

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. 533)**

Case No. 16-00276-UT

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

Applicant)

DIRECT TESTIMONY

OF

LEONARD D. SANCHEZ

December 7, 2016

NMPRC CASE NO. 16-00276-UT
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WITNESS FOR
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 Leonard D. Sanchez. I am the Associate General Counsel for Public Service Company of New Mexico (“PNM”) and its affiliates. My address is 414 Silver Avenue, SW, Albuquerque, New Mexico 87102.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. PNM Exhibit LDS-1 is a summary of my educational background and experience.

Q. PLEASE DESCRIBE THE DUTIES AND RESPONSIBILITIES OF YOUR CURRENT POSITION.

A. I advise PNM and its affiliates on Securities and Exchange Commission compliance and reporting and corporate governance issues. I also work on financing and other commercial transactions. My administrative responsibilities include supervision of in-house attorneys and staff, oversight of the Law Department budget, including outside counsel expenses, and negotiation and monitoring of retainers with outside counsel.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. I demonstrate that the litigation expenses PNM seeks to recover in this case are prudent pursuant to NMSA 1978, Section 62-13-3 of the New Mexico Public

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1 Utility Act (the “Act”). Specifically, I address the prudence of various categories
2 of litigation expenses PNM incurred in the Base Period. These Base Period
3 expenses were escalated to arrive at the litigation expenses included in the Test
4 Period cost-of-service, as discussed by PNM Witness Monroy.

5

6 **Q. DO THE LITIGATION EXPENSES ADDRESSED IN YOUR TESTIMONY**
7 **INCLUDE EXPENSES RELATED TO THE PRESENT RATE CASE?**

8 **A.** No. Outside litigation expenses for this rate case are addressed in PNM Witness
9 Monroy’s direct testimony.

10

11 **Q. HAVE YOU PREPARED ANY EXHIBITS?**

12 **A.** Yes. The exhibits I prepared, or that have been prepared under my supervision,
13 are:

14 PNM Exhibit LDS-1 (Leonard D. Sanchez Educational Background and
15 Experience)

16 PNM Exhibit LDS-2 (Tort Claim Litigation Expenses)

17 PNM Exhibit LDS-3 (Human Resources Litigation Expenses)

18 PNM Exhibit LDS-4 (FERC Litigation Expenses)

19 PNM Exhibit LDS-5 (NMPRC Litigation Expenses)

20 PNM Exhibit LDS-6 (Commercial Litigation Expenses)

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II. DESCRIPTION OF LITIGATION EXPENSES

1

2 **Q. WHAT TYPES OF LEGAL MATTERS CONSTITUTE “LITIGATION”**
3 **FOR PURPOSES OF YOUR TESTIMONY?**

4 **A.** Based on the definition in 17.9.530.7.P NMAC (“Rule 530.7.P”), “litigation”
5 includes all contested matters before regulatory commissions, administrative
6 bodies, arbitrators, and state and federal courts.

7

8 **Q. WHY ARE LITIGATION EXPENSES ADDRESSED SEPARATELY**
9 **FROM OTHER LEGAL EXPENSES?**

10 **A.** The Act states that there is no presumption of prudence for litigation expenses and
11 both the Act and Rule 530.7.P require that the prudence of these expenses be
12 separately demonstrated.

13

14 **Q. PLEASE DESCRIBE THE TYPES OF EXPENSES THAT COMPRISE**
15 **“LITIGATION EXPENSES”.**

16 **A.** Litigation expenses are primarily legal fees associated with outside counsel and
17 their staff, and expenses associated with in-house lawyers and paralegals incurred
18 in connection with litigation as defined in Rule 530.7.P. Also included are matter
19 expenses, such as expert witness fees, court reporter expenses, court fees, and
20 reproduction costs.

21

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1 **Q. PLEASE DESCRIBE THE CATEGORIES OF LITIGATION IN WHICH**
2 **PNM IS INVOLVED.**

3 **A.** PNM is routinely involved in the following categories of civil litigation: (1)
4 personal injury and property damage (referred to as “Tort Claims”); (2)
5 employment, labor and benefits, and workers’ compensation (referred to as
6 “Human Resources Claims”); and (3) general civil litigation, including, but not
7 limited to, contract and environmental disputes (referred to as “Commercial
8 Litigation”). In addition, PNM is routinely involved in regulatory proceedings
9 before the Federal Energy Regulatory Commission and the New Mexico Public
10 Regulation Commission (referred to as “FERC matters” and “NMPRC matters,”
11 respectively). These are the types of litigation that PNM was involved in during
12 the Base Period and that are representative of the litigation matters in which PNM
13 is reasonably expected to be involved during the Test Period and beyond.

14

15 **Q. WHAT MATTERS WERE ANALYZED TO DETERMINE THAT THE**
16 **LITIGATION EXPENSES ARE PRUDENT?**

17 **A.** Litigation expenses related to PNM’s Tort Claims, Human Resources Claims,
18 Commercial Litigation, FERC matters, and NMPRC matters were reviewed. My
19 evaluation of the prudence of these expenses and a brief description of these
20 matters are summarized in my testimony and in PNM Exhibits LDS-2 through
21 LDS-6. These expenses were incurred during the Base Period (July 1, 2015
22 through June 30, 2016).

23

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1 **Q. PLEASE EXPLAIN HOW PNM DETERMINED THE AMOUNT OF ITS**
2 **BASE PERIOD LITIGATION EXPENSES.**

3 **A.** The analysis involved a review of legal expenses incurred during the Base
4 Period. Consistent with Rule 530.7.P, however, only legal expenses related to
5 contested matters before regulatory commissions, other administrative bodies, and
6 state and federal courts (including arbitration matters) were included in Base
7 Period litigation expenses.

8
9 **Q. PLEASE EXPLAIN WHAT LEGAL EXPENSES WERE NOT INCLUDED**
10 **IN THE BASE PERIOD EXPENSES.**

11 **A.** All legal expenses that were not allocated to PNM's retail electric business were
12 removed from the Base Period.

13
14 **Q. ARE THERE OTHER LEGAL EXPENSES THAT YOU DO NOT**
15 **SEPARATELY ADDRESS THAT ARE ALSO INCLUDED IN THE BASE**
16 **AND TEST PERIODS?**

17 **A.** Yes. Non-litigation legal expenses for matters such as those relating to contract
18 negotiations and drafting, uncontested regulatory filings, and routine legal advice,
19 which are specifically not considered litigation expenses under Rule 530.7.P, are
20 also included in the Base Period and Test Period cost-of-service presented by
21 PNM Witness Monroy.

22

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1 **Q. HOW WERE LITIGATION EXPENSES ALLOCATED TO PNM'S**
2 **RETAIL ELECTRIC BUSINESS?**

3 **A.** Where a litigation matter was related to both New Mexico jurisdictional activities
4 and to other business activities, such as FERC-regulated activities, the expenses
5 were allocated using the methodology described in PNM Witness Monroy's direct
6 testimony.

7

8 **Q. PLEASE DESCRIBE THE LITIGATION EXPENSES ASSOCIATED**
9 **WITH OUTSIDE COUNSEL.**

10 **A.** Generally, litigation expenses for outside counsel are comprised of the following:
11 1. fees based on hourly billing rates;
12 2. fees based on alternative billing arrangements, including retainers, with
13 various firms or on specific matters; and
14 3. expenses incurred by outside counsel in litigation matters.

15

16 **Q. HOW DID YOU DETERMINE THE AMOUNT OF THE FEES**
17 **ATTRIBUTABLE TO LITIGATION WHEN A RETAINER WAS**
18 **INVOLVED?**

19 **A.** Outside counsel with retainers provide billing statements for each matter
20 reflecting fees for legal services of attorneys and paralegals charged on an hourly
21 basis and for associated costs. The fees attributable to litigation matters were
22 calculated using these notational billings and the outside counsel's billing rates
23 for PNM, as set forth in the retainer agreements.

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1 **Q. HOW WERE INTERNAL LITIGATION EXPENSES DETERMINED?**

2 **A.** In-house attorneys and paralegals track the amount of time they work on litigated
3 matters through the Company's timekeeping system. This time was multiplied by
4 the employee's hourly compensation and charged to the specific litigation matter.

5
6 **Q. WHAT WAS THE AMOUNT OF LITIGATION EXPENSE IN THE BASE
7 PERIOD THAT PNM USED TO PROJECT TEST PERIOD LITIGATION
8 EXPENSES?**

9 **A.** PNM incurred \$2,113,635 in litigation expenses as set forth in Table LDS-1
10 below.

11 **Table LDS-1**

EXHIBIT	CATEGORY	LITIGATION EXPENSE
LDS-2	TORT CLAIMS LITIGATION EXPENSES	941,830
LDS-3	HUMAN RESOURCES LITIGATION EXPENSES	514,442
LDS-4	FERC LITIGATION EXPENSES	26,796
LDS-5	NMPRC LITIGATION EXPENSES	478,020
LDS-6	COMMERCIAL LITIGATION EXPENSES	152,547
	TOTAL:	2,113,635

12 **III. PRUDENCE OF LITIGATION EXPENSES**

13 **Q. HOW DID YOU DETERMINE THAT THE BASE PERIOD LITIGATION
14 EXPENSES WERE PRUDENTLY INCURRED?**

15 **A.** As an initial matter, I looked at the processes and mechanisms the PNM Law
16 Department has developed to control litigation expenses. These processes and
17 mechanisms are key to managing the litigation expenses and evaluating the

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1 prudence of the expenses. The prudence of litigation expenses should not be
2 determined solely by the nature of the claim or even the result of the litigation.
3 Neither is it appropriate to trace every dollar spent to second-guess whether it was
4 reasonably incurred. Further, I considered the litigation expenses in light of
5 PNM's overall business operations and the business, legal and regulatory
6 environments in which PNM operates. By New Mexico standards, PNM is a
7 relatively large company doing business in an environment in which litigation is a
8 frequently used method for resolving business disputes, and PNM is heavily
9 regulated. PNM will be sued, and will bring suit, in the regular course of its
10 business. Further, in the regular course of its business as a public utility, PNM
11 will initiate, defend or intervene in proceedings before state and federal regulatory
12 bodies. In all these matters, PNM must be represented by counsel.

13
14 **Q. WHAT GENERAL MEASURES HAS PNM TAKEN TO CONTROL**
15 **LITIGATION EXPENSES?**

16 **A.** PNM has an internal Law Department with general responsibility for the legal
17 affairs of PNM and its affiliates. The mission of the Law Department is to
18 provide high quality, effective and efficient legal services to assist PNM in
19 achieving its business goals. Qualified in-house counsel have been hired and
20 have the responsibility to: (1) provide legal advice and representation; (2) select
21 and manage cost-efficient qualified outside counsel as needed to represent PNM
22 in its legal affairs and litigation; (3) oversee the substance of PNM's legal
23 representation and litigation; (4) participate in strategic decisions in litigation; (5)

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1 establish budgets for certain matters; and (6) control legal fees and costs in all
2 legal matters. The Law Department frees non-lawyer management from the
3 responsibility of overseeing and managing litigation. In seeking to control PNM's
4 legal expenses, in-house counsel have aggressively negotiated reduced legal fees
5 with outside counsel providing legal services to PNM. Outside counsel retainers
6 are an example of alternative billing techniques designed to both control overall
7 legal costs and provide a high level of certainty to PNM and its affiliates
8 regarding their annual legal expenditures.

9
10 **Q. DID YOU CONSIDER ANYTHING ELSE IN EVALUATING**
11 **LITIGATION EXPENSES?**

12 **A.** Yes. I considered several factors commonly used by New Mexico courts to
13 determine whether the level of attorneys' fees incurred by a party to litigation is
14 reasonable and prudent for purposes of an award of fees. These factors include
15 the level of skill required, the nature and character of the controversy, the amount
16 of damages claimed, the importance of the litigation, prevailing rates, and the
17 benefits derived from the litigation. This list is not exhaustive and other
18 considerations can come into play in any given case, including the importance of
19 the litigation for precedential purposes. I have also applied my experience in
20 managing legal costs and participating in various types of litigation in
21 determining that the overall cost of litigation sought to be recovered in this case is
22 prudent.

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1 In evaluating litigation expenses in individual cases for prudence, I considered
2 relevant factors and the circumstances of each matter in making my
3 determination. No one factor is dispositive as litigation expenses reflect both
4 events within PNM's control, as well as those outside its control. For instance,
5 business objectives and precedential values may be of more importance than the
6 financial exposure in a particular matter. Thus, different factors may be accorded
7 different weight depending on the particular matter being evaluated. I have not
8 described the details of settlements in the matters identified in my exhibits
9 because: (1) a settlement may be subject to a court order of confidentiality or
10 have confidentiality provisions as part of the settlement agreements; and (2)
11 public disclosure of settlement amounts and methodology may harm the ability of
12 PNM to aggressively negotiate settlements in future cases or may provide
13 information that could be used to undermine its settlement strategy in pending or
14 future matters.

15
16 Finally, I reviewed the litigation expenses from previous years to ensure that the
17 Base Period litigation expenses reflected the typical annual costs associated with
18 litigation, and were not unusually high or low. The Base Period litigation
19 expenses are, in fact, consistent with those from previous years.

20

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1 **Q. IS THE LEVEL OF LITIGATION EXPENSES FOR WHICH PNM SEEKS**
2 **RECOVERY PRUDENT?**

3 **A.** Yes, it is, based on the general considerations described above and my review of
4 each category of litigation expenses relating to Tort Claims, Human Resources
5 Claims, FERC matters, NMPRC matters, and Commercial Litigation.

6

7 Tort Claims involve property damage and personal injury claims filed by and
8 against PNM. For claims filed against PNM, PNM uses qualified defense counsel
9 experienced in personal injury and property damage litigation. For claims
10 asserted by PNM, PNM also contracts with commercial practitioners to collect
11 money from third parties who have damaged PNM's property or who owe PNM
12 money via a court judgment. These litigation expenses for collections are
13 necessary to reduce the overall costs of repairing and replacing PNM's property.
14 Please see PNM Exhibit LDS-2 for a summary of the issues, status and expenses
15 for the Base Period.

16

17 In regard to Human Resources Claims, the Law Department uses attorneys who
18 have substantial expertise in employment law, labor relations, employment
19 benefits and workers' compensation claims to represent PNM in litigation. These
20 areas of law are complex and require attorneys who are experts in their field.
21 Please see PNM Exhibit LDS-3 for a summary of the issues, status and expenses
22 for the Base Period.

23

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1 PNM is a FERC regulated electric utility and is subject to FERC's orders and
2 investigations. FERC litigation expenses incurred by PNM are for specific cases
3 where PNM is an applicant, a respondent, or an intervenor in a case where PNM's
4 interest is directly affected. The Law Department retains counsel qualified in
5 FERC law and procedures to represent PNM in these matters. FERC attorneys
6 are in one of the most highly specialized practice areas in the country. Please see
7 PNM Exhibit LDS-4 for a summary of the issues, status and expenses for the
8 Base Period.

9
10 As a provider of retail electric service in New Mexico, PNM is required by law to
11 file with the NMPRC to obtain approval to engage in various activities related to
12 its business operations. It must also respond to orders issued by the NMPRC. In
13 some instances, it is necessary to intervene in proceedings that may set an
14 important precedent applicable to PNM in future cases. PNM uses qualified
15 counsel in state regulatory proceedings that have substantial experience with the
16 laws administered by the NMPRC, and regulatory law in general, to represent
17 PNM in NMPRC litigation. Please see PNM Exhibit LDS-5 for a summary of the
18 issues, status and expenses for the Base Period.

19
20 In the area of Commercial Litigation, the Law Department uses qualified litigators
21 with expertise in commercial disputes, environmental matters, and other
22 specialized areas as necessary. Please see PNM Exhibit LDS-6 for a summary of
23 the issues, status and expenses for the Base Period.

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1 **Q. ARE THE COSTS FOR NON-LAW DEPARTMENT PERSONNEL**
2 **INVOLVED IN LITIGATION MATTERS PRUDENT?**

3 **A.** Yes. Although these costs are not included in the litigation expenses which are
4 identified in my testimony, these labor costs for non-Law Department personnel
5 are entirely reasonable and consistent with the demands of the individual cases.
6 The issues involved in these cases tend to be complex and heavily contested.
7 Given the significant impact on PNM's operations, PNM appropriately allocates
8 internal resources to these proceedings. However, consistent with past
9 interpretations of Section 62-13-3C of the Act and the additional time and
10 resources involved, PNM has not attempted to comprehensively identify all in-
11 house labor involved in its litigation matters. As a practical matter, the resources
12 allocated and the levels of effort expended on litigation matters, both in-house and
13 externally, are reasonable and prudent. The responsibility of non-Law
14 Department personnel for the management and oversight of litigation is reduced
15 from what it otherwise would be due to the existence of the Law Department.
16 Non-Law Department labor is utilized where necessary to properly handle
17 litigation and, in some instances, replaces outside consulting services or outside
18 counsel and paralegals where it is more cost effective and promotes more efficient
19 and effective handling of the matter.

20

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1 **Q. HOW DID PNM ESTIMATE ITS TEST PERIOD LITIGATION**
2 **EXPENSES?**

3 **A.** To arrive at an estimate of its Test Period litigation expenses, PNM first
4 identified the amount of internal and external fees and costs actually and
5 prudently expended for litigation matters during the Base Period. PNM then
6 applied the appropriate escalation to estimate its Test Period litigation expenses.
7 This is described in the direct testimony of PNM Witness Monroy. In my opinion,
8 the use of these escalators results in a reasonable representation of Test Year
9 litigation expenses.

10

11 **Q. WHAT IS THE TOTAL AMOUNT OF TEST PERIOD LITIGATION**
12 **EXPENSE THAT PNM HAS INCLUDED IN THE COST OF SERVICE?**

13 **A.** PNM's Test Year cost of service on a total electric basis includes \$2,145,339 of
14 litigation expense.

15

16 **Q. IS THE AMOUNT OF TEST PERIOD LITIGATION EXPENSE**
17 **INCLUDED IN THE COST OF SERVICE PRUDENT?**

18 **A.** Yes, it is. My opinion is based on the historic costs involved in litigation matters,
19 the cost-saving measures described above that PNM employs in engaging and
20 supervising outside counsel, the level of ongoing and anticipated litigation
21 activity, and anticipated increases in external and internal expenses. These factors
22 confirm my opinion that PNM's estimate of Test Period litigation expense is
23 reasonable and representative of the level of expense that PNM will incur when

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1 new rates become effective, and that the amount expected to be spent on litigation
2 is prudent.

3 **IV. CONCLUSION**

4 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

5 **A.** Yes it does.

6

GCG#522590

Leonard D. Sanchez Educational Background and Experience

PNM Exhibit LDS-1

Is contained in the following 2 pages

LEONARD D. SANCHEZ

PROFESSIONAL:

NEW MEXICO STATE BAR ASSOCIATION, *Admitted 1995*
CALIFORNIA STATE BAR ASSOCIATION, *Admitted 1991*

EDUCATION:

STANFORD LAW SCHOOL, *Juris Doctor*, 1991
Activities: Environmental Law Journal and Stanford Public Interest Law Foundation

UNIVERSITY OF NEW MEXICO, *Bachelor of Arts, Political Science*, 1988
Honors: Phi Beta Kappa, University of New Mexico Presidential Scholar

LEGAL EXPERIENCE:

PNM RESOURCES, INC. *Albuquerque, New Mexico*
May 2005 – Present *Associate General Counsel*
Negotiate commercial transactions and financing agreements and other agreements on behalf of the corporation and its various subsidiaries. Provide advice and counsel to senior management and the Board of Directors on corporate governance matters and Securities and Exchange Commission compliance and reporting. Oversee law department budgets and negotiate and manage outside counsel retainers and relationships. Supervise attorneys and staff responsible for litigation, human resources, New Mexico and Texas utility operations and Texas regulatory matters. Director of ethics and governance.

MILLER STRATVERT, P.A. *Albuquerque, New Mexico*
March 2003 – May 2005 *Attorney, Director*
Practiced business law in the areas of commercial transactions, corporate counseling and commercial litigation.

PUBLIC SERVICE COMPANY OF NEW MEXICO *Albuquerque, New Mexico*
October 1997 - February 2003 *Attorney*
Represented and advised management and operating divisions on general corporate and business issues, negotiated and drafted contracts and advised and represented management on regulatory compliance, legislative matters, customer service, right-of-way and claims issues.

MILLER, STRATVERT & TORGERSON, P.A. *Albuquerque, New Mexico*
September 1994 - September 1997 *Attorney, Associate*
Practiced in the areas of general civil litigation and counseling involving insurance coverage, personal injury, oil and gas royalty and marketing issues, and contractor negligence.

PILLSBURY, MADISON & SUTRO *San Francisco, California*
September 1991 - August 1994; May - August 1990 *Attorney; Summer Associate*
Specialized in commercial transactions and counseling involving real property issues, dealer and distributor agreements and general commercial law issues. Member of employment committee.

PROFESSIONAL AND COMMUNITY INVOLVEMENT:

- Business Lawyer of the Year, Business Law Section for the New Mexico Bar (2015)
- Board Member and Chair, Business Law Section for the New Mexico Bar (2010-2014)
- Member, Leadership Albuquerque, Albuquerque Chamber of Commerce (2013)
- Volunteer, St. Therese Catholic School (2008-2013)
- Member and Vice Chair, Parish Council of Queen of Heaven Parish (2006-2010)
- Manager and Coach, Eastdale Little League (1995-2010)
- Utility Executive Course, University of Idaho College of Business & Economics (2007)
- Treasurer, Competitive Challenge Program-American Youth Soccer Organization (2005-2006)
- Board Member and Vice President of Operations, Eastdale Little League (1996-2009)
- Board Member and Chair, Advisory Council-Queen of Heaven Catholic School (1996-2008)

Tort Claim Litigation Expenses

PNM Exhibit LDS-2

Is contained in the following 2 pages

NMPRC Case No. 16-00276-UT
Tort Claim Litigation Expenses

Case Description	Issues	Status	File Number	Base Period Litigation Expenses
LIT-General	Miscellaneous litigation work for PNMR or its subsidiaries, i.e., service of process guidelines.	Ongoing - miscellaneous matters where outside legal counsel is retained to advise or defend the Company.	200001401	\$ 6,313
CL/CollectElec	PNM Claims departments attempts to collect PNM's damage costs; only litigation matters wherein PNM files suit against the responsible party to preserve the statute of limitations and collect money owed to PNM.	Ongoing – PNM attempts to collect damages on an ongoing basis.	200502153	18
Paul Mora/Herman Trujillo	Lawsuit alleging property damage and personal injury due to fire arising out of alleged power line sparking.	Closed	201200114	32,508
Satterwhite v. PNM	Lawsuit alleging personal injuries arising out of power outage at SJGS.	Closed	201200143	2,827
Romancito v. PNM, et al.	Lawsuit alleging personal injury arising out of electrical shock.	Closed	201300109	3,485
Lannaghan v. APS, et al.	Lawsuit alleging wrongful death due to asbestos exposure.	Closed	201400041	174
Smith v. PNM	Lawsuit by former employee alleging wrongful termination, retaliation, breach of contract, violation of New Mexico Fraud Against Taxpayers Act, etc.	Closed	201400050	787,166
Allstate v. PNM	Lawsuit alleging property damage due to contact of tree branches with power lines.	Pending	201400091	13,202
Fistenberg v. Monribot	PNM is not named but is defending its employees' depositions.	Pending	201400111	2,565
Shackelford v. PNM	Lawsuit alleging personal injury arising out of an alleged utility pole stump.	Closed	201500019	2,806
Allstate-Bonney v. PNM	Lawsuit alleging PNM failed to maintain utility pole and power lines in the area resulting in grass fire and other damage.	Closed	201500032	16,008
George E. Chavez v. PNM	Lawsuit arising out of billing dispute.	Closed	201500039	8,024

NMPRC Case No. 16-00276-UT
Tort Claim Litigation Expenses

Case Description	Issues	Status	File Number	Base Period Litigation Expenses
Allstate v. PNMR/Yellow Freight	Lawsuit alleging property damage.	Closed	201500076	\$ 1,372
NMPRC v. The New Mexican	Lawsuit arising out of inadvertent disclosure of PNM & Westmoreland confidential transaction documents to the Santa Fe New Mexican.	Pending	201500091	58,745
Guarienti v. PNM, et al. Asbestos	Lawsuit alleging wrongful death due to alleged asbestos exposure.	Pending	201600034	6,617
			TOTAL	\$ 941,830

Human Resources Litigation Expenses

PNM Exhibit LDS-3

Is contained in the following 4 pages

NMPRC Case No. 16-00276-UT
Human Resources Litigation Expenses

Case Description	Issues	Status	File Number	Base Period Litigation Expenses
HR (WC) – G.B.	Workers' compensation claim filed by SJGS employee.	Pending	N/A	\$ 3,176
HR (WC) – R.C.	Workers' compensation claim filed by electric services employee.	Pending	N/A	4,120
HR (WC) – D.C.	Workers' compensation claim filed by electric services employee.	Closed	N/A	4,289
HR (WC) – S.D.	Workers' compensation claim filed by SJGS employee.	Closed	N/A	2,960
HR (WC) – B.D.	Workers' compensation claim filed by electric services employee.	Closed	N/A	17,471
HR (WC) – R.F.	Workers' compensation claim filed by electric services employee.	Closed	N/A	3,828
HR (WC) – A.G.	Workers' compensation claim filed by SJGS employee.	Closed	N/A	5,451
HR (WC) – J.H.	Workers' compensation claim filed by electric services employee.	Closed	N/A	4,290
HR (WC) – G.H.	Workers' compensation claim filed by electric services employee.	Closed	N/A	8,553
HR (WC) – L.J.	Workers' compensation claim filed by SJGS employee.	Closed	N/A	4,843
HR (WC) – P.J.	Workers' compensation claim filed by electric services employee.	Closed	N/A	1,854
HR (WC) – L.M.	Workers' compensation claim filed by SJGS employee.	Closed	N/A	28,708
HR (WC) – G.M.	Workers' compensation claim filed by SJGS employee.	Closed	N/A	3,333
HR (WC) – M.P.	Workers' compensation claim filed by electric services employee.	Pending	N/A	5,196
HR (WC) – R.R.	Workers' compensation claim filed by SJGS employee.	Closed	N/A	3,217
HR E/WC - L.D.	Workers' compensation claim filed by electric services employee.	Closed	200402056	7,257
HR BP-WC- D.M.	Workers' compensation claim.	Closed	200502140	595

NMPRC Case No. 16-00276-UT
Human Resources Litigation Expenses

Case Description	Issues	Status	File Number	Base Period Litigation Expenses
HR E&G-WC- D.B.	Workers' compensation claim filed by electric services employee.	Closed	200502277	\$ 4,883
HR (WC) – J.A.	Workers' compensation claim filed by electric services employee.	Pending	200702531	755
HR (WC) – L.W.	Workers' compensation claim filed by electric services employee.	Closed	200900046	5,498
HR (WC) – L.A.	Workers' compensation claim filed by SJGS employee.	Closed	201000062	16,315
HR-NLRB-IBEW	NLRB Charge filed by IBEW Local Union No. 611 (AFL-CIO).	Pending	201100028	93,900
HR – T.M. (EEOC)	EEOC complaint alleging age discrimination.	Closed	201200050	176
HR – S.C. (Litigation)	Appeal of EEOC Order of Non-Determination and Complaint for Employment Discrimination and Retaliation.	Closed	201200054	(113)
HR – Steward v. Prudential, et al.	Complaint alleging wrongful denial of benefits for short-term disability benefits.	Closed	201200139	818
HR – J.M. (Litigation)	Complaint alleging discrimination, harassment, retaliation and wrongful termination.	Closed	201200140	47,530
HR-IBEW-FMCS	Multiple Federal Mediation and Conciliation Service Arbitration matters.	Closed	Multiple file numbers	464
HR-IBEW-FMCS (Lag)	Federal Mediation and Conciliation Service Arbitration alleging the Company violated the CBA in scheduling "lag" overtime.	Closed	201300012	23,141
HR-IBEW-FMCS (Unscheduled OT)	Federal Mediation and Conciliation Service Arbitration alleging the Company violated the CBA in scheduling overtime.	Closed	201300026	25,865
HR – M.O. (Litigation)	Complaint for Discrimination and Retaliation.	Closed	201400037	5
HR – W.R. (EEOC)	Charge alleging age discrimination.	Closed	201400076	7
HR – W.R. SJGS-OHSB Complaint	Occupational Health & Safety Complaint alleging unsafe work conditions at SJGS and termination for being a Whistleblower.	Closed	201400095	10

NMPRC Case No. 16-00276-UT
Human Resources Litigation Expenses

Case Description	Issues	Status	File Number	Base Period Litigation Expenses
HR-IBEW-SJ-FMCS (Asbestos Training)	Federal Mediation and Conciliation Service Arbitration alleging that employees being trained as asbestos maintenance workers, resulted in a change to mechanic and Instrument Control Electrician job descriptions which must be bargained.	Closed	201400099	\$ 21,336
HR - J.C. III (EEOC)	Charge alleging age and race discrimination.	Closed	201400102	1,092
HR - B.R.B (EEOC)	Charge alleging race discrimination.	Closed	201500015	110
HR – R.A.M. (EEOC)	Charge alleging discrimination.	Closed	201500016	10
HR – P.M. (EEOC)	Charge alleging age discrimination and retaliation.	Closed	201500034	1,994
HR – G.L. (EEOC)	Charge alleging color, sex, and national origin discrimination, and retaliation.	Pending	201500037	882
HR - IBEW-SJ-FMCS (M.C. – Termination)	Federal Mediation and Conciliation Service Arbitration regarding termination of employee.	Closed	201500055	2,983
HR-IBEW-SJ-FMCS (M.C. - Discipline)	Federal Mediation and Conciliation Service Arbitration regarding discipline of employee.	Closed	201500057	23,343
HR - K.G. (EEOC)	Charge alleging sex discrimination and retaliation.	Closed	201500082	16,591
HR-NLRB-PNM	Charge filed by IBEW Local Union No. 611 (AFL-CIO).	Closed	201500083	57,585
HR-IBEW-FMCS (C.H. - Termination)	Federal Mediation and Conciliation Service Arbitration regarding termination of employee.	Pending	201500086	20,530
HR-NLRB-PNM	Charge filed by IBEW Local Union No. 611 (AFL-CIO).	Closed	201500097	4,558
HR – B.M. (EEOC)	Charge alleging sex and national origin discrimination.	Pending	201500099	826
HR-IBEW-FMCS-MOA (Union Rep Access)	Arbitration for all disputes under the memorandum of understanding between PNM and IBEW #611 regarding union representative access.	Pending	201600015	834
HR – R.P. (EEOC)	Charge alleging disability discrimination.	Closed	201600016	1,947
HR - E.C. (EEOC)	Charge alleging age discrimination.	Pending	201600024	8,593

NMPRC Case No. 16-00276-UT
Human Resources Litigation Expenses

Case Description	Issues	Status	File Number	Base Period Litigation Expenses
HR-IBEW-FMCS (R.M.)	Federal Mediation and Conciliation Service Arbitration regarding termination of employee.	Closed	201600028	\$ 18,256
HR - M.C. (EEOC)	Charge alleging disability and race discrimination.	Pending	201600032	1,928
HR-IBEW-FMCS (P.R. - Termination)	Federal Mediation and Conciliation Service Arbitration regarding termination of employee.	Pending	201600046	816
HR - T.B. (EEOC)	Charge alleging race discrimination.	Pending	201600055	1,436
HR-IBEW-SJ-FMCS (J.M.)	Federal Mediation and Conciliation Service Arbitration regarding discipline of employee.	Pending	201600060	397
			TOTAL	\$ 514,442

FERC Litigation Expenses

PNM Exhibit LDS-4

Is contained in the following 1 page

NMPRC Case No. 16-00276-UT
FERC Litigation Expenses

Case Description	Issues	Status	File Number	Base Period Litigation Expenses
SPS Litigation / FERC - SPS Fuel Clause	PNM, et al. v. Southwest Public Service re: overcharging for energy deliveries through their fuel cost adjustment clause, resulting in higher costs for PNM retail customers. PNM filed a protest of SPS's proposed fuel adjustment costs for historic periods going back several years, as having been unjust and unreasonable.	Order approving uncontested settlement issued by FERC.	200502128 200602400	\$ 20,481
EPNG - FERC Rate Case	EPNG Rate Case	The court granted FERC's motion to hold the petition in abeyance until FERC can rule on the rehearing requests.	200702676	203
EPNG - FERC Rate Case 2011	2011 EPNG Rate Case on appeal DC Circuit court of appeals.	Pending in DC Circuit court of appeals.	201000122	1,071
Transwestern - FERC Rate Case	Transwestern - FERC Rate Case	FERC issued an order accepting a settlement agreement. Docket is closed.	201500028	5,041
			TOTAL	\$ 26,796

NMPRC Litigation Expenses

PNM Exhibit LDS-5

Is contained in the following 5 pages

NMPRC Case No. 16-00276-UT
NMPRC Litigation Expenses

Case Description	Issues	Status	File Number	Base Period Litigation Expenses
NMPRC Customer Complaints	Legal support for customer complaints.	Ongoing – PNM addresses customer complaints as they are reported.	200602483 201300065	\$ 2,120
2014 Electric Retail Rate	Application for revision of rates.	PNM filed an application for revision of its rates. The NMPRC dismissed the application as incomplete. Docket is closed.	201000117	279
NMPRC BART Application	Application for abandonment of San Juan Generating Station Units 2 and 3, issuance of CCNs for replacement power resources and determination of related ratemaking principles and treatment.	NMPRC issued a final order adopting the supplemental stipulation as modified by the certification of stipulation. NEE appealed the final order to the New Mexico Supreme Court.	201100137	108,070
EE Annual Filing and Rider Reconciliation	Annual application for NMPRC approval of energy efficiency plans and riders.	PNM filed an energy efficiency program application for programs to be offered beginning January 2017. This matter is pending.	201100139	6,161
Western Water Litigation	Dispute re: Western Water's offer to sell generation output from biomass facility to PNM.	NMPRC issued an order dismissing the complaint. Docket is closed.	201200001	4,094
IRP - Triennial Filing	Integrated Resource Plan Filing	PNM is preparing its next IRP to be filed in 2017.	201200090	271
Annual Renew Procure Plan and Riders	Annual application for NMPRC approval of renewable procurement plans and riders.	Awaiting issuance of recommended decision and final order. This matter is pending.	200502233 201200096	24,541
NOPR - Line Ext Policies	NMPRC rulemaking to address line extension policies of investor-owned utilities.	The NMPRC voted to close this proceeding. Awaiting final order closing proceeding.	201200138	689
NOPR EE NMAC 17.7.2	NMPRC rulemaking to promulgate a rule governing all public utility applications based on the Efficient Use of Energy Act.	NMPRC issued a final order replacing Rule 17.7.2 NMAC. Docket is closed.	201300129	459
Valencia Facility MCP	Preparation for mediation of billing dispute between PNM and Valencia Power.	Closed	201400021	4,598

NMPRC Case No. 16-00276-UT
NMPRC Litigation Expenses

Case Description	Issues	Status	File Number	Base Period Litigation Expenses
Valencia billing	Billing dispute between PNM and Valencia Power.	Parties settled the dispute and filed an uncontested stipulation. The NMPRC issued a final order partially adopting certification of stipulation. Docket is closed.	201400024	\$ 159
Joint Petition for Independent Evaluator	Petition requesting that NMPRC issue an order establishing a process for appointment of an independent evaluator to review and monitor PNM's anticipated RFPs and selections of proposals for new resources to replace capacity from SGJS Units 2 and 3.	PNM and Staff filed responses opposing the relief requested by the petitioners. The NMPRC has taken no action. This matter is pending.	201400047	43
Pension Asset Appeal	Appeal by New Mexico Attorney General of inclusion of prepaid pension asset in Southwest Public Service rate case.	The Supreme Court issued an opinion on NMAG v. NMPRC, Case No. 34,768, affirming the inclusion of a prepaid pension asset in SPS's underlying rate case (which was appealed by the New Mexico Attorney General). Docket is closed.	201400097	116
San Juan Gas Plant CCN	PNM application for authorization to construct a new gas peaker and San Juan Generating Station.	PNM filed a motion to withdraw its application. The NMPRC issued an order granting the motion to withdraw. Docket is closed.	201500022	23,024
Protest to NMGC AN 46	PNM protest against New Mexico Gas Company's Advice Notice 46.	The parties negotiated a settlement. An uncontested stipulation was filed. The Commission issued a final order adopting the stipulation. Docket is closed.	201500040	7,048

NMPRC Case No. 16-00276-UT
NMPRC Litigation Expenses

Case Description	Issues	Status	File Number	Base Period Litigation Expenses
2015 Electric Retail Rate	Application for revision of rates.	PNM filed its application for revision of its rates. The NMPRC issued a final order providing for an increase in total non-fuel revenue requirement of \$61.2 million compared to PNM's proposed increase of \$121.5 million. PNM appealed the final order to the New Mexico Supreme Court.	201500042	\$ 156,425
Appeal of FTY Order	PNM appeal of NMPRC's order that a future test year period can begin no later than the date the suspension period begins.	NMPRC issued an order providing for a future test year to begin thirteen months after the filing of a rate case application. The NMPRC filed the order in the Supreme Court case. PNM filed a stipulation of voluntary dismissal of the appeal. Docket is closed.	201500046	55,074
2016 Electric Retail Rate	Application for revision of rates.	PNM is preparing its rate revision application.	201500071	1,043
NMPRC Jicarilla PSA	Application for NMPRC approval of the Jicarilla power supply agreement.	PNM filed an application for approval to serve the Jicarilla Apache Nation under a long-term wholesale power supply agreement. The NMPRC issued an order approving the application. Docket is closed.	201500094	7,743

NMPRC Case No. 16-00276-UT
NMPRC Litigation Expenses

Case Description	Issues	Status	File Number	Base Period Litigation Expenses
AMI Application	Application for approval to replace current meters with advanced meters and for approval of regulatory assets to recover costs.	PNM filed its application. PNM then filed a motion to suspend the proceedings so that PNM can evaluate the financial implications of the final order in the 2015 rate case. PNM will file a motion to reopen this proceeding, which must be filed no later than 11/28/16. This matter is pending.	201600008	\$ 17,494
NOI re: DG	NMPRC inquiry into whether public utilities constructing and owning distributed generation facilities that are dedicated to serving one or more specific retail customers provides net benefits or detriments to consumers, the environment, public utilities and the public interest.	PNM and several other parties filed comments on the notice of inquiry. The NMPRC has taken no action. This matter is pending.	201600009	431
FPPCAC Show Cause Order	NMPRC inquiry into whether PNM has miscalculated its FPPCAC and base fuel costs by including units of renewable energy.	PNM filed a motion to stay this case pending resolution of the 2015 rate case, as both cases address similar issues. The NMPRC granted the motion to stay. The NMPRC has taken no further action.	201600019	336
PRC Case - PNM 2016 \$146M PC Bonds	PRC approval for Remarketing of \$146M Callable Farmington Pollution Control Bonds (\$46M 2003 Series A and \$100M 2003 Series B).	PNM filed an application for approval to refund and reissue two series of pollution control bonds. NMPRC approved the transactions. Docket is now closed.	201600044 201600064	3,395
San Juan Gas Plant CCN	Application for authorization to construct a new 80 MW gas peaker at San Juan Generating Station.	PNM has filed a motion to withdraw.	201600050	3,438

NMPRC Case No. 16-00276-UT
 NMPRC Litigation Expenses

Case Description	Issues	Status	File Number	Base Period Litigation Expenses
Javelin PPA	Application for rates associated with new customer service.	PNM filed an application with the NMPRC for approval of two new electric service rates, a purchased power agreement with a PNM affiliate, and a special service contract to provide electric service to new customer Facebook Inc. The NMPRC issued a final order approving PNM's application.	201600051	\$ 50,969
			TOTAL	\$ 478,020

Commercial Litigation Expenses

PNM Exhibit LDS-6

Is contained in the following 3 pages

NMPRC Case No. 16-00276-UT
Commercial Litigation Expenses

Case Description	Issues	Status	File Number	Base Period Litigation Expenses
San Juan River Adjudication	State of NM v. USA & Jicarilla Apache Tribe; and San Juan River General Stream Adjudication.	Pending	200101618	\$ 361
Bankruptcy - PNM New Mexico	Use for Litigation bankruptcies only.	Ongoing – PNM addresses bankruptcy matters on an ongoing basis.	200301913	1,456
County of Santa Fe Permit Fee Issue	Lawsuit challenging Santa Fe County ordinances increasing fees.	Closed	200900095	731
Four Corners NSR Litigation	Earth Justice et al. filed a lawsuit against APS and the other Four Corners participants alleging violations of the NSR provisions of the CAA and NSPS violations.	Closed	201000039	411
Appeal - SJGS BART determination	PNM filed its petition for review of the FIP in the Tenth Circuit Court.	Closed	201000056	11,916
GCT Consent Decree Litigation	PNM's continuing obligations under the consent decree lodged in this matter include: (i) installation of pollution control equipment on Unit 2 at SJGS; (ii) permit inspections by NMED and the plaintiffs; and (iii) monitoring and reporting emission levels to NMED and the plaintiffs until the decree is terminated. The Nox Testing Report and the Mercury Control Optimization Report are in dispute.	Pending	201000089	271
SJGS Quiet Title Recovery System	Quiet Title litigation for land acquisition for the Recovery System required under consent decree with Sierra Club.	Pending	201200136	2,012
WEG v. EPA Petition for Review	Petition for Review filed by Wild Earth Guardians of SIP Regional Haze Rule Requirements for Mandatory Class I Areas.	Dismissed	201300002	47
Franchise Fee Bernalillo County	Lawsuit challenging Bernalillo County's right of Way Use ordinance.	Pending	201300045	68,925
Pro's ABQ Ranch Markets, L.L.C.	Chapter 11 Bankruptcy	Closed	201300055	6,120

NMPRC Case No. 16-00276-UT
Commercial Litigation Expenses

Case Description	Issues	Status	File Number	Base Period Litigation Expenses
WEG v. OSM (NEPA Violation)	Lawsuit alleging NEPA violations regarding mining decisions at San Juan mine.	Closed	201300057	\$ 560
New Mexico Surgicenter	Chapter 11 Bankruptcy. Converted to Chapter 7.	Closed	201300134	256
Buffet Partners Bankruptcy	Chapter 11 Bankruptcy	Closed	201400017	303
Bernalillo County Property Tax Protest	PNM filed a protest for an erroneous 2014 property tax assessment from Bernalillo County.	Closed	201500003	2,573
Flying Star Cafes - Bankruptcy	Chapter 11 Bankruptcy	Pending	201500007	4,661
MGC v. PNM et. al.	Foreclosure litigation	Closed	201500014	152
FCPP Coal Severance Surtax	Lawsuit over State of New Mexico Taxation and Revenue Department tax assessment to BHP Billiton ("BHP"), which supplies coal to the Four Corners Power Plant from BHP Navajo Mine.	Closed	201500023	1,042
Aero Mech. Ind. - Bankruptcy	Chapter 11 Bankruptcy	Closed	201500036	2,471
CNSP dba NMSURF v. PNM	Santa Fe CLEC known as CNSP dba NMSurf submitted a request for FCC supervised mediation, alleging that PNM is improperly delaying and/or refusing to allow attachment to poles and charging improper and unreasonable fees.	Master Facilities License Agreement is being finalized. NMSurf has begun submitting applications for pole attachment.	201500081	24,680
Radio Shack - Bankruptcy	Chapter 11 Bankruptcy	Closed	201500093	1,891
JACO Environmental Receivership	JACO Environmental ("JACO") defaulted on the Services Agreement for PNM's Refrigerator Recycling Program.	Pending	201600004	2,818
ROW-UR14 Coal v. Rivera, PNM, et al.	Complaint filed against numerous Defendants, including PNM for Declaratory Judgment and Injunctive Relief regarding property/easement dispute.	Pending	201600014	3,462

NMPRC Case No. 16-00276-UT
Commercial Litigation Expenses

Case Description	Issues	Status	File Number	Base Period Litigation Expenses
AY Line Condemnation	<p><u>AY Line Allottees Condemnation</u>: PNM filed for condemnation of properties along the AY Line to maintain ROW.</p> <p><u>Barboan, et al v. PNM & USA</u>: A claim was filed against PNM for federal common-law trespass, which maintains its AY high-voltage power line on allotments owned by Plaintiffs. PNM's right-of-way easement for maintenance of this power line has expired, and Plaintiffs have refused to consent to its renewal on their allotments.</p> <p><u>AY Condemnation Appeal</u>: PNM filed an interlocutory appeal with Tenth Circuit appealing ruling in Condemnation of AY Line matter.</p>	The AY Line Allottees Condemnation suit and <u>Barboan, et al. v. PNM & USA</u> have been consolidated by the Court. These proceedings have been stayed pending the outcome of the appeal.	201500044 201500095 201600035	\$ 12,058
Peabody Energy - Bankruptcy	Chapter 11 Bankruptcy	Pending	201600048	1,969
Sports Authority - Bankruptcy	Chapter 11 Bankruptcy	Pending	201600052	31
CWC Liquidation - Bankruptcy	Chapter 11 Bankruptcy	Closed	201600054	1,270
SunEdison, Inc. - Bankruptcy	Chapter 11 Bankruptcy	Pending	201600061	100
			TOTAL	\$ 152,547

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. 533)
)
PUBLIC SERVICE COMPANY OF NEW)
MEXICO,)
)
Applicant)
_____)

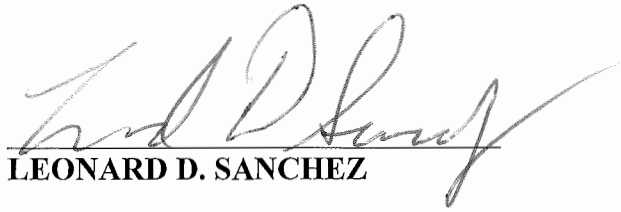
Case No. 16-00276-UT

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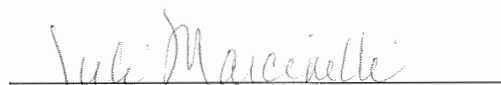
STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

LEONARD D. SANCHEZ, Associate General Counsel and Director,
Governance and Ethics for PNM Resources, Inc. and its subsidiaries, including
Public Service Company of New Mexico, upon being duly sworn according to law,
under oath, deposes and states: I have read the foregoing **Direct Testimony of Leonard
D. Sanchez** and it is true and accurate based on my own personal knowledge and belief.

SIGNED this 15th day of November, 2016.


LEONARD D. SANCHEZ

SUBSCRIBED AND SWORN to before me this 15th day of November, 2016.


NOTARY PUBLIC IN AND FOR
THE STATE OF NEW MEXICO

My Commission Expires:

10/31/2020

