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. 667	)	**Docket No. 26-0000XXX**
PUBLIC SERVICE COMPANY OF NEW MEXICO,	)	
Applicant.	)	

DIRECT TESTIMONY

OF

ADRIEN M. MCKENZIE, CFA

November 24, 2026

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

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DIRECT TESTIMONY OF
ADRIEN M. MCKENZIE, CFA
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I. INTRODUCTION AND PURPOSE

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

A. My name is Adrien M. McKenzie. I am President of FINCAP, Inc., a firm providing financial, economic, and policy consulting services to business and government. My business address is 3907 Red River, Austin, Texas, 78751. A description of my position and background is included in PNM Exhibit AMM-1. The exhibit also includes a list of cases in which I have provided testimony.

Q. On whose behalf are you testifying in this proceeding?

A. My testimony is on behalf of PNM (a complete list of acronyms is provided in PNM Exhibit AMM-2).

A. Overview

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

A. The purpose of my testimony is to present to the NMPRC my independent evaluation of the fair return on equity or "ROE" for PNM. In addition, I also examine the reasonableness of the Company's capital structure, considering both the specific risks faced by PNM, as well as other industry guidelines.

Q. Are you sponsoring any schedules required by Rule 530?

A. Yes. I sponsor Rule 530 Schedule G-10, which presents information concerning the return on common equity requested in this proceeding.

Q. What information and materials do you rely on to support the opinions and conclusions contained in your testimony.

A. To prepare my testimony, I use information from a variety of sources that would normally be relied upon by a person in my expert capacity. In connection with the present filing, I consider and rely upon discussions with PNM management, publicly available financial reports, and prior regulatory filings relating to PNM. I also review information relating generally to current capital market conditions and specifically to investor perceptions, requirements, and expectations for PNM's electric utility operations. These sources, coupled with my experience in the fields of finance and utility regulation, have given me a working knowledge of the issues relevant to investors' required return for PNM, and they form the basis of my analyses and conclusions.

Q. How is your testimony organized?

A. First, I summarize my conclusions and recommendations regarding a fair ROE for PNM and the reasonableness of the Company's proposed capital structure. My ROE analysis gives special attention to the importance of a regulated electric utility's financial strength and other risk factors.

Next, I briefly review PNM's operations and finances and discuss current conditions in the capital markets and their implications in evaluating a fair and reasonable ROE for the Company. I then explain the development of the

comparable risk proxy group of electric utilities used as the basis for my quantitative analyses and examine PNM's risk profile in relation to this group.

With this as a background, I will discuss the four well-accepted quantitative analyses I use to estimate the current cost of equity for the proxy group of electric utilities. These are the DCF model, the CAPM, an equity risk premium approach based on allowed equity returns, and reference to expected earned rates of return for electric utilities, which are all methods that are commonly relied on in regulatory proceedings.

Based on the results of my analyses, I determine a fair ROE for PNM. My evaluation considers the specific risks for the Company's electric operations in New Mexico and the Company's requirements for financial strength.

B. Summary and Conclusions

Q. What is your recommended ROE for PNM?

A. I apply the DCF, CAPM, risk premium, and expected earnings analyses to a proxy group of electric utilities, with the results summarized on PNM Exhibit AMM-3. As shown there, based on the results of my analysis, I conclude that the cost of equity falls in the range of 9.9% to 10.9%. It is my conclusion that the 10.4% midpoint of this range represents a just and reasonable cost of equity that is adequate to compensate PNM's investors, while maintaining the Company's

financial integrity and ability to attract capital on reasonable terms. I note while my recommendation falls at the midpoint, the ROE PNM ultimately proposes falls at the bottom of the range, reflecting other factors the Company may have considered under the circumstances of this rate case, and which go beyond the expert analyses I present. PNM witness Kyle T. Sanders provides the Company's rationale for proposing an ROE of 9.90%, which is lower than what I recommend from a strictly analytical perspective.

II. RETURN ON EQUITY FOR PNM

Q. What is the purpose of this section?

A. This section presents an overview of the relationship between ROE and preservation of a utility's financial integrity and the ability to attract capital under reasonable terms, and presents my conclusions regarding the just and reasonable ROE applicable to PNM's utility operations. Finally, I discuss the reasonableness of the Company's capital structure request in this case.

A. Importance of Financial Strength

Q. What is the role of the ROE in setting a utility's rates?

A. The ROE is the cost of attracting and retaining common equity investment in the utility's physical plant and assets. This investment is necessary to finance the asset base needed to provide utility service. Investors commit capital only if they expect to earn a return on their investment commensurate with returns available from

alternative investments with comparable risks. Moreover, a just and reasonable ROE is integral in meeting sound regulatory economics and the standards set forth by the United States Supreme Court.

Q. What guidelines underpin the determination of a just and reasonable ROE?

A. The *Bluefield* case sets the standard against which just and reasonable rates are measured:

> *A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties. . . . The return should be reasonable, sufficient to assure confidence in the financial soundness of the utility, and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise money necessary for the proper discharge of its public duties.*[1]

The *Hope* case expanded on the guidelines as to a reasonable ROE, reemphasizing its findings in *Bluefield* and establishing that the rate-setting process must produce an end-result that allows the utility a reasonable opportunity to cover its capital costs. The Supreme Court stated:

> *From the investor or company point of view it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business. These include service on the debt and dividends on the stock. . . . By that standard, the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain credit and attract capital.*[2]

[1] *Bluefield Water Works & Improvement Co. v. Pub. Serv. Comm'n*, 262 U.S. 679 (1923) ("*Bluefield*").
[2] *Fed. Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591 (1944) ("*Hope*").

In summary, the Supreme Court's findings in *Hope* and *Bluefield* established that a just and reasonable ROE must be sufficient to 1) fairly compensate the utility's investors, 2) enable the utility to offer a return adequate to attract new capital on reasonable terms, and 3) maintain the utility's financial integrity. These standards should allow the utility to fulfill its obligation to provide reliable service while meeting the needs of customers through necessary system replacement and expansion, but the Supreme Court's requirements can only be met if the utility has a reasonable opportunity to actually earn its allowed ROE.

Q. Do these regulatory principles require the NMPRC to apply a specific methodology for setting an allowed ROE?

A. No. The *Hope* and *Bluefield* decisions did not establish a particular method to be followed in fixing rates.[3] Rather, these and subsequent cases enshrined the importance of an end-result that meets the opportunity cost standard of finance. Under this doctrine, the required return is established by investors in the capital markets based on expected returns available from comparable risk investments. Coupled with modern financial theory, which has led to the development of formal risk-return models (e.g., DCF and CAPM), practical application of the *Bluefield* and *Hope* standards involves the independent, case-by-case consideration of capital market data in order to evaluate an ROE that will produce a balanced and fair end result for investors and customers.

[3] *Id.* at 602 (finding, "the Commission was not bound to the use of any single formula or combination of formulae in determining rates," and, "[i]t is not theory but the impact of the rate order which counts.")

Q. Are the *Hope* and *Bluefield* regulatory principles consistent with New Mexico public utility statutes?

A. Yes. The Public Utility Act recognizes the importance of utility service to consumers, industry and the state, acknowledges that utility financing, "involves the investment of large sums of money, including capital obtained from many members of the general public,"[4] and emphasizes that the need for fair, just and reasonable rates, including the concept "that capital and investment may be encouraged and attracted."[5]

Q. Do you believe the identity of a regulated utility's equity owners fundamentally changes the validity of the regulatory principle that the utility must be allowed the opportunity to realize a rate of return that is commensurate with returns available from alternative investments with comparable risks?

A. No. The cost of capital has to do with the use of the funds and not with the source of the funds. The fundamental premise underlying the cost of capital is that the required return depends on the risks associated with the use of the capital regardless of the identity of investor. Whether an investment is made by an individual, publicly traded corporation or a private investment consortium does not, standing alone, determine the return necessary to compensate for the associated risks in light of comparable alternative investment opportunities.

[4] NMSA 1978, § 62-3-1(A)(2) (2008).
[5] NMSA 1978, § 62-3-1(B).

This fundamental principle of financial theory is reflected, for example, in the general rejection of the use of a parent company's capital structure as the basis for determining the appropriate capital structure of the regulated utility subsidiary. FERC has concluded that the rate of return to a utility should not depend on who owns the utility or how the owner, whether a holding company or individual stockholders, financed its investment.[6] Similarly, the recognized treatise *New Regulatory Finance* observes the use of the parent company's capital structure "violates the core notion that an investment's required return depends on its particular risks."[7] Thus, ownership of the asset does not by itself necessarily change the risks of the asset itself.

Q. Throughout your testimony you refer repeatedly to the concepts of "financial strength," "financial integrity," and "financial flexibility." Would you briefly describe what you mean by these terms?

A. These terms are generally synonymous and refer to the utility's ability to attract and retain the capital that is necessary to provide service at reasonable cost, consistent with the Supreme Court standards. PNM's plans call for a continuation of capital investments to preserve and enhance service reliability for its customers. The Company must generate adequate cash flow from operations to fund these requirements and for repayment of maturing debt, together with access to capital from external sources.

[6] *Williams Natural Gas Co*., 80 FERC ¶ 61,158 at 61,682 (1997).
[7] Roger A. Morin, *New Regulatory Finance*, Pub. Utils. Reports, Inc. (2006), at 528.

Rating agencies and potential debt investors tend to place significant emphasis on maintaining strong financial metrics and credit ratings that support access to debt capital markets under reasonable terms. This emphasis on financial metrics and credit ratings is shared by equity investors who also focus on cash flows, capital structure and liquidity.

Q. What part does regulation play in ensuring that PNM has access to capital under reasonable terms and on a sustainable basis?

A. Regulatory signals heavily influence how investors assess risk for utilities. Investors recognize that constructive regulation is a key ingredient in supporting utility credit ratings and financial integrity. Security analysts study commission orders and regulatory policy statements to advise investors about where to commit their capital. As Moody's noted, "The regulatory framework is important because it provides the basis for decisions that affect utilities, including rate-setting as well as consistency and predictability of regulatory decision-making."[8] Similarly, S&P observed that, "Regulatory advantage is the most heavily weighted factor when S&P Global Ratings analyzes a regulated utility's business risk profile."[9] More recently, S&P confirmed that "Utility regulation, no matter where on the continuum

[8] Moody's Ratings, *Rating Methodology, Regulated Electric and Gas Utilities* (Aug. 6, 2024).
[9] S&P Global Ratings, *Assessing U.S. Investors-Owned Utility Regulatory Environments*, Ratings Express (Aug. 10, 2016).

of our assessments, strengthens a utility's business risk profile, and generally underpins our ratings."[10] Value Line summarizes similar sentiments:

> *As we often point out, the most important factor in any utility's success, whether it provides electricity, gas, or water, is the regulatory climate in which it operates. Harsh regulatory conditions can make it nearly impossible for the best run utilities to earn a reasonable return on their investment.*[11]

In addition, the ROE set by regulators impacts investor confidence in not only the jurisdictional utility, but also in the ultimate parent company that is the entity that actually issues common stock.

Q. Do customers benefit by enhancing the utility's financial flexibility?

A. Yes. Providing an ROE that is sufficient to maintain the Company's ability to attract capital under reasonable terms, even in times of financial and market stress, is not only consistent with the economic requirements embodied in the Supreme Court's *Hope* and *Bluefield* decisions, but also in customers' best interests.

The allowed ROE and other regulatory features are key determinants of the cash flows that support PNM's financial metrics and credit standing. Because investors demand a higher return for assuming greater risk, an erosion in the utility's credit standing leads directly to higher borrowing costs, as well as a higher required return on equity capital. This additional return is further magnified during periods of

[10] S&P Global Ratings, *North American Utility Regulatory Jurisdictions: Some Notable Developments* (Nov. 10, 2023).
[11] Value Line Investment Survey, *Water Utility Industry* (Jan. 13, 2017) at p. 1780.

turmoil in capital markets, when risk spreads may widen significantly.[12] Thus, authorizing a fair ROE and providing the utility a reasonable opportunity to actually earn this return also lowers the cost of borrowing and maintains access to the capital necessary to provide service. As a result, customers enjoy the benefits that come from ensuring that the utility has the financial wherewithal to take whatever actions are required to ensure safe and reliable service.

B. Conclusions and Recommendations

Q. What are your findings regarding the just and reasonable ROE for PNM?

A. Considering the economic requirements necessary to support continuous access to capital under reasonable terms and the results of my analyses, I recommend a 10.4% ROE for PNM's electric utility operations, which is consistent with the case-specific evidence presented in my testimony. Support for my conclusion is summarized below:

- To reflect the risks and prospects associated with PNM's utility business, I predicate my analysis on a proxy group of nineteen electric utilities of comparable risk.
- Because investors' required return on equity is unobservable and no single method should be viewed in isolation, I apply the DCF, CAPM, and risk premium methods to estimate a just and reasonable

[12] In March 2009 the yield spread between utility bonds rated Baa and A-rated bonds rose to 158 basis points, almost ten times the level during July 2026.

ROE for PNM, as well as referencing the expected earnings approach.

- As summarized on PNM Exhibit AMM-3, considering the results of these analyses and giving less weight to extremes at the high and low ends of the range, I conclude that the cost of equity for a regulated electric utility is in the 9.9% to 10.9% range.
- My ROE recommendation for PNM's electric utility operations is the midpoint of this range, or 10.4%.[13]

While my analysis leads me to conclude that the midpoint of the range can best achieve the economic outcome that supports continued access to capital under reasonable terms, I note that the Company has chosen to propose an ROE of 9.90%, which is the low end of my recommended range. PNM witness Sanders discusses the non-analytical considerations that went into selecting the Company's proposed ROE within the available range I present.

C. Capital Structure

Q. What is the role of capital structure in setting a utility's rate of return?

A. Capital structure reflects the mix of capital—debt, preferred securities, and common equity—used to finance a utility's assets. The proportions of the total

[13] While I did not make an explicit adjustment to the results of my quantitative methods to include an adjustment for flotation costs (i.e. the fees and expenses incurred by a company) associated with issuing common stock, this is another legitimate consideration that supports the reasonableness of my evaluation of a just and reasonable ROE for PNM in this case.

capitalization attributable to each source of capital are typically used to weight the costs of investor-supplied capital in calculating an overall rate of return.

Q. What factors are considered in determining an appropriate capital structure?

A. There are many considerations in the capital structure decision. Given the interplay between costs of debt and equity, the impact of taxes, bankruptcy costs, and the level of business risks, determining a firm's optimal capital structure is an imprecise exercise. In practice, capital structure decisions must be made by combining managements' judgment, numerical analysis, and considering investors' risk perceptions.

It is generally accepted that the norms established by comparable firms provide a valid benchmark to evaluate a reasonable capital structure for a utility. The capital structure maintained by other utilities should reflect their efforts to finance themselves in a way that minimizes capital costs while preserving their financial integrity and ability to attract capital. Moreover, these industry capital structures should also incorporate the requirements of investors (both debt and equity), as well as the influence of regulators.

Q. What common equity ratio is implicit in PNM's capital structure?

A. PNM's capital structure is presented in the Direct Testimony of PNM witness Kishor S. Agrawal. As summarized in his testimony, the Company's requested

capital structure in the Test Period consists of 47.81% long-term debt, 0.19% preferred stock, and 52% common equity.

Q. Is this consistent with industry benchmarks for other utility operating companies?

A. Yes. Because this proceeding focuses on the ROE for the regulated utility operations of PNM, the capital structures of the proxy companies' regulated utility operating companies provide a consistent basis of comparison. Pages 1 and 2 of PNM Exhibit AMM-4 display capital structure data for the most recent fiscal year-end for the group of electric utility operating companies owned by the firms in the Utility Group. As shown there, common equity ratios for these utilities ranged from 45.1% to 63.1% and averaged 52.6%. Twenty-eight of these 50 operating companies maintained common equity ratios that exceed the 52% requested by PNM.

Q. What are the equity ratios corresponding to the companies in the Utility Group?

A. As shown on page 3 of PNM Exhibit AMM-3, common equity ratios for the Utility Group ranged between 33.3% and 64.1%.

Q. How do these historical capitalization ratios compare with investors' forward-looking expectations?

A. Also shown on page 3 of PNM Exhibit AMM-3, Value Line's projected equity ratios ranged from 31.0% to 69.0% for the Utility Group.

Q. What other evidence supports the reasonableness of the Company's requested capital structure?

A. Reference to recent findings for electric utilities in other regulatory proceedings also supports the reasonableness of PNM's 52% common equity ratio. The table below presents the range of common equity ratios approved for vertically integrated electric utilities during the eight quarters ending June 30, 2026:

PNM Table AMM-1
Electric Utility Allowed Common Equity Ratios

	Low		High	Average
Q3-24	45.57%	--	52.51%	50.22%
Q4-24	48.24%	--	56.54%	51.94%
Q1-25	43.28%	--	57.00%	50.03%
Q2-25	44.42%	--	55.00%	50.19%
Q3-25	44.00%	--	52.66%	49.13%
Q4-25	47.84%	--	52.73%	52.73%
Q1-26	46.13%	--	53.00%	51.29%
Q2-26	46.17%	--	55.00%	51.80%
Average	**45.71%**	--	**54.31%**	**50.91%**

Source: S&P Global Market Intelligence, *Major Rate Case Decisions*, RRA Regulatory Focus (Feb. 4, 2025, Apr. 2026, Aug. 2026). Excludes limited issue riders, and capital structures that include cost-free items.

Q. Do ongoing economic and capital market uncertainties also influence the appropriate capital structure for PNM?

A. Yes. Financial flexibility plays a crucial role in ensuring the wherewithal of a utility to meet funding needs, and utilities with higher financial leverage may be foreclosed or have limited access to additional borrowing, especially during times of financial market stress. As Moody's observed:

> *Utilities are among the largest debt issuers in the corporate universe and typically require consistent access to capital markets to assure adequate sources of funding and to maintain financial flexibility. During times of distress and when capital markets are exceedingly volatile and tight, liquidity becomes critically important because access to capital markets may be difficult.*[14]

Moody's emphasized that the utility sector "is likely to continue to generate negative free cash flow and credit quality is likely to suffer unless utilities fund this negative free cash flow appropriately with a balance of debt and equity financing."[15] Similarly, while noting that cash flows in the utility industry are generally predictable and stable, S&P highlighted that "unexpected events beyond the base case still occur." S&P observed that, "Utilities with financial cushion from their downgrade threshold are more able to absorb these unexpected events while maintaining credit quality," and concluded that "balanced equity and debt funding [will be required] to maintain credit quality."[16]

[14] Moody's Investors Service, *FAQ on credit implications of the coronavirus outbreak*, Sector Comment (Mar. 26, 2020).
[15] Moody's Investors Service, *Regulate Electric and Gas Utilities – US, Rising capital expenditures will require higher annual equity funding*, Sector In-Depth (Nov. 8, 2023).
[16] S&P Global Ratings, *North America Regulated Utilities*, Industry Credit Outlook 2026 (Jan. 14, 2026).

Q. What other factors do investors consider in their assessment of a company's capital structure?

A. Utilities, including PNM, are facing significant capital investment plans. Coupled with the potential for turmoil in capital markets, this warrants a stronger balance sheet to deal with an uncertain environment. As S&P noted:

> *[W]e expect IOU capital spending will grow at unprecedented levels during the next decade. To maintain credit quality over this timeframe, the industry must fund these projects in a credit-supportive manner.*[17]

S&P cited elevated capital spending, continued negative discretionary cash flow and external funding needs as a key risk for the Company.[18]

Similarly, Moody's has noted that higher interest rates and the pressure of maintaining credit metrics while funding capital investments were leading to greater reliance on common equity.[19] Moody's concluded that the utility sector "is likely to continue to generate negative free cash flow and credit quality is likely to suffer unless utilities fund this negative free cash flow appropriately with a balance of debt and equity financing."[20]

Moody's has also recognized the financial pressures associated with PNM's significant capital expenditures, coupled with the impact of debt issuances and

[17] *Id.*
[18] S&P Global Ratings, *Public Service Co. Of New Mexico*, Ratings Score Snapshot (Dec. 12, 2025).
[19] Moody's Investors Service, *Regulated Electric and Gas Utilities – US; Rising capital expenditures will require higher annual equity funding*, Sector In-Depth (Nov. 8, 2023).
[20] *Id.*

regulatory lag, place downward pressure on the Company's credit metrics, and noted that its current ratings are premised on maintaining PNM's targeted capital structure.[21] Considering the magnitude of the Company's ongoing infrastructure investments, a conservative financial profile is warranted to maintain continuous access to capital under reasonable terms, even during times of adverse capital market conditions.

Q. What does this evidence suggest with respect to PNM's proposed capital structure?

A. PNM's ratemaking capital reflects the need to address the funding of ongoing capital expenditures and support PNM's financial integrity and access to capital on reasonable terms. This mix of external financing falls within the range maintained by other operating electric utilities and is reasonable considering the importance of maintaining the Company's financial strength and credit standing. Based on this evidence, I conclude that the Company's capital structure represents a reasonable mix of capital sources from which to calculate the PNM's overall rate of return.

III. FUNDAMENTAL ANALYSES

Q. What is the purpose of this section?

A. This section briefly reviews PNM's operations and finances. As a predicate to my quantitative analyses, I also examine conditions in the capital markets and the

[21] Moody's Ratings, , *Public Service Company of New Mexico,* Credit Opinion (Jun. 30, 2026).

general economy. An understanding of these fundamental factors is an essential predicate in developing an informed opinion of investors' expectations and requirements that are the basis of a fair rate of return.

A. Public Service Company of New Mexico

Q. Briefly describe PNM and its utility operations.

A. PNM is an electric utility that provides electric generation, transmission and distribution service to customers in north-central New Mexico, including the cities of Albuquerque, Rio Rancho, Las Vegas, and Santa Fe, as well as certain areas of southern New Mexico, including Silver City, Deming, Ruidoso, and Alamogordo. I understand that the Company is an active participant in regional wholesale energy markets and is in the process of transitioning away from fossil fuel generation to meet state renewable resource requirements.[22] PNM provides retail service to more than 550,000 residential and business customers and provides wholesale transmission services to third parties. During 2025, energy sales to residential customers accounted for approximately 23% of total, with 26% attributable to commercial customers, 18% to industrial consumers, 29% to sales for resale, and 5% to public authorities and other sources. PNM's owned and contracted generating capacity totals approximately 4,700 MW. On December 31, 2025, PNM

[22] *See* NMSA 1978, § 62-16-4(A) (2019) ("no later than January 1, 2045, zero carbon resources shall supply one hundred percent of all retail sales of electricity in New Mexico. Reasonable and consistent progress shall be made over time toward this requirement.").

had total assets of approximately $7.7 billion and 870 employees, with total electric revenues of approximately $1.5 billion during 2025.

Q. Where does PNM obtain the capital used to finance its investment in utility plant?

A. As a wholly-owned subsidiary of TXNM Energy Inc., the Company obtains common equity capital solely from its parent, whose common stock is publicly traded on the New York Stock Exchange.[23] In addition to capital supplied by TXNM, PNM also issues debt securities directly under its own name.

Q. Does PNM anticipate the need for additional capital going forward?

A. Yes. PNM will require capital investment to meet customer growth, provide for necessary maintenance and replacements of its utility infrastructure, as well as to fund investment in new facilities that will improve reliability, including transmission and distribution infrastructure to deliver clean energy to customers and increase wildfire resiliency. The Company's annual capital expenditures are expected to range from approximately $655 million to $1,500 million for the years 2026 through 2030.[24]

[23] On May 19, 2025, TXNM Energy announced that it had entered into an agreement to be acquired by Blackstone Infrastructure Partners.
[24] TXNM Energy, First Quarter 2026 Results (May 1, 2026).

B. Outlook for Capital Costs

Q. Please summarize current economic and capital market conditions.

A. Following the economic contraction stemming from the COVID-19 pandemic in 2020, U.S. real GDP improved significantly in 2021, with GDP growing at a pace of 5.7%.[25] Economic growth was more subdued in subsequent years, falling in a range of 2.5% to 2.9% between 2022 and 2024.[26] More recently, real GDP growth slowed somewhat to 2.2% in 2025,[27] and grew at an average rate of 1.8% in the first half of 2026.[28] The unemployment rate in July 2026 was little changed at 4.1%.[29]

A dramatic increase in global uncertainties following Russia's invasion of Ukraine in February 2022 overshadowed the underlying risk and price pressures associated with the COVID-19 pandemic. More recently, war with Iran has added to global risk and uncertainty. Apart from disrupting global trade, this has caused prices for crude oil, liquified natural gas and fertilizer to fluctuate dramatically,[30] while volatility in global stock markets markedly increased. The potential for ongoing

[25] U.S. Dep't of Commerce, Bureau of Economic Analysis, https://www.bea.gov/news/2022/gross-domestic-product-fourth-quarter-and-year-2021-second-estimate (last visited Aug. 21, 2026).
[26] U.S. Dep't of Commerce, Bureau of Economic Analysis, https://www.bea.gov/sites/default/files/2025-05/gdp1q25-2nd.pdf (last visited Aug. 21, 2026).
[27] U.S. Dep't of Commerce, Bureau of Economic Analysis, https://www.bea.gov/news/2026/gdp-advance-estimate-4th-quarter-and-year-2025 (last visited Aug. 21, 2026).
[28] U.S. Dep't of Commerce, Bureau of Economic Analysis, https://www.bea.gov/news/2026/gdp-advance-estimate-2nd-quarter-2026 (last visited Aug. 21, 2026).
[29] News Release, U.S. Dep't of Labor, Bureau of Labor Statistics, *The Employment Situation—July 2026* (Aug. 7, 2026), https://www.bls.gov/news.release/pdf/empsit.pdf (last visited Aug. 21, 2026).
[30] Gavin Maguire, *Assessing energy security in Europe, US and China as Iran crisis drags on*, Reuters (Mar. 18, 2026), https://www.reuters.com/markets/commodities/assessing-energy-security-europe-us-china-iran-crisis-drags-2026-03-18/ (last visited Aug. 21, 2026).

conflict and prolonged supply disruptions due to damaged infrastructure and shipping constraints has exacerbated concerns over energy and commodity supplies, as well as resulting supply-side price shocks that could reignite inflation and dampen economic growth. As Reuters recently reported, "Renewed hostilities in the Gulf have revived stagflation talk, dimming hopes the interim deal between the U.S. and Iran had come in time for the world economy to avoid accelerated inflation alongside stagnant economic growth."[31]

Though inflation has moderated significantly since its peak in June 2022, it continues to exceed the Federal Reserve's 2.0% target. In July 2026, CPI inflation stood at 3.4%,[32] down slightly from the prior month, though up significantly since early 2026.[33] The so-called "core" price index, which excludes more volatile energy and food costs, rose at an annual rate of 2.5% in July 2026.[34] PCE inflation stood at 3.7% in June 2026, or 3.3% after excluding more volatile food and energy costs.[35]

[31] Alun John, Dhara Ranasinghe and Sophie Kiderlin, *Stagflation talk returns to rattle markets as oil rebounds to $100*, Reuters (Jul. 24, 2026), https://www.reuters.com/business/finance/global-markets-stagflation-graphic-pix-2026-07-24/ (last visited Aug. 21, 2026).
[32] U.S. Dep't of Labor, Bureau of Labor Statistics, *Consumer Price Index Summary* (Aug. 12, 2026), https://www.bls.gov/news.release/cpi.nr0.htm (last visited Aug. 21, 2026).
[33] U.S. Dep't of Labor, Bureau of Labor Statistics, *TED: The Economic Daily, Consumer prices up 2.4 percent over year ended February 2026* (Oct. 24, 2025), https://www.bls.gov/opub/ted/2026/consumer-prices-up-2-4-percent-over-year-ended-february-2026.htm (last visited Aug. 21, 2026).
[34] U.S. Dep't of Labor, Bureau of Labor Statistics, *Consumer Price Index Summary* (Aug. 12, 2026), https://www.bls.gov/news.release/cpi.nr0.htm (last visited Aug. 21, 2026).
[35] Bureau of Economic Analysis, *Personal Income and Outlays, February 2026*, BEA 26-20 (Apr. 9, 2026), https://www.bea.gov/news/2026/personal-income-and-outlays-june-2026 (last visited Aug. 21, 2026).

The investment community also must monitor the extent to which import tariffs and the disruptions to global commerce and supply chains may compound the risk of renewed inflation and economic recession. These developments have led to a significant erosion of consumer confidence. In August 2026 the University of Michigan consumer sentiment index, which measures consumer expectations about current and future economic conditions, was 11.4% lower than in 2025,[36] demonstrating relative consumer pessimism. Investors continue to face the prospect of heightened market volatility as capital markets respond to these uncertainties.

Q. Have credit rating agencies commented on the risks faced by utilities and their investors?

A. Yes. S&P summarized the challenges faced by utilities in the current economic and policy climate, noting that:

> *[T]he US-regulated utility sector faces broad challenges, including relatively high inflation and interest rates, increasing exposure to weather-related liabilities, expanding capital spending programs and the ongoing energy transition. Federal and state policy shifts that emerged in the wake of the 2024 general elections created new uncertainties for the electric and gas utilities. Since then, regulatory risk has been magnified as inflation and interest rates remain at levels higher than recent norms and continued robust capital spending combined with rising wholesale power and gas prices have intensified public, regulatory and political focus on affordability issues. At the same time there are intensifying challenges associated with meeting rising power demand from the proliferation of datacenters, hyperscalers and ongoing electrification initiatives, all while continuing to progress sustainability goals and mitigate impacts on low-volume customers. . . . It has been more than four decades since the US experienced a similar confluence of events.*[37]

[36] University of Michigan, *Surveys of Consumers, Final Results for April 2026*, https://www.sca.isr.umich.edu/, https://www.sca.isr.umich.edu/tables.html (last visited Aug. 21, 2026).
[37] S&P Global Market Intelligence, *RRA State Regulatory Evaluations – Energy* (Jul. 15. 2025).

And although S&P noted it expects a more stable environment for credit quality, it observed that the electric utility industry "consistently operates with high cash flow deficits at about $100 billion annually," and concluded that:

> *Because about 40% of the [investor-owned utility] industry is actively operating with minimal credit cushion, an unexpected event outside of the base case could result in a negative outlook or even a possible downgrade for many IOU utilities if financial levers are not quickly implemented to restore credit quality.*[38]

In addition to concerns over declining credit metrics, S&P cited financial pressures from significant capital spending, regulatory risks associated with higher customer bills and ongoing wildfire risks as key concerns for investors.[39]

In its most recent annual review of the utility industry, Moody's noted, "Macroeconomic factors are likely to be modestly credit negative over the next 12 to 18 months, driven by upward pressure on natural gas prices and a slight upward trend in inflation."[40] Their annual review further noted, "Rising demand, higher power prices, persistent inflation and elevated capital spending have the potential to increase some utilities' exposure to affordability concerns," concluding that a continuation of supportive regulation would be required to offset ongoing pressure from still-high interest rates and other negative pressures on utilities' credit standing.[41]

[38] S&P Global Ratings, *North America Regulated Utilities*, Industry Credit Outlook 2026 (Jan. 14, 2026).
[39] *Id*.
[40] Moody's Ratings, *Electric and Gas Utilities – US*, Outlook (Oct. 31, 2025).
[41] *Id*.

More recently, Moody's further emphasized utilities' risk related to issues surrounding affordability. In particular, Moody's explained:

> *Over the longer term, increased electricity demand from data centers, electrification and stronger industrial needs, along with potentially constrained pipeline capacity that could drive natural gas prices higher, would elevate electricity prices further and add to affordability concerns.*
>
> * * * * *
>
> *When elected officials publicly prioritize bill affordability, especially during periods of elevated electricity or gas prices, they often exert pressure on regulators to limit rate increases or impose rate freezes, reduce allowed revenues, or delay cost recovery. Such interventions can weaken utilities' cash flow predictability and financial performance and lead to pressure on credit quality.*[42]

The political environment surrounding the issue of affordability presents real risks for utilities and their investors.

Utilities are also exposed to supply chain risk and procurement cost pressures associated with increasing tariff barriers to trade. Utilities in the U.S. rely heavily on imports from China, Canada, and Mexico for transformers, breakers and switchgear. Wood Mackenzie, a global data and analytics provider for the energy industry, noted that:

> *In 2025, imports will account for an estimated 80% of US power transformer supply and 50% of the distribution transformer supply. This market imbalance is escalating costs and lead times and is delaying our ability to bring generating plants online in pace with the surging energy demand. … Transformer costs are expected to increase due to new tariffs, as both imported and domestically produced units will be subject to higher unit costs due to the wide array of new tariffs, with more, including 50% on*

[42] Moody's Ratings, *Sector In-Depth, Electricity, gas prices continue to outpace inflation, sustaining affordability pressures* (Mar. 19, 2026).

> *copper, set to come into effect in August, further intensifying cost increases.*[43]

Chris Seiple, Vice Chairman at Wood Mackenzie concluded that, "In a business with 5-to-10-year planning cycles, not knowing what a project will cost next year or the year after is disruptive and causes massive uncertainty for US power industry participants."[44] Similarly, S&P concluded that tariff policies will contribute to financial volatility and weakened investor confidence in the utility sector over the medium to long-term.[45] While the Supreme Court ruled in February 2026 that many of President Trump's broad "emergency" tariffs were unlawful,[46] the White House immediately signaled its intention to ratchet up a "global tariff" from 10% to 15% in response to the Court's decision.[47] It is reasonable to expect that the recently volatile supply chain and tariff environment would be a concern for PNM's investors.

Q. What has been the general trend in capital costs in recent years?

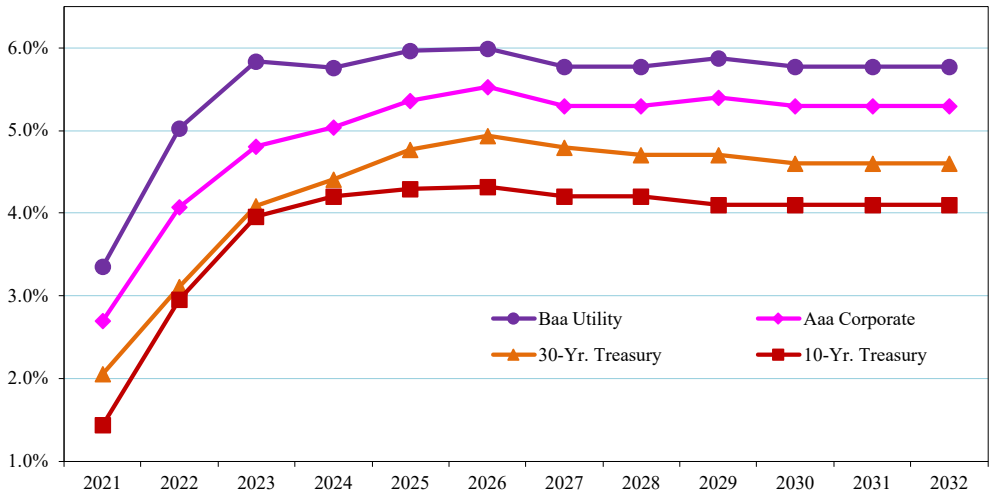
A. Although the cost of equity is not observable, a number of market benchmarks provide a gauge for the direction of capital costs, including required returns on

[43] Wood Makenzie, *Power transformers and distribution transformers will face supply deficits of 30% and 10% in 2025,* Press Release (Aug. 14, 2025).
[44] Wood Mackenzie, *Tariffs to increase costs and slow down development for US power industry* (Jun. 2, 2025). https://www.cbo.gov/publication/61823 (last visited April 19, 2026).
[45] S&P Global Ratings, *Navigating Tariffs' Credit Implications Across Asset Classes*, Comments (Jun. 17, 2025).
[46] SCOTUSblog, *Supreme Court strikes down tariffs* (Feb. 20, 2026), https://www.scotusblog.com/2026/02/supreme-court-strikes-down-tariffs/ (last visited Apr. 19, 2026).
[47] PBS News, Trump increases global tariffs to 15% after Supreme Court decision, https://www.pbs.org/newshour/economy/president-trump-increases-global-tariffs-to-15-after-supreme-court-decision (Apr. 19, 2026).

common stocks. Yields on 30-year Treasury bonds are generally accepted as a guide to the risk-free rate. While yields on long-term Treasury bonds can be impacted by monetary policy (*e.g.*, quantitative easing) or a flight to safety in times of turmoil, they provide an observable benchmark for underlying trends in capital costs. Similarly, utility bonds are actively traded in the debt markets and the resulting yields offer a touchstone for the direction and magnitude of the return utilities must offer to attract capital.

PNM Figure AMM-1 plots historical trends in bond yields, along with the most recent long-term projections from top economists published by Blue Chip Financial Forecasts.

PNM Figure AMM-1
Projected Interest Rates



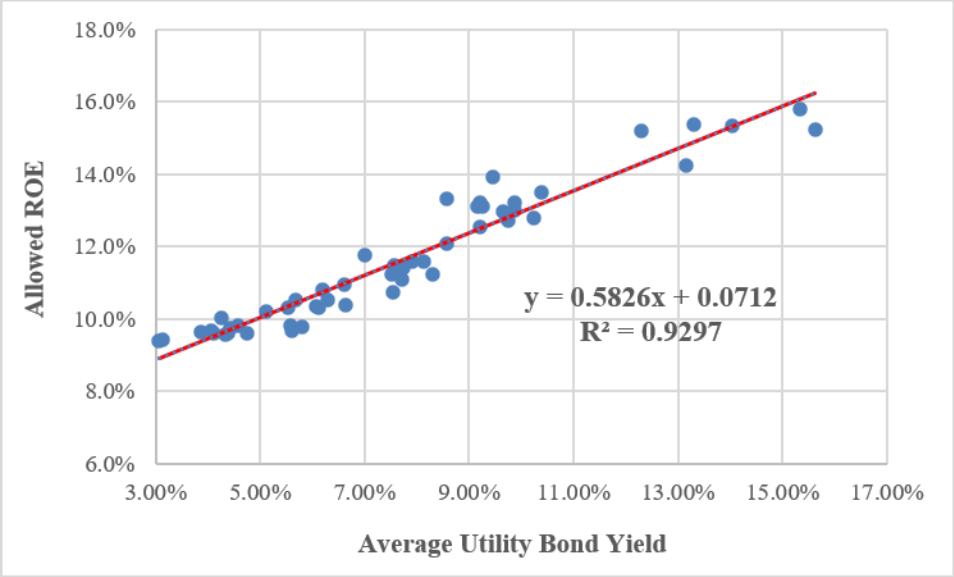
Source: Moody's Investors Service; https://fred.stlouisfed.org/; Wolters Kluwer, Blue Chip Financial Forecasts (Jun. 1, 2026).

As illustrated above, bond yields began rising significantly in 2022 and continued to climb during 2023. These higher yields have been sustained, with consensus projections anticipating that long-term bond yields will remain elevated. This evidence shows that long-term capital costs—including the ROE—have increased substantially, and that investors expect these higher capital costs to be sustained.

Q. Do authorized ROEs exhibit a strong positive relationship with bond yields?

A. Yes. The strong positive relationship between allowed ROEs and bond yields is confirmed by the data underlying my risk premium study. The relationship between allowed ROEs for electric utilities and average utility bond yields is displayed below.

PNM Figure AMM-2
Allowed Roes and Utility Bond Yields (1974-2025)



As the data displayed above indicates, on average allowed ROEs for electric utilities increase approximately 58 basis points with each 100 basis point increase in average utility bond yields.[48]

Q. Are national authorized ROEs from 2022 to 2025 significantly lower than in prior years, after controlling for capital costs?

A. Yes. This finding is confirmed and measured by adding a dummy variable for years 2022 to 2025 to the equation illustrated in PNM Figure AMM-2, with allowed ROE as the dependent variable and average utility bond yield as the independent variable.[49] This captures the effect on allowed ROEs of the period 2022 to 2025, and results in the following regression specification:

Allowed ROE = 0.0726 + 0.5703(Utility Bond Yield) – 0.0065(2022-25)

The coefficient estimate of –0.0065 demonstrates that national authorized ROEs during the 2022 to 2025 time period were approximately 65 basis points lower than in the previous period, after controlling for changes in utility bond yields.[50] These regression results demonstrate that authorized ROEs have been lower since 2021 after controlling for capital costs, and by a substantial margin.

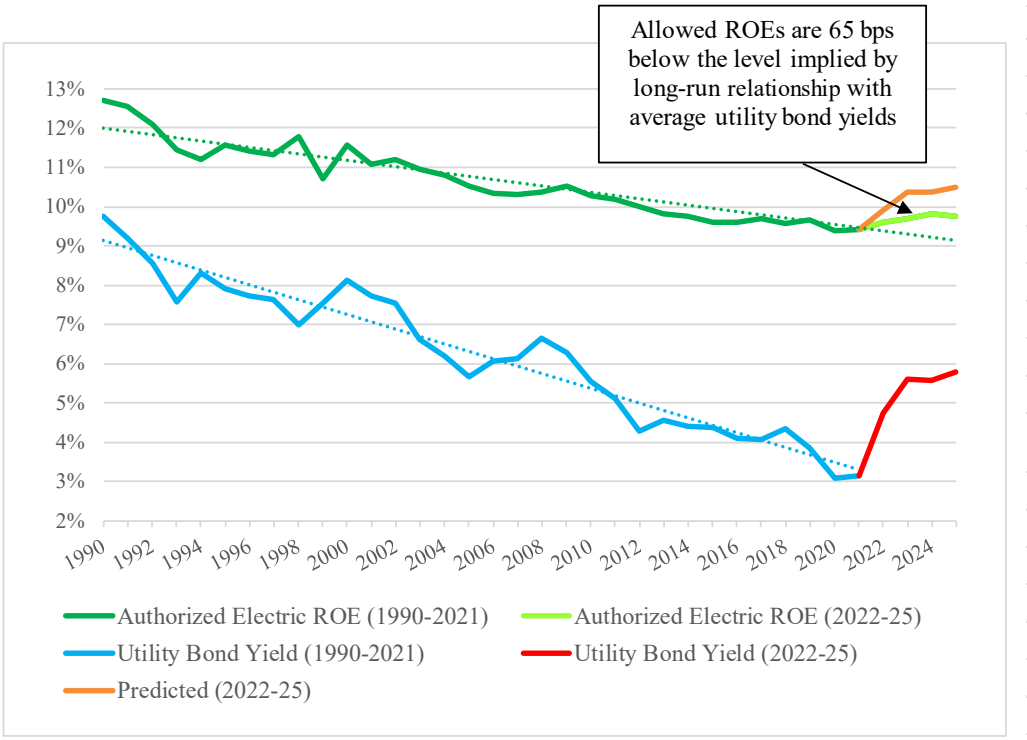
[48] This relationship is statistically significant at a level exceeding 99%, indicating very high statistical reliability, and the regression R-Square value of 0.93 reveals that almost all of the movement in allowed ROEs over this time period is explained by changes in utility bond yields.

[49] In regression analysis, the use of a "dummy variable" is a widespread technique wherein a simple binary variable captures the effect of the presence or absence of a particular attribute. In the present case, the dummy variable captures the effect of being in the 2022 to 2025 time period, or not.

[50] As before, both coefficient estimates are statistically significant at a level exceeding 99%, and the higher regression R-Square value of 0.94 shows that allowed ROEs from 1974 to 2025 are even better explained when the post-2021 period is accounted for.

The disconnect between recently allowed ROEs and the recent increase in capital costs is illustrated in the figure below.

PNM Figure AMM-3
Trends in Authorized Electric Roes and Bond Yields



As shown above, national authorized ROEs for electric utilities (green line) declined steadily from 1990 until 2021, in line with falling interest rates (blue line), but by a lesser degree. This is consistent with the regression evidence, which showed that allowed ROEs mirror approximately 58% of the movement in utility bond yields. As discussed later in my testimony, financial research also supports the conclusion that equity risk premiums and interest rates are inversely related, which is apparent in the figure above.

As the figure above demonstrates, the upward shift in capital costs that began in 2022 has been swift and dramatic. While it took 22 years for interest rates to fall by one-half,[51] the Baa utility bond yield almost doubled in just 22 months.[52] PNM Figure AMM-3 demonstrates that allowed ROEs have shown only a modest increase since 2021, deviating substantially from forecasted values indicated by long-term trends (orange line). ROEs authorized since 2022 do not reflect the sharp increase in capital costs indicated by recent trends in utility bond yields.

Q. Is the investment community aware of the disparity between recently allowed roes and underlying capital costs?

A. Yes. For example, S&P Global Market Intelligence noted:

> *The first nine months of 2024 saw a slight uptick in the average authorized ROEs for electric and gas utilities, influenced by the higher-interest-rate environment. However, the effect of interest rate increases on authorized returns has not been proportional, as regulators are slower to adjust ROEs upward than downward. Additionally, affordability concerns persist as regulators navigate customer rate hikes due to significant but necessary capital investment in the energy transition amid inflationary pressures.*[53]

Value Line noted that historical allowed ROEs are "based on a historically low and now out-of-date cost of capital."[54] and more recently highlighted the likely cause of this disconnect:

> *Another difficulty is the level of authorized return on equity (ROE) that's set by politically motivated regulators. Commissioners are often looking*

[51] In 1990 the average yield on Baa utility bonds was 10.06%. It wasn't until 2012 that the average yield fell below 5.03%.
[52] During December 2021, the yield on Baa utility bonds averaged 3.27%. Over the six months ending December 2023, monthly average bond yields ranged from 5.68% to 6.61%.
[53] S&P Global Market Intelligence, *Major energy rate case decisions in the US – January-September 2024*, RRA Regulatory Focus (Oct. 30, 2024).
[54] The Value Line Investment Survey, *Electric Utility (East) Industry* (May 10, 2024).

back to a time of historically low interest rates and using that period to set present returns.[55]

Similarly, a Wall Street Journal article highlighted the cost pressures faced by utilities and noted that, "Investors should exercise caution when picking up utility stocks."[56] As the article observed, "Higher interest rates haven't only increased debt-financing costs for utility companies but also raised the cost of capital that they are expected to deliver." Utility Dive reported the view of Morningstar that, "Generally, utilities' authorized return on equity has lagged recent increases in interest rates and inflation."[57] More recently, Deloitte concluded that, "Authorized increases on return on equity have lagged interest rate increases [], which can weaken the industry's financial performance, putting downward pressure on credit quality."[58] This evidence supports a conclusion that investors are aware of the inconsistency between recently awarded ROEs and higher interest rates.

Q. Has PNM's authorized ROE kept pace with the increase in capital costs that occurred after 2021?

A. No. This can be seen in the table below, which documents the trajectory of long-term bond yields since the NMPRC established a 9.575% ROE for PNM in January 2018.

[55] The Value Line Investment Survey, *Electric Utility (East) Industry* (Feb. 7, 2025).
[56] Jinjoo Lee, *Utilities Get an Inflation Shock*, Wall Street Journal (Jan. 3, 2024). https://www.wsj.com/finance/investing/utilities-get-an-inflation-shock-cb821c4e (last visited Feb. 3, 2026).
[57] Utility Dive, *North American utility credit metrics weaken on rising capex, regulatory lag: Morningstar* (May 17, 2024), https://www.utilitydive.com/news/electric-utility-credit-metrics-capex-morningstar-eei/716425/ (last visited Feb. 3, 2026).
[58] Deloitte Research Center for Energy & Industrials, *Funding the growth in the US power sector* (Feb. 26, 2025).

PNM Table AMM-2
PNM Allowed ROES and BAA Utility Yields

Date	PNM Allowed ROE	Baa Utility Yield
Jan-18	9.58%	4.14%
Jan-24	9.26%	5.68%
May-25	9.45%	6.11%
Change (bp)	**-13**	**197**
Aug-26	--	6.12%

Note: Baa utility yields are for the month prior to the months in which PNM's ROE was authorized.
Source: S&P Global Market Intelligence, *Major Rate Case Decisions* , RRA Regulatory Focus; Moody's Investors Service.

As shown above, as Baa utility bond yields have increased almost 200 basis points since January 2018, PNM's allowed ROE has generally trended downward.

The fact that PNM's allowed ROE has decreased even though utility bond yields have materially increased illustrates that the Company's currently allowed ROE of 9.45% does not reflect the significant increase in capital costs that has occurred since 2021. The cost of equity does not go down over a period of significant increases in bond yields.[59] Such a regulatory outcome does not match basic principles of finance.

[59] This is especially true for PNM, since the Company's credit ratings were downgraded by S&P from BBB+ to BBB during this same period. As Staff witness Dunn granted, "Any decrease in credit ratings could lead to higher perceived risk and additional costs in equity financing, in addition to higher costs for debt financing instruments." Case No. 22-00270-UT, *Prepared Direct Testimony of Christopher E. Dunn* (Jun. 23, 2023) at 16.

Q. Does this evidence support a material increase to PNM's ROE?

A. Yes. As indicated above, trends in bond yields provide direct evidence that the cost of equity for utilities has increased dramatically. Considering these changes in capital market conditions, a significant increase to PNM's ROE is warranted, especially when accounting for the long-run relationship between ROEs and interest rates.

IV. COMPARABLE RISK PROXY GROUP

Q. What is the purpose of this section of your testimony?

A. This section explains the basis of the proxy group of publicly traded companies I use to estimate the cost of equity, examines alternative objective indicators of investment risk for these firms, and compares the investment risks applicable to PNM with my reference group.

Q. What key principles underpin the evaluation of a proxy group?

A. The United States Supreme Court's *Hope* and *Bluefield* decisions[60] establish a standard of comparison between a subject utility and other companies based on comparable risk. The generally accepted approach is to select a group of companies that are of similar risk to the subject utility, and then to perform various quantitative analyses based on this proxy group to estimate investors' required returns. The

[60] *Bluefield Water Works & Improvement Co. v. Pub. Serv. Comm'n*, 262 U.S. 679 (1923) (*Bluefield*); *Fed. Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591 (1944) (*Hope*).

results of these analyses, in turn, are used to evaluate a range of reasonableness and a final recommendation for the ROE attributable to the subject utility.

A. Determination of the Proxy Group

Q. How do you implement quantitative methods to estimate the cost of common equity for PNM?

A. Estimating the cost of common equity using quantitative methods requires observable capital market data, such as stock prices and beta values. Even for a firm with publicly traded stock, the cost of common equity can only be estimated and the results of quantitative models inherently include some degree of observation error. The accepted approach to increase confidence in the results is to apply quantitative methods to a proxy group of publicly traded companies that investors regard as risk comparable. The results of the analysis on the sample of companies are relied upon to establish a range of reasonableness for the cost of equity for the specific company at issue.

Q. How do you identify the proxy group of electric utilities you use to estimate the cost of equity?

A. To reflect the risks and prospects associated with PNM's electric utility operations, I begin with the companies included in the Electric Utility industry groups compiled by Value Line. Value Line is one of the most widely available sources of investment advisory information, and its industry groups provide an objective source to

identify publicly traded firms that investors would regard as similar in operations. I then apply the following criteria to identify a proxy group of utilities:

1. No cuts in common dividends over the last six months and no announcement of a dividend cut since that time.
2. No ongoing involvement in a major merger or acquisition that would distort quantitative results.
3. Assigned a Value Line Safety Rank of "1", "2" or "3".
4. Assigned a Value Line Financial Strength Rating of "B++" or higher.

In addition, my analysis also considered credit ratings from Moody's and S&P in evaluating relative risk. Specifically, I excluded companies with ratings more than one "notch" higher or lower that PNM's issuer credit ratings of Baa2 (Moody's) and BBB (S&P). These criteria result in a proxy group composed of nineteen companies, which I refer to as the "Utility Group."

B. Relative Risks of the Utility Group and PNM

Q. How do you evaluate investors' risk perceptions for the Utility Group?

A. My evaluation of relative risk considers five published benchmarks that are widely relied on in the investment community—the quality rankings published by Value Line, along with credit ratings from Moody's and S&P. Value Line's rankings provide an important and objective assessment of relative risks that are considered by investors in forming their expectations and measure the risks associated with common stocks. Value Line's primary risk indicator is its Safety Rank, which

ranges from "1" (Safest) to "5" (Riskiest). This overall risk measure is intended to capture the total risk of a stock and incorporates elements of stock price stability and financial strength. Given that Value Line is perhaps the most widely available source of investment advisory information, its Safety Rank provides useful guidance regarding the risk perceptions of investors.

The Financial Strength Rating is designed as a guide to overall financial strength and creditworthiness, with the key inputs including financial leverage, business volatility measures, and company size. Value Line's Financial Strength Ratings range from "A++" (strongest) down to "C" (weakest) in nine steps. These objective, published indicators incorporate consideration of a broad spectrum of risks, including financial and business position, relative size, and exposure to firm-specific factors.

Finally, beta measures a utility's stock price volatility relative to the market as a whole and reflects the tendency of a stock's price to follow changes in the market. A stock that tends to respond less to market movements has a beta less than 1.00, while stocks that tend to move more than the market have betas greater than 1.00. Beta is the only relevant measure of investment risk under modern capital market theory, and it is widely cited in academics and in the investment industry as a guide to investors' risk perceptions.

Credit ratings are assigned by independent rating agencies for the purpose of providing investors with a broad assessment of the creditworthiness of a firm. Ratings generally extend from triple-A (the highest) to D (in default). Other symbols (*e.g.*, "+" or "-") are used to show relative standing within a category. Because the rating agencies' evaluation includes the factors considered important in assessing a firm's relative credit standing, corporate credit ratings provide a broad, objective measure of overall investment risk that is readily available to investors. Widely cited in the investment community and referenced by investors, credit ratings are also frequently used as a primary risk indicator in establishing proxy groups to estimate the cost of common equity.

Q. How does the overall risk of your proxy group compare to PNM?

A. PNM Table AMM-3 compares the Utility Group to the Company across the indicators of investment risk discussed above. Because PNM has no publicly traded common stock, the Value Line risk measures shown reflect those published for its parent, TXNM.

PNM Table AMM-3
Comparison of Risk Indicators

	Value Line			Credit Ratings	
	Safety Rank	Financial Strength	Beta	Moody's	S&P
Utility Group	2	B++	0.77	Baa2	BBB+
PNM	2	B++	0.75	Baa2	BBB

The average Value Line risk indicators for the Utility Group are essentially identical to PNM. The average Moody's rating for the Utility Group is identical to the

Company's, while the average S&P credit rating corresponding to the Utility Group is slightly higher than PNM's rating, indicating somewhat less risk. Considered together, a comparison of these objective measures, which incorporate a broad spectrum of risks, including financial and business position, regulatory recovery mechanisms, and exposure to company specific factors, indicates that investors would likely conclude that the overall investment risks for the firms in the Utility Group are generally comparable to PNM.

Q. Would investors consider the implications of regulatory mechanisms in evaluating a utility's relative risks?

A. Yes. Regulatory mechanisms are intended to reduce regulatory lag and facilitate timely cost recovery for specific expenses. As RRA explained in its most recent review of adjustment clauses:

> *As utilities take on broader responsibilities, such as grid modernization and decarbonization, adjustment clauses have become increasingly specialized. Initially developed to manage commodity price volatility, these mechanisms have expanded into a comprehensive suite of mechanisms tailored to address specific cost categories and policy mandates.*
>
> *These mechanisms include provisions for recovering electric fuel and gas commodity costs, purchased power expenses and conservation program expenses. Additionally, some mechanisms are designed to stabilize revenues, such as full or partial decoupling mechanisms that protect utilities from fluctuations in energy sales.*
>
> *On the capital side, separate mechanisms may support traditional generation, renewable and nontraditional generation, environmental compliance investments, delivery infrastructure upgrades and transmission*

costs. In some instances, these mechanisms may even provide utilities a cash return on construction work in progress (CWIP).[61]

Q. What principal regulatory mechanisms have been approved for PNM's utility operations in New Mexico?

A. In addition to a fuel and purchased power cost recovery mechanism, the Company has a rate adjustment rider to recover certain costs for renewable energy procurement that are not otherwise being collected in base rates. If PNM's earned return on jurisdictional equity in a calendar year exceeds the NMPRC-approved rate by 0.5%, the rider provides that PNM would refund the excess to customers during the following year. The NMPRC has also approved a percentage of bill rate rider that allows PNM to bill and collect costs associated with approved energy efficiency initiatives. Finally, the Company also employs a future test year and has recently been authorized to utilize an investment cost recovery rider associated with certain grid modernization projects.

Q. What do these characteristics imply with respect to the Company's risks relative to other utilities in general?

A. Regulatory adjustment mechanisms have important implications for a utility's financial health and relative risk. Investors recognize that the use of adjustment mechanisms and future test years is widely prevalent in the utility industry and consider the relative impact of these provisions in forming their expectations and

[61] S&P Global Market Intelligence, *Adjustment Clause: a state-by-state overview*, RRA Regulatory Focus (Sep. 2025).

risk perceptions for the firms in the Utility Group. While the Company's existing and proposed regulatory clauses would be regarded as supportive, in contrast to many of the specific operating companies associated with the firms in the Utility Group, PNM does not operate under a revenue decoupling mechanism. Thus, PNM's continued exposure to the uncertainties of revenue variability and regulatory lag would imply a greater level of risk than is faced by other utilities, including the firms in the Utility Group.[62]

Q. Is the potential for wildfires relevant to an evaluation of PNM's overall risk profile?

A. Yes. Investors have become increasingly concerned regarding the implications of potential liabilities for damages associated with wildfires. The unprecedented scope and damages associated with wildfires led PG&E to suspend common dividend payments in 2017 and seek bankruptcy protection in January 2019. Similarly, the catastrophic wildfires that ravaged Maui in early August 2023 pushed HEI to the brink of bankruptcy. More recently, in January 2025 several wind-driven wildfires devastated areas of Los Angeles County in California.

[62] While I reference corporate credit ratings in evaluating a risk-comparable proxy group, these indicators are focused on the risk of default associated with a utility's outstanding debt securities. While debtholders are also concerned about the stability and sufficiency of a utility's cash flows, the implications of attrition and earnings variability are especially relevant to equity investors, who are only entitled to the residual earnings once all other claimants have been paid.

Warren Buffett highlighted the risks to electric utility investors posed by wildfires, noting that "it is difficult to project both earnings and asset values in what was once regarded as among the most stable industries in America."[63] As Mr. Buffett concluded, "the final result for the utility industry may be ominous."[64] Similarly, S&P recently observed that:

> *Climate change is contributing to more frequent and severe weather events, including making conditions drier for longer periods. When high winds bring dry trees and other combustible materials into contact with power lines it raises the probability of a wildfire, raising the IOUs' wildfire risks and putting downward pressure on credit quality.*[65]

S&P concluded that despite industry efforts to mitigate these risks, "a single severe wildfire could still devastate a utility's credit quality."[66]

As S&P made clear, PNM faces "[e]levated physical risks due to wildfire-prone service territory."[67] More recently, S&P confirmed their consideration of "PNM's exposure to wildfire risks within its service territory," before adding, "We could also lower our ratings if … the company is the cause of a catastrophic wildfire."[68] This evidence demonstrates that the Company's ongoing exposure to wildfires heightens PNM's overall risk profile. According to the wildfire risk mapping site published by the United States Department of Agriculture, New Mexico is at high

[63] Berkshire Hathaway Inc., *Shareholder Letters* (Feb. 24, 2024). https://www.berkshirehathaway.com/letters/2023ltr.pdf (last visited Apr. 25, 2024).
[64] *Id.*
[65] S&P Globel Ratings, *North America Regulated Utilities*, Industry Credit Outlook 2026 (Jan. 14, 2026).
[66] *Id.*
[67] S&P Global Ratings, *Public Service Co. Of New Mexico,* Ratings Score Snapshot (Dec. 12, 2025).
[68] S&P Global Ratings, *Public Service Co. Of New Mexico Assigned 'A-2' Short-Term Rating; $400 Million Commercial Paper Program Rated 'A-2'* (May 1, 2026).

risk of wildfire, with exposure exceeding 82% of U.S. states.[69] Investors recognize the potential for large-scale damage claims resulting from acute and chronic wildfire risks pose an extreme risk that can severely undermine a utility's financial position, and ongoing exposure to wildfires heightens PNM's overall risk profile.

Q. Would the regulatory environment in New Mexico likely be a concern for investors?

A. Yes. As Moody's recently stated:

> *PNM's ratings reflect its business risk as a regulated vertically integrated utility operating in the New Mexico regulatory environment, which has historically been more challenging than most US jurisdictions. In the past, decisions by the New Mexico Public Regulation Commission (NMPRC) have demonstrated a level of inconsistency and unpredictability that has constrained utility credit quality.*[70]

More recently, Moody's confirmed, "PNM's credit profile reflects its … operating in the New Mexico regulatory environment, which we continue to view as more challenging than most US jurisdictions."[71] S&P concurs with this view, informing investors that PNM operates "in what we view as one of the most challenging regulatory jurisdictions in the U.S."[72]

[69] United States Department of Agriculture, *Wildfire Risk to Communities,* https://apps.wildfirerisk.org/explore/overview/35/ (last visited Aug. 24, 2026).
[70] Moody's Ratings, *Announcement of Periodic Review: Moody's Ratings announces completion of a periodic review of ratings of TXNM Energy, Inc., Public Service Company of New Mexico and Texas-New Mexico Power Company* (Feb. 17, 2026).
[71] Moody's Ratings, *Public Service Company of New Mexico*, Credit Opinion (Jun. 30, 2026).
[72] S&P Global Ratings, *Public Service Co. Of New Mexico,* Ratings Score Snapshot (Dec. 12, 2025).

Q. Do financial pressures associated with PNM's planned capital expenditures also impact investors' risk assessment?

A. Yes. PNM's capital additions are expected to total approximately $4.9 billion over the period 2026-2030.[73] This represents a substantial investment given that the Company's retail rate base as of December 31, 2025 was approximately $3.1 billion.[74] In addition, PNM must also fund debt maturities of approximately $1.1 billion over the years 2026-2030.[75]

Continued support for PNM's financial integrity and flexibility will be instrumental in attracting the capital necessary to fund these projects and debt repayments effectively. Investors are aware of the challenges posed by significant capital expenditure requirements, especially given ongoing capital market and economic uncertainties. S&P has concluded that "PNM's financial measures will remain at the low end of our expected range for its financial risk profile, primarily due to its robust capital spending."[76] Similarly, Moody's noted that:

> *PNM's capital investment program remains elevated as the utility continues to invest in T&D infrastructure, renewable generation, energy storage, and grid modernization to support the clean energy transition and accommodate incremental load growth. The degree to which credit metrics will be affected over the investment cycle remains uncertain, as it will depend on the pace and timing of project approvals, execution, regulatory recovery, and the extent to which rate mechanisms keep pace with capital deployment.*[77]

[73] TXNM Energy, *First Quarter 2026 Results* (May 1, 2026).
[74] *NMPRC Docket No. 12-00007-UT, PNM's Rider No. 36 Reconciliation for 2025* (April 1, 2026).
[75] *Id.* at 8.
[76] S&P Global Ratings, *Public Service Co. Of New Mexico,* Ratings Score Snapshot (Dec. 12, 2025).
[77] Moody's Ratings, *Public Service Company of New Mexico*, Credit Opinion (Jun. 30, 2026).

Moody's cited PNM's elevated capital expenditures as a key challenge to the Company's credit standing.[78]

V. CAPITAL MARKET ESTIMATES AND ANALYSES

Q. What is the purpose of this section of your testimony?

A. This section presents capital market estimates of the cost of equity. The concept of the cost of common equity is explained, as well as the risk-return tradeoff principle that is central to capital markets. I then describe various quantitative analyses conducted to estimate the cost of common equity for the proxy groups of comparable risk utilities.

A. Economic Principles Underlying the Cost of Equity

Q. What fundamental economic principle underlies the cost of equity concept?

A. Underlying the concept of the cost of equity is the understanding that investors are risk averse. In capital markets where relatively risk-free assets are available (*e.g.*, U.S. Treasury securities), investors will hold riskier assets only if they are offered an additional return, or risk premium, above the rate of return on a risk-free asset. Because all assets compete for investor funds, riskier assets must yield a higher expected rate of return than safer assets to induce investors to invest and hold them.

[78] *Id.*

Given this risk-return tradeoff, the required rate of return (k) from an asset (i) can generally be expressed as:

$$k_i = R_f + RP_i$$

where: R_f = Risk-free rate of return, and

RP_i = Risk premium required to hold riskier asset i.

Thus, the required rate of return for a particular asset at any time is a function of: (1) the yield on risk-free assets, and (2) the asset's relative risk, with investors demanding correspondingly larger risk premiums for bearing greater risk.

Q. Is there evidence that the risk-return tradeoff principle operates in the capital markets?

A. Yes. The risk-return tradeoff can be documented in the debt markets, where required rates of return can be directly inferred from market data and where generally accepted measures of risk exist. Comparing the observed yields on Treasury bonds, which are considered free of default risk, to the yields on corporate bonds of various rating categories demonstrates that the risk-return tradeoff does, in fact, exist.

Q. Does the risk-return tradeoff observed with fixed income securities extend to common stocks and other assets?

A. Yes. It is widely accepted that the risk-return tradeoff extends to all assets. Documenting the risk-return tradeoff for assets other than fixed income securities, however, is complicated by two factors. First, there is no standard measure of risk applicable to all assets. Second, for most assets, including common stock, required rates of return cannot be observed. Nevertheless, it is generally accepted that investors are risk averse when deciding whether or not to hold common stocks and other assets, just as when choosing among fixed-income securities.

Q. Is this risk-return tradeoff limited to differences between firms?

A. No. The risk-return tradeoff principle applies not only to investments in different firms, but also to different securities issued by the same firm. The securities issued by a utility vary considerably in risk because they have different characteristics and priorities. As noted earlier, long-term debt is senior among all capital in its claim on a utility's net revenues and is, therefore, the least risky. The last investors in line are common shareholders. They share in net earnings, if any, that remain after all other claimants have been paid. As a result, the rate of return that investors require from a utility's common stock, the most junior and riskiest of its securities, must be considerably higher than the yield offered by the utility's senior, long-term debt.

Q. What are the challenges in determining a just and reasonable ROE for a regulated enterprise?

A. The actual return that equity investors require is not directly observable. Different methodologies have been developed to estimate investors' expected return on capital, but these theoretical tools produce a range of estimates based on different assumptions and inputs. The DCF method, which is frequently referenced and relied on by regulators, is only one theoretical approach to evaluate the return investors require. There are a number of other accepted methodologies for estimating the cost of capital and the results from these approaches may differ significantly.

Q. Is it customary to consider the results of multiple methods when evaluating a just and reasonable ROE?

A. Yes. Financial analysts and regulators routinely consider the results of alternative approaches in evaluating investors' cost of equity. No single method can be regarded as failsafe, with all approaches having advantages and shortcomings. As FERC has noted, "[t]he determination of rate of return on equity starts from the premise that there is no single approach or methodology for determining the correct rate of return."[79] Similarly, a publication of the Society of Utility and Regulatory Financial Analysts concluded that:

> *Each model requires the exercise of judgment as to the reasonableness of the underlying assumptions of the methodology and on the reasonableness of the proxies used to validate the theory. Each model has its own way of*

[79] *Northwest Pipeline Co.*, Opinion No. 396-C, 81 FERC ¶ 61,036 at 4 (1997).

> *examining investor behavior, its own premises, and its own set of simplifications of reality. Each method proceeds from different fundamental premises, most of which cannot be validated empirically. Investors clearly do not subscribe to any singular method, nor does the stock price reflect the application of any one single method by investors.*[80]

As this treatise observed, "no single model is so inherently precise that it can be relied on solely to the exclusion of other theoretically sound models."[81] Similarly, *New Regulatory Finance* concluded that:

> *There is no single model that conclusively determines or estimates the expected return for an individual firm. Each methodology possesses its own way of examining investor behavior, its own premises, and its own set of simplifications of reality. Each method proceeds from different fundamental premises that cannot be validated empirically. Investors do not necessarily subscribe to any one method, nor does the stock price reflect the application of any one single method by the price-setting investor. There is no monopoly as to which method is used by investors. In the absence of any hard evidence as to which method outdoes the other, all relevant evidence should be used and weighted equally, in order to minimize judgmental error, measurement error, and conceptual infirmities.*[82]

Thus, while the DCF model is a recognized approach to estimating the ROE, it is not without shortcomings and does not otherwise eliminate the need to ensure that the "end result" is fair. The Indiana Utility Regulatory Commission has recognized this principle:

> *There are three principal reasons for our unwillingness to place a great deal of weight on the results of any DCF analysis. One is. . . the failure of the DCF model to conform to reality. The second is the undeniable fact that rarely if ever do two expert witnesses agree on the terms of a DCF equation for the same utility – for example, as we shall see in more detail below, projections of future dividend cash flow and anticipated price appreciation of the stock can vary widely. And, the third reason is that the unadjusted DCF result is almost always well below what any informed financial*

[80] David C. Parcell, *The Cost of Capital – A Practitioner's Guide*, Society of Utility and Regulatory Financial Analysts (2010) at 84.
[81] *Id.*
[82] Roger A. Morin, *New Regulatory Finance*, Pub. Utils. Reports, Inc. (2006) at 429.

> *analysis would regard as defensible, and therefore require an upward adjustment based largely on the expert witness's judgment. In these circumstances, we find it difficult to regard the results of a DCF computation as any more than suggestive.*[83]

FERC has also recognized the potential for any application of the DCF model to produce unreliable results.[84]

As this discussion indicates, consideration of the results of alternative approaches reduces the potential for error associated with any single method. Just as investors inform their decisions using a variety of methodologies, my evaluation of a fair ROE for the Company considers the results of multiple financial models.

Q. What does the above discussion imply with respect to estimating the ROE for a utility?

A. Although the ROE cannot be observed directly, it is a function of the returns available from other investment alternatives and the risks of the investment. Because it is not readily observable, the ROE for a particular utility must be estimated by analyzing information about capital market conditions generally, assessing the relative risks of the company specifically, and employing alternative quantitative methods that focus on investors' required rates of return. These methods typically attempt to infer investors' required rates of return from stock prices, interest rates, or other capital market data.

[83] *Ind. Michigan Power Co.*, Cause No. 38728, 116 PUR4th, 1, 17-18 (IURC 8/24/1990).
[84] *Coakley v. Bangor Hydro-Elec. Co.*, Opinion No. 531, 147 FERC ¶ 61,234 at P 41 (2014).

B. Discounted Cash Flow Analyses

Q. How is the DCF model used to estimate the cost of common equity?

A. DCF models assume that the price of a share of common stock is equal to the present value of the expected cash flows (i.e., future dividends and stock price) that will be received while holding the stock, discounted at investors' required rate of return. Rather than developing annual estimates of cash flows into perpetuity, the DCF model can be simplified to a "constant growth" form[85]:

$$k_e = \frac{D_1}{P_0} + g$$

where: k_e = Cost of equity;

D_1 = Expected dividend per share in the coming year;

P_0 = Current price per share; and,

g = Investors' long-term growth expectations.

This constant growth form of the DCF model recognizes that the rate of return to stockholders consists of two parts: 1) dividend yield (D_1/P_0); and 2) growth (g). In other words, investors expect to receive a portion of their total return in the form of current dividends and the remainder through price appreciation.

[85] The constant growth DCF model is dependent on a number of strict assumptions, which in practice are never met. These include a constant growth rate for both dividends and earnings; a stable dividend payout ratio; the discount rate exceeds the growth rate; a constant growth rate for book value and price; a constant earned rate of return on book value; no sales of stock at a price above or below book value; a constant price-earnings ratio; a constant discount rate (*i.e.*, no changes in risk or interest rate levels and a flat yield curve); and all the above extend to infinity. Nevertheless, the DCF method provides a workable and practical approach to estimate investors' required return that is widely referenced in utility ratemaking.

Q. What steps are required to apply the constant growth DCF model?

A. The first step is to determine the expected dividend yield (D_1/P_0) for the firm in question. This is usually calculated based on an estimate of dividends to be paid in the coming year divided by the current price of the stock. The second, and more controversial, step is to estimate investors' long-term growth expectations (g) for the firm. The final step is to add the firm's dividend yield and estimated growth rate to arrive at an estimate of its cost of common equity.

Q. How do you determine the dividend yield?

A. I rely on Value Line's estimates of dividends to be paid by each of these utilities over the next twelve months as D_1. This annual dividend is then divided by a 30-day average stock price for each utility to arrive at the expected dividend yield. The expected dividends, stock prices, and resulting dividend yields for the firms in the Utility Group are presented on page 1 of PNM Exhibit AMM-6. As shown there, dividend yields for the firms in the Utility Group ranged from 2.1% to 4.8% and averaged 3.1%.

Q. How do you evaluate long-term growth expectations?

A. In constant growth DCF theory, earnings, dividends, book value, and market price are all assumed to grow in lockstep, and the growth horizon of the DCF model is infinite. But implementation of the DCF model is not a theoretical exercise; it is an attempt to replicate the mechanism investors used to arrive at observable stock

prices. A variety of techniques can be used to derive growth rates, but the only "*g*" that matters in applying the DCF model is the value that investors expect.

Q. What are investors most likely to consider in developing their long-term growth expectations?

A. In the case of utilities, growth in DPS is not likely to provide a meaningful guide to investors' current growth expectations. Utility dividend policies reflect the need to accommodate business risks and investment requirements in the industry, as well as potential uncertainties in the capital markets. As a result, dividend growth in the utility industry generally lags growth in earnings as utilities conserve financial resources.

A measure that plays a pivotal role in determining investors' long-term growth expectations is future trends in EPS, which provide the source for future dividends and ultimately support share prices. The importance of earnings in evaluating investors' expectations and requirements is well accepted in the investment community, and surveys of analytical techniques relied on by professional analysts indicate that growth in earnings is far more influential than trends in DPS.

The availability of projected EPS growth rates also is key to investors relying on this measure as compared to future trends in DPS. Apart from Value Line, investment advisory services do not generally publish comprehensive DPS growth

projections, and this scarcity of dividend growth rates relative to the abundance of earnings forecasts attests to their relative influence. The fact that securities analysts focus on EPS growth, and that DPS growth rates are not routinely published, indicates that projected EPS growth rates are likely to provide a superior indicator of the future long-term growth expected by investors.

Q. Do the EPS growth rate projections of security analysts also consider historical trends?

A. Yes. Professional security analysts study historical trends extensively in developing their projections of future earnings. To the extent there is any useful information in historical patterns, that information is incorporated into analysts' EPS growth forecasts.

Q. What EPS growth rates are security analysts currently projecting for the firms in the Utility Group?

A. The earnings growth projections for each of the firms in the Utility Group reported by IBES,[86] S&P Capital IQ, Value Line and Zacks are displayed on page 2 of PNM Exhibit AMM-6.

[86] Formerly I/B/E/S International, Inc., IBES growth rates are now compiled and published by LSEG.

Q. How else are investors' expectations of future long-term growth prospects sometimes estimated when applying the constant growth DCF model?

A. In constant growth theory, growth in book equity will be equal to the product of the earnings retention ratio (one minus the dividend payout ratio) and the earned rate of return on book equity. Furthermore, if the earned rate of return and the payout ratio are constant over time, growth in earnings and dividends will be equal to growth in book value. Despite the fact that these conditions are never met in practice, this "sustainable growth" approach may provide a rough guide for evaluating a firm's growth prospects.

The sustainable growth rate is calculated by the formula, g = br+sv, where "b" is the expected retention ratio, "r" is the expected earned return on equity, "s" is the percent of common equity expected to be issued annually as new common stock, and "v" is the equity accretion rate. Under DCF theory, the "sv" factor is a component of the growth rate designed to capture the impact of issuing new common stock at a price above, or below, book value. The sustainable, "br+sv" growth rates for each firm in the proxy groups are summarized on page 2 of PNM Exhibit AMM-6, with the underlying details being presented on PNM Exhibit AMM-7.

The sustainable growth rate analysis shown on PNM Exhibit AMM-7 incorporates an "adjustment factor" because Value Line's reported returns are based on year-end

book values. Since earnings are a flow over the year while book value is determined at a given point in time, the measurement of earnings and book value are distinct concepts. This fundamental difference between a flow (earnings) and point estimate (book value) makes it necessary to adjust to mid-year in calculating the ROE. Given that book value will increase or decrease over the year, using year-end book value (as Value Line does) understates or overstates the average investment that corresponds to the flow of earnings. To address this concern, earnings must be matched with a corresponding representative measure of book value, or the resulting ROE will be distorted. The adjustment factor shown on PNM Exhibit AMM-7 is solely a means of converting Value Line's end-of-period values to an average return over the year, and the formula for this adjustment is supported in recognized textbooks and has been adopted by other regulators.[87]

Q. Are there significant shortcomings associated with the "br+sv" growth rate?

A. Yes. First, in order to calculate the sustainable growth rate, it is necessary to develop estimates of investors' expectations for four separate variables; namely, "b", "r", "s", and "v." Given the inherent difficulty in forecasting each parameter and the difficulty of estimating the expectations of investors, the potential for measurement error is significantly increased when using four variables, as opposed to referencing a direct projection for EPS growth. Second, empirical research in the finance literature indicates that sustainable growth rates are not as significantly

[87] *See,* Roger A. Morin, *New Regulatory Finance*, Pub. Utils. Reports, Inc. (2006) at 305-306; *Bangor Hydro-Electric Co. et al*., 122 FERC ¶ 61,265 at n.12 (2008).

correlated to measures of value, such as share prices, as are analysts' EPS growth forecasts.[88] The "sustainable growth" approach is included for completeness, but evidence indicates that analysts' forecasts provide a superior and more direct guide to investors' growth expectations. Accordingly, I give less weight to cost of equity estimates based on br+sv growth rates in evaluating the results of the DCF model.

Q. What cost of common equity estimates were implied for the Utility Group using the DCF model?

A. After combining the dividend yields and respective growth projections for each utility, the resulting cost of common equity estimates are shown on page 3 of Exhibit AMM-6.

Q. In evaluating the results of the constant growth DCF model, is it appropriate to eliminate illogical estimates?

A. Yes. It is essential that the cost of equity estimates produced by quantitative methods pass fundamental tests of reasonableness and economic logic. Accordingly, DCF estimates that are implausibly low or high should be eliminated.

Q. How do you evaluate DCF estimates at the low end of the range?

A. My evaluation of DCF estimates at the low end of the range is based on the fundamental risk-return tradeoff. As explained earlier, this holds that investors will

[88] Roger A. Morin, *New Regulatory Finance*, Pub. Utils. Reports, Inc. (2006) at 307.

only assume more risk if they expect to earn a higher rate of return to compensate for the greater uncertainty. Because common stocks lack the protections associated with an investment in long-term bonds, a utility's common stock imposes far greater risks on investors. As a result, the rate of return that investors require from a utility's common stock is considerably higher than the yield offered by senior, long-term debt. Consistent with this principle, DCF results that are not sufficiently higher than the yield available on less risky utility bonds must be eliminated.

Q. Have similar tests been applied by regulators?

A. Yes. FERC has noted that adjustments are justified where applications of the DCF approach and other methods produce illogical results. FERC evaluates low-end DCF results against observable yields on long-term public utility debt and has recognized that it is appropriate to eliminate estimates that do not sufficiently exceed this threshold.[89] FERC's current practice is to exclude low-end cost of estimates that fall below the six-month average yield on Baa-rated utility bonds, plus 20% of the CAPM market risk premium.[90] In addition, FERC also excludes estimates that are "irrationally or anomalously high."[91]

[89] See, *Ass'n of Bus. Advocating Tariff Equity v. Midcontinent Indep. Sys. Operator, Inc.*, Opinion No. 569, 169 FERC ¶ 61,129 at PP 387, 388 (2019).
[90] Based on the six-month average yield at November 2025 of 5.92% and the 7.4% market risk premium shown on Exhibit AMM)-8, this implies a current low-end threshold of approximately 7.5%.
[91] *Ass'n of Bus. Advocating Tariff Equity v. Midcontinent Indep. Sys. Operator, Inc.*, Opinion No. 569-A, 171 FERC ¶ 61,154 at P 152 (2020).

Q. Do you exclude any estimates at the low or high end of the range of DCF results?

A. Yes. As highlighted on page 3 of PNM Exhibit AMM-6, I eliminate six low-end DCF estimates ranging from -6.9% to 7.3%. I also eliminated three high-end estimates ranging from 14.8% to 15.4%. After removing these values, the lower end of the DCF results is set by a cost of equity estimate of 7.9%, while the upper end is established by a cost of equity estimate of 13.6%. While a cost of equity estimate of 13.6% exceeds the other values, retained low-end DCF estimates in the 7.9% to 8.0% range are assuredly far below investors' required rate of return. Taken together and considered along with the balance of the results, the remaining values provide a reasonable basis on which to frame the range of plausible DCF estimates and evaluate investors' required rate of return.

Q. What ROE estimates are implied by your DCF results for the Utility Group?

A. As shown on page 3 of PNM Exhibit AMM-6 and summarized in PNM Table AMM-4, application of the constant growth DCF model results in the following ROE estimates:

PNM Table AMM-4
DCF Results – Utility Group

Growth Rate	Average	Median
IBES	10.9%	10.9%
S&P Capital IQ	11.0%	11.0%
Value Line	9.9%	9.6%
Zacks	10.5%	10.3%
br + sv	9.2%	9.0%

C. Capital Asset Pricing Model

Q. Please describe the CAPM.

A. The CAPM is a theory of market equilibrium that measures risk using the beta coefficient. Assuming investors are fully diversified, the relevant risk of an individual asset (e.g., common stock) is its volatility relative to the market as a whole, with beta reflecting the tendency of a stock's price to follow changes in the market. A stock that tends to respond less to market movements has a beta less than 1.0, while stocks that tend to move more than the market have betas greater than 1.0. The CAPM is mathematically expressed as:

$$R_j = R_f + \beta_j(R_m - R_f)$$

where: R_j = required rate of return for stock j;

R_f = risk-free rate;

R_m = expected return on the market portfolio; and,

β_j = beta, or systematic risk, for stock j.

Under the CAPM formula above, a stock's required return is a function of the risk-free rate (R_f), plus a risk premium that is scaled to reflect the relative volatility of a firm's stock price, as measured by beta (β). Like the DCF model, the CAPM is an *ex-ante,* or forward-looking model based on expectations of the future. As a result, to produce a meaningful estimate of investors' required rate of return, the CAPM must be applied using estimates that reflect the expectations of actual investors in the market, not with backward-looking, historical data.

Q. Why is the CAPM approach a relevant component when evaluating the cost of equity for PNM?

A. The CAPM approach generally is considered to be the most widely referenced method for estimating the cost of equity among academicians and professional practitioners, with the pioneering researchers of this method receiving the Nobel Prize in 1990. Because this is the dominant model for estimating the cost of equity outside the regulatory sphere, the CAPM provides important insight into investors' required rate of return for utility stocks.

Q. How do you apply the CAPM to estimate the ROE?

A. PNM Exhibit AMM-8 applies the CAPM to the Utility Group based on a forward-looking estimate for investors' required rate of return from common stocks. To capture the expectations of today's investors in current capital markets, the expected market rate of return is estimated by conducting a DCF analysis on the dividend paying firms in the S&P 500.

The expected dividend yield for each firm is obtained from Value Line, and the growth rate is equal to the average of the earnings growth projections for each firm published by IBES, Value Line and Zacks, with each firm's dividend yield and growth rate being weighted by its proportionate share of total market value. After removing companies with growth rates that were negative or greater than 20%, the weighted average of the projections for the individual firms implies an average

growth rate of 12.0%. Combining this average growth rate with a year-ahead dividend yield of 1.3% results in a current cost of common equity estimate for the market as a whole (R_m) of 13.3%. Subtracting a 4.9% risk-free rate based on the average yield on 30-year Treasury bonds for the six-months ending July 2026 produced a market equity risk premium of 8.4%.

Q. What beta values do you use?

A. As indicated earlier in my discussion of risk measures for the proxy groups, I relied on the beta values reported by Value Line, which in my experience is the most widely referenced source for beta in regulatory proceedings. As noted in *New Regulatory Finance*:

> *Value Line is the largest and most widely circulated independent investment advisory service, and influences the expectations of a large number of institutional and individual investors. … Value Line betas are computed on a theoretically sound basis using a broadly based market index, and they are adjusted for the regression tendency of betas to converge to 1.00.*[92]

Q. What else should be accounted for when using the CAPM?

A. Financial research indicates that the CAPM does not fully account for observed differences in rates of return attributable to firm size. Accordingly, a modification is required to account for this size effect. As explained by Morningstar:

> *One of the most remarkable discoveries of modern finance is the finding of a relationship between firm size and return. On average, small companies have higher returns than large ones. . . . The relationship between firm size and return cuts across the entire size spectrum; it is not restricted to the smallest stocks.*[93]

[92] Roger A. Morin, *New Regulatory Finance*, Pub. Utils. Reports (2006) at 71.
[93] Morningstar, *2015 Ibbotson SBBI Classic Yearbook*, at 99.

According to the CAPM, the expected return on a security should consist of the riskless rate, plus a premium to compensate for the systematic risk of the particular security. The degree of systematic risk is represented by the beta coefficient. The need for the size adjustment arises because differences in investors' required rates of return that are related to firm size are not fully captured by beta. To account for this, researchers have developed size adjustments that account for the level of a firm's market capitalization in determining the CAPM cost of equity.[94]

Q. What is the basis for the size adjustment?

A. The size adjustment reflects that, after accounting for risk differences reflected in beta, the CAPM tends to overestimate returns for large companies and underestimate them for smaller firms. The size adjustments are sourced from Kroll, which now publishes the well-known compilation of capital market series originally developed by Professor Roger G. Ibbotson of the Yale School of Management. Calculation of the size adjustments involve the following steps:

1. Divide all stocks traded on the NYSE, NYSE MKT, and NASDAQ indices into deciles based on their market capitalization.
2. Using the average beta value for each decile, calculate the implied excess return over the risk-free rate using the CAPM.

[94] Originally compiled by Ibbotson Associates and published in their annual yearbook entitled, *Stocks, Bonds, Bills and Inflation*, these size premia are now developed by Kroll and made available through its *Cost of Capital Navigator*.

3. Compare the calculated excess returns based on the CAPM to the actual excess returns for each decile, with the difference being the increment of return that is related to firm size, or "size adjustment."

New Regulatory Finance observed that "small market-cap stocks experience higher returns than large market-cap stocks with equivalent betas," and concluded that "the CAPM understates the risk of smaller utilities, and a cost of equity based purely on a CAPM beta will therefore produce too low an estimate."[95] As FERC has recognized, "[t]his type of size adjustment is a generally accepted approach to CAPM analyses."[96]

Q. What is the implied ROE for the Utility Group using the CAPM approach?

A. As shown on PNM Exhibit AMM-8, the CAPM approach implies an average ROE for the Utility Group of 11.4%, or 11.7% after adjusting for the impact of firm size.

D. Utility Risk Premium

Q. Briefly describe the risk premium method.

A. The risk premium method extends the risk-return tradeoff observed with bonds to estimate investors' required rate of return on common stocks. The cost of equity is estimated by first determining the additional return investors require to forgo the relative safety of bonds and to bear the greater risks associated with common stock, and by then adding this equity risk premium to the current yield on bonds. Like the

[95] Roger A. Morin, *New Regulatory Finance*, Pub. Utils. Reports, Inc. (2006) at 187.
[96] *Coakley v. Bangor Hydro-Elec. Co.*, Opinion No. 531-B, 150 FERC ¶ 61,165 at P 117 (2015).

DCF model, the risk premium method is capital market oriented. However, unlike DCF models, which indirectly impute the cost of equity, risk premium methods directly estimate investors' required rate of return by adding an equity risk premium to observable bond yields.

Q. Is the risk premium approach a widely accepted method for estimating the cost of equity?

A. Yes. This method is routinely referenced by the investment community and in academia and regulatory proceedings and provides an important tool in estimating a just and reasonable ROE for PNM.

Q. How do you implement the risk premium method?

A. Estimates of equity risk premiums for utilities are based on surveys of previously authorized ROEs. Authorized ROEs presumably reflect regulatory commissions' best estimates of the cost of equity, however determined, at the time they issued their final order. Such ROEs should represent a balanced and impartial outcome that considers the need to maintain a utility's financial integrity and ability to attract capital. Allowed returns are also an important consideration for investors and have the potential to influence other observable investment parameters, including credit ratings and borrowing costs. Thus, when considered in the context of a complete and rigorous analysis, this data provides a logical and frequently referenced basis for estimating equity risk premiums for regulated utilities.

Q. How do you calculate equity risk premiums based on allowed returns?

A. The ROEs authorized for electric utilities by regulatory commissions across the U.S. are compiled by RRA. On page 2 of PNM Exhibit AMM-9, the average yield on public utility bonds is subtracted from the average allowed ROE for electric utilities to calculate equity risk premiums for each year between 1974 and 2025.[97] As shown there, over this period these equity risk premiums for electric utilities average 3.91%, and the yields on public utility bonds average 7.70%.

Q. What capital market relationship must be considered when implementing the risk premium method?

A. Equity risk premiums are not constant and tend to move inversely with interest rates. In other words, when interest rate levels are relatively high, equity risk premiums narrow, and when interest rates are relatively low, equity risk premiums widen. The implication of this inverse relationship is that the cost of equity does not move as much as, or in lockstep with, interest rates. Accordingly, for a 1% increase or decrease in interest rates, the cost of equity may only rise or fall some fraction of 1%. When implementing the risk premium method, adjustments are required to incorporate this inverse relationship if the current interest rate is different from the average interest rate represented in the data set.

[97] My analysis encompasses the entire period for which published data is available.

Current bond yields are lower than those prevailing over the risk premium study periods. Given that equity risk premiums move inversely with interest rates, these lower bond yields imply an increase in the equity risk premium. In other words, higher required equity risk premiums partially offset the impact of declining interest rates on the ROE.

Q. Is this inverse relationship confirmed by published financial research?

A. Yes. The inverse relationship between equity risk premiums and interest rates has been widely reported in the financial literature. As summarized by *New Regulatory Finance*:

> *Published studies by Brigham, Shome, and Vinson (1985), Harris (1986), Harris and Marston (1992, 1993), Carleton, Chambers, and Lakonishok (1983), Morin (2005), and McShane (2005), and others demonstrate that, beginning in 1980, risk premiums varied inversely with the level of interest rates – rising when rates fell and declining when rates rose.*[98]

Other regulators have also recognized that, while the cost of equity trends in the same direction as interest rates, these variables do not move in lockstep.[99] This relationship is illustrated in the figure on page 3 of PNM Exhibit AMM-9.

[98] Roger A. Morin, *New Regulatory Finance*, Pub. Utils. Reports (2006) at 128.
[99] *See, e.g.*, California Public Utilities Commission, Decision 08-05-035 (May 29, 2008); Entergy Mississippi Formula Rate Plan Rider Schedule FRP-7 (Third Revised), https://www.entergymississippi.com/wp-content/uploads/eml_frp.pdf (last visited Aug. 24, 2026); *Coakley v. Bangor Hydro-Elec. Co.*, Opinion No. 531, 147 FERC ¶ 61,234 at P 147 (2014).

Q. What ROE is implied by the risk premium method using surveys of allowed returns?

A. Based on the regression output between the interest rates and equity risk premiums displayed on page 3 of PNM Exhibit AMM-9, the equity risk premium for electric utilities increases by approximately 42 basis points for each percentage point drop in the yield on average public utility bonds. As illustrated on page 1 of PNM Exhibit AMM-9, with an average yield on public utility bonds for the six-months ending July 2026 of 5.84%, this implies a current equity risk premium of 4.69% for electric utilities. Adding this equity risk premium to the average yield on utility bonds results in a current ROE of 10.53%.

E. Expected Earnings Approach

Q. What other analysis do you conduct to estimate the ROE?

A. I also evaluate the ROE using the expected earnings method. Reference to rates of return available from alternative investments of comparable risk can provide an important benchmark in assessing the return necessary to assure confidence in the financial integrity of a firm and its ability to attract capital. This expected earnings approach is consistent with the economic underpinnings for a just and reasonable rate of return established in *Bluefield* and *Hope*. Moreover, it avoids the complexities and limitations of capital market methods and instead focuses on the returns earned on book equity, which are readily available to investors.

Q. What economic premise underlies the expected earnings approach?

A. The expected earnings approach is based on the based on the concept that investors compare each investment alternative with the next best opportunity. If the utility is unable to offer a return similar to that available from other opportunities of comparable risk, investors will become unwilling to supply the capital on reasonable terms. For existing investors, denying the utility an opportunity to earn what is available from other similar risk alternatives prevents them from earning their opportunity cost of capital. This outcome would violate the *Hope* and *Bluefield* standards and undermine the utility's access to capital on reasonable terms.

Q. How is the expected earnings approach typically implemented?

A. The traditional comparable earnings test identifies a group of companies that are believed to be comparable in risk to the utility. The actual earnings of those companies on the book value of their investment are then compared to the allowed return of the utility. While the traditional comparable earnings test is implemented using historical data taken from the accounting records, it is also common to use projections of returns on book investment, such as those published by recognized investment advisory publications (*e.g.*, Value Line). Because these returns on book value equity are analogous to the forward-looking ROE allowed on a utility's rate base, this measure of opportunity costs results in a direct, "apples to apples" comparison.

Q. What other consideration supports reference to expected returns on book value?

A. Regulators do not set the returns that investors earn in the capital markets, which are a function of dividend payments and fluctuations in common stock prices, both of which are outside their control. Regulators can only establish the allowed ROE, which is applied to the book value of a utility's investment in rate base, as determined from its accounting records. This is analogous to the expected earnings approach, which measures the return that investors expect the utility to earn on book value. As a result, the expected earnings approach provides a meaningful guide to ensure that the allowed ROE is similar to what other utilities of comparable risk will earn on invested capital. This expected earnings test does not require theoretical models to indirectly infer investors' perceptions from stock prices or other market data. As long as the proxy companies are similar in risk, their expected earned returns on invested capital provide a direct benchmark for investors' opportunity costs that is independent of the limitations inherent in any theoretical model of investor behavior.

Q. What ROE is indicated for PNM based on the expected earnings approach?

A. For the firms in the Utility Group, the year-end returns on common equity projected by Value Line over its forecast horizon are shown on PNM Exhibit AMM-10. As I explained earlier in my discussion of the br+sv growth rates used in applying the DCF model, Value Line's returns on common equity are calculated using year-end

equity balances, which understates the average return earned over the year.[100] Accordingly, these year-end values were converted to average returns using the same adjustment factor discussed earlier and developed on PNM Exhibit AMM-7. As shown on PNM Exhibit AMM-10, Value Line's projections suggest an average ROE of 11.2% for the Utility Group.

VI. CONCLUSION

Q. Please summarize your testimony.

A. My testimony sets out the principles of financial theory that underly any comprehensive analysis of the appropriate ROE and capital structure for a regulated utility subsidiary of a public utility holding company, such as PNM. I provide an in-depth analysis to develop a range of ROE values for PNM, using industry standard methodologies commonly employed in regulatory proceedings. I also evaluate the reasonableness of the capital structure requested by PNM, with specific emphasis on industry guidelines and the imperative of ensuring that the Company can maintain its financial integrity and credit standing.

I conclude that the cost of equity falls in the range of 9.9% to 10.9% and that the 10.4% midpoint of this range represents a just and reasonable ROE that is adequate to compensate PNM's investors, while maintaining the Company's financial

[100] For example, to compute the annual return on a passbook savings account with a beginning balance of $1,000 and an ending balance of $5,000, the interest income would be divided by the average balance of $3,000. Using the $5,000 balance at the end of the year would understate the actual return.

integrity and ability to attract capital on reasonable terms. I recognize that the Company is ultimately proposing an ROE of 9.90%, which falls at the low end of the acceptable range I have developed. I also conclude that the Test Period capital structure, consisting of 47.81% long-term debt, 0.19% preferred stock, and 52% common equity, is consistent with industry benchmarks for a regulated utility such as PNM, particularly in light of the Company's intensive capital investment program in the upcoming years.

Q. Does this conclude your Direct Testimony?

A. Yes, it does.

GCG#536194

PNM Exhibit AMM-1

Statement of Qualifications

Is contained in the following 20 pages.

QUALIFICATIONS OF ADRIEN M. MCKENZIE

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Adrien M. McKenzie. My business address is 3907 Red River Street, Austin, Texas 78751.

Q. PLEASE STATE YOUR OCCUPATION.

A. I am a principal in FINCAP, Inc., a firm engaged primarily in financial, economic, and policy consulting in the field of public utility regulation.

Q. PLEASE DESCRIBE YOUR QUALIFICATIONS AND EXPERIENCE.

A. I received B.A. and M.B.A. degrees with a major in finance from The University of Texas at Austin and hold the Chartered Financial Analyst (CFA®) designation. Since joining FINCAP in 1984, I have participated in consulting assignments involving a broad range of economic and financial issues, including cost of capital, cost of service, rate design, economic damages, and business valuation. I have extensive experience in economic and financial analysis for regulated industries, and in preparing and supporting expert witness testimony before courts, regulatory agencies, and legislative committees throughout the U.S. and Canada. I have personally sponsored direct and rebuttal testimony in more than 250 proceedings filed with the Federal Energy Regulatory Commission ("FERC") and regulatory agencies in Alaska, Arkansas, Colorado, District of Columbia, Florida, Hawaii, Idaho, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Michigan, Montana, Nebraska, New Mexico, Ohio, Oklahoma, Oregon, South Dakota, Texas, Virginia, Washington, West Virginia, and Wyoming. My testimony has addressed the establishment of risk-comparable proxy groups, the application of alternative quantitative methods, and the consideration of regulatory standards and policy objectives in establishing a fair rate of

QUALIFICATIONS OF ADRIEN M. MCKENZIE

return on common equity for regulated electric, gas, and water utility operations. In connection with these assignments, my responsibilities have included critically evaluating the positions of other parties and preparation of rebuttal testimony, representing clients in settlement negotiations and hearings, and assisting in the preparation of legal briefs.

FINCAP was formed in 1979 as an economic and financial consulting firm serving clients in both the regulated and competitive sectors. FINCAP conducts assignments ranging from broad qualitative analyses and policy consulting to technical analyses and research. The firm's experience is in the areas of public utilities, valuation of closely-held businesses, and economic evaluations (e.g., damage and cost/benefit analyses). Prior to joining FINCAP, I was employed by an oil and gas firm and was responsible for operations and accounting. I am a member of the CFA Institute. A resume containing the details of my qualifications and experience is attached below.

QUALIFICATIONS OF ADRIEN M. MCKENZIE

ADRIEN M. McKENZIE

FINCAP, INC.
Financial Concepts and Applications
Economic and Financial Counsel

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amm.fincap@outlook.com

Summary of Qualifications

Adrien McKenzie has over 35 years of experience in economic and financial analysis for regulated industries, and in preparing and supporting expert witness testimony before regulatory agencies, courts, and legislative committees throughout the U.S. and Canada. Assignments have included a broad range of economic and financial issues, including cost of capital, cost of service, rate design, economic damages, and business valuation. Mr. McKenzie holds the Chartered Financial Analyst (CFA®) designation and earned an MBA in finance from the University of Texas at Austin.

Employment

President FINCAP, Inc. (June 1984 to June 1987) (April 1988 to present)	Economic consulting firm specializing in regulated industries and valuation of closely-held businesses. Assignments have involved electric, gas, telecommunication, and water/sewer utilities, with clients including utilities, consumer groups, municipalities, regulatory agencies, and cogenerators. Areas of participation have included rate of return, revenue requirements, rate design, tariff analysis, avoided cost, forecasting, and negotiations. Develop cost of capital analyses using alternative market models for electric, gas, and telephone utilities. Prepare pre-filed direct and rebuttal testimony, participate in settlement negotiations, respond to interrogatories, evaluate opposition testimony, and assist in the areas of cross-examination and the preparations of legal briefs. Other assignments have involved preparation of technical reports, valuations, estimation of damages, industry studies, and various economic analyses in support of litigation.
Manager, McKenzie Energy Company (Jan. 1981 to May. 1984)	Responsible for operations and accounting for firm engaged in the management of working interests in oil and gas properties.

QUALIFICATIONS OF ADRIEN M. MCKENZIE

Education

M.B.A., Finance, University of Texas at Austin (Sep. 1982 to May. 1984)	Program included coursework in corporate finance, accounting, financial modeling, and statistics. Received Dean's Award for Academic Excellence and Good Neighbor Scholarship. Professional Report: *The Impact of Construction Expenditures on Investor-Owned Electric Utilities*
B.B.A., Finance, University of Texas at Austin (Jan. 1981 to May 1982)	Electives included capital market theory, portfolio management, and international economics and finance. Elected to Beta Gamma Sigma business honor society. Dean's List 1981-1982.
Simon Fraser University, Vancouver, Canada and University of Hawaii at Manoa, Honolulu, Hawaii (Jan. 1979 to Dec 1980)	Coursework in accounting, finance, economics, and liberal arts.

Professional Associations

Received Chartered Financial Analyst (CFA®) designation in 1990.

Member – CFA Institute.

Bibliography

"A Profile of State Regulatory Commissions," A Special Report by the Electricity Consumers Resource Council (ELCON), Summer 1991.

"The Impact of Regulatory Climate on Utility Capital Costs: An Alternative Test," with Bruce H. Fairchild, *Public Utilities Fortnightly* (May 25, 1989).

Presentations

"ROE at FERC: Issues and Methods," *Expert Briefing on Parallels in ROE Issues between AER, ERA, and FERC*, Jones Day (Sydney, Melbourne, and Perth, Australia) (April 15, 2014).

Cost of Capital Working Group eforum, Edison Electric Institute (April 24, 2012).

"Cost-of-Service Studies and Rate Design," General Management of Electric Utilities (A Training Program for Electric Utility Managers from Developing Countries), Austin, Texas (October 1989 and November 1990 and 1991).

QUALIFICATIONS OF ADRIEN M. MCKENZIE

Representative Assignments

- Mr. McKenzie has prepared and sponsored prefiled testimony submitted in over 200 regulatory proceedings.
- In addition to filings before regulatory agencies in Alaska, Arkansas, Colorado, District of Columbia, Florida, Hawaii, Idaho, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Michigan, Montana, Nebraska, New Mexico, Ohio, Oklahoma, Oregon, South Dakota, Texas, Virginia, Washington, West Virginia, and Wyoming, Mr. McKenzie has considerable expertise in preparing expert analyses and testimony before the Federal Energy Regulatory Commission.
- Evaluation of fair rate of return on equity for electric, gas, water, sewer, and telephone utilities, as well as natural gas pipelines.
- Analysis of capital structure issues for regulated utilities.
- Developing cost of service, cost allocation, and rate design studies.
- Design and development of explanatory models for nuclear plant capital costs in connection with prudency reviews.
- Analysis of avoided cost pricing for cogenerated power.
- Application of econometric models to analyze the impact of anti-competitive behavior, theft of trade secrets, and estimate lost profits.
- Valuation of closely-held businesses.

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TESTIMONY BEFORE REGULATORY AGENCIES

No.	Utility Case	Agency	Docket	Date	Subject of Testimony
1.	Cavallo Pipeline Co.	Texas RRC	7086	Sep-88	Rate of Return
2.	Morgas Co.	Texas RRC	7538	Aug-89	Cost of Service
3.	Amoco Gas Co.	Texas RRC	7550	Oct-89	Cost of Service
4.	San Jacinto Gas Transmission Co.	Texas RRC	7865	Dec-90	Rate of Return
5.	East Texas Gas Systems	Texas RRC	7863	Dec-90	Rate of Return
6.	Public Service Company of Colorado *	FERC	ER12-1589	Dec-13 Jan-14 Apr-14	Rate of Return on Equity
7.	Midwest Independent System Operator, *et al.* *	FERC	EL14-12	Jan-14 Feb-14 Apr-19	Rate of Return on Equity
8.	Atmos Energy Corporation *	Kansas SCC	12-ATMG	Jan-14 Jun-14	Rate of Return on Equity
9.	Avista Corp.	Washington UTC	UE-14-0188 UG-14-0189	Jan-14	Rate of Return on Equity
10.	Black Hills Power, Inc.	Wyoming PSC	20002-91-ER-14	Jan-14	Rate of Return on Equity
11.	Niagara Mohawk Power Corp.*	FERC	EL14-29	Feb-14	Rate of Return on Equity
12.	Cheyenne Light, Fuel and Power Co.*	FERC	ER14-1425	Mar-14	Rate of Return on Equity
13.	MidAmerican Central California Transco, LLC*	FERC	ER14-1661	Apr-14	Rate of Return on Equity
14.	Black Hills Kansas Gas Utility Co.	Kansas SCC	14-BHCG-502-RTS	Apr-14 Oct-14	Rate of Return on Equity
15.	NorthWestern Energy	Montana PSC	D2013.12.85	May-14	Rate of Return on Equity
16.	Avista Corp.	Oregon PUC	UG-284	Aug-14	Rate of Return on Equity
17.	Entergy Arkansas, Inc.*	FERC	ER13-1508-001	Sep-14 Dec-14 Ju1-19	Rate of Return on Equity
18.	Xcel Energy Southwest Transmission Co. LLC	FERC	ER14-2751	Sep-14	Rate of Return on Equity
19.	Bangor Hydro-Electric Co., *et al.**	FERC	EL14-86	Sep-14	Rate of Return on Equity

* Joint testimony with Dr. William E. Avera

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TESTIMONY BEFORE REGULATORY AGENCIES

No.	Utility Case	Agency	Docket	Date	Subject of Testimony
20.	Duke Energy Florida*	FERC	EL14-90	Sep-14	Rate of Return on Equity
21.	Westar Energy, Inc.	FERC	EL14-93	Sep-14	Rate of Return on Equity
22.	Kentucky Utilities Co.*	Kentucky PSC	2014-00371	Nov-14 Apr-15	Rate of Return on Equity
23.	Louisville Gas & Electric Co.*	Kentucky PSC	2014-00372	Nov-14 Apr-15	Rate of Return on Equity
24.	Southwestern Public Service Co.	FERC	EL15-8	Nov-14 Jun-15	Rate of Return on Equity
25.	New York Transco, LLC*	FERC	EL15-572	Dec-14	Rate of Return on Equity
26.	NorthWestern Energy	South Dakota PUC	EL14-106	Dec-14	Rate of Return on Equity
27.	Kentucky Power Co.*	Kentucky PSC	2014-00396	Dec-14	Rate of Return on Equity
28.	Maui Electric Company*	Hawaii PUC	14-0318	Dec-14	Diversification and Cost of Capital
29.	Transource Kansas, LLC	FERC	ER15-958	Jan-15	Rate of Return on Equity
30.	Avista Corp.	Washington UTC	UE-15-0204 UG-15-0205	Feb-15	Rate of Return on Equity
31.	Mountaineer Gas Co.	West Virginia PSC	15-0003-G-42T	Feb-15 Jul-15	Rate of Return on Equity
32.	Southwestern Public Service Co.	FERC	EL12-59 EL13-78	Feb-15 Apr-15	Rate of Return on Equity
33.	Midwest Independent System Operator, et al.	FERC	EL15-45	Mar-15 Dec-15 Jan-16 Feb-19 Apr-19	Rate of Return on Equity
34.	R.E. Ginna Nuclear Power Plant, LLC	FERC	EL15-1719	May-15	Rate of Return on Equity
35.	Avista Corp.	Oregon PUC	UG-288	May-15 Nov-15	Rate of Return on Equity
36.	Avista Corp.	Idaho PUC	AVU-E-15-05; AVU-G-15-01	May-15	Rate of Return on Equity

* Joint testimony with Dr. William E. Avera

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TESTIMONY BEFORE REGULATORY AGENCIES

No.	Utility Case	Agency	Docket	Date	Subject of Testimony
37.	TransCanyon DRC, LLC*	FERC	ER15-1682	May-15	Rate of Return on Equity
38.	Kentucky Utilities Company d/b/a Old Dominion Power Co.*	Virginia SCC	PUE-2015-00063	Jun-15	Rate of Return on Equity
39.	Transource West Virginia, LLC	FERC	ER15-2114	Jun-15	Rate of Return on Equity
40.	NorthWestern Energy	FERC	ER15-2069	Jun-15	Rate of Return on Equity
41.	Kanstar Transmission, LLC	FERC	ER15-2237	Jul-15	Rate of Return on Equity
42.	Pacific Gas & Electric Co.	FERC	ER15-2294	Jul-15	Rate of Return on Equity
43.	Black Hills/Nebraska Gas Utility Co., LLC	Nebraska PSC	NG-0086	Sep-15 Mar-16	Rate of Return on Equity
44.	Black Hills/Iowa Gas Utility Co., LLC	Iowa UB	SPU-2015-0028	Sep-15 Feb-16	Rate of Return on Equity
45.	Black Hills/Kansas Gas Utility Co., LLC	Kansas SCC	16-BHCG-171-TAR	Sep-15 Apr-16	Rate of Return on Equity
46.	Black Hills/Colorado Gas Utility Co., LP	Colorado PUC	15A-0867G	Sep-15	Rate of Return on Equity
47.	Black Hills/Colorado Electric Utility Co., LP	Colorado PUC	15A-0868E	Sep-15	Rate of Return on Equity
48.	Black Hills Power, Inc.	South Dakota PUC	EL15-036	Sep-15	Rate of Return on Equity
49.	Cheyenne Light, Fuel & Power Co., Black Hills Northwest Wyoming Gas Utility Co. LLC, Black Hills Power, Inc.	Wyoming PSC	20002-98-EA-15; 20003-145-EA-15; 30005-208-GA-15; 30011-92-GA-15	Sep-15 Jun-15	Rate of Return on Equity
50.	Northeast Transmission Development, LLC	FERC	ER16-453	Nov-15	Rate of Return on Equity
51.	Baltimore Gas & Electric Co.	Maryland PSC	9406	Nov-15 Mar-16 Mar-16	Rate of Return on Equity

* Joint testimony with Dr. William E. Avera

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TESTIMONY BEFORE REGULATORY AGENCIES

No.	Utility Case	Agency	Docket	Date	Subject of Testimony
52.	Duke Energy Carolinas, LLC	FERC	EL16-29	Feb-16	Rate of Return on Equity
53.	Duke Energy Progress, LLC	FERC	EL16-30	Feb-16	Rate of Return on Equity
54.	Avista Corp.	Washington UTC	UE-16-0228 UG-16-0229	Feb-16 Sep-16	Rate of Return on Equity
55.	Appalachian Power Co.	Virginia SCC	PUE-2016-0038	Mar-16 Aug-16	Rate of Return on Equity
56.	Ohio Power Co.	Ohio PUC	13-2385-EL-SSO	May-16	Rate of Return on Equity
57.	Black Hills/Colorado Electric Utility Co., LP	Colorado PUC	16AL-0326E	May-16 Sep-16	Rate of Return on Equity
58.	Avista Corp.	Idaho PUC	AVU-E-16-03	May-16	Rate of Return on Equity
59.	Central Maine Power Co., *et al.*	FERC	EL16-64	Jun-16 Mar-17 Jul-17 Sep-17 Nov-17 Jan-19	Rate of Return on Equity
60.	Westfield Gas Corp. d/b/a Citizens Gas of Westfield	Indiana URC	44731	Jun-16 Oct-16	Rate of Return on Equity
61.	Pacific Gas & Electric Co.	FERC	ER16-2320	Jul-16 Oct-17 Dec-20 Feb-21	Rate of Return on Equity
62.	Citizens Wastewater of Westfield	Indiana URC	44835	Aug-16 Jan-17	Rate of Return on Equity
63.	Hawai‘i Electric Light Co.	Hawaii PUC	2015-0170	Aug-16	Diversification and Cost of Capital
64.	Alaska Electric Light and Power Co.	RC of Alaska	U-16-086	Sep-16 Sep-17	Rate of Return on Equity
65.	NorthWestern Energy	Montana PSC	D2016.9.68	Sep-16 Apr-17	Rate of Return on Equity
66.	NextEra Energy Transmission MidAtlantic, LLC	FERC	ER16-2716	Sep-16	Rate of Return on Equity

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TESTIMONY BEFORE REGULATORY AGENCIES

No.	Utility Case	Agency	Docket	Date	Subject of Testimony
67.	NextEra Energy Transmission New York, LLC	FERC	ER16-2719	Sep-16	Rate of Return on Equity
68.	NextEra Energy Transmission Southwest, LLC	FERC	ER16-2720	Sep-16	Rate of Return on Equity
69.	DesertLink, LLC	FERC	ER17-135	Oct-16	Rate of Return on Equity
70.	Mid-Atlantic Interstate Transmission, LLC	FERC	ER17-211	Oct-16	Rate of Return on Equity
71.	Jersey Central Power & Light Co.	FERC	ER17-217	Oct-16	Rate of Return on Equity
72.	Kentucky Utilities Co.	Kentucky PSC	2016-00370	Nov-16 Apr-17	Rate of Return on Equity
73.	Louisville Gas & Electric Co.	Kentucky PSC	2016-00371	Nov-16 Apr-17	Rate of Return on Equity
74.	Transource Pennsylvania, LLC Transource Maryland, LLC	FERC	ER17-419	Nov-16	Rate of Return on Equity
75.	Avista Corp.	Oregon PUC	UG-325	Nov-16 Apr-17	Rate of Return on Equity
76.	AEP East Companies	FERC	EL17-13	Dec-16 May-18	Rate of Return on Equity
77.	Hawaiian Electric Co.	Hawaii PUC	2016-0328	Dec-16	Diversification and Cost of Capital
78.	Ohio Valley Gas Corp.	Indiana URC	44891	Dec-16 May-17	Rate of Return on Equity
79.	Indianapolis Power & Light Co.	Indiana URC	44893	Dec-16	Rate of Return on Equity
80.	Rockland Electric Co.	FERC	ER17-856	Jan-17	Rate of Return on Equity
81.	System Energy Resources, Inc.	FERC	EL17-41	Feb-17 Mar-19 Jun-19 Oct-19 Apr-20 Jul-20	Rate of Return on Equity Rate of Return on Equity Rate of Return on Equity Capital Structure Rate of Return on Equity Rate of Return on Equity

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No.	Utility Case	Agency	Docket	Date	Subject of Testimony
82.	DATC Path 15, LLC	FERC	ER17-998	Feb-17 Aug-18 Jan-19 Apr-19 Sep-20 Oct-20	Rate of Return on Equity
83.	PECO Energy Co.	FERC	ER17-1519	Apr-17 Feb-19	Rate of Return on Equity
84.	Avista Corp.	Washington UTC	UE-17-0485 UG-17-0486	May-17 Nov-17	Rate of Return on Equity
85.	Avista Corp.	Idaho PUC	AVU-E-17-01; AVU-G-17-01	Jun-17	Rate of Return on Equity
86.	Hawai‘i Electric Light Co.	Hawaii PUC	2015-0170	Jun-17	Capital Structure
87.	Kentucky Power Co.	Kentucky PSC	2017-00179	Jun-17 Oct-17	Rate of Return on Equity
88.	Public Service Co. of Oklahoma, *et al.*	FERC	EL17-76	Jul-17 Aug-18	Rate of Return on Equity
89.	Pacific Gas & Electric Co.	FERC	ER17-2154	Jul-17	Rate of Return on Equity
90.	Kentucky Utilities Company d/b/a Old Dominion Power Co.	Virginia SCC	PUR-2017-00106	Sep-17 Mar-18	Rate of Return on Equity
91.	Maui Electric Co.	Hawaii PUC	2017-0150	Sep-17	Diversification and cost of Capital
92.	Rocky Mountain Natural Gas LLC	Colorado PUC	17AL-0654G	Oct-17	Rate of Return on Equity
93.	Southwestern Electric Power Co.	FERC	EL17-85	Oct-17	Rate of Return on Equity
94.	Black Hills Northwest Wyoming Gas Utility Co., LLC	Wyoming PSC	30011-97-GR-17	Dec-17	Rate of Return on Equity
95.	Black Hills Energy – Arkansas, Inc.	Arkansas PSC	17-071-U	Dec-17 Jun-18 Aug-18	Rate of Return on Equity
96.	Indianapolis Power & Light Co.	Indiana URC	45029	Dec-17 Feb-18 Jun-18	Rate of Return on Equity
97.	Hawaiian Electric Co.	Hawaii PUC	2016-0328	Feb-18	Capital Structure

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No.	Utility Case	Agency	Docket	Date	Subject of Testimony
98.	New Mexico Gas Co.	New Mexico PRC	18-00038-UT	Feb-18	Rate of Return on Equity
99.	Oklahoma Gas and Electric Co.	FERC	EL18-58	Mar-18	Rate of Return on Equity
100.	Appalachian Power Co.	Virginia SCC	PUR-2018-00048	Mar-18 Aug-18	Rate of Return on Equity
101.	Southwestern Electric Power Co.	FERC	EL18-122	Apr-18	Rate of Return on Equity
102.	Maui Electric Co.	Hawaii PUC	2017-0150	May-18	Capital Structure
103.	System Energy Resources, Inc.	FERC	EL18-142	May-18 Mar-19	Rate of Return on Equity
104.	Appalachian Power Co.	West Virginia PSC	18-0646-E-42T	Jun-18 Oct-18	Rate of Return on Equity
105.	Baltimore Gas & Electric Co.	Maryland PSC	9406	Jun-18 Oct-18	Rate of Return on Equity
106.	Gulf Power Co.	FERC	ER18-1953	Jul-18	Rate of Return on Equity
107.	Kentucky Utilities Co.	Kentucky PSC	2018-00294	Sep-18 Feb-19	Rate of Return on Equity
108.	Louisville Gas & Electric Co.	Kentucky PSC	201-00295	Sep-18 Feb-19	Rate of Return on Equity
109.	Public Service Co. of Oklahoma	Oklahoma CC	201800097	Sep-18 Feb-19	Rate of Return on Equity
110.	NorthWestern Energy	Montana PSC	D2018.2.12	Sep-18 Apr-19	Rate of Return on Equity
111.	Upper Peninsula Power Company	Michigan PSC	U-20276	Sep-18 Mar-19	Rate of Return on Equity
112.	Public Service Co. of Oklahoma, *et al.*	FERC	EL18-199	Oct-18	Rate of Return on Equity
113.	Pacific Gas & Electric Co.	FERC	ER19-18	Oct-18	Rate of Return on Equity
114.	Tipmont Rural Electric Membership Cooperative	FERC	EL19-2	Nov-18	Wholesale Power Contracts and Credit Standing
115.	Cheyenne Light, Fuel and Power Co.	FERC	ER19-697	Dec-18	Rate of Return on Equity
116.	Hawai‘i Electric Light Co.	Hawaii PUC	2018-0368	Dec-18	Diversification and Cost of Capital

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No.	Utility Case	Agency	Docket	Date	Subject of Testimony
117.	Bangor Hydro-Electric Co., *et al.*	FERC	EL11-66	Jan-19 Mar-19 Nov-24	Rate of Return on Equity
118.	Central Maine Power Co., *et al.*	FERC	EL13-33 EL14-86	Jan-19 Mar-19	Rate of Return on Equity
119.	Black Hills Colorado Gas, Inc.	Colorado PUC	19AL-0075G	Jan-19 Jun-19	Rate of Return on Equity
120.	Midwest Independent System Operator, et al.	FERC	EL14-12	Feb-19 Apr-19	Rate of Return on Equity
121.	Mountaineer Gas Co.	West Virginia PSC	19-0316-G-42T	Mar-19 Aug-19	Rate of Return on Equity
122.	Avista Corp.	Oregon PUC	UG-366	Mar-19	Rate of Return on Equity
123.	Avista Corp.	Washington UTC	UE-190334 UG-190335	Apr-19	Rate of Return on Equity
124.	NorthWestern Energy	FERC	ER19-1756	May-19	Rate of Return on Equity
125.	Baltimore Gas & Electric Co.	Maryland PSC	9610	May-19 Oct-19	Rate of Return on Equity
126.	Tucson Electric Power Co.	FERC	ER19-2019	May-19 Apr-21	Rate of Return on Equity
127.	Avista Corp.	Idaho PUC	AVU-E-19-04	Jun-19	Rate of Return on Equity
128.	Black Hills Wyoming Gas, Inc.	Wyoming PSC	30026-2-GR-19	Jun-19 Nov-19	Rate of Return on Equity
129.	Bangor Hydro-Electric Co., et al.	FERC	PL19-4-000	Jun-19 Jul-19	Rate of Return on Equity
130.	Kentucky Utilities Company d/b/a Old Dominion Power Co.	Virginia SCC	PUR-2019-00060	Jul-19 Dec-19	Rate of Return on Equity
131.	Entergy Arkansas, Inc.	FERC	ER13-1508-001	Jul-19 Aug-19	Rate of Return on Equity
132.	Florida Power & Light Co.	FERC	ER19-2585-000	Aug-19	Rate of Return on Equity
133.	Hawaiian Electric Co.	Hawaii PUC	2019-0085	Aug-19	Diversification and Cost of Capital
134.	Hawai‘i Electric Light Co.	Hawaii PUC	2018-0368	Oct-19	Capital Structure

QUALIFICATIONS OF ADRIEN M. MCKENZIE

TESTIMONY BEFORE REGULATORY AGENCIES

No.	Utility Case	Agency	Docket	Date	Subject of Testimony
135.	Jersey Central Power & Light Co.	FERC	ER20-227	Oct-19	Rate of Return on Equity
136.	New Mexico Gas Co.	New Mexico PRC	19-00317-UT	Dec-19 Jul-20	Rate of Return on Equity
137.	DATC Path 15, LLC	FERC	ER20-1006	Feb-20	Rate of Return on Equity
138.	Dayton Power and Light Co.	FERC	ER20-1150	Mar-20	Rate of Return on Equity
139.	Baltimore Gas & Electric Co.	Maryland PSC	9645	Mar-20 Sep-20 Oct-20	Rate of Return on Equity
140.	Appalachian Power Co.	Virginia SCC	PUR-2020-00015	Mar-20 Jul-20 Aug-20	Rate of Return on Equity
141.	Black Hills Nebraska Gas, Inc.	Nebraska PSC	NG-109	Jun-20 Oct-20	Rate of Return on Equity
142.	Kentucky Power Co.	Kentucky PSC	2020-00174	Jun-20 Nov-20	Rate of Return on Equity
143.	Ohio Power Co.	Ohio PUC	20-585-EL-AIR	Jun-20 Jan-21	Rate of Return on Equity
144.	Hawaiian Electric Co., Maui Electric Co., Hawai‘i Electric Light Co.	Hawaii PUC	2018-0088	Aug-20	Cost of Capital Adjustment Mechanism
145.	Pacific Gas & Electric Co.	FERC	ER20-2878	Sep-20	Rate of Return on Equity
146.	Black Hills Colorado Gas, Inc.	Colorado PUC	20AL-0380G	Sep-20	Rate of Return on Equity
147.	Potomac Electric Co.	Maryland PSC	9655	Oct-20 Mar-21	Rate of Return on Equity
148.	Avista Corp.	Washington UTC	UE-200900 UG-200901	Oct-20 May-21	Rate of Return on Equity
149.	National Grid LNG LLC	FERC	RP21-100-000	Oct-20	Rate of Return on Equity
150.	Kentucky Utilities Co.	Kentucky PSC	2020-00349	Nov-20 Apr-21	Rate of Return on Equity
151.	Louisville Gas & Electric Co.	Kentucky PSC	2020-00350	Nov-20 Apr-21	Rate of Return on Equity

QUALIFICATIONS OF ADRIEN M. MCKENZIE

TESTIMONY BEFORE REGULATORY AGENCIES

No.	Utility Case	Agency	Docket	Date	Subject of Testimony
152.	Dayton Power and Light Co.	Ohio PUC PSC	20-1651-EL-AIR	Dec-20 Aug-21	Rate of Return on Equity
153.	Avista Corp.	Idaho PUC	AVU-E-21-01; AVU-G-21-01	Jan-21	Rate of Return on Equity
154.	Public Service Co. of Oklahoma	Oklahoma CC	202100055	Apr-21 Aug-21	Rate of Return on Equity
155.	Black Hills/Kansas Gas Utility Co. LLC	Kansas SCC	21-BHCG-418-RTS	May-21 Oct-21	Rate of Return on Equity
156.	NorthWestern Energy	Montana PSC	D2021.02.022	May-21	Rate of Return on Equity
157.	Black Hills Colorado Gas, Inc.	Colorado PUC	21AL-0236G	Jun-21	Rate of Return on Equity
158.	Avista Corp.	FERC	ER21-2198	Jun-21	Rate of Return on Equity
159.	Black Hills/Iowa Gas Utility Co., LLC	Iowa UB	RPU-2021-0002	Jun-21 Oct-21	Rate of Return on Equity
160.	Kentucky Utilities Company d/b/a Old Dominion Power Co.	Virginia SCC	PUR-2021-00171	Aug-21 Mar-22	Rate of Return on Equity
161.	Delmarva Power Co.	Maryland PSC	9670	Aug-21 Dec-21	Rate of Return on Equity
162.	El Paso Electric Co.	FERC	ER22-282	Oct-21	Rate of Return on Equity
163.	Portland General Electric Co.	FERC	ER22-233	Oct-21	Rate of Return on Equity
164.	Avista Corp.	Oregon PUC	UG-433	Oct-21	Rate of Return on Equity
165.	Ohio Power Co.	Ohio PUC	21-1166-EL-UNC	Nov-21	Application of Significantly Excessive Earnings Test
166.	Black Hills Energy Arkansas, Inc.	Arkansas PSC	21-097-U	Dec-21 Jun-22 Aug-22	Rate of Return on Equity
167.	Avista Corp.	Washington UTC	UE-220053 UG-220054	Jan-22 Aug-22	Rate of Return on Equity
168.	Rockland Electric Co.	FERC	ER22-910	Jan-22	Rate of Return on Equity
169.	Niagara Mohawk Power Co.	FERC	ER22-1201	Mar-22	Rate of Return on Equity

QUALIFICATIONS OF ADRIEN M. MCKENZIE

TESTIMONY BEFORE REGULATORY AGENCIES

No.	Utility Case	Agency	Docket	Date	Subject of Testimony
170.	Delmarva Power Co.	Maryland PSC	9681	May-22 Sep-22	Rate of Return on Equity
171.	Cheyenne Light, Fuel and Power Co.	Wyoming PSC	17072	Jun-22	Rate of Return on Equity
172.	Black Hills Colorado Electric, LLC	FERC	ER22-2185	Jun-22	Rate of Return on Equity
173.	ITC Midwest, LLC	FERC	EL22-56	Jun-22	Capital Structure
174.	Alaska Electric Light and Power Co.	RC of Alaska	U-22-078	Jul-22 May-23	Rate of Return on Equity
175.	NorthWestern Energy	Montana PSC	D2022.07. 078	Aug-22 Mar-23	Rate of Return on Equity
176.	Westfield Gas Corp. d/b/a Citizens Gas of Westfield	Indiana URC	45761	Aug-22 Jan-23	Rate of Return on Equity
177.	Rocky Mountain Natural Gas LLC	Colorado PUC	22AL-0426G	Oct-22 Mar-23	Rate of Return on Equity
178.	Upper Peninsula Power Company	Michigan PSC	U-21286	Oct-22 Feb-23	Rate of Return on Equity
179.	Public Service Co. of Oklahoma	Oklahoma CC	PUD 2022-000093	Nov-22 Apr-23	Rate of Return on Equity
180.	Public Service Co. of New Mexico	New Mexico PRC	22-00270-UT	Dec-22 Jul-23	Rate of Return on Equity
181.	Ohio Power Co.	Ohio PUC	23-23-EL-SSO	Jan-23	Rate of Return on Equity
182.	Avista Corp.	Idaho PUC	AVU-E-23-01; AVU-G-23-01	Jan-23	Rate of Return on Equity
183.	Electric Transmission Texas, LLC	Texas PUC	54608	Feb-23	Rate of Return on Equity
184.	Baltimore Gas & Electric Co.	Maryland PSC	9692	Feb-23 Jul-23	Rate of Return on Equity
185.	Avista Corp.	Oregon PUC	UG-461	Feb-23	Rate of Return on Equity
186.	Appalachian Power Co.	Virginia SCC	PUR-2023-00001	Mar-23 Aug-23	Rate of Return on Equity

QUALIFICATIONS OF ADRIEN M. MCKENZIE

TESTIMONY BEFORE REGULATORY AGENCIES

No.	Utility Case	Agency	Docket	Date	Subject of Testimony
187.	Potomac Electric Co.	DC PSC	1176	Apr-23 Oct-23 Feb-24	Rate of Return on Equity
188.	New York State Electric & Gas Corp.	FERC	ER23-1816	May-23	Rate of Return on Equity
189.	Rochester Gas and Electric Corp.	FERC	ER23-1817	May-23	Rate of Return on Equity
190.	Black Hills Colorado Gas, Inc.	Colorado PUC	23AL-0231G	May-23 Nov-23	Rate of Return on Equity
191.	Black Hills Wyoming Gas, Inc.	Wyoming PSC	30026-78-GR-23	May-23	Rate of Return on Equity
192.	Potomac Electric Co.	Maryland PSC	9702	May-23 Jan-24	Rate of Return on Equity
193.	Idaho Power Co.	Idaho PUC	IPC-E-23-11	Jun-23	Rate of Return on Equity
194.	Consolidated Edison Co. of New York	FERC	ER23-2212	Jun-23	Rate of Return on Equity
195.	NorthWestern Energy	South Dakota PUC	EL23-016	Jun-23	Rate of Return on Equity
196.	Kentucky Power Co.	Kentucky PSC	2023-00159	Jun-23 Nov-23	Rate of Return on Equity
197.	Indianapolis Power & Light Co.	Indiana URC	45911	Jun-23 Nov-23	Rate of Return on Equity
198.	Central Hudson Gas & Electric Co.	FERC	ER23-2507	Jul-23	Rate of Return on Equity
199.	Entergy Louisiana, LLC	Louisiana PSC	U-36959	Aug-23	Rate of Return on Equity
200.	Pacific Gas & Electric Co.	FERC	ER24-96	Oct-23	Rate of Return on Equity
201.	New York Transco, LLC	FERC	ER24-232	Oct-23	Rate of Return on Equity
202.	Florida Power & Light Co.	FERC	ER24-268	Oct-23	Rate of Return on Equity
203.	Viridon Mid-Atlantic LLC	FERC	ER24-506	Nov-23	Rate of Return on Equity
204.	Viridon New York, Inc.	FERC	ER24-726	Dec-23	Rate of Return on Equity
205.	Viridon Southwest LLC	FERC	ER24-727	Dec-23	Rate of Return on Equity
206.	Viridon California LLC	FERC	ER24-766	Dec-23	Rate of Return on Equity

QUALIFICATIONS OF ADRIEN M. MCKENZIE

TESTIMONY BEFORE REGULATORY AGENCIES

No.	Utility Case	Agency	Docket	Date	Subject of Testimony
207.	Black Hills Energy Arkansas, Inc.	Arkansas PSC	23-074-U	Dec-23 Jun-24 Aug-24	Rate of Return on Equity
208.	Avista Corp.	Washington UTC	UE-240006 UG-240007	Jan-24 Aug-24	Rate of Return on Equity
209.	Public Service Co. of Oklahoma	Oklahoma CC	PUD 2023-000086	Jan-24 Aug-24	Rate of Return on Equity
210.	Appalachian Power Co.	Virginia SCC	PUR-2024-00024	Mar-24 Aug-24	Rate of Return on Equity
211.	Duke Energy Florida, LLC	Florida PSC	20240025-EI	Apr-24 Jul-24	Rate of Return on Equity
212.	Duke Energy Indiana, LLC	Indiana URC	46038	Apr-24 Aug-24	Rate of Return on Equity
213.	Kentucky Utilities Company d/b/a Old Dominion Power Co.	Virginia SCC	PUR-2024-00052	Apr-24	Rate of Return on Equity
214.	Black Hills/Iowa Gas Utility Co., LLC	Iowa UB	RPU-2024-0001	May-24	Rate of Return on Equity
215.	NorthWestern Energy	Nebraska PSC	NG-122	Jun-24	Rate of Return on Equity
216.	Black Hills Colorado Electric, LLC	Colorado PUC	24AL-0275E	Jun-24 Nov-24	Rate of Return on Equity
217.	Public Service Co. of New Mexico	New Mexico PRC	24-00089-UT	Jun-24 Jan-25	Rate of Return on Equity
218.	NorthWestern Energy	South Dakota PUC	NG24-05	Jun-24	Rate of Return on Equity
219.	NextEra Energy Transmission MidAtlantic, Inc.	FERC	ER24-2255	Jun-24	Rate of Return on Equity
220.	NorthWestern Energy	Montana PSC	D2024.05.053	Jul-24 Mar-25	Rate of Return on Equity
221.	Pacific Gas & Electric Co.	FERC	ER25-209	Oct-24	Rate of Return on Equity
222.	Dayton Power & Light Co.	Ohio PUC	24-1009-EL-AIR	Dec-24	Rate of Return on Equity
223.	New York Transco, LLC	FERC	ER25-885	Jan-25	Rate of Return on Equity
224.	Cross Texas Transmission LLC	Texas PUC	57467	Jan-25 Apr-25	Rate of Return on Equity

QUALIFICATIONS OF ADRIEN M. MCKENZIE

TESTIMONY BEFORE REGULATORY AGENCIES

No.	Utility Case	Agency	Docket	Date	Subject of Testimony
225.	Black Hills/Kansas Gas Utility Co. LLC	Kansas SCC	25-BHCG-298-RTS	Feb-25 May-25	Rate of Return on Equity
226.	DATC Path 15, LLC	FERC	ER25-1310	Feb-25	Rate of Return on Equity
227.	Valley Link Transmission Company, LLC	FERC	ER25-1633	Mar-25	Rate of Return on Equity
228.	Great Basin Transmission, LLC	FERC	ER25-2025	Apr-25	Rate of Return on Equity
229.	Black Hills Nebraska Gas, LLC	NE PSC	NG-124	May-25 Sep-25	Rate of Return on Equity
230.	Horizon West Transmission, LLC	FERC	ER25-2395	May-25	Rate of Return on Equity
231.	Indianapolis Power & Light Co.	IN URC	46258	Jun-25 Oct-25 Jan-26 Oct-26	Rate of Return on Equity
232.	Ohio Power Co.	OH PUC	25-392-EL-AIR	Jun-25 Nov-25	Rate of Return on Equity
233.	Viridon Path 15, LLC	FERC	ER25-2707	Jun-25	Rate of Return on Equity
234.	Kentucky Power Co.	KY PSC	2025-00257	Aug-25 Dec-25	Rate of Return on Equity
235.	Viridon New York, Inc.	FERC	EL24-67-001	Oct-25	Rate of Return on Equity
236.	Potomac Electric Co.	MD PSC	9820	Oct-25 Mar-26	Rate of Return on Equity
237.	Texas New Mexico Power Co.	TX PUC	58964	Nov-25 Feb-26	Rate of Return on Equity
238.	Black Hills Energy Arkansas, Inc.	AR PSC	25-064-U	Dec-25 Jun-26 Aug-26	Rate of Return on Equity
239.	Black Hills Power, Inc.	FERC	ER26-750	Dec-25	Rate of Return on Equity
240.	Public Service Co. of Oklahoma	OK CC	PUD 2025-000075	Jan-26 May-26	Rate of Return on Equity
241.	AES Ohio	OH PUC	25-0958-EL-AIR	Jan-26 Jun-26	Rate of Return on Equity
242.	Black Hills Power, Inc.	SD PUC	EL26-003	Feb-26	Rate of Return on Equity

QUALIFICATIONS OF ADRIEN M. MCKENZIE

TESTIMONY BEFORE REGULATORY AGENCIES

No.	Utility Case	Agency	Docket	Date	Subject of Testimony
243.	Entergy Arkansas, LLC	AR PSC	26-001-U	Feb. 26 Sep-26 Oct-26 Oct-26	Rate of Return on Equity
244.	Grid Growth Ventures, LLC.	FERC	EL26-1655	Mar-26	Rate of Return on Equity
245.	Black Hills Power, Inc.	WY PSC	20002-148-ER26	Mar-26	Rate of Return on Equity
246.	Kammer Juniata Transmission, LLC.	FERC	EL26-1734	Mar-26	Rate of Return on Equity
247.	ISO New England Transmission Owners	FERC	ER26-2389	Apr-26 Aug-26 Sep-26	Rate of Return on Equity
248.	Alaska Electric Light and Power Co.	AK RC	TA545-1	May-26 Sep-26	Rate of Return on Equity
249.	Appalachian Power Co.	VA SCC	PUR-2026-00044	May-26 Sep-26	Rate of Return on Equity
250.	Black Hills Colorado Electric, LLC	CO PUC	26AL-0232E	Jun-24	Rate of Return on Equity
251.	Baltimore Gas & Electric Co.	MD PSC	9888	Jul-26 Oct-26	Rate of Return on Equity

PNM Exhibit AMM – 2

Alphabetical Listing of Acronyms Used in This Testimony

Is contained in the following 1 page.

ACRONYMS

CAPM	Capital Asset Pricing Model
CPI	Consumer Price Index
DCF	Discounted Cash Flow
DPS	dividends per share
EPS	earnings per share
FERC	Federal Energy Regulatory Commission
FINCAP, Inc.	Financial Concepts and Applications, Inc.
HEI	Hawaiian Electric Industries, Inc.
Moody's	Moody's Ratings
MW	Megawatts
NMPRC	New Mexico Public Regulation Commission
PCE	Personal Consumption Expenditures
PNM	Public Service Company of New Mexico
PNMR	PNM Resources, Inc.
ROE	Return On Equity
RRA	S&P Global Market Intelligence, RRA Regulatory Focus
S&P	S&P Global Ratings
The Company	Public Service Company of New Mexico
TXNM Energy	TXNM Energy, Inc.
Value Line	The Value Line Investment Survey
Zacks	Zacks Investment Research

PNM Exhibit AMM – 3

Summary of Results

Is contained in the following 1 page.

ROE ANALYSIS

SUMMARY OF RESULTS

Method	Result
DCF	
IBES	10.9%
S&P Capital IQ	11.0%
Value Line	9.9%
Zacks	10.5%
Internal br + sv	9.2%
CAPM	11.4% -- 11.7%
Utility Risk Premium	10.5%
Expected Earnings	11.2%

ROE Recommendation	
ROE Range	**9.9% -- 10.9%**
Recommended ROE	**10.4%**

PNM Exhibit AMM – 4

Capital Structure

Is contained in the following 3 pages.

CAPITAL STRUCTURE

ELECTRIC GROUP OPERATING SUBSIDIARIES

	Operating Company	Debt	Preferred	Common Equity
1	**ALLIANT ENERGY CORP.**			
	Interstate Power & Light	49.1%	0.0%	50.9%
	Wisconsin Power & Light	45.6%	0.0%	54.4%
2	**AMEREN CORP.**			
	Ameren Illinois Co.	44.4%	0.3%	55.3%
	Union Electric Co.	47.6%	0.5%	51.9%
3	**AMERICAN ELECTRIC POWER**			
	AEP Texas, Inc.	54.3%	0.0%	45.7%
	Appalachian Power Co.	49.9%	0.0%	50.1%
	Indiana Michigan Power Co.	48.5%	0.0%	51.5%
	Kentucky Power Co.	50.8%	0.0%	49.2%
	Kingsport Power Co.	47.3%	0.0%	52.7%
	Ohio Power Co.	47.2%	0.0%	52.8%
	Public Service Co. of Oklahoma	49.4%	0.0%	50.6%
	Southwestern Electric Pwr Co.	48.7%	0.0%	51.3%
	Wheeling Power Co.	53.1%	0.0%	46.9%
4	**AVISTA CORP.**			
	Avista Corp.	50.0%	0.0%	50.0%
	Alaska Electric Light & Power	42.3%	0.0%	57.7%
5	**CENTERPOINT ENERGY**			
	Centerpoint Energy Houston Electric	54.9%	0.0%	45.1%
6	**CMS ENERGY**			
	Consumers Energy Co.	49.9%	0.1%	50.0%
7	**DTE ENERGY CO.**			
	DTE Electric Co.	50.2%	0.0%	49.8%
8	**DUKE ENERGY**			
	Duke Energy Carolinas	46.9%	0.0%	53.1%
	Duke Energy Florida	46.5%	0.0%	53.5%
	Duke Energy Indiana	46.4%	0.0%	53.6%
	Duke Energy Ohio	42.8%	0.0%	57.2%
	Duke Energy Progress	48.1%	0.0%	51.9%
	Duke Energy Kentucky	46.3%	0.0%	53.7%
9	**ENTERGY CORP.**			
	Entergy Arkansas Inc.	53.5%	0.0%	46.5%
	Entergy Louisiana LLC	46.5%	0.0%	53.5%
	Entergy Mississippi Inc.	50.3%	0.0%	49.7%
	Entergy New Orleans Inc.	51.9%	0.0%	48.1%
	Entergy Texas Inc.	49.4%	0.5%	50.1%

CAPITAL STRUCTURE

ELECTRIC GROUP OPERATING SUBSIDIARIES

	Operating Company	Debt	Preferred	Common Equity
10	**EVERGY, INC.**			
	Evergy Metro	48.6%	0.0%	51.4%
	Evergy Kansas Central	47.3%	0.0%	52.7%
11	**EVERSOURCE ENERGY**			
	Connecticut Light & Power	42.9%	1.0%	56.1%
	NSTAR Electric Co.	43.9%	0.3%	55.8%
	Public Service Co. of New Hampshire	41.4%	0.0%	58.6%
12	**FIRSTENERGY CORP.**			
	Cleve. Elec. Illum./Ohio Ed./Toledo Ed.	43.4%	0.0%	56.6%
	Jersey Central Power & Light Co.	36.9%	0.0%	63.1%
	Monongahela Power Co.	44.5%	0.0%	55.5%
	The Potomac Edison Co.	48.1%	0.0%	51.9%
	FE PA	45.9%	0.0%	54.1%
13	**IDACORP**			
	Idaho Power Co.	50.3%	0.0%	49.7%
14	**OGE ENERGY CORP.**			
	Oklahoma G&E	46.4%	0.0%	53.6%
15	**OTTER TAIL CORP.**			
	Otter Tail Power Co.	44.8%	0.0%	55.2%
16	**PINNACLE WEST CAPITAL**			
	Arizona Public Service Co.	47.7%	0.0%	52.3%
17	**PUBLIC SERVICE ENTERPRISE GROUP**			
	Pub Service Electric & Gas Co.	44.7%	0.0%	55.3%
18	**SEMPRA ENERGY**			
	San Diego Gas & Electric	46.9%	0.0%	53.1%
	Oncor Electric Delivery	49.6%	0.0%	50.4%
19	**XCEL ENERGY, INC.**			
	Northern States Power Co. (MN)	46.3%	0.0%	53.7%
	Northern States Power Co. (WI)	47.1%	0.0%	52.9%
	Public Service Co. of Colorado	44.2%	0.0%	55.8%
	Southwestern Public Service Co.	45.8%	0.0%	54.2%
	Minimum (b)	**36.9%**	**0.0%**	**45.1%**
	Maximum (b)	**54.9%**	**1.0%**	**63.1%**
	Average (b)	**47.4%**	**0.1%**	**52.6%**

(a) SEC Form 10-K Annual Reports and FERC Form 1 Reports.

CAPITAL STRUCTURE

UTILITY GROUP

		At Year-end 2025 (a)			Value Line Projected (b)		
	Company	**Debt**	**Preferred**	**Common Equity**	**Debt**	**Preferred**	**Common Equity**
1	Alliant Energy	62.1%	0.0%	37.9%	64.5%	0.0%	35.5%
2	Ameren Corp.	58.1%	0.0%	41.9%	51.0%	0.5%	48.5%
3	American Elec Pwr	58.9%	0.0%	41.1%	57.5%	0.0%	42.5%
4	Avista Corp.	50.4%	0.0%	49.6%	47.5%	0.0%	52.5%
5	CenterPoint Energy	66.1%	0.0%	33.9%	60.0%	0.0%	40.0%
6	CMS Energy Corp.	65.9%	0.8%	33.3%	61.0%	0.0%	39.0%
7	DTE Energy Co.	66.5%	0.0%	33.5%	62.0%	0.0%	38.0%
8	Duke Energy Corp.	62.2%	0.7%	37.1%	64.5%	0.5%	35.0%
9	Entergy Corp.	63.6%	0.5%	36.0%	60.5%	0.5%	39.0%
10	Evergy Inc.	56.1%	0.0%	43.9%	52.5%	0.0%	47.5%
11	Eversource Energy	63.3%	0.0%	36.7%	60.0%	0.5%	39.5%
12	FirstEnergy Corp.	65.2%	0.0%	34.8%	69.0%	0.0%	31.0%
13	IDACORP, Inc.	49.1%	0.0%	50.9%	44.0%	0.0%	56.0%
14	OGE Energy Corp.	51.9%	0.0%	48.1%	51.0%	0.0%	49.0%
15	Otter Tail Corp.	35.9%	0.0%	64.1%	31.0%	0.0%	69.0%
16	Pinnacle West Capital	58.0%	0.0%	42.0%	55.5%	0.0%	44.5%
17	Pub Sv Enterprise Grp.	57.0%	0.0%	43.0%	56.5%	0.0%	43.5%
18	Sempra	43.0%	0.0%	57.0%	52.0%	0.0%	48.0%
19	Xcel Energy Inc.	57.8%	0.0%	42.2%	58.5%	0.0%	41.5%
	Minimum	**35.9%**	**0.0%**	**33.3%**	**31.0%**	**0.0%**	**31.0%**
	Maximum	**66.5%**	**0.8%**	**64.1%**	**69.0%**	**0.5%**	**69.0%**
	Average	**57.4%**	**0.1%**	**42.5%**	**55.7%**	**0.1%**	**44.2%**

(a) SEC Form 10-K Annual Reports.

(b) The Value Line Investment Survey (Jun. 5, Jul. 17 and Aug. 7, 2026).

PNM Exhibit AMM – 5

Regulatory Mechanisms

Is contained in the following 6 pages.

REGULATORY MECHANISMS

UTILITY GROUP

	Company	Type of Cost Recovery Mechanism (a)										Other Regulatory Mechanisms (a)		
		Fuel/ Purch Power	Bad Debt	Pension	Environ-mental	Energy Efficiency/ Conservation	Other (b)	Gener-ation	Distri-bution	Trans-mission	Renewables	Decoupling/ Multi-Yr Plans/ Formula Rates	Earn Sharing/ Perf-Based Rates	Future Test Year
1	Alliant Energy	✓	✓	✓	--	✓	✓	--	--	✓	✓	✓	✓	✓
2	Ameren Corp.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓
3	American Elec Pwr	✓	✓	--	✓	✓	✓	--	✓	✓	✓	--	✓	✓
4	Avista Corp.	✓	--	--	--	✓	✓	--	--	✓	✓	✓	--	--
5	CenterPoint Energy	✓	✓	✓	✓	✓	✓	--	✓	✓	✓	✓	✓	--
6	CMS Energy Corp.	✓	--	✓	--	✓	✓	--	--	--	--	--	✓	✓
7	DTE Energy Co.	✓	--	--	--	✓	✓	--	--	--	✓	--	✓	✓
8	Duke Energy Corp.	✓	✓	--	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
9	Entergy Corp.	✓	--	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
10	Evergy Inc.	✓	✓	--	--	✓	✓	✓	✓	✓	--	--	--	--
11	Eversource Energy	✓	--	✓	✓	✓	✓	--	✓	✓	✓	✓	✓	--
12	FirstEnergy Corp.	✓	✓	--	✓	✓	✓	--	✓	✓	✓	✓	✓	✓
13	IDACORP, Inc.	✓	--	--	--	✓	✓	--	--	--	--	✓	✓	✓
14	OGE Energy Corp.	✓	--	✓	--	✓	✓	--	--	✓	--	✓	✓	--
15	Otter Tail Corp.	✓	--	--	--	✓	✓	✓	--	✓	✓	✓	✓	✓
16	Pinnacle West Capital	✓	--	--	✓	✓	✓	✓	--	✓	✓	✓	--	--
17	Pub Sv Enterprise Grp.	D	✓	✓	✓	✓	✓	--	✓	✓	✓	✓	--	✓
18	Sempra	✓	✓	--	✓	✓	✓	✓	✓	✓	✓	✓	--	✓
19	Xcel Energy Inc.	✓	--	✓	--	✓	✓	✓	✓	✓	✓	✓	--	✓
	Total	18	9	9	10	19	19	8	11	16	15	15	12	13

(a) From SEC Form 10-K Reports for the year ended December 31, 2024 and Investor Presentations (as provided on each company's website under Investor Relations).
Data from S&P Global Market Intelligence, *RRA State Regulatory Evaluations Quarterly Update* (Dec. 2024) also used to supplement the Future Test Year findings.

(b) See PNM Exhibit AMM-5 pages 5-6.

D - Delivery-only utility.

REGULATORY MECHANISMS

ELECTRIC GROUP OPERATING COS.

			Type of Cost Recovery Mechanism (a)										Other Regulatory Mechanisms (a)		
	Company	State	Fuel/ Purch Power	Bad Debt	Pension	Environ-mental	Energy Efficiency/ Conservation	Other (b)	Gener-ation	Distri-bution	Trans-mission	Renewables	Decoupling/ Multi-Yr Plans/ Formula Rates	Earn Sharing/ Perf-Based Rates	Future Test Year
1	**ALLIANT ENERGY CORP.**														
	Interstate Power & Light Co.	IA	✓	--	✓	--	✓	✓	--	--	✓	--	✓	✓	✓
	Wisconsin Power & Light Co.	WI	✓	✓	✓	--	✓	--	--	--	✓	--	--	✓	✓
2	**AMEREN CORP.**														
	Ameren Illinois Co.	IL	D	✓	--	✓	✓	--	--	--	✓	✓	✓	✓	✓
	Union Electric Co.	MO	✓	--	✓	--	✓	✓	✓	✓	--	✓	--	--	--
3	**AMERICAN ELECTRIC POWER**														
	Southwestern Electric Power Co.	AR	✓	--	--	✓	✓	✓	--	✓	✓	✓	✓	--	✓
	Indiana Michigan Power Co.	IN	✓	--	--	✓	✓	--	--	✓	✓	✓	--	--	✓
	Kentucky Power Co.	KY	✓	--	--	✓	✓	✓	--	--	--	--	--	--	--
	Southwestern Electric Power Co.	LA	✓	--	--	--	✓	✓	--	✓	✓	✓	✓	--	--
	Indiana Michigan Power Co.	MI	✓	--	--	--	✓	--	--	✓	✓	✓	--	--	✓
	Ohio Power Co.	OH	D	✓	--	--	--	✓	--	✓	✓	✓	✓	--	✓
	Public Service Co. of Oklahoma	OK	✓	--	--	--	✓	✓	--	✓	--	✓	--	--	--
	Kingsport Power Co.	TN	✓	--	--	✓	--	✓	--	✓	✓	--	--	--	✓
	AEP Texas Inc.	TX	D	--	--	--	✓	--	--	✓	✓	✓	✓	--	--
	Southwestern Electric Power Co.	TX	✓	--	--	--	✓	--	--	✓	✓	--	--	--	--
	Appalachian Power Co.	VA	✓	--	--	✓	✓	--	--	✓	✓	✓	--	--	--
	Appalachian Pwr. Co./Wheeling Pwr.	WV	✓	--	--	✓	✓	✓	--	✓	✓	✓	--	--	--
4	**AVISTA CORP.**														
	Alaska Electric Light & Power Co.	AK	✓	--	--	--	--	--	--	--	--	--	--	--	--
	Avista Corp.	ID	✓	--	--	--	--	✓	--	--	--	--	✓	--	--
	Avista Corp.	WA	✓	--	--	--	✓	✓	--	--	--	--	✓	--	--
5	**CENTERPOINT ENERGY**														
	Southern Indiana Gas & Electric Co.	IN	✓	--	--	✓	✓	--	--	✓	✓	✓	✓	✓	--
	CenterPoint Energy Houston Electric	TX	D	✓	✓	--	✓	✓	--	✓	✓	--	--	--	--
6	**CMS ENERGY**														
	Consumers Energy Co.	MI	✓	--	✓	--	✓	✓	--	--	--	--	--	✓	✓
7	**DTE ENERGY CO.**														
	DTE Electric Co.	MI	✓	--	--	--	✓	✓	--	--	--	✓	--	✓	✓
8	**DUKE ENERGY**														
	Duke Energy Florida LLC	FL	✓	--	--	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Duke Energy Indiana LLC	IN	✓	--	--	✓	✓	--	✓	✓	✓	✓	--	--	✓
	Duke Energy Kentucky Inc.	KY	✓	--	--	✓	✓	--	--	--	--	--	--	--	✓
	Duke Energy Carolinas LLC	NC	✓	--	--	--	✓	--	--	--	--	--	✓	✓	--
	Duke Energy Progress LLC	NC	✓	--	--	--	✓	--	--	--	--	--	✓	✓	--
	Duke Energy Ohio Inc.	OH	D	✓	--	--	✓	✓	--	✓	✓	--	✓	--	✓
	Duke Energy Progress LLC	SC	✓	--	--	--	✓	--	--	--	--	--	✓	--	--
	Duke Energy Carolinas LLC	SC	✓	--	--	--	✓	--	--	--	--	--	✓	--	--

REGULATORY MECHANISMS

ELECTRIC GROUP OPERATING COS.

			Type of Cost Recovery Mechanism (a)										Other Regulatory Mechanisms (a)		
	Company	State	Fuel/ Purch Power	Bad Debt	Pension	Environ-mental	Energy Efficiency/ Conservation	Other (b)	Gener-ation	Distri-bution	Trans-mission	Renewables	Decoupling/ Multi-Yr Plans/ Formula Rates	Earn Sharing/ Perf-Based Rates	Future Test Year
9	**ENTERGY CORP.**														
	Entergy Arkansas LLC	AR	✓	--	✓	--	✓	--	✓	--	✓	--	✓	--	✓
	Entergy New Orleans LLC	LA	✓	--	✓	✓	✓	--	✓	✓	✓	--	✓	--	✓
	Entergy Louisiana LLC	LA	✓	--	✓	✓	--	✓	✓	✓	✓	✓	✓	--	--
	Entergy Mississippi LLC	MS	✓	--	✓	--	--	✓	✓	✓	✓	--	✓	✓	✓
	Entergy Texas Inc.	TX	✓	--	✓	--	--	✓	✓	✓	✓	--	--	--	--
10	**EVERGY, INC.**														
	Evergy Kansas Central Inc.	KS	✓	--	--	--	✓	✓	✓	✓	✓	--	--	--	--
	Evergy Kansas South Inc.	KS	✓	--	--	--	✓	--	✓	✓	--	--	--	--	--
	Evergy Metro Inc.	KS	✓	--	--	--	✓	✓	✓	✓	✓	--	--	--	--
	Evergy Metro Inc.	MO	✓	--	--	--	✓	✓	--	--	✓	--	--	--	--
	Evergy Missouri West Inc.	MO	✓	--	--	--	✓	✓	--	--	--	--	--	--	--
11	**EVERSOURCE ENERGY**														
	Connecticut Light and Power Co.	CT	D	--	--	✓	✓	✓	--	✓	✓	✓	✓	--	--
	NSTAR Electric Co.	MA	D	--	✓	--	✓	✓	--	✓	✓	✓	✓	✓	--
	Public Service Co. of New Hampshire	NH	✓	--	--	✓	✓	✓	--	✓	✓	--	--	--	--
12	**FIRSTENERGY CORP.**														
	Potomac Edison Co.	MD	D	--	--	--	✓	--	--	--	✓	--	--	--	--
	Jersey Central Power & Light Co.	NJ	D	✓	--	✓	✓	--	--	✓	✓	--	✓	--	--
	Cleveland Elec./Ohio Ed./Toledo Ed.	OH	D	✓	--	--	✓	✓	--	✓	✓	--	✓	✓	--
	FE PA	PA	D	--	--	--	✓	✓	--	✓	--	--	--	--	✓
	Monongahela Power Co.	WV	✓	--	--	--	--	✓	--	--	--	✓	--	--	--
	Potomac Edison Co.	WV	✓	--	--	--	--	✓	--	--	--	✓	--	--	--
13	**IDACORP**														
	Idaho Power Co.	ID	✓	--	--	--	✓	✓	--	--	--	--	✓	✓	--
	Idaho Power Co.	OR	✓	--	--	--	✓	--	--	--	--	--	--	--	✓
14	**OGE ENERGY CORP.**														
	Oklahoma Gas & Electric Co.	AR	✓	--	--	--	--	--	--	--	✓	--	✓	--	--
	Oklahoma Gas & Electric Co.	OK	✓	--	✓	--	✓	✓	--	✓	✓	--	--	--	--
15	**OTTER TAIL CORP.**														
	Otter Tail Power Co.	MN	✓	--	--	--	✓	✓	✓	--	✓	✓	✓	--	✓
	Otter Tail Power Co.	ND	✓	--	--	--	--	✓	✓	--	✓	✓	--	✓	✓
	Otter Tail Power Corp.	SD	✓	--	--	--	✓	--	✓	--	✓	--	--	✓	--
16	**PINNACLE WEST CAPITAL**														
	Arizona Public Service Co.	AZ	✓	--	--	✓	✓	✓	✓	--	✓	✓	✓	--	--
17	**PUB SV ENTERPRISE GRP.**														
	Public Service Electric & Gas Co.	NJ	D	✓	✓	✓	✓	✓	--	✓	✓	✓	✓	--	✓
18	**SEMPRA ENERGY**														
	San Diego Gas & Electric Co.	CA	✓	✓	--	✓	✓	✓	✓	✓	✓	✓	✓	--	✓
	Oncor Electric Delivery Co.	TX	D	--	--	--	--	--	--	✓	✓	--	--	--	--

REGULATORY MECHANISMS

ELECTRIC GROUP OPERATING COS.

			Type of Cost Recovery Mechanism (a)										Other Regulatory Mechanisms (a)		
	Company	State	Fuel/ Purch Power	Bad Debt	Pension	Environ-mental	Energy Efficiency/ Conservation	Other (b)	Gener-ation	Distri-bution	Trans-mission	Renewables	Decoupling/ Multi-Yr Plans/ Formula Rates	Earn Sharing/ Perf-Based Rates	Future Test Year
19	**XCEL ENERGY, INC.**														
	Public Service Co. of Colorado	CO	✓	--	✓	--	✓	✓	--	✓	✓	✓	✓	--	✓
	Northern States Power Co. - Minnesota	MN	✓	--	✓	--	✓	✓	--	✓	✓	✓	✓	--	✓
	Southwestern Public Service Co.	NM	✓	--	✓	--	✓	✓	--	✓	--	✓	--	--	✓
	Northern States Power Co. - Minnesota	ND	✓	--	--	--	--	--	--	--	✓	✓	✓	--	✓
	Northern States Power Co. - Minnesota	SD	✓	--	--	--	--	--	✓	--	--	--	✓	--	--
	Southwestern Public Service Co.	TX	✓	--	✓	--	✓	✓	✓	✓	✓	--	--	--	--
	Northern States Power Co. - Wisconsin	WI	✓	--	✓	--	✓	--	--	--	--	--	✓	--	✓
	Southwestern Public Service Co.	NM	✓	--	✓	--	✓	✓	--	✓	--	✓	--	--	✓
	Northern States Power Co. - Minnesota	ND	✓	--	--	--	--	--	--	--	✓	✓	✓	--	✓
	Northern States Power Co. - Minnesota	SD	✓	--	--	--	--	--	✓	--	--	--	✓	--	--
	Southwestern Public Service Co.	TX	✓	--	✓	--	✓	✓	✓	✓	✓	--	--	--	--
	Northern States Power Co. - Wisconsin	WI	✓	--	✓	--	✓	--	--	--	--	--	✓	--	✓
	Total	73	60	9	21	19	57	43	20	40	47	31	37	15	31

(a) From most recent SEC Form 10-K Reports and Investor Presentations (as provided on each company's website under Investor Relations).
Data from S&P Global Market Intelligence, *RRA State Regulatory Evaluations Quarterly Update* (Dec. 2024) also used to supplement the Future Test Year findings.

(b) See PNM Exhibit AMM-5 pages 5-6.

D - Delivery-only utility.

REGULATORY MECHANISMS

NOTE (b) - OTHER RECOVERY MECHANISMS (ELECTRIC GROUP)

	Company	State	Description
1	**ALLIANT ENERGY CORP.**		
	Interstate Power & Light Co.	IA	Tax benefit rider
2	**AMEREN CORP.**		
	Union Electric Co.	MO	Ad valorem tax, provisions governing recovery of CWIP-related costs
3	**AMERICAN ELECTRIC POWER**		
	Southwestern Electric Power Co.	AR	Vegetation mgmt, provisions governing recovery of CWIP-related costs
	Kentucky Power Co.	KY	Decommissioning rider
	Southwestern Electric Power Co.	LA	Vegetation management
	Ohio Power Co.	OH	Vegetation management
	Public Service Co. of Oklahoma	OK	Provisions governing recovery of CWIP-related costs and deferred asset treatment for qualifying plant, storm costs
	Kingsport Power Co.	TN	Vegetation management
	Appalachian Pwr. Co./Wheeling Pwr. Co.	WV	Vegetation management
4	**AVISTA CORP.**		
	Avista Corp.	ID	Wildfire resiliency, insurance
	Avista Corp.	WA	Wildfire resiliency, insurance
5	**CENTERPOINT ENERGY**		
	CenterPoint Energy Houston Electric LLC	TX	Temporary emergency electric energy facilities, system restoration cost
6	**CMS ENERGY**		
	Consumers Energy Co.	MI	Decommissioning cost
7	**DTE ENERGY CO.**		
	DTE Electric Co.	MI	Decommissioning cost
8	**DUKE ENERGY**		
	Duke Energy Florida LLC	FL	Storm costs
	Duke Energy Carolinas LLC	NC	Provisions governing recovery of CWIP-related costs
	Duke Energy Progress LLC	NC	Provisions governing recovery of CWIP-related costs
	Duke Energy Ohio Inc.	OH	Storm costs
9	**ENTERGY CORP.**		
	Entergy Arkansas LLC	AR	Provisions governing recovery of CWIP-related costs
	Entergy Louisiana LLC	LA	Resilience plan, tax adjustment mechanism
	Entergy Mississippi LLC	MS	Storm costs, ad valorem tax, vegetation
	Entergy Texas Inc.	TX	Rate case expenses, advanced metering system
10	**EVERGY, INC.**		
	Evergy Kansas Central Inc.	KS	Ad valorem tax, provisions governing recovery of CWIP-related costs
	Evergy Metro Inc.	KS	Ad valorem tax, provisions governing recovery of CWIP-related costs
	Evergy Metro Inc.	MO	Ad valorem tax, provisions governing recovery of CWIP-related costs
	Evergy Missouri West Inc.	MO	Ad valorem tax, provisions governing recovery of CWIP-related costs
11	**EVERSOURCE ENERGY**		
	Connecticut Light and Power Co.	CT	System benefits
	NSTAR Electric Co.	MA	Low income customer discounts, vegetation management, storm costs, advanced metering infrastructure, EV infrastructure
	Public Service Co. of New Hampshire	NH	System benefits, vegetation management, ad valorem tax, storm costs, pole plant adjustment mechanism
12	**FIRSTENERGY CORP.**		
	Cleveland Elec./Ohio Ed./Toledo Ed.	OH	Smart meters
	FE PA	PA	Storm costs, Tax Act, smart meters, vegetation, management
	Monongahela Power Co.	WV	Vegetation management, storm costs
	Potomac Edison Co.	WV	Vegetation management, storm costs
13	**IDACORP**		
	Idaho Power Co.	ID	Accumulated Deferred ITC annual utilization
14	**OGE ENERGY CORP.**		
	Oklahoma Gas & Electric Co.	AR	Provisions governing recovery of CWIP-related costs
	Oklahoma Gas & Electric Co.	OK	ITC rider, provisions governing recovery of CWIP-related costs and deferred asset treatment for qualifying plant
15	**OTTER TAIL CORP.**		
	Otter Tail Power Co.	MN	Advanced metering initiative
	Otter Tail Power Co.	ND	Advanced metering initiative

NOTE (b) - OTHER RECOVERY MECHANISMS (ELECTRIC GROUP)

	Company	State	Description
16	**PINNACLE WEST CAPITAL**		
	Arizona Public Service Co.	AZ	Tax expense adjustor, Four Corners Court Resolution Surcharge (federally mandated emissions controls)
17	**PUB SV ENTERPRISE GRP.**		
	Public Service Electric & Gas Co.	NJ	Storm costs, electric vehicle program
18	**SEMPRA ENERGY**		
	San Diego Gas & Electric Co.	CA	Insurance premiums, wildfire mitigation, advanced metering initiative
19	**XCEL ENERGY, INC.**		
	Public Service Co. of Colorado	CO	Ad valorem tax, Comanche Units 1&2 retirement costs, transportation electrification
	Northern States Power Co. - Minnesota	MN	Ad valorem tax
	Southwestern Public Service Co.	NM	Transportation electrification
	Southwestern Public Service Co.	TX	Advanced metering initiative, rate case expenses

PNM Exhibit AMM – 6

DCF Model – Utility Group

Is contained in the following 3 pages.

DCF MODEL

DIVIDEND YIELD

		(a)	(b)	
	Company	**Price**	**Dividends**	**Yield**
1	Alliant Energy	$ 75.21	$ 2.03	2.7%
2	Ameren Corp.	$ 112.39	$ 3.00	2.7%
3	American Elec Pwr	$ 133.89	$ 3.84	2.9%
4	Avista Corp.	$ 41.26	$ 1.97	4.8%
5	CenterPoint Energy	$ 43.72	$ 0.92	2.1%
6	CMS Energy Corp.	$ 75.12	$ 2.28	3.0%
7	DTE Energy Co.	$ 149.58	$ 4.66	3.1%
8	Duke Energy Corp.	$ 126.59	$ 4.36	3.4%
9	Entergy Corp.	$ 113.95	$ 2.40	2.1%
10	Evergy Inc.	$ 85.70	$ 2.78	3.2%
11	Eversource Energy	$ 73.11	$ 3.23	4.4%
12	FirstEnergy Corp.	$ 48.19	$ 1.90	3.9%
13	IDACORP, Inc.	$ 148.49	$ 3.52	2.4%
14	OGE Energy Corp.	$ 48.72	$ 1.70	3.5%
15	Otter Tail Corp.	$ 90.20	$ 2.31	2.6%
16	Pinnacle West Capital	$ 106.33	$ 3.70	3.5%
17	Pub Sv Enterprise Grp.	$ 80.42	$ 2.76	3.4%
18	Sempra	$ 92.67	$ 2.68	2.9%
19	Xcel Energy Inc.	$ 80.04	$ 2.45	3.1%
	Average			**3.1%**

(a) Average of closing prices for 30 trading days ended Jul. 28, 2026.

(b) The Value Line Investment Survey, Summary & Index (Aug. 7, 2026).

DCF MODEL

GROWTH RATES

		(a)	(b)	(c)	(d)	(e)
		Earnings Growth				br+sv
	Company	**IBES**	**S&P**	**V Line**	**Zacks**	**Growth**
1	Alliant Energy	7.5%	8.4%	6.0%	7.9%	5.8%
2	Ameren Corp.	7.9%	7.8%	7.5%	7.7%	7.9%
3	American Elec Pwr	8.3%	8.6%	5.5%	8.8%	5.7%
4	Avista Corp.	4.1%	5.9%	4.5%	4.1%	2.3%
5	CenterPoint Energy	8.8%	8.7%	8.5%	8.9%	5.9%
6	CMS Energy Corp.	7.5%	7.6%	8.5%	7.1%	6.7%
7	DTE Energy Co.	7.1%	8.2%	6.0%	5.9%	6.3%
8	Duke Energy Corp.	6.9%	6.7%	6.5%	6.8%	4.7%
9	Entergy Corp.	13.2%	12.7%	11.5%	13.3%	9.6%
10	Evergy Inc.	9.4%	9.2%	6.5%	9.1%	3.9%
11	Eversource Energy	n/a	4.8%	4.5%	2.9%	4.7%
12	FirstEnergy Corp.	7.5%	7.6%	5.5%	7.6%	6.3%
13	IDACORP, Inc.	8.9%	9.1%	5.5%	7.9%	4.5%
14	OGE Energy Corp.	6.2%	7.0%	6.0%	5.6%	4.5%
15	Otter Tail Corp.	-9.5%	8.0%	-1.0%	n/a	5.9%
16	Pinnacle West Capital	7.7%	8.9%	6.0%	5.8%	5.6%
17	Pub Sv Enterprise Grp.	9.0%	6.6%	7.5%	6.1%	5.5%
18	Sempra	8.6%	8.5%	7.0%	8.1%	6.0%
19	Xcel Energy Inc.	n/a	9.1%	8.0%	9.4%	7.6%

(a) IBES growth rates from LSEG, as provided by www.fidelity.com (Jul. 29, 2026).
(b) S&P Capital IQ growth rates, as provided by www.koyfin.com (retrieved Jul. 29, 2026).
(c) The Value Line Investment Survey (Jun. 5, Jul. 17 and Aug. 7, 2026).
(d) www.zacks.com (retrieved Jul. 29, 2026).
(e) See PNM Exhibit AMM-7.

DCF MODEL

COST OF EQUITY ESTIMATES

		(a)	(a)	(a)	(a)	(a)
	Company	**IBES**	**S&P Capital IQ**	**Value Line**	**Zacks**	**br+sv Growth**
1	Alliant Energy	10.2%	11.1%	8.7%	10.6%	8.5%
2	Ameren Corp.	10.6%	10.5%	10.2%	10.3%	10.6%
3	American Elec Pwr	11.2%	11.5%	8.4%	11.6%	8.6%
4	Avista Corp.	8.9%	10.7%	9.3%	8.9%	7.1%
5	CenterPoint Energy	10.9%	10.8%	10.6%	11.0%	8.0%
6	CMS Energy Corp.	10.5%	10.6%	11.5%	10.2%	9.7%
7	DTE Energy Co.	10.2%	11.3%	9.1%	9.1%	9.4%
8	Duke Energy Corp.	10.3%	10.1%	9.9%	10.2%	8.2%
9	Entergy Corp.	15.3%	14.8%	13.6%	15.4%	11.7%
10	Evergy Inc.	12.6%	12.5%	9.7%	12.3%	7.1%
11	Eversource Energy	n/a	9.2%	8.9%	7.3%	9.1%
12	FirstEnergy Corp.	11.4%	11.6%	9.4%	11.6%	10.3%
13	IDACORP, Inc.	11.3%	11.5%	7.9%	10.2%	6.9%
14	OGE Energy Corp.	9.7%	10.5%	9.5%	9.1%	8.0%
15	Otter Tail Corp.	-6.9%	10.6%	1.6%	n/a	8.4%
16	Pinnacle West Capital	11.2%	12.4%	9.5%	9.3%	9.1%
17	Pub Sv Enterprise Grp.	12.4%	10.1%	10.9%	9.5%	8.9%
18	Sempra	11.5%	11.4%	9.9%	11.0%	8.9%
19	Xcel Energy Inc.	n/a	12.2%	11.1%	12.4%	10.6%
	Average (b)	**10.9%**	**11.0%**	**9.9%**	**10.5%**	**9.2%**

(a) Sum of dividend yield (PNM Exhibit AMM-6, p. 1) and respective growth rate (PNM Exhibit AMM-6, p. 2).

(b) Excludes highlighted values.

PNM Exhibit AMM – 7

br+sv Growth Rate

Is contained in the following 2 pages.

BR+SV GROWTH RATE

UTILITY GROUP

		(a)	(a)	(a)	(b)	(c)	(d)	(e)		(f)	(g)		
		2030					Adjustment			"sv" Factor			
	Company	EPS	DPS	BVPS	b	r	Factor	Adjusted r	br	s	v	sv	br + sv
1	Alliant Energy	$4.55	$2.72	$33.85	40.2%	13.4%	1.0183	13.7%	5.5%	0.0059	0.5769	0.34%	5.8%
2	Ameren Corp.	$7.15	$3.57	$52.65	50.1%	13.6%	1.0141	13.8%	6.9%	0.0166	0.6305	1.05%	7.9%
3	American Elec Pwr	$7.50	$4.31	$60.90	42.5%	12.3%	1.0082	12.4%	5.3%	0.0074	0.5489	0.41%	5.7%
4	Avista Corp.	$3.10	$2.40	$35.25	22.6%	8.8%	1.0109	8.9%	2.0%	0.0100	0.3286	0.33%	2.3%
5	CenterPoint Energy	$2.50	$1.25	$22.25	50.0%	11.2%	1.0272	11.5%	5.8%	0.0015	0.5762	0.09%	5.9%
6	CMS Energy Corp.	$5.30	$3.10	$35.60	41.5%	14.9%	1.0228	15.2%	6.3%	0.0050	0.6610	0.33%	6.7%
7	DTE Energy Co.	$10.00	$5.70	$72.95	43.0%	13.7%	1.0216	14.0%	6.0%	0.0041	0.5947	0.25%	6.3%
8	Duke Energy Corp.	$8.80	$5.30	$81.00	39.8%	10.9%	1.0234	11.1%	4.4%	0.0061	0.4938	0.30%	4.7%
9	Entergy Corp.	$7.00	$3.50	$47.60	50.0%	14.7%	1.0312	15.2%	7.6%	0.0339	0.5861	1.99%	9.6%
10	Evergy Inc.	$5.30	$3.10	$57.75	41.5%	9.2%	1.0139	9.3%	3.9%	0.0003	0.3921	0.01%	3.9%
11	Eversource Energy	$5.85	$3.75	$53.50	35.9%	10.9%	1.0261	11.2%	4.0%	0.0143	0.4650	0.66%	4.7%
12	FirstEnergy Corp.	$3.60	$2.24	$30.40	37.8%	11.8%	1.0418	12.3%	4.7%	0.0325	0.5136	1.67%	6.3%
13	IDACORP, Inc.	$7.50	$4.35	$77.50	42.0%	9.7%	1.0194	9.9%	4.1%	0.0080	0.4833	0.39%	4.5%
14	OGE Energy Corp.	$3.15	$1.85	$29.95	41.3%	10.5%	1.0219	10.7%	4.4%	0.0016	0.4555	0.07%	4.5%
15	Otter Tail Corp.	$6.60	$3.15	$63.55	52.3%	10.4%	1.0375	10.8%	5.6%	0.0051	0.4474	0.23%	5.9%
16	Pinnacle West Capital	$7.00	$4.40	$75.00	37.1%	9.3%	1.0398	9.7%	3.6%	0.0496	0.4000	1.98%	5.6%
17	Pub Sv Enterprise Grp.	$5.75	$3.45	$45.50	40.0%	12.6%	1.0305	13.0%	5.2%	0.0048	0.5864	0.28%	5.5%
18	Sempra	$7.00	$3.52	$67.25	49.7%	10.4%	1.0371	10.8%	5.4%	0.0147	0.4396	0.64%	6.0%
19	Xcel Energy Inc.	$5.70	$3.20	$53.40	43.9%	10.7%	1.0478	11.2%	4.9%	0.0529	0.5033	2.66%	7.6%

BR+SV GROWTH RATE

UTILITY GROUP

		(a)	(a)	(h)	(a)	(a)	(h)	(i)	(a)	(a)		(j)	(a)	(a)	(i)
		2025			2030			Chg	2025				Common Shares		
	Company	Eq Ratio	Tot Cap	Com Eq	Eq Ratio	Tot Cap	Com Eq	Equity	High	Low	Avg.	M/B	2025	2030	Growth
1	Alliant Energy	40.1%	$18,288	$7,333	35.5%	$24,800	$8,804	3.7%	$90.0	$70.0	$80.0	2.363	256.77	260.00	0.25%
2	Ameren Corp.	47.0%	$26,450	$12,432	48.5%	$29,500	$14,308	2.9%	$155.0	$130.0	$142.5	2.707	276.40	285.00	0.61%
3	American Elec Pwr	42.0%	$70,730	$29,707	42.5%	$75,900	$32,258	1.7%	$150.0	$120.0	$135.0	2.217	540.86	550.00	0.34%
4	Avista Corp.	49.1%	$5,515	$2,708	52.5%	$5,750	$3,019	2.2%	$60.0	$45.0	$52.5	1.489	82.19	85.00	0.67%
5	CenterPoint Energy	35.1%	$31,776	$11,153	40.0%	$36,600	$14,640	5.6%	$60.0	$45.0	$52.5	2.360	652.87	655.00	0.07%
6	CMS Energy Corp.	32.9%	$27,086	$8,911	39.0%	$28,700	$11,193	4.7%	$120.0	$90.0	$105.0	2.949	306.40	309.00	0.17%
7	DTE Energy Co.	34.1%	$36,088	$12,306	38.0%	$40,200	$15,276	4.4%	$205.0	$155.0	$180.0	2.467	207.75	209.50	0.17%
8	Duke Energy Corp.	38.6%	$131,950	$50,933	35.0%	$183,900	$64,365	4.8%	$175.0	$145.0	$160.0	1.975	778.00	790.00	0.31%
9	Entergy Corp.	37.6%	$45,045	$16,937	39.0%	$59,325	$23,137	6.4%	$125.0	$105.0	$115.0	2.416	452.34	485.00	1.40%
10	Evergy Inc.	43.9%	$23,261	$10,212	47.5%	$24,700	$11,733	2.8%	$110.0	$80.0	$95.0	1.645	230.26	230.50	0.02%
11	Eversource Energy	37.2%	$43,506	$16,184	39.5%	$53,200	$21,014	5.4%	$115.0	$85.0	$100.0	1.869	375.42	390.00	0.76%
12	FirstEnergy Corp.	32.9%	$38,018	$12,508	31.0%	$61,300	$19,003	8.7%	$70.0	$55.0	$62.5	2.056	577.85	625.00	1.58%
13	IDACORP, Inc.	50.2%	$7,120	$3,574	56.0%	$7,750	$4,340	4.0%	$165.0	$135.0	$150.0	1.935	54.86	56.00	0.41%
14	OGE Energy Corp.	48.1%	$10,347	$4,977	49.0%	$12,650	$6,199	4.5%	$65.0	$45.0	$55.0	1.836	206.10	207.00	0.09%
15	Otter Tail Corp.	65.9%	$2,825	$1,862	69.0%	$3,925	$2,708	7.8%	$140.0	$90.0	$115.0	1.810	41.91	42.50	0.28%
16	Pinnacle West Capital	43.4%	$16,252	$7,053	44.5%	$23,600	$10,502	8.3%	$145.0	$105.0	$125.0	1.667	120.90	140.00	2.98%
17	Pub Sv Enterprise Grp.	43.9%	$38,652	$16,968	43.5%	$52,900	$23,012	6.3%	$120.0	$100.0	$110.0	2.418	498.00	503.00	0.20%
18	Sempra	52.1%	$60,593	$31,569	48.0%	$95,300	$45,744	7.7%	$145.0	$95.0	$120.0	1.784	652.73	680.00	0.82%
19	Xcel Energy Inc.	41.6%	$56,703	$23,588	41.5%	$91,700	$38,056	10.0%	$125.0	$90.0	$107.5	2.013	623.60	710.00	2.63%

(a) The Value Line Investment Survey (Jun. 5, Jul. 17 and Aug. 7, 2026).
(b) "b" is the retention ratio, computed as (EPS-DPS)/EPS.
(c) "r" is the rate of return on book equity, computed as EPS/BVPS.
(d) Computed using the formula 2*(1+5-Yr. Change in Equity)/(2+5 Yr. Change in Equity).
(e) Product of average year-end "r" for 2030 and Adjustment Factor.
(f) Product of change in common shares outstanding and M/B Ratio.
(g) Computed as 1 - B/M Ratio.
(h) Product of total capital and equity ratio.
(i) Five-year rate of change.
(j) Average of High and Low expected market prices divided by 2030 BVPS.

PNM Exhibit AMM – 8

CAPM

Is contained in the following 1 page.

CAPM

UTILITY GROUP

		(a)	(b)		(c)		(d)		(e)	(f)	
		Market Return (R_m)									
	Company	**Div Yield**	**Proj. Growth**	**$R_{(m)}$**	**Risk-Free Rate**	**Risk Premium**	**Beta**	**Unadjusted CAPM**	**Market Cap**	**Size Adjustment**	**Adjusted CAPM**
1	Alliant Energy	1.3%	12.0%	13.3%	4.9%	8.4%	0.80	11.6%	$18,500	0.40%	12.0%
2	Ameren Corp.	1.3%	12.0%	13.3%	4.9%	8.4%	0.80	11.6%	$30,700	0.27%	11.9%
3	American Elec Pwr	1.3%	12.0%	13.3%	4.9%	8.4%	0.70	10.8%	$71,400	0.01%	10.8%
4	Avista Corp.	1.3%	12.0%	13.3%	4.9%	8.4%	0.70	10.8%	$3,400	0.88%	11.7%
5	CenterPoint Energy	1.3%	12.0%	13.3%	4.9%	8.4%	0.80	11.6%	$28,000	0.27%	11.9%
6	CMS Energy Corp.	1.3%	12.0%	13.3%	4.9%	8.4%	0.70	10.8%	$23,400	0.27%	11.1%
7	DTE Energy Co.	1.3%	12.0%	13.3%	4.9%	8.4%	0.80	11.6%	$30,300	0.27%	11.9%
8	Duke Energy Corp.	1.3%	12.0%	13.3%	4.9%	8.4%	0.65	10.4%	$92,400	0.01%	10.4%
9	Entergy Corp.	1.3%	12.0%	13.3%	4.9%	8.4%	0.75	11.2%	$46,800	0.27%	11.5%
10	Evergy Inc.	1.3%	12.0%	13.3%	4.9%	8.4%	0.80	11.6%	$18,900	0.40%	12.0%
11	Eversource Energy	1.3%	12.0%	13.3%	4.9%	8.4%	0.85	12.0%	$26,400	0.27%	12.3%
12	FirstEnergy Corp.	1.3%	12.0%	13.3%	4.9%	8.4%	0.70	10.8%	$27,000	0.27%	11.1%
13	IDACORP, Inc.	1.3%	12.0%	13.3%	4.9%	8.4%	0.70	10.8%	$8,400	0.37%	11.2%
14	OGE Energy Corp.	1.3%	12.0%	13.3%	4.9%	8.4%	0.85	12.0%	$9,900	0.37%	12.4%
15	Otter Tail Corp.	1.3%	12.0%	13.3%	4.9%	8.4%	0.85	12.0%	$3,600	0.88%	12.9%
16	Pinnacle West Capital	1.3%	12.0%	13.3%	4.9%	8.4%	0.75	11.2%	$13,000	0.40%	11.6%
17	Pub Sv Enterprise Grp.	1.3%	12.0%	13.3%	4.9%	8.4%	0.85	12.0%	$39,500	0.27%	12.3%
18	Sempra	1.3%	12.0%	13.3%	4.9%	8.4%	0.90	12.5%	$60,800	0.01%	12.5%
19	Xcel Energy Inc.	1.3%	12.0%	13.3%	4.9%	8.4%	0.70	10.8%	$51,200	0.27%	11.1%
	Average							**11.4%**			**11.7%**

(a) Weighted average for dividend-paying stocks in the S&P 500 based on data from www.valueline.com (retrieved Jul. 1, 2026).

(b) Average of weighted average earnings growth rates from IBES, Value Line, and Zacks for dividend-paying stocks in the S&P 500 based on data from LSEG, as provided by www.fidelity.com (retrieved Jul. 1, 2026), www.valueline.com (retrieved Jul. 1, 2026), and www.zacks.com (retrieved Jul. 1, 2026). Eliminated growth rates that were greater than 20%, as well as all negative values.

(c) Average yield on 30-year Treasury bonds for six-months ending Jul. 2026 based on data from https://fred.stlouisfed.org/.

(d) The Value Line Investment Survey, Summary & Index (Aug. 7, 2026).

(e) The Value Line Investment Survey (Jun. 5, Jul. 17 and Aug. 7, 2026).

(f) Kroll, 2025 CRSP Deciles Size Premium, Cost of Capital Navigator (2026).

PNM Exhibit AMM – 9

Utility Risk Premium

Is contained in the following 3 pages.

UTILITY RISK PREMIUM

COST OF EQUITY ESTIMATE

Current Equity Risk Premium	
(a) Avg. Yield over Study Period	7.70%
(b) Average Utility Bond Yield	5.84%
Change in Bond Yield	-1.86%
(c) Risk Premium/Interest Rate Relationship	-0.4174
Adjustment to Average Risk Premium	0.78%
(a) Average Risk Premium over Study Period	3.91%
Adjusted Risk Premium	**4.69%**

Implied Cost of Equity	
(b) Average Utility Bond Yield	5.84%
Adjusted Equity Risk Premium	4.69%
Risk Premium Cost of Equity	**10.53%**

(a) PNM Exhibit AMM-9, page 2.
(b) Average yield on utility bonds for six-months ending Jul. 2026 based on data from Moody's Corporation.
(c) PNM Exhibit AMM-9, page 3.

UTILITY RISK PREMIUM

AUTHORIZED RETURNS

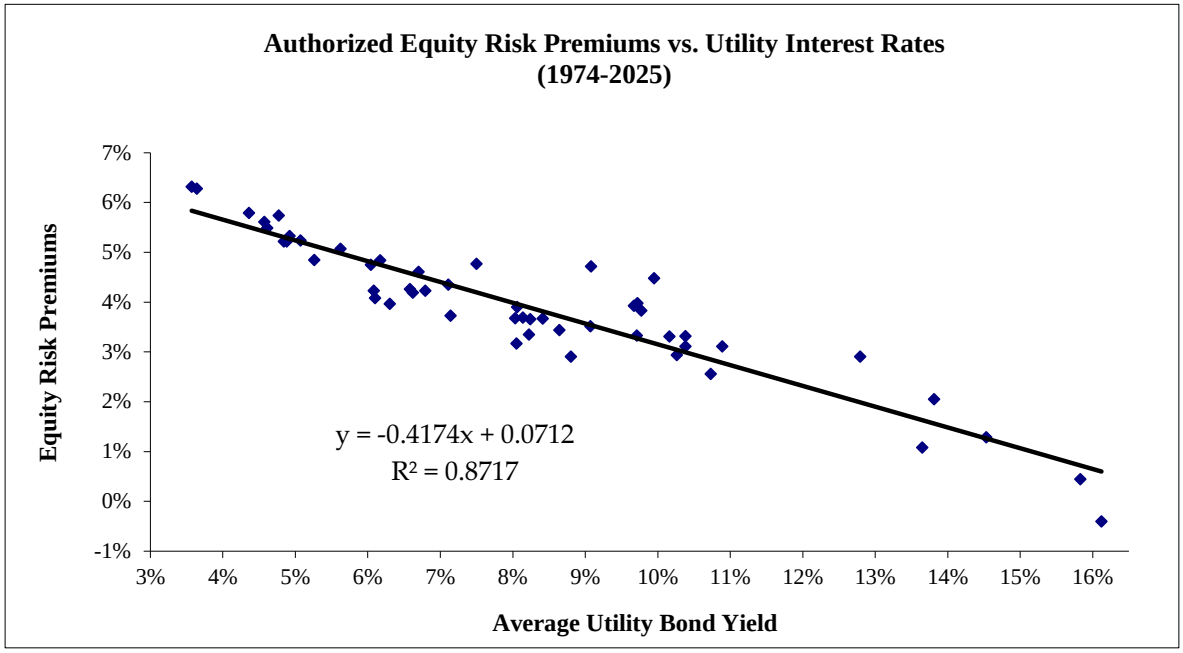
Year	(a) Allowed ROE	(b) Average Utility Bond Yield	Risk Premium
1974	13.10%	9.27%	3.83%
1975	13.20%	9.88%	3.32%
1976	13.10%	9.17%	3.93%
1977	13.30%	8.58%	4.72%
1978	13.20%	9.22%	3.98%
1979	13.50%	10.39%	3.11%
1980	14.23%	13.15%	1.08%
1981	15.22%	15.62%	-0.40%
1982	15.78%	15.33%	0.45%
1983	15.36%	13.31%	2.05%
1984	15.32%	14.03%	1.29%
1985	15.20%	12.29%	2.91%
1986	13.93%	9.45%	4.48%
1987	12.99%	9.88%	3.11%
1988	12.79%	10.23%	2.56%
1989	12.97%	9.66%	3.31%
1990	12.70%	9.76%	2.94%
1991	12.54%	9.21%	3.33%
1992	12.09%	8.57%	3.52%
1993	11.46%	7.56%	3.90%
1994	11.21%	8.30%	2.91%
1995	11.58%	7.91%	3.67%
1996	11.40%	7.74%	3.66%
1997	11.33%	7.64%	3.69%
1998	11.77%	7.00%	4.77%
1999	10.72%	7.55%	3.17%
2000	11.58%	8.14%	3.44%
2001	11.07%	7.72%	3.35%
2002	11.21%	7.53%	3.68%
2003	10.96%	6.61%	4.35%
2004	10.81%	6.20%	4.61%
2005	10.51%	5.67%	4.84%
2006	10.34%	6.08%	4.26%
2007	10.31%	6.12%	4.19%
2008	10.37%	6.64%	3.73%
2009	10.52%	6.29%	4.23%
2010	10.29%	5.54%	4.75%
2011	10.19%	5.12%	5.07%
2012	10.01%	4.27%	5.74%
2013	9.81%	4.57%	5.24%
2014	9.75%	4.42%	5.33%
2015	9.60%	4.38%	5.22%
2016	9.60%	4.11%	5.49%
2017	9.68%	4.07%	5.61%
2018	9.56%	4.34%	5.22%
2019	9.65%	3.86%	5.79%
2020	9.39%	3.07%	6.32%
2021	9.42%	3.14%	6.28%
2022	9.61%	4.76%	4.85%
2023	9.68%	5.60%	4.08%
2024	9.81%	5.58%	4.23%
2025	9.77%	5.80%	3.97%
Average	**11.61%**	**7.70%**	**3.91%**

(a) S&P Global Market Intelligence, *Major Rate Case Decisions* , RRA Regulatory Focus; *UtilityScope Regulatory Service* , Argus. Data for "general" rate cases (excluding limited-issue rider cases) beginning in 2005 (the first year such data presented by RRA).

(b) Moody's Corporation.

UTILITY RISK PREMIUM

REGRESSION RESULTS



PNM Exhibit AMM – 10

Expected Earnings

Is contained in the following 1 page.

EXPECTED EARNINGS APPROACH

UTILITY GROUP

		(a)	(b)	(c)
	Company	**Expected Return on Common Equity**	**Adjustment Factor**	**Adjusted Return on Common Equity**
1	Alliant Energy	13.5%	1.0183	13.7%
2	Ameren Corp.	10.0%	1.0141	10.1%
3	American Elec Pwr	11.0%	1.0082	11.1%
4	Avista Corp.	9.0%	1.0109	9.1%
5	CenterPoint Energy	11.0%	1.0272	11.3%
6	CMS Energy Corp.	15.0%	1.0228	15.3%
7	DTE Energy Co.	13.5%	1.0216	13.8%
8	Duke Energy Corp.	11.0%	1.0234	11.3%
9	Entergy Corp.	15.0%	1.0312	15.5%
10	Evergy Inc.	9.0%	1.0139	9.1%
11	Eversource Energy	11.0%	1.0261	11.3%
12	FirstEnergy Corp.	12.0%	1.0418	12.5%
13	IDACORP, Inc.	9.5%	1.0194	9.7%
14	OGE Energy Corp.	11.0%	1.0219	11.2%
15	Otter Tail Corp.	11.0%	1.0375	11.4%
16	Pinnacle West Capital	9.5%	1.0398	9.9%
17	Pub Sv Enterprise Grp.	12.5%	1.0305	12.9%
18	Sempra	10.5%	1.0371	10.9%
19	Xcel Energy Inc.	10.5%	1.0478	11.0%
	Average (d)			**11.2%**

(a) The Value Line Investment Survey (Jun. 5, Jul. 17 and Aug. 7, 2026).
(b) Adjustment to convert year-end return to an average rate of return from PNM Exhibit AMM-7.
(c) (a) x (b).
(d) Excludes highlighted values.

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. 667	)	**Docket No. 26-0000XXX**
PUBLIC SERVICE COMPANY OF NEW MEXICO,	)	
Applicant.	)	

AFFIRMATION

I, Adrien M. McKenzie, submit this unsworn affirmation pursuant to Rule 1.2.2.35(A)(3) and state, upon penalty of perjury under the laws of the State of New Mexico, that I have read the foregoing Direct Testimony and that the statements contained therein are true and correct based on my personal knowledge, information and belief.

Dated: November 24, 2026.

/s/ *Adrien M. McKenzie*
ADRIEN M. MCKENZIE

GCG#536043