the Acquisition. While the Financing  
17 Transaction made sense to me from a business perspective, I also believed the \$400  
18 million investment would demonstrate to the Commission and people of New  
19 Mexico that Blackstone Infrastructure was dedicated to investing in New Mexico  
20 and helping ensure long-term access to capital for PNM. Blackstone Infrastructure  
21 remains dedicated to that today.

22

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1 **Q: Did Blackstone Infrastructure enter into the Financing Transaction to**  
2 **increase the probability of obtaining shareholder approval of the Acquisition?**

3 **A:** No. Blackstone Infrastructure was confident that its \$61.25 per-share purchase  
4 price in the Acquisition presented compelling value to TXNM’s shareholders and  
5 would obtain sufficient shareholder support. Blackstone Infrastructure did not  
6 believe that the incremental votes in favor of the Acquisition resulting from the  
7 Financing Transaction would have any impact on the outcome of the shareholder  
8 vote on the Acquisition.

9

10 **Q: What document consummated the Financing Transaction?**

11 **A:** The Stock Purchase Agreement, dated as of May 18, 2025, by and between Troy  
12 TopCo LP and TXNM (“Stock Purchase Agreement”).

13

14 **Q: What document consummated the Acquisition?**

15 **A:** The Agreement and Plan of Merger, dated as of May 18, 2025, by and among Troy,  
16 Troy Merger Sub Inc., and TXNM (“Merger Agreement”).

17

18 **Q: Were the Stock Purchase Agreement and the Merger Agreement negotiated at**  
19 **the same time?**

20 **A:** Yes. They were negotiated at the same time, but with the understanding that the  
21 PIPE would be funded almost immediately to assist TXNM in meeting its short-  
22 term capital needs.

23

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1 **Q: Since the Stock Purchase Agreement and Merger Agreement were negotiated**  
2 **over the same period of time, why do you consider them to be separate**  
3 **transactions?**

4 **A:** TopCo considered the Financing Transaction to be separate from the Acquisition  
5 because, as discussed earlier, TopCo would continue to own the shares acquired in  
6 the Financing Transaction regardless of whether the Acquisition was consummated.  
7 In addition, the key terms of the Stock Purchase Agreement and the Merger  
8 Agreement are different—in the Financing Transaction, TopCo agreed to pay \$50  
9 per share of TXNM common stock, but in the Acquisition, TopCo agreed to pay  
10 \$61.25 per share.

11  
12 In addition, the fact that TopCo considered the Financing Transaction and  
13 Acquisition to be separate transactions is made expressly clear in the Stock  
14 Purchase Agreement and Merger Agreement themselves. In Section 10.3 of the  
15 Stock Purchase Agreement, it states: “[The Stock Purchase Agreement] and the  
16 Merger Agreement are being entered into simultaneously but are separate  
17 transactions. Except as expressly set forth in [the Stock Purchase Agreement], the  
18 provisions of the Merger Agreement are not intended to, and in no way, modify or  
19 supplement the terms of [the Stock Purchase Agreement].” Likewise, the Merger  
20 Agreement in Section 9.5 states: “[The Merger Agreement] and the Stock Purchase  
21 Agreement are being entered into simultaneously but are separate transactions.  
22 Except as expressly set forth in [the Merger Agreement], the provisions of the Stock

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1 Purchase Agreement are not intended to, and in no way, modify or supplement the  
2 terms of [the Merger Agreement].”

3  
4 In addition, TXNM made a similar statement to the United States Security and  
5 Exchange Commission (“SEC”) when filing a Form 8-K in connection with the  
6 announcement of the Stock Purchase Agreement and the Merger Agreement,  
7 writing: “The Stock Purchase Agreement and the Merger Agreement are separate  
8 transactions and neither transaction is conditioned upon the consummation of the  
9 other transaction.”

10

11 **Q: From TopCo’s perspective, were the Financing Transaction and the**  
12 **Acquisition negotiated as separate transactions?**

13 **A:** Yes, for two reasons. First, TXNM sought to raise \$900 million in capital for its  
14 AOP by the end of 2025, which was well before the Acquisition could potentially  
15 close. Second, as I previously mentioned, TopCo determined that the Financing  
16 Transaction made good business sense on a stand-alone basis, regardless of the  
17 outcome of the Acquisition.

18

19 As described in the testimony of Don Tarry, while it is true the Merger Agreement  
20 allowed TXNM to terminate the Acquisition if the Financing Transaction was not  
21 consummated, this was a short-term protection for the benefit of TXNM. Because  
22 TopCo required two weeks to generate the liquidity to fund the Financing  
23 Transaction, the Merger Agreement allowed termination if the Financing

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1 Transaction was not timely completed and funded in the time set forth in the Stock  
2 Purchase Agreement. Once the Financing Transaction was consummated, neither  
3 agreement included any terms that affected the other.

4

5 **Q: Please explain what happens to the Financing Transaction if the Merger  
6 Agreement is terminated.**

7 **A:** Nothing. Even if the Merger Agreement is terminated and the Acquisition does not  
8 close, TopCo will still own the shares of TXNM common stock acquired through  
9 the Financing Transaction.

10

11 **Q: Did you have discussions with TXNM about Blackstone Infrastructure making  
12 additional equity investments beyond the \$400 million PIPE?**

13 **A:** Yes.

14

15 **Q: What amount of additional equity investment was discussed?**

16 **A:** Approximately \$200 million.

17

18 **Q: Did Blackstone Infrastructure ultimately make any additional equity  
19 investment?**

20 **A:** No. Blackstone Infrastructure was happy with Blackstone Infrastructure's \$400  
21 million equity investment and, although Blackstone Infrastructure believed an  
22 incremental \$200 million equity investment was economically attractive,  
23 Blackstone Infrastructure was concerned that acquiring another \$200 million of

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1 shares of common stock could cause Blackstone Infrastructure to cross a control or  
2 ownership threshold that may require regulatory approval in certain jurisdictions,  
3 including in New Mexico.

4

5 **Q: Do you know whether TXNM obtained additional equity investments in 2025?**

6 **A:** Yes. After the Financing Transaction closed, Zimmer Partners, LP (“Zimmer”) and  
7 its affiliates purchased \$200 million of shares of TXNM common stock through a  
8 PIPE transaction with TXNM.

9

10 **Q: Did you or anyone else at Blackstone Infrastructure introduce TXNM to**  
11 **Zimmer?**

12 **A:** No. As witness Don Tarry states in his testimony, Zimmer is an investor who had  
13 previously invested in TXNM, and Zimmer reached out to TXNM regarding  
14 additional investments.

15

16 **Q: Did you or anyone with Blackstone Infrastructure have any discussions with**  
17 **Zimmer prior to its \$200 million stock purchase?**

18 **A:** Not that I know of. I was aware of Zimmer as an active investor in publicly traded  
19 utilities, but I have never interacted with Zimmer.

20

21 **Q: Does Blackstone Infrastructure have any agreements with Zimmer regarding**  
22 **its \$200 million stock purchase?**

23 **A:** No.

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1 **Q: Did you or anyone with Blackstone Infrastructure direct or ask TXNM to**  
2 **engage with or reach an agreement with Zimmer regarding its purchase of**  
3 **\$200 million of shares of stock?**

4 **A:** No.

5

6 **IV. WHETHER THE FINANCING TRANSACTION GAVE BLACKSTONE**  
7 **INFRASTRUCTURE CONTROL OVER TXNM OR PNM.**

8 **Q: What percentage of shares of TXNM's stock did TopCo own after giving effect**  
9 **to the Financing Transaction?**

10 **A:** 7.53%.

11

12 **Q: Does TXNM have any other large stockholders?**

13 **A:** Yes. For example, as of March 31, 2026, two large mutual and index funds hold  
14 passive positions that represent approximately 23.12% of TXNM's shares of  
15 common stock.

16

17 **Q: Let's talk about the characteristics of the shares that TopCo acquired through**  
18 **the Financing Transaction. Do those shares contain any special rights, traits,**  
19 **characteristics, or privileges beyond shares of TXNM's common stock that are**  
20 **available to anyone who wants to buy shares of TXNM common stock on the**  
21 **New York Stock Exchange?**

22 **A:** No. The shares of TXNM owned by TopCo have no rights, traits, characteristics,  
23 or privileges beyond those enjoyed by every holder of shares of TXNM common

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1 stock. In fact, TopCo has fewer rights and privileges than anyone who has  
2 purchased TXNM shares on the public market.

3

4 **Q: Through the Financing Transaction, did TopCo gain any right to appoint any**  
5 **directors to TXNM's board of directors?**

6 **A:** No.

7

8 **Q: Through the Financing Transaction, did TopCo gain the power to elect or**  
9 **remove TXNM or PNM officers?**

10 **A:** No.

11

12 **Q: Through the Financing Transaction, did TopCo gain any right to appoint any**  
13 **directors to PNM's board of directors?**

14 **A:** No.

15

16 **Q: Through the Financing Transaction, did TopCo gain the power to direct or**  
17 **cause the direction of TXNM's or PNM's management or policies?**

18 **A:** No.

19

20 **Q: Through the Financing Transaction, did TopCo gain access to books and**  
21 **records of TXNM or PNM beyond normal shareholder rights?**

22 **A:** No.

23

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1 **Q: Through the Financing Transaction, did TopCo gain the power to exercise**  
2 **veto rights or consent rights?**

3 **A:** No.

4  
5 **Q: Please explain the limitations that the Financing Transaction imposed on**  
6 **TopCo.**

7 **A:** The Stock Purchase Agreement contains a standstill provision that prohibits TopCo  
8 from acquiring additional shares in TXNM, entering into certain transactions with  
9 TXNM, and influencing the voting of TXNM shares during the pendency of the  
10 Acquisition. In addition, the Stock Purchase Agreement contains an obligation of  
11 TopCo to vote its shares consistent with the recommendation of the board of  
12 directors of TXNM, including with respect to elections of the board of directors.

13

14 **V. CONSIDERATION OF THE STATUTORY REQUIREMENTS FOR PRIOR**  
15 **AUTHORIZATION OF THE PIPE FINANCING TRANSACTION**

16 **Q: At the time you were evaluating the Financing Transaction and the**  
17 **Acquisition, did you consider whether Commission approval was required**  
18 **prior to consummating the Financing Transaction?**

19 **A:** Yes. Blackstone Infrastructure was and is acutely aware that PNM is a regulated  
20 utility and that it was investing in a company that owns and operates regulated  
21 utilities. Blackstone Infrastructure is committed to complying with all applicable  
22 regulatory requirements.

23

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1 **Q: What did you do to evaluate New Mexico’s regulatory requirements in this**  
2 **situation?**

3 **A:** I asked the Blackstone Infrastructure team many questions about whether there  
4 were any regulatory requirements surrounding the Financing Transaction and  
5 participated in discussions that included PNM. I understood that the Commission  
6 has never applied the statutory provision at issue in this Show Cause hearing to  
7 purchases of shares of stock where the purchaser does not acquire control.  
8 Specifically, I was not and am not aware of any authorization from the Commission  
9 being sought by any publicly traded company that owns a public utility operating  
10 in New Mexico (including TXNM, Xcel Energy, and Emera) when issuing shares  
11 of stock. I know that TopCo never intended to and did not gain any control over  
12 TXNM through the investment.

13

14 **Q: Did Blackstone Infrastructure publicly disclose the Financing Transaction?**

15 **A:** Yes. The day after the Stock Purchase Agreement and Merger Agreement were  
16 executed, which was about 10 months ago, Blackstone Infrastructure issued a press  
17 release announcing the Financing Transaction and the Acquisition.

18

19 **Q: When entering into the Financing Transaction, did TopCo intend to evade the**  
20 **Commission’s jurisdiction?**

21 **A:** Absolutely not. My colleagues and I have many years of experience investing in  
22 regulated entities and working with regulatory authorities to ensure that we comply  
23 with all applicable regulatory requirements.

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1 As I just testified, the Joint Applicants have been entirely transparent about the  
2 Financing Transaction. The Joint Applicants disclosed the Financing Transaction  
3 in SEC filings, in the TXNM Proxy, in the Application,<sup>3</sup> in the General  
4 Diversification Plan,<sup>4</sup> in Don Tarry’s direct testimony,<sup>5</sup> in Sean Klimczak’s direct  
5 testimony,<sup>6</sup> in Henry Monroy’s direct testimony,<sup>7</sup> and in Heidi Boyd’s direct  
6 testimony.<sup>8</sup> The Joint Applicant’s expert witnesses also included testimony  
7 identifying the Financing Transaction.<sup>9</sup> There was absolutely no intent to hide the  
8 Financing Transaction from anyone, nor was there an attempt to flout or evade the  
9 Commission’s jurisdiction or to deceive the Commission.

10

11 At every step of the Financing Transaction, I believed we were helping TXNM fund  
12 its utilities in New Mexico and Texas so that they could continue to provide safe,  
13 reliable service to customers during the pendency of the Acquisition. At no time  
14 did I believe helping TXNM address short-term capital concerns, in a way that was  
15 structured to give Blackstone Infrastructure no control rights whatsoever over  
16 TXNM or its utilities, would potentially violate New Mexico law.

17

18

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<sup>3</sup> Application at 10, footnote 2.

<sup>4</sup> Amended General Diversification Plan at 16, which was Exhibit F to the Application.

<sup>5</sup> Direct Testimony of Joseph D. Tarry at 13.

<sup>6</sup> Direct Testimony of Sean Klimczak at 13, 16.

<sup>7</sup> Direct Testimony of Henry Monroy at 39.

<sup>8</sup> Direct Testimony of Heidi Boyd at 5.

<sup>9</sup> Direct Testimony of Erik Talley at 16 n.50, 20; Direct Testimony of Ellen Lapson at 21, 22.

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1 **Q: Does Blackstone Infrastructure recognize the Commission’s jurisdiction?**

2 **A:** Yes, absolutely. It is Blackstone Infrastructure’s intention to be in New Mexico for  
3 the long-term and to work within the regulatory environment under the  
4 Commission.

5

6 **VI. WHETHER THE PROPOSED ACQUISITION IS VIABLE WITHOUT THE**  
7 **FINANCING TRANSACTION**

8 **Q: Should the Commission determine that the Financing Transaction is void,**  
9 **please explain your understanding of the impact on the Acquisition from a**  
10 **business perspective.**

11 **A:** I’m not a lawyer, but my understanding from a business perspective is that the  
12 determination would have no impact on the proposed Acquisition. This is for at  
13 least two reasons. First, because the Merger Agreement continues to function,  
14 without amendment, as-is. Second, because the vote of shares of TXNM common  
15 stock acquired by TopCo in the Financing Transaction was not necessary to obtain  
16 shareholder approval of the Acquisition because other shareholders  
17 overwhelmingly approved the Acquisition. In fact, of the TXNM shares that voted,  
18 99.6% of them voted to approve the Acquisition.

19

20 **Q: Should the Commission determine that the Financing Transaction is void,**  
21 **would Blackstone Infrastructure’s investment committee need to re-approve**  
22 **the Merger Agreement?**

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1   **A:**    No. Blackstone Infrastructure’s investment committee has already approved the  
2            Merger Agreement.

3

4   **Q:**    **Should the Commission determine that the Financing Transaction is void,**  
5            **would TXNM and Troy need to seek new approvals for the Merger Agreement**  
6            **from any governmental authority where TXNM and Troy have already filed**  
7            **an application?**

8   **A:**    My understanding from a business perspective is there would be no need to seek  
9            new approvals. The Merger Agreement has already been approved by the Federal  
10           Energy Regulatory Commission, the United States Department of Justice, the  
11           Federal Communications Commission, and the Public Utility Commission of  
12           Texas.

13

14   **Q:**    **Should the Commission determine that the Financing Transaction is void,**  
15            **please explain your understanding of the impact on TXNM’s need for capital?**

16   **A:**    My understanding is that TXNM needs, and has already invested in its utilities, the  
17            \$400 million that TopCo invested in the Financing Transaction. As noted  
18            elsewhere in this case, TXNM has some of the most capital-intensive needs in the  
19            utility industry. The Energy Transition Act, along with the need to modernize the  
20            grid in New Mexico, means that billions of dollars are needed over the next few  
21            years in particular. TopCo was attempting to be part of the solution.

22

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1           If the Financing Transaction is deemed void and a replacement transaction is not  
2           permitted, TopCo would become a creditor of TXNM in the amount of \$400  
3           million. In other words, TXNM would need to come up with \$400 million to repay  
4           TopCo. Given the difficulties this would cause TXNM, TopCo is working closely  
5           with TXNM to propose an alternative way for TopCo to provide TXNM with the  
6           equity funding it needs in the event that the Financing Transaction is deemed void.

7

8   **Q:   Please elaborate on the proposal that you are contemplating.**

9   **A:**   If the Commission determines its prior authorization for the Financing Transaction  
10          was required, TopCo’s first proposal would be for the Commission to approve the  
11          Financing Transaction now. TopCo believes—based on the facts I discussed  
12          above—that this would be in the best interests of PNM and its ratepayers, and that  
13          it is the simplest way to solve any potential issues from a business perspective. As  
14          there was no improper intent or motive, and given TXNM’s significant need for  
15          equity capital to meet the needs of customers in New Mexico and Texas, the Joint  
16          Applicants would first ask that the Commission approve the Financing Transaction.

17

18          Should the Commission determine that the Financing Transaction was in violation  
19          of the statute and void and/or cannot be approved now, Blackstone Infrastructure  
20          and TXNM propose to replace the shares of stock with an option agreement (the  
21          “Option Agreement”) providing TopCo with the right, upon exercise, to purchase  
22          shares of stock of TXNM. In this alternative transaction, the shares currently held  
23          by TopCo would be exchanged (or if the purchase of the shares of TXNM common

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1 stock is determined to be void, retroactively replaced) under an exchange  
2 agreement (the “Exchange Agreement”) for an option to purchase the same amount  
3 of shares at a purchase price of \$0.0001 per share. As an option is separate and  
4 distinct from shares of stock and simply a contract that gives the holder the right to  
5 acquire shares of stock upon a future exercise (after satisfaction of any conditions  
6 to exercise), this would not involve any shares of stock being held or owned by  
7 TopCo unless and until TopCo exercises its option to purchase the shares of stock.

8

9 **Q: Are you asking the Commission to approve the alternative financing**  
10 **transaction you described above?**

11 **A:** In the event that the Commission determines the Financing Transaction required  
12 regulatory approval and the Commission is not otherwise able to approve the  
13 Financing Transaction, TopCo would respectfully request that the Commission  
14 permit TopCo and TXNM to restructure the Financing Transaction as I described  
15 above.

16

17 **Q: What impact would these alternative financial arrangements have on the**  
18 **Merger Agreement?**

19 **A:** None. Regardless of whether the Financing Transaction is void or is converted to  
20 an alternative arrangement (whether now or retroactively), it would have no bearing  
21 or impact on the transactions contemplated by the Merger Agreement.

22

**VII. SUMMARY AND CONCLUSION**

23 **Q: Please summarize your direct testimony.**

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1    **A:**    Blackstone Infrastructure made the PIPE investment in TXNM because it  
2           determined that providing much needed capital to TXNM was an attractive  
3           investment opportunity. I also believed that this \$400 million investment would  
4           demonstrate to the Commission and the people of New Mexico that Blackstone  
5           Infrastructure was committed to investing in New Mexico, a commitment that  
6           remains today. Blackstone Infrastructure is also committed to complying with all  
7           applicable regulatory requirements. After inquiring into the regulatory  
8           requirements surrounding the Financing Transaction, I understood that the  
9           Commission has not applied the statutory provision at issue to purchases of shares  
10          of stock where the purchaser does not acquire control. TopCo did not acquire  
11          control here. It only acquired 7.53% of shares of TXNM’s common stock, and  
12          these shares provided no special privileges or control rights. On the contrary,  
13          TopCo has fewer rights and privileges than anyone who has purchased TXNM  
14          shares on the public market. Immediately upon closing, TXNM and Blackstone  
15          Infrastructure publicly announced the Financing Transaction and discussed it at  
16          length in TXNM and Blackstone’s Joint Application to the Commission.

17  
18          If the Merger Agreement is terminated, TopCo will still own the shares of TXNM  
19          common stock it acquired through the Financing Transaction. If the Financing  
20          Transaction were deemed void, the Merger Agreement does not require any new  
21          approvals, but TXNM would need to repay TopCo \$400 million. Blackstone  
22          Infrastructure and TXNM have proposed to replace the shares of stock with an  
23          Option Agreement to ensure TXNM has access to the capital TXNM requires.

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1 **Q:** Does this conclude your direct testimony?

2 **A:** Yes.

3

*GCG#535105*

4

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

**IN THE MATTER OF THE JOINT APPLICATION OF )**  
**PUBLIC SERVICE COMPANY OF NEW MEXICO, )**  
**TXNM ENERGY, INC. AND TROY PARENTCO LLC FOR )**  
**APPROVAL OF AN ACQUISITION AND MERGER OF ) Case No. 25-00060-UT**  
**TROY MERGER SUB INC. WITH TXNM ENERGY, INC.; )**  
**APPROVAL OF A GENERAL DIVERSIFICATION PLAN; )**  
**AND ALL OTHER AUTHORIZATIONS AND )**  
**APPROVALS REQUIRED TO CONSUMMATE AND )**  
**IMPLEMENT THIS TRANSACTION )**  
**)**  
**PUBLIC SERVICE COMPANY OF NEW MEXICO, )**  
**TXNM ENERGY, INC. AND TROY PARENTCO LLC, )**  
**)**  
**JOINT APPLICANTS. )**

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**SELF AFFIRMATION**

In accordance with 1.2.2.35(A)(3) NMAC and Rule 1-011(B) NMRA, **SEBASTIEN SHERMAN, Senior Managing Director of Blackstone Inc.**, upon penalty of perjury under the laws of the State of New Mexico, affirms and states: I have read the foregoing **Direct Testimony of Sebastien Sherman** which are true and correct based on my personal knowledge and belief.

DATED this 6<sup>th</sup> day of April, 2026.

/s/ Sebastien Sherman  
**SEBASTIEN SHERMAN**

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

**IN THE MATTER OF THE JOINT APPLICATION OF )  
PUBLIC SERVICE COMPANY OF NEW MEXICO, )  
TXNM ENERGY, INC. AND TROY PARENTCO LLC FOR )  
APPROVAL OF AN ACQUISITION AND MERGER OF )  
TROY MERGER SUB INC. WITH TXNM ENERGY, INC.; )  
APPROVAL OF A GENERAL DIVERSIFICATION PLAN; )  
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)  
)  
**PUBLIC SERVICE COMPANY OF NEW MEXICO, )  
TXNM ENERGY, INC. AND TROY PARENTCO LLC, )  
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**JOINT APPLICANTS. )******

Case No. 25-00060-UT

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the **Direct Testimony of Sebastien Sherman** was emailed to parties listed below on April 6, 2026:

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Dated this 6<sup>th</sup> day of April, 2026.

By: /s/ Justin Rivord  
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GCG#535097