

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

**IN THE MATTER OF THE APPLICATION )  
OF PUBLIC SERVICE COMPANY OF NEW )  
MEXICO FOR REVISION OF ITS RETAIL )  
ELECTRIC RATES PURSUANT TO ADVICE )  
NOTICE NO. 625 )**

**Case No. 24-00089-UT**

**PUBLIC SERVICE COMPANY OF NEW )  
MEXICO, )**

**Applicant )**

**\_\_\_\_\_ )**

**DIRECT TESTIMONY**

**OF**

**ANGELA L. PINO**

**June 14, 2024**

**NMPRC CASE NO. 24-00089-UT**  
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**PUBLIC SERVICE COMPANY OF NEW MEXICO**

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**I. INTRODUCTION AND PURPOSE**

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

**A.** My name is Angela L. Pino. I am Director of Total Rewards for PNMR Services Company, the service company for PNM Resources, Inc. ("PNMR") and its subsidiaries. A description of my position and background is included in PNM Exhibit ALP-1. The exhibit also includes a list of cases in which I have provided testimony before the New Mexico Public Regulation Commission ("Commission" or "NMPRC"). I am testifying on behalf of Public Service Company of New Mexico ("PNM" or "Company"). My business address is 414 Silver Ave. SW, Albuquerque, NM 87102.

**Q. What is the purpose of your direct testimony in this case?**

**A.** The purpose of my testimony is to detail PNMR's compensation and benefits philosophy, along with the basis for determining the compensation and benefits program. This philosophy is applied across all of PNMR's subsidiaries including PNM. Additionally, I discuss how customers benefit from the compensation and benefits earned by employees. PNMR uses benchmarking to determine compensation and benefits offerings that align with industry practices. I detail what benchmarking is and how PNMR utilizes objective third-party data to determine employee compensation.

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1 Further, I describe and support the employee compensation and benefits for which  
2 PNM seeks cost recovery in this case, including certain incentive plans, employee  
3 base salaries, and PNM's employee benefits package for union and non-union  
4 employees. I also identify incentive compensation plans for which we are not  
5 seeking rate recovery. Lastly, I confirm PNM's cost savings efforts as required in  
6 Case No. 2529 relating to Post Retirement Benefits Other than Pensions ("PBOP").  
7

8 **II. COMPENSATION AND BENEFITS PHILOSOPHY AND POLICY**

9  
10 **Q. What is the PNMR's "Total Rewards" approach to compensation and**  
11 **benefits?**

12 **A.** "Total Rewards" is the combination of all remuneration offered to all employees,  
13 including base pay, incentive pay for non-union employees, time off, healthcare,  
14 and retirement benefits. A market-based Total Rewards program allows the  
15 Company to attract qualified employees who may otherwise seek employment at  
16 other organizations. The program also allows the Company to retain its  
17 experienced workforce, reducing the cost and time it takes to recruit and train new  
18 employees. Further, having a strong Total Rewards program, especially  
19 encompassing incentive compensation, will motivate employees, supporting  
20 customer service, safety, and reliability.  
21

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1   **Q.     Why is it important for PNM to maintain a qualified and trained workforce?**

2   **A.**Attracting and retaining well-qualified employees with expertise in their fields  
3       allows the Company to focus on achieving a high level of safe and reliable service  
4       for our customers. Reducing employee turnover results in our employees  
5       developing expertise in their jobs and cuts down on the cost and amount of time  
6       needed to recruit, hire, and train new employees to fill vacancies.

7

8   **Q.     What are the principles of PNMR's compensation philosophy?**

9   **A.**The PNMR compensation philosophy, which encompasses PNM, is designed in  
10       accordance with the following principles:

- 11       1.     Externally competitive
- 12       2.     Strategically aligned with business objectives
- 13       3.     Internally equitable
- 14       4.     Personally motivating
- 15       5.     Cost-effective
- 16       6.     Legally compliant

17

18       **III.       BASE SALARY AND ANNUAL SALARY ADJUSTMENTS**

19

20   **Q.     What are the components of employee salary?**

21   **A.**Employee salary is broken into two key areas: base salary and incentive  
22       compensation. I discuss incentive compensation in Section V below.

23

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1   **Q.    What is base salary?**

2   **A.**Base salary is the fixed pay paid to each employee. It is earned by performing the  
3           functions of the job, which are identified by job descriptions.

4  
5   **Q.    How are Non-Union employees awarded annual salary increases?**

6   **A.**Non-Union employees receive annual merit-based increases. Merit increases are  
7           based on the employee's performance and are budgeted based on benchmarking.  
8           Merit increases averaged 3.5% in 2022 and increased to 4% in 2023 and 2024.  
9           Based on the 2023 WTW Salary Budget Survey and the 2023 World at Work Salary  
10          Budget Survey, PNM has projected a merit increase pool of 4% in 2025 and 2026.

11

12   **Q.    How are salaries adjusted for Union employees?**

13   **A.**Union employees receive annual salary adjustments in accordance with the  
14          Collective Bargaining Agreement. Per the terms of the Collective Bargaining  
15          Agreement, Union employees received a 7% adjustment in 2023 and 5% in 2024  
16          and 2025.

17

18   **Q.    Why are annual salary adjustments necessary?**

19   **A.**Annual salary adjustments are necessary in order to stay market-competitive and to  
20          attract and retain top talent.

21

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**1 IV. BENCHMARKING OF EMPLOYEE COMPENSATION AND BENEFITS**

2

3 **Q. What is compensation benchmarking?**

4 **A.** Benchmarking is a process that PNMR uses to gather factual data related to  
5 employee compensation and benefits to determine where it stands compared to  
6 other companies in our industry for specific job duties and skills. Highly-qualified,  
7 independent, third-party vendors solicit, compile and prepare survey data that  
8 provides quantifiable and objective compensation data points. Factors that  
9 generally influence compensation benchmarking can include the level of job  
10 responsibility, industry type, company size (e.g., revenues between \$1.0 billion and  
11 \$3.0 billion), and geographical area (e.g., local market, regional market or national  
12 market).

13

14 **Q. Why is benchmarking important?**

15 **A.** Benchmarking is essential to assess the alignment of PNMR's compensation  
16 program with the relevant market. Being market-competitive allows PNM to hire  
17 and retain highly qualified employees who may otherwise choose employment at  
18 other organizations.

19

20 **Q. What sources does the Company use to obtain benchmarked data?**

21 **A.** Benchmarking is performed by qualified, third-party vendors and is based on  
22 survey participation that is purchased by PNMR from WTW, formerly Willis  
23 Towers Watson plc, and AON, PLC ("AON"). These third-party survey vendors

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1 are highly-qualified and recognized experts in their fields. WTW is a leading global  
2 professional company that, as an independent, third-party firm, conducts regional,  
3 national and industry surveys and provides consulting and other services in the  
4 areas of benefits, talent management, rewards and risk and capital management.  
5 AON is among the world's top global human capital and management consulting  
6 firms and also provides human capital and management consulting services,  
7 including compensation survey data. Both of these vendors conduct surveys of  
8 other participating companies on an annual basis to gather confidential  
9 compensation information.

10

11 **Q. How often is compensation benchmarking conducted?**

12 **A.** Benchmarking is done on an annual basis, which follows best practices.  
13 Additionally, benchmarking may be performed outside of the annual review when  
14 any new roles are being created or an existing job has undergone significant  
15 changes.

16

17 **Q. What is PNMR's benchmarking process for employee compensation and**  
18 **benefits?**

19 **A.** PNMR determines whether survey data are available for the particular job  
20 classification or classifications being evaluated. If survey data are available, the  
21 data are used to benchmark a particular job classification or group of job  
22 classifications. The appropriate market data are identified by assessing the market



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1 in which PNM competes for talent. The appropriate markets may be different for  
2 each job classification. By assessing the appropriate market for each job  
3 classification, a determination is made whether to use utility and/or general industry  
4 survey data and whether to use local, regional or national survey data. Due to an  
5 increase in companies offering remote work, PNM is now competing nationally for  
6 talent. The job classification is matched to applicable survey data.

7

8 Compensation survey data typically provide a range of compensation, which is  
9 generally presented in percentile format. PNM's compensation philosophy is to  
10 utilize the market median (or 50<sup>th</sup> percentile) when benchmarking. If survey data  
11 are not available for a job classification or group of job classifications, the job(s)  
12 are slotted into a pay grade with other jobs that have a similar scope or similar  
13 characteristics.

14

15 **Q. Does Benchmarking ensure competitive compensation?**

16 **A.** Yes. Benchmarking is necessary to ensure that PNMR and its subsidiaries are not  
17 only compensating employees competitively, but that the compensation is  
18 reasonable.

19

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**V. PNMR INCENTIVE COMPENSATION PLANS**

**Q. What is incentive compensation?**

**A.** Incentive compensation is variable and is based on performance factors, both at the Company and at the employee level. Incentive compensation is not guaranteed pay; it is “at risk” in that performance metrics must be met or exceeded before it is paid to employees.

**Q. Are PNM’s incentive compensation plans consistent with industry practice?**

**A.** Yes. Incentive compensation plans are a prominent component of total rewards plans throughout the electric industry. Incentive compensation plans are intended to incentivize employees to meet or exceed specific performance metrics. Incentive compensation is a common component of many organizations’ total rewards program. Incentive compensation undergoes the same benchmarking process as described above. Being that incentive compensation is a common component of any total rewards program, it furthers allows the Company to be market competitive to attract and retain employees.

**Q. How does incentive compensation benefit customers?**

**A.** Incentive compensation plan metrics are customer-focused in that they measure things which benefit PNM customers in some way, such as increased safety, reliability, or improved customer service. Specific goals include J.D. Power ratings (customer service), PRC complaints (customer service), potential and high-energy

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1 significant injury and fatality (“P-SIF” and “H-SIF”) scores (safety), and System  
2 Average Interruption Duration Index (“SAIDI”) metrics (reliability). Incentivizing  
3 and motivating employees to meet or exceed these goals therefore supports safety  
4 and reliability for our customers. The same scorecards are used for the Annual  
5 Incentive Plan (“AIP”) and the Business Group Incentive Plan (“GIP”), holding all  
6 eligible employees to the same metrics. Please see PNM Exhibit ALP-2 for the  
7 AIP and GIP scorecards, which details the incentive metrics.

8

9 **A. *PNM Wholesale Power Marketing Plan (“WPM Plan”)***

10 **Q. What are the responsibilities of the Wholesale Power Marketing group?**

11 **A.** The Wholesale Power Marketing (“WPM”) group is responsible for all wholesale  
12 purchases and sales of electricity and purchases and sales of natural gas used by  
13 PNM in electric generation. The group is also responsible for generation dispatch,  
14 for acquiring ancillary services for the Balancing Authority, and for complying with  
15 all North American Electric Reliability Corporation requirements.

16

17 **Q. What is the WPM Plan?**

18 **A.** The WPM Plan is the incentive compensation plan applicable to employees in  
19 PNM’s WPM group. Awards are only paid to employees if they achieve or exceed  
20 the performance targets identified in the WPM Plan. The maximum amount that is  
21 eligible for payout under the WPM Plan is capped at market median. Market  
22 median is determined using benchmark data. Employee WPM Plan payouts are

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1           based on individual employee performance during the WPM Plan year, the WPM  
2           Plan cap, and the level of overall pool funding.

3

4   **Q.     What is the purpose of the WPM Plan?**

5   **A.**    The purpose of the WPM Plan is to motivate and reward employees in the WPM  
6           group to meet performance metrics that benefit customers. These metrics include  
7           achieving system reliability targets, controlling fuel costs for the customer,  
8           maximizing return from optimizing PNM's power resources while complying with  
9           carbon emission standards as outlined in the Energy Transition Act, and generating  
10          jurisdictional value with the participation in the Western Energy Imbalance Market  
11          ("WEIM").

12

13          The system reliability performance targets include compliance with the Reserve  
14          Sharing Group member requirements, compliance with the Disturbance Control  
15          Performance Recovery standard, forecasting accuracy performance, minimizing  
16          penalties and encouraging safety. Jurisdictional financial targets include controlling  
17          costs and maximizing off-system sales margins for the benefit of customers while  
18          ensuring carbon emissions goals are within the threshold standards indicated in the  
19          Energy Transition Act. Moreover, the WEIM performance target incentivizes the  
20          WPM group to maximize the WEIM Gross Benefit from WEIM participation,  
21          which results in overall savings that benefit customers.

22

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1   **Q.     Which employees are eligible to participate in the WPM Plan?**

2   **A.**As of December 31, 2023, all 30 employees in the WPM group are eligible,  
3           including the director, managers, traders, pre-schedulers and administrators.  
4           Employees eligible for the WPM Plan are not eligible for any other Company  
5           incentive plan, and employees outside of the WPM group are not eligible under the  
6           WPM Plan.

7  
8   **Q.     What is the history of the WPM Plan?**

9   **A.**Since 2008, incentives under the WPM Plan have been awarded to WPM group  
10          employees achieving the incentive performance targets. It is reasonable to  
11          anticipate that the WPM Plan will be earned and paid to employees in 2024 and  
12          thereafter. Therefore, it is reasonable to include this incentive plan in the Test  
13          Period cost of service. Please see PNM Table ALP-1 for historical pools and cost.

14                   **PNM Table ALP-1 – Historical WPM Plan Costs**

<b>Performance Year</b>	<b>Pool</b>	<b>Actual Cost</b>	<b>% Payout</b>
<b>2019</b>	\$715,432	\$398,617	56%
<b>2020</b>	\$738,390	\$405,565	55%
<b>2021</b>	\$758,966	\$413,076	54%
<b>2022</b>	\$834,876	\$483,762	58%
<b>2023</b>	\$815,796	\$535,322	66%

15

16   **Q.     What is the requested amount for the WPM Plan?**

17   **A.**The amount requested for the WPM Plan is \$535,322 and is based on the actual  
18          cost of the plan for calendar year December 31, 2023.

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1   **Q.     Is the WPM Plan necessary, reasonable, and beneficial to customers?**

2   **A.**     The cost of the WPM Plan is reasonable in relation to the experience necessary for  
3           the job classifications and the compensation provided for comparable work by other  
4           companies. The WPM Plan is necessary to stay competitive with the market pool  
5           and helps retain employees with the needed skillset and experience to operate the  
6           PNM system and maximize the value for our customers. Because the Company's  
7           proposed cost recovery is based on the actual payout as opposed to the market-  
8           based cap, the budget remains below market. This plan benefits PNM customers by  
9           encouraging employees to meet operational goals primarily related to providing  
10          safe, reliable and cost-effective services to customers. If the achievement of goals  
11          exceeds the requested amounts, employees will still receive the payout of the  
12          program. However, any additional cost incurred would be borne by the Company  
13          and not recovered from customers.

14

15       ***B.     Business Unit Group Incentive Plan ("GIP")***

16   **Q.     What is the GIP?**

17   **A.**     The GIP is designed to motivate and reward eligible Non-Union employees for  
18          achieving operational metrics and to promote collaboration and teamwork to  
19          achieve specified business area performance metrics. This plan provides benefits to  
20          customers by encouraging employees to meet operational, customer-focused goals,  
21          such as reliability and customer service, that are primarily related to the provision  
22          of safe, reliable, and cost-effective service to customers. The GIP does not have an

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earnings per share performance metric. Further, the GIP is a key component of the Total Rewards package that is offered to our employees.

**Q. Which employees are eligible to participate in the GIP?**

**A.** Non-Union employees in pay-grade levels generally categorized at a manager level and below are eligible for participation in the GIP. A total of 830 employees were eligible to participate on December 31, 2023, and approximately 871 employees will be eligible to participate in the GIP in the Test Period. Employees eligible for the GIP are not eligible for incentive compensation under any other program or plan.

**Q. What is the history of the GIP?**

**A.** The GIP was introduced in 2015 and was significantly below market median. Over the next several years, PNM funded the pool over the amount that was recovered, bringing the plan up to market median. In the 2022 Rate Case (Case No. 22-00270-UT), PNM sought to recover, and was allowed to recover, \$6,262,795, which brought the plan up to market median. Please see PNM Table ALP-2 for historical GIP Costs.

**PNM Table ALP-2 – Historical GIP Costs**

<b>Year</b>	<b>Pool</b>	<b>Amount Awarded</b>	<b>% of Pool Awarded</b>
<b>2020</b>	\$ 5,267,000	\$ 5,075,128	96.36%
<b>2021</b>	\$ 5,467,000	\$ 5,116,933	93.60%
<b>2022</b>	\$ 6,787,457	\$ 6,718,654	98.99%
<b>2023</b>	\$ 5,526,751	\$ 5,491,348	99.36%

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1   **Q.     What amount has been included in this rate request related to the GIP?**

2   **A.**    The anticipated cost of the GIP in the Test Period is calculated by utilizing the  
3           actual employee headcount and base salary as of December 31, 2023, plus the  
4           expected increase in headcount in 2024 and 2025 described by PNM witnesses  
5           Larese, Warner and Mendez. Each individual employee's base salary was annually  
6           escalated 4% in 2024, 2025, and 2026 and then multiplied by the eligible employee  
7           award, at the target award level, based on their job grade, as reflected in the  
8           following PNM Table ALP-3. Eligible employees will only receive an award at the  
9           end of the performance period if the specified performance targets are achieved.

10                   **PNM Table ALP-3 – Test Period GIP Costs**

<b>Grade</b>	<b>Employee Count</b>	<b>Target Award Level</b>	<b>Cost</b>
<b>G14</b>	15	5%	\$31,063
<b>G13</b>	19	5%	\$42,893
<b>G12</b>	26	5%	\$69,278
<b>G11</b>	25	6%	\$90,917
<b>G10</b>	32	6%	\$121,157
<b>G09</b>	60	7%	\$306,770
<b>G08</b>	94	7%	\$568,002
<b>G07</b>	111	8%	\$869,454
<b>G06</b>	239	8%	\$2,113,961
<b>G05</b>	249	9%	\$3,011,094
<b>Total</b>	<b>871</b>	<b>Total</b>	<b>\$7,224,590</b>

11

12           The available pool of awards for the GIP will be \$7,224,590. The available pool for  
13           each business area will be based on eligible employees and the eligible earnings of  
14           those employees during the performance period.

15



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1   **Q.     How was the requested amount of the GIP calculated?**

2   **A.**     The amount of GIP included in the Test Period is based on benchmarked data. The  
3           Target Award Level shown in Table ALP-3 above is market median for the  
4           corresponding grade level. The Target Award Level was applied to escalated  
5           employee salaries as described above.

6

7   **Q.     What are the performance metrics for the GIP?**

8   **A.**     Performance metrics for the GIP are operational and customer-focused. See PNM  
9           Exhibit ALP-2 for 2024 AIP and GIP goals.

10

11  **Q.     Is the cost of the GIP necessary and reasonable?**

12  **A.**     Yes. The Company's proposal for the GIP recognizes the need to maintain the  
13           incentive plan funding close to market levels. The proposal is in alignment with  
14           market studies and is consistent with PNM's current incentive plans. The cost is  
15           reasonable and will assist PNM in attracting, motivating, and retaining qualified  
16           employees and should be included in the determination of the Test Period revenue  
17           requirement.

18

19       **C.     *Annual Incentive Plan ("AIP")***

20  **Q.     What is the AIP?**

21  **A.**     The AIP was initially implemented in 2011 and is designed to motivate and reward  
22           eligible Non-Union, management-level employees for achieving operational and

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1 customer-focused metrics. The plan benefits customers by encouraging employees  
2 to meet operational goals with a focus on reliability, safety, and customer service,  
3 translating into safe, reliable, and cost-effective service for customers. The AIP is  
4 a key component of the Total Rewards package offered to eligible employees.

5

6 **Q. Has PNM previously sought to include the costs of the AIP in rates?**

7 **A.** No. PNM has not previous sought to include the cost of the AIP in rates because  
8 previous plans included an earnings per share component and were both financially-  
9 driven as well as being customer-focused.

10

11 **Q. Why is PNM now seeking recovery of the costs of the AIP in rates?**

12 **A.** The AIP has been restructured and, beginning in 2024, the plan excludes an  
13 earnings per share metric up to the target award amount. The plan is aligned to the  
14 goals included in the GIP. PNM has included in this rate request the target award  
15 amount under the AIP.

16

17 **Q. Is any of the AIP compensation based on PNMR earnings?**

18 **A.** Yes. However, in order for an eligible employee to receive an AIP award above the  
19 target amount, PNMR will need to meet a minimum earnings per share. However,  
20 due to the earnings component, only the target amount of AIP has been included in  
21 this rate request. Said differently, payout up to the target amount of AIP is not  
22 contingent upon hitting any earnings goals.

1     **Q.     What is the requested amount for the AIP in the Test Period?**

8 **PNM Table ALP-4 – Test Period AIP Costs**

10

12     **A.**     Performance metrics for the AIP are operational and customer-focused. Scorecards  
13                are shared between the AIP and the GIP, holding all eligible employees to the same  
14                metrics, including customer service metrics, reliability metrics, and safety metrics.  
15                See PNM Exhibit ALP-2 for 2024 AIP goals.

16

17

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1 motivating, and retaining qualified employees and should be included in the  
2 determination of the Test Period revenue requirement.

3  
4 ***D. PNMR Excluded Incentive Compensation Plans from this Rate Request***

5 **Q. Does the Company have any additional incentive compensation plans?**

6 **A.** Yes, the Company has four additional incentive compensation plans that have been  
7 excluded from the rate request:

- 8 1. Subsidiary Vice President Annual Incentive Plan – The Company offers an  
9 Annual Incentive Plan to subsidiary vice presidents. The plan is similar to  
10 the AIP and is paid upon the subsidiary vice president meeting operational  
11 and customer-focused goals, however it has an earnings per share  
12 component and has not been included in PNM’s Cost of Service.
- 13 2. Officer Annual Incentive Plan – The Company offers a short-term Officer  
14 Incentive Plan (“OIP”) to corporate officers. The OIP is similar to the AIP  
15 and is paid upon the officer meeting operational and customer-focused  
16 goals, however it has an earnings per share component and has not been  
17 included in PNM’s Cost of Service.
- 18 3. Long-Term Incentive Plan – The Company offers a long-term, stock-based  
19 incentive plan to corporate officers (“LTIP”). The LTIP is based on a three-  
20 year performance period and focuses on the Company meeting financial  
21 goals. It has not been included in PNM’s Cost of Service.

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- 1           4.       Discretionary Non-PNMR Officer Restricted Stock Rights Award Plan –  
2                   The Company offers a stock-based incentive plan to non-officer, director-  
3                   level employees. The plan is discretionary and awarded by senior  
4                   management. Stock awards vest over a three-year period. This plan has not  
5                   been included in PNM’s Cost of Service.

6  
7                   **VI.       EXECUTIVE COMPENSATION**

8  
9       **Q.       What do you address in this section of your direct testimony?**

10      **A.**       I address executive compensation. In its last two rate cases, PNM was directed to  
11                   file supplemental testimony on executive compensation. Accordingly, we are  
12                   including this section on executive compensation.

13  
14      **Q.       What are the amounts of executive compensation, by position, that PNM**  
15                   **includes for recovery in its cost of service?**

16      **A.**       PNM recovers a portion of base salary for its executive officers as shown in PNM  
17                   Table ALP-5, below. As discussed earlier in this testimony, PNM applied a  
18                   benchmarked escalation percentage of 4% annually to salaries in the Base Period  
19                   to estimate base salaries in the Test Period. A portion of the Test Period salaries  
20                   was allocated to PNM in accordance with the Cost Allocation Manual, as described  
21                   by PNM witness Sanders in his direct testimony. The PNM retail share of the Test  
22                   Period salaries was included in the Company’s cost of service, as described by  
23                   PNM witness Sanders.

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**PNM Table ALP-5 – Executive Base Salaries Included in Test Period**

Title	Test Period Salary	Test Period Salary (PNM Allocation)	Test Period Salary Included in Cost of Service (PNM Retail Share)
CHIEF EXECUTIVE OFFICER	\$ 1,360,935	\$ 916,590	\$ 806,314
PRESIDENT & COO	\$ 660,133	\$ 407,368	\$ 377,537
SVP, GENERAL COUNSEL	\$ 504,118	\$ 339,524	\$ 298,675
SVP & CHIEF FINANCIAL OFFICER	\$ 499,294	\$ 336,275	\$ 295,817

**Q. Is any executive incentive compensation included in PNM's rate request?**

**A.** No. There are no amounts under the OIP or LTIP that are included in PNM's rate request.

**Q. How is the base compensation for executive officers determined?**

**A.** Base salaries for executive officers follow the same process used for all employees, which is included in the section of my testimony that addressed compensation benchmarking.

**VII. PNMR EMPLOYEE BENEFITS**

**Q. What employee benefits are offered by PNMR and its subsidiaries?**

**A.** A variety of benefits are available to employees as part of the Total Rewards program. The following benefits are offered to full-time employees:

1. Retirement Savings Plan (401k)
2. Medical plan with a preferred provider (PPO) or high deductible plan choice
3. Dental

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- 1           4. Vision
- 2           5. Life insurance and Accidental Death & Dismemberment insurance
- 3           6. Short-term disability
- 4           7. Long-term disability
- 5           8. Flexible spending accounts
- 6           9. Health savings accounts
- 7           10. Educational assistance program
- 8           11. Employee assistance program
- 9           12. Paid time off
- 10          13. Holiday pay
- 11          14. Severance pay
- 12          15. Wellness program
- 13          16. PNM Retirement plan – for those employees who were hired before
- 14               December 31, 1997.

15

16   **Q.    Are the PNMR benefits consistent with relevant benchmarking data and**  
17       **necessary and reasonable?**

18   **A.**    Yes. The PNMR Benefits Department benchmarks the benefits to ensure they are  
19           market competitive. As of the last benefits benchmark survey in 2024, the employee  
20           benefits portfolio was determined to be within the market median, although PNMR  
21           closed the defined benefit plan for employees in 1997 while other utilities continued  
22           to provide a defined benefit. The benefits benchmarking survey, completed by

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1       AON, determines the relative value by comparing PNMR's benefits value to the  
2       average benefit value for 22 utilities participating in the comparison. Key benefits  
3       for the PNMR PPO plan relative to the electric utility benchmark include lower  
4       deductibles and coinsurance than market medians. It is estimated that PNMR's  
5       medical benefit will cover, on average, 87% of an employee's medical claims costs,  
6       which is in line with industry averages.

7

8       Overall, the PNMR employee benefit portfolio is within market, thus making it  
9       competitive.

10

11       ***A. PNM Medical and Dental Benefits***

12       **Q.     How are medical and dental premiums split between PNM and the employee?**

13       **A.**     Currently employee participants pay 24% on average toward their overall medical  
14       premium, with the Company paying the remaining 76%. By comparison, the utility  
15       industry trend is to have employees pay 20% on average toward their overall  
16       medical premium. Although slightly more on a percentage basis, single coverage  
17       PPO wellness enrollees pay \$159 per month, which is in line with the electric utility  
18       average of \$142 per month. PNMR non-single employee coverage pays \$515 per  
19       month, which is also in line with industry average of \$484. Participants, on average,  
20       pay 50% toward their overall dental premium. The employee dental contribution,  
21       as per the utility trend, is considered to be market practice. The medical and dental  
22       premiums contributed by employees are both benchmarked.



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1    **Q.     What are current cost trends for medical and dental benefits?**

2    **A.**    National trends show that medical costs continue to increase year-over-year. On a  
3           national level, for mid-sized to large employers, medical costs increased in 2023  
4           and 2024, on average, 6.5% and 8.5%, respectively. For 2025, medical costs are  
5           expected to increase again, on average, 8.5% nationally for mid-sized to large  
6           employers. Based on those trends, and as shown by PNM witness Sanders, PNM is  
7           using an escalation factor of 6% for its medical costs from the Base Period to the  
8           Test Period. For other benefits, no other significant changes are expected from the  
9           end of the Base Period to the end of the Test Period.

10

11   **Q.     Has PNM made any efforts to control or reduce medical and dental costs?**

12   **A.**    Yes. In an effort to reach long-term objectives, effective January 1, 2018, the  
13           Company changed medical network providers and claims administrators to help  
14           streamline the administration. The design is a two-tier network that is intended to  
15           stabilize and reduce claims costs through competitive contracted rates and  
16           improved efficiencies in administering healthcare. In addition, in 2019 the  
17           Company changed its pharmacy benefit manager. The new manager offers highly  
18           competitive rates through its programs, contracted discounts, rebates, and mail  
19           order program, including an additional program targeting chronic disease and  
20           specialty drugs to manage cost trends that went into effect in 2023.

21

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1        Additionally, as of 2020, PNM has implemented a wellness program that is  
2        available to all employees. The program focuses on bettering the health of all  
3        employees, which has a positive impact on the cost of health benefits, as well as on  
4        the lives of our workforce. The wellness program offers various seminars on a  
5        multitude of health-related items, such as reducing high blood pressure, introducing  
6        exercise, and reducing stress. In 2023, 74% of employees participated in the  
7        wellness program, resulting in overall improved employee wellbeing.

8

9        ***B.        Post-Retirement Benefits Other Than Pensions***

10    **Q.        What are PBOP benefits?**

11    **A.**        PNM provides medical benefits to retired employees. These are commonly referred  
12        to as PBOP benefits. The PBOP benefits were offered to employees during their  
13        tenure as active employees, and in conformity with those commitments, PNM has  
14        continued to pay for and recover the cost of the PBOP benefits from customers.  
15        These PBOP benefits are a reasonable and necessary cost of doing business in that  
16        they helped attract and retain qualified employees necessary to serve PNM's  
17        customers.

18

19    **Q.        Does PNM have any requirements to control PBOP costs?**

20    **A.**        Under the final order in Case No. 2529, PNM is required to report on its cost-saving  
21        efforts relating to its PBOP plan.

22

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1   **Q.    What efforts is the Company taking to control PBOP costs?**

2   **A.**    The following actions have been implemented to reduce PBOP expenses: (1)  
3           eligibility for plan participation has been discontinued (i.e., retiree medical benefits  
4           do not apply to employees hired after December 31, 1997); (2) for retirees over age  
5           65, the retiree medical programs were modified to utilize medical benefits provided  
6           under Medicare Part A & B for retirees not covered under the Hartford Medicare  
7           Supplemental Plan (“The Hartford”) which reduces Company costs; (3) Wellness  
8           and Disease Management Programs, which focus on prevention and reduce the high  
9           dollar claims and long-term plan expense, have been expanded to cover retirees  
10          participating in the retiree medical plan; (4) since 2014, all eligible retirees are  
11          enrolled in a Medicare supplement insured plan through The Hartford, which has  
12          limited the premium increase exposure over the long term; (5) for eligible retirees  
13          over age 65, who retired on, or after, January 1, 1988, the Company’s contributions  
14          toward the premiums under the plan have been capped at \$100 per month for  
15          medical and \$35 per month for prescription drugs; (6) since 2014 all eligible retirees  
16          are enrolled in a Part D through Express Scripts; (7) PNM contracted with Benistar  
17          Administrative Services, Inc. for the administration of these services to further  
18          reduce administration costs; (8) in 2017, the Premium and Value medical plan  
19          options provided to retirees collapsed into the Standard plan; (9) PNM implemented  
20          a 5% future cost escalation cap for pre-65 retiree medical expenses in 2018; and  
21          (10) the Company also implemented the Express Scripts Advanced Utilization

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1 Management program, which reduces pharmacy costs through prior authorization,  
2 step therapy, and drug quantity limits.

**VIII. CONCLUSIONS**

5  
6 **Q. Do you have any concluding remarks?**

7 **A.** Yes. PNMR's overall Total Rewards program, including employee compensation  
8 and benefits, is based on benchmarked data, ensuring they are both competitive and  
9 reasonable in cost. A strong Total Reward program benefits PNM's customers by  
10 allowing the Company to attract and retain a well-qualified workforce that can, in  
11 turn, provide safe and reliable service. Additionally, the WPM Plan, GIP, and AIP  
12 provide cost-effective incentives for employees to attain goals beneficial to  
13 customers. The Company's compensation and benefits programs are reasonable  
14 and in accordance with industry practices. Lastly, PNM has taken appropriate  
15 actions to control PBOP costs.

16  
17 **Q. Does this conclude your Direct Testimony?**

18 **A.** Yes.  
19  
20

GCG#532494

# **PNM Exhibit ALP – 1**

## **Statement of Qualifications**

*Is contained in the following 4 pages.*

## Angela L. Pino, CCP

### Summary

Human Resources professional with over 20 years of experience and expertise in Human Resources specializing in Compensation, Incentive Plans, Equity Plans, Job Evaluation and Classification, Salary Administration and Benefits in Regulated and Government organizations. Focus in strategic planning, design, implementation/execution and administration of various compensation and equity programs, HRIS/HR systems, regulatory compliance, and Executive Leadership, Senior Management and Board of Director interaction. Successful record of developing and enhancing programs and communications, implementing cost effective administration, and developing creative solutions in support of the organization's human capital and business objectives. Demonstrated track record in cross-functional team building and collaboration to achieve business objectives.

### Professional Experience

#### **Director Total Rewards**

December 2019-Current

*PNM Resources, Inc.*

Lead the Compensation, Benefits and HRIS teams responsible for the strategic design and management of enterprise-wide Compensation, Equity Programs, Benefits and HR systems. Provide leadership and strategic direction and serve as an internal consultant to help drive business outcomes, including:

- Review, design, implement, communication and management of the company's general compensation & benefits plans, policies and structures to support business strategy and that are externally competitive and internally equitable, cost-effective and perceived as valuable by employees.
- Review and analyze benefits, compensation and equity competitive markets to determine employee needs, trends, regulations and best practices. Develop recommendations, build stakeholder alignment, and make strategic modifications to programs to meet the changing marketplace and company goals.
- Collaborate with other Human Resources leaders in talent acquisition, learning and leadership development, Employee and Labor Relations and the business to ensure rewards are aligned with desired performance, workforce development and succession planning efforts.
- Manage vendor contracts and service delivery to ensure cost-competitiveness, quality and compliance.
- Advise, consult with and serve as a member of the Human Resources leadership team in the development and execution of short-term and long-term plans and budgets based on broad corporate goals, and strategic planning.
- Collaborate with Finance, Legal, Corporate Tax and other corporate functions to ensure alignment with strategic plans and regulatory compliance.
- Manage benefits and compensation programs to ensure alignment with shareholder and regulatory stakeholder interests.
- Research and prepare Board of Director related materials for presentation to the Compensation Committee.
- Lead the development and execution of the CD&A and proxy disclosures and ensure compliance with all regulatory requirements.
- Prepare annual budgets including financial analysis and cost/benefit analysis.
- Establish and maintain long-term networking relationships through active involvement and participation in business, community and external boards activities.
- Serve as an expert resource to the business, including the company's executive management and HR teams concerning benefits, compensation and equity strategies and the impact of those on the business.
- Served as a company expert in the preparation of direct, rebuttal testimony and interrogatories for public utility commission regulated rate cases.
- Analyze the effectiveness of current programs as to their ability to attract, motivate and retain critical talent in support of the Total Rewards model.

**Compensation Manager**

September 2015-December 2019

*PNM Resources, Inc.*

Lead a team responsible for the strategic design and management of enterprise-wide compensation, Equity Programs, and HR systems. Provide leadership and strategic direction and serve as an internal consultant to help drive business outcomes, including:

- Review, design, implementation, communication and management of the company's compensation plans, policies and structures to support business strategy and that are externally competitive and internally equitable, cost-effective and perceived as valuable by employees.
- Review and analyze the compensation and equity competitive markets to determine employee needs, trends, regulations and best practices. Develop recommendations, build stakeholder alignment, and make strategic modifications to programs to meet the changing marketplace and company goals.
- Evaluate and analyze the results of programs; report findings to the leadership and develop the business case and rationale for recommended changes.
- Collaborate with other Human Resources leaders in talent acquisition, benefits, learning and leadership development, Employee and Labor Relations and the business to ensure rewards are aligned with desired performance, workforce development and succession planning efforts.
- Manage vendor contracts and service delivery to ensure cost-competitiveness, quality and compliance.
- Advise, consult with and serve as a member of the Human Resources leadership team in the development and execution of short-term and long-term plans and budgets based on broad corporate goals, and strategic planning.
- Collaborate with Finance, Legal, Corporate Tax and other corporate functions to ensure alignment with strategic plans and regulatory compliance.
- Manage compensation programs, including cash compensation, incentive and variable pay programs, merit programs, and equity programs. Ensure alignment with shareholder and regulatory stakeholder interests.
- Research and prepare Board of Director related materials for presentation to the Compensation Committee.
- Lead the compensation related portions of the CD&A and proxy disclosures and ensure compliance with all executive compensation matters and regulatory requirements.
- Prepare annual budgets including financial analysis and cost/benefit analysis.
- Oversee the HR technology infrastructure to ensure the company has the necessary systems in place to meet objectives and operational effectiveness.
- Establish and maintain long-term networking relationships through active involvement and participation in business, community and external boards activities.
- Serve as an expert resource to the business, including the company's executive management and HR teams concerning compensation equity strategies and the impact of those on the business.
- Served as a company expert in the preparation of direct, rebuttal testimony and interrogatories for public utility commission regulated rate cases.
- Analyze the effectiveness of current programs as to their ability to attract, motivate and retain critical talent in support of the Total Rewards model.

**Compensation Supervisor**

October 2011-September 2015

*PNM Resources, Inc.*

Led a team responsible for the design, strategy and administration of the organization's employee compensation, programs. Provided leadership and strategic direction and served as an internal consultant to help drive business outcomes.

- Designed, implemented and managed compensation plans, policies and structures to support the business strategy and that were competitive and cost-effective to meet current and future business needs.
- Managed the enterprise-wide benchmarking processes, salary structure review and maintenance and job evaluation processes.
- Managed the company's salary administration and annual merit program.
- Managed the annual and long-term incentive programs.
- Partnered with Finance & Accounting, Legal, Corporate Tax, Regulatory and other functions on compensation or other data and information for analysis and reporting purposes.

- Served as a company expert in the preparation of direct, rebuttal testimony and interrogatories for public utility commission regulated rate cases.
- Analyzed the effectiveness of current programs as to their ability to attract, motivate and retain critical talent.
- Managed budgets in compliance with business objectives. Proven experience in the areas of accounting, finance, budget management and audit aspects for compensation programs.

**Senior Compensation Analyst**

August 2004-October 2011

*PNM Resources, Inc.*

- Responsible for the planning, administration and implementation of organization-wide annual and long-term incentive plans.
- Responsible for the planning and administration of organization-wide annual Merit process.
- Responsible for the review, administration, and implementation of annual salary structure review.
- Responsible for the oversight of day-to-day compensation issues including job evaluation, classification and documentation, market analysis, new hire and internal salary administration, organization structure issues, and policy interpretation.
- Responsible for the implementation, testing, oversight and maintenance of compensation module and tables of PeopleSoft system.
- Represent the compensation function as a member of the company's bargaining team for union negotiations.
- Responsible for day-to-day oversight of lower level permanent and temporary staff.
- Assist in the planning, administration and execution of executive compensation programs, equity plans, and preparation of board materials.
- Assist in the development and implementation of compensation guidelines, policies and procedures.

**Compensations Analyst**

September 2003-August 2004

*PNM Resources, Inc.*

- Assist in the planning, administration and implementation of organization-wide annual and long-term incentive plans.
- Assist in the planning and administration of organization-wide annual Merit process.
- Assist in the review, administration, and implementation of annual salary structure review.
- Responsible for the oversight of day-to-day compensation issues including job evaluation, classification and documentation, market analysis, new hire and internal salary administration, organization structure issues, and policy interpretation.
- Responsible for the implementation, testing, oversight and maintenance of compensation module and tables of PeopleSoft system.
- Support the compensation analysis and recommendation in support of Labor negotiations.

**Senior Compensation/HRIS Analyst**

July 2003-September 2003

*Lovelace Sandia Health System*

- Responsible for the administration and implementation of organization-wide incentive plans and annual Merit process.
- Responsible for day-to-day compensation issues including job evaluation, classification and documentation, market analysis, new hire and internal salary administration, organization structure issues, and policy interpretation.
- Responsible for the maintenance of Compensation and Job Classification data in Lawson HRIS system.
- Responsible for day-to-day oversight of lower level permanent and temporary staff. Assist in the development and implementation of compensation guidelines, policies and procedures.



**Senior Compensation Analyst**

July 2001-July 2003

*University of New Mexico Hospital*

- Responsible for the planning and administration of organization-wide annual Merit process.
- Responsible for the review, administration, and implementation of the annual salary structure review.
- Responsible for the oversight of day-to-day compensation issues including job evaluation, classification and documentation, market analysis, new hire and internal salary administration, organization structure issues, and policy interpretation.
- Responsible for all compensation related issues including representation on the company's bargaining team in annual contract negotiations for local Nurses union.
- Responsible for day-to-day oversight of lower level permanent and temporary staff.
- Assist in the development and implementation of compensation guidelines, policies and procedures.

**Senior Compensation Analyst**

April 1999-July 2001

*City of Albuquerque*

- Responsible for the oversight of day-to-day compensation issues including job evaluation, classification and documentation, new hire and internal salary administration, organization structure issues, and policy interpretation.
- Responsible for the planning and administration of organization-wide annual review process.
- Responsible for the review, administration, and implementation of the annual salary structure review for multiple salary structures.
- Responsible for day-to-day oversight of lower level permanent and temporary staff.
- Assist in the development and implementation of compensation guidelines, policies and procedures.

**Education**

**Bachelor of Business Administration,  
Concentration in Accounting and Human Resources**

Graduated: May 1998

*University of New Mexico – Albuquerque, NM*

**Certified Compensation Professional**

Completed: May 2008

*World at Work*

**Testimony Filed**

**In the Matter of the Application of Public Service Company of New Mexico for Revision of its Retail  
Electric Rates Pursuant to Advice Notice No. 595,**

NMPRC Case No. 22-00270-UT

# **PNM Exhibit ALP – 2**

## **AIP and GIP Scorecards**

*Is contained in the following 4 pages.*

<b>NM Operations Business Unit Scorecard</b> <b>2024 Annual Incentive Plan</b> <b>G01 - G04</b> <b>Includes PNM Regulatory</b>						
Goals	Weight	Threshold	Target	Maximum	2024 Results	2024 Achievement Percent
PSIF and HSIF per year	15%	4 PSIFs and 0 HSIF	3 PSIFs and 0 HSIF	1 PSIFs and 0 HSIF		
SafeMap Survey Results	10%	Achieve Rational level for overall PNMR 2024 SafeMap survey	Achieve Industry Average level for overall PNMR 2024 SafeMap survey	Achieve Responsible level for overall PNMR 2024 SafeMap survey		
Customer Service (Year End JD Power IOU Industry Rank of PNM's Overall CSI score)	20%	67 out of 94	63 out of 94	55 out of 94		
SAIDI	20%	94	90	86		
Project Completions	15%	Clear completed projects within at least 7% under AOP budgeted capital clearing	Clear completed projects within at least 5% under AOP budgeted capital clearing	Clear completed projects within at least 2% under AOP budgeted capital clearing		
Total PRC Complaints and Merited PRC Customer Complaints	20%	Total PRC Complaints - 160 and Merited PRC Complaints - 45	Total PRC Complaints - 150 and Merited PRC Complaints - 38	Total PRC Complaints - 130 and Merited PRC Complaints - 25		
Total Results	100%	50%	100%	200%		

Overall 2024 Score
<b>0%</b>

<b>PNM Customer Experience &amp; Marketing Business Unit Scorecard</b> <b>2024 Annual Incentive Plan</b> <b>G01 - G04</b>						
Goals	Weight	Threshold	Target	Maximum	2024 Results	2024 Achievement Percent
PSIF and HSIF per year	15%	3 PSIFs and 0 HSIF	2 PSIFs and 0 HSIF	1 PSIFs and 0 HSIF		
SafeMap Survey Results	10%	Achieve Rational level for overall PNMR 2024 SafeMap survey	Achieve Industry Average level for overall PNMR 2024 SafeMap survey	Achieve Responsible level for overall PNMR 2024 SafeMap survey		
Customer Service (Year End JD Power IOU Industry Rank of PNM's Overall CSI score)	20%	67 out of 94	63 out of 94	55 out of 94		
Total PRC Complaints and Merited PRC Customer Complaints	20%	Total PRC Complaints - 160 and Merited PRC Complaints - 45	Total PRC Complaints - 150 and Merited PRC Complaints - 38	Total PRC Complaints - 130 and Merited PRC Complaints - 25		
First Contact Resolution (Web, Phone and Chat)	20%	73%	75%	80%		
Business Customer Satisfaction (Average of 2 surveys in 2024)	15%	7.9	8.1	8.5		
Total Results	100%	50%	100%	200%		

Overall 2024 Score
0%

Shared Services Business Unit Scorecard G01-G04 2024 Annual Incentive Plan (CFO, BTS, HR, Safety, Environmental, NERC Compliance, Public Policy, Supply Chain, Corporate Communications and General Counsel)						
Goals	Weight	Threshold	Target	Maximum	2024 Results	2024 Achievement Percent
Average Results of Operations (TNMP, PNM NM Ops, PNM Customer Experience) overall scorecard results	100%	Calculated as the average goal achievement of the TNMP, NM Ops and Customer Experience Scorecards				
Total Results	100%	50%	100%	200%		

Overall 2024 Score
0%

TNMP Operations Business Unit Scorecard 2024 Annual Incentive Plan G01 - G04						
Goals	Weight	Threshold	Target	Maximum	2024 Results	2024 Achievement
PSIF and HSIF per year	15%	4 PSIFs and 0 HSIF	3 PSIFs and 0 HSIF	1 PSIFs and 0 HSIF		
SafeMap Survey Results	10%	Achieve Rational level for overall PNMR 2024 SafeMap survey	Achieve Industry Average level for overall PNMR 2024 SafeMap survey	Achieve Responsible level for overall PNMR 2024 SafeMap survey		
SAIDI (exceptions per IEEE Standard)	20%	140	133	123		
CAIDI	20%	88	85	80		
Project Completions	15%	Clear completed projects within at least 7% under AOP budgeted capital clearing	Clear completed projects within at least 5% under AOP budgeted capital clearing	Clear completed projects within at least 2% under AOP budgeted capital clearing		
TNMP Rep Satisfaction	20%	4.0	4.3	4.7		
Total Results	100%	50%	100%	200%		

Overall 2024 Score
0%

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

**IN THE MATTER OF THE APPLICATION )  
OF PUBLIC SERVICE COMPANY OF NEW )  
MEXICO FOR REVISION OF ITS RETAIL )  
ELECTRIC RATES PURSUANT TO ADVICE )  
NOTICE NO. 625 )**

**Case No. 24-00089-UT**

**PUBLIC SERVICE COMPANY OF NEW )  
MEXICO, )**

**Applicant )**

\_\_\_\_\_ )

**SELF AFFIRMATION**

**Angela L. Pino, Director of Total Rewards for PNM Shared Services**, upon penalty of perjury under the laws of the State of New Mexico, affirm and state: I have read the foregoing **Direct Testimony of Angela L. Pino** and it is true and accurate based on my own personal knowledge and belief.

Dated this 14<sup>th</sup> day of June, 2024.

/s/Angela L. Pino  
**Angela L. Pino**

**BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION**

**IN THE MATTER OF THE APPLICATION )  
OF PUBLIC SERVICE COMPANY OF NEW )  
MEXICO FOR REVISION OF ITS RETAIL )  
ELECTRIC RATES PURSUANT TO ADVICE )  
NOTICE NO. 625 )**

**Case No. 24-00089-UT**

**PUBLIC SERVICE COMPANY OF NEW )  
MEXICO, )  
 )  
Applicant )  
\_\_\_\_\_ )**

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the **Public Service Company of New Mexico's Application for Revision of Its Retail Electric Rates Pursuant to Advice Notice No. 625** was emailed to parties listed below on June 14, 2024.

I further certify that a true and correct copy of **Public Service Company of New Mexico's USB Drive: 2025 PNM Rate Change Models** was mailed by first class mail, postage prepaid, to individuals with mailing addresses listed below on June 14, 2024.

PRC Records Management Bureau	Prc.records@prc.nm.gov;
Anthony Medeiros	Anthony.medeiros@prc.nm.gov;
Ana Kippenbrock	Ana.kippenbrock@prc.nm.gov;
Arthur O'Donnell	Arthur.O'Donnell@prc.nm.gov;
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Dated this 14<sup>th</sup> day of June, 2024.

By: /s/ Carey Salaz  
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GCG#532525v2