

THIS FILING IS	
Item 1: <input checked="" type="checkbox"/> An Initial (Original) Submission	OR <input type="checkbox"/> Resubmission No.

Form 1 Approved
OMB No.1902-0021
(Expires 11/30/2022)

Form 1-F Approved
OMB No.1902-0029
(Expires 11/30/2022)

Form 3-Q Approved
OMB No.1902-0205
(Expires 11/30/2022)



FERC FINANCIAL REPORT

FERC FORM No. 1: Annual Report of Major Electric Utilities, Licensees and Others and Supplemental Form 3-Q: Quarterly Financial Report

These reports are mandatory under the Federal Power Act, Sections 3, 4(a), 304 and 309, and 18 CFR 141.1 and 141.400. Failure to report may result in criminal fines, civil penalties and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider these reports to be of confidential nature

Exact Legal Name of Respondent (Company)	Year/Period of Report
Texas-New Mexico Power Company	End of 2022/Q4

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INSTRUCTIONS FOR FILING FERC FORM NOS. 1 and 3-Q

GENERAL INFORMATION

I. Purpose

FERC Form No. 1 (FERC Form 1) is an annual regulatory requirement for Major electric utilities, licensees and others (18 C.F.R. § 141.1). FERC Form No. 3-Q (FERC Form 3-Q) is a quarterly regulatory requirement which supplements the annual financial reporting requirement (18 C.F.R. § 141.400). These reports are designed to collect financial and operational information from electric utilities, licensees and others subject to the jurisdiction of the Federal Energy Regulatory Commission. These reports are also considered to be non-confidential public use forms.

II. Who Must Submit

Each Major electric utility, licensee, or other, as classified in the Commission's Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject To the Provisions of The Federal Power Act (18 C.F.R. Part 101), must submit FERC Form 1 (18 C.F.R. § 141.1), and FERC Form 3-Q (18 C.F.R. § 141.400).

Note: Major means having, in each of the three previous calendar years, sales or transmission service that exceeds one of the following:

- (1) one million megawatt hours of total annual sales,
- (2) 100 megawatt hours of annual sales for resale,
- (3) 500 megawatt hours of annual power exchanges delivered, or
- (4) 500 megawatt hours of annual wheeling for others (deliveries plus losses).

III. What and Where to Submit

- (a) Submit FERC Forms 1 and 3-Q electronically through the forms submission software. Retain one copy of each report for your files. Any electronic submission must be created by using the forms submission software provided free by the Commission at its web site: <http://www.ferc.gov/docs-filing/forms/form-1/elec-subm-soft.asp>. The software is used to submit the electronic filing to the Commission via the Internet.
- (b) The Corporate Officer Certification must be submitted electronically as part of the FERC Forms 1 and 3-Q filings.
- (c) Submit immediately upon publication, by either eFiling or mail, two (2) copies to the Secretary of the Commission, the latest Annual Report to Stockholders. Unless eFiling the Annual Report to Stockholders, mail the stockholders report to the Secretary of the Commission at:

Secretary
Federal Energy
Regulatory Commission
888 First Street, NE
Washington, DC 20426

- (d) For the CPA Certification Statement, submit within 30 days after filing the FERC Form 1, a letter or report (not applicable to filers classified as Class C or Class D prior to January 1, 1984). The CPA Certification Statement can be either eFiled or mailed to the Secretary of the Commission at the address above.

The CPA Certification Statement should:

- a) Attest to the conformity, in all material aspects, of the below listed (schedules and pages) with the Commission's applicable Uniform System of Accounts (including applicable notes relating thereto and the Chief Accountant's published accounting releases), and
- b) Be signed by independent certified public accountants or an independent licensed public accountant certified or licensed by a regulatory authority of a State or other political subdivision of the U. S. (See 18 C.F.R. §§ 41.10-41.12 for specific qualifications.)

<u>Reference Schedules</u>	<u>Pages</u>
Comparative Balance Sheet	110-113
Statement of Income	114-117
Statement of Retained Earnings	118-119
Statement of Cash Flows	120-121
Notes to Financial Statements	122-123

- e) The following format must be used for the CPA Certification Statement unless unusual circumstances or conditions, explained in the letter or report, demand that it be varied. Insert parenthetical phrases only when exceptions are reported.

"In connection with our regular examination of the financial statements of _____ for the year ended on which we have reported separately under date of _____, we have also reviewed schedules _____ of FERC Form No. 1 for the year filed with the Federal Energy Regulatory Commission, for conformity in all material respects with the requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases. Our review for this purpose included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Based on our review, in our opinion the accompanying schedules identified in the preceding paragraph (except as noted below) conform in all material respects with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases."

The letter or report must state which, if any, of the pages above do not conform to the Commission's requirements. Describe the discrepancies that exist.

- f) Filers are encouraged to file their Annual Report to Stockholders, and the CPA Certification Statement using eFiling. To further that effort, new selections, "Annual Report to Stockholders," and "CPA Certification Statement" have been added to the dropdown "pick list" from which companies must choose when eFiling. Further instructions are found on the Commission's website at <http://www.ferc.gov/help/how-to.asp>.
- g) Federal, State and Local Governments and other authorized users may obtain additional blank copies of FERC Form 1 and 3-Q free of charge from <http://www.ferc.gov/docs-filing/forms/form-1/form-1.pdf> and <http://www.ferc.gov/docs-filing/forms.asp#3Q-gas>.

IV. When to Submit:

FERC Forms 1 and 3-Q must be filed by the following schedule:

- a) FERC Form 1 for each year ending December 31 must be filed by April 18th of the following year (18 CFR § 141.1), and
- b) FERC Form 3-Q for each calendar quarter must be filed within 60 days after the reporting quarter (18 C.F.R. § 141.400).

V. Where to Send Comments on Public Reporting Burden.

The public reporting burden for the FERC Form 1 collection of information is estimated to average 1,168 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data-needed, and completing and reviewing the collection of information. The public reporting burden for the FERC Form 3-Q collection of information is estimated to average 168 hours per response.

Send comments regarding these burden estimates or any aspect of these collections of information, including suggestions for reducing burden, to the Federal Energy Regulatory Commission, 888 First Street NE, Washington, DC 20426 (Attention: Information Clearance Officer); and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, DC 20503 (Attention: Desk Officer for the Federal Energy Regulatory Commission). No person shall be subject to any penalty if any collection of information does not display a valid control number (44 U.S.C. § 3512 (a)).

GENERAL INSTRUCTIONS

- I. Prepare this report in conformity with the Uniform System of Accounts (18 CFR Part 101) (USofA). Interpret all accounting words and phrases in accordance with the USofA.
- II. Enter in whole numbers (dollars or MWH) only, except where otherwise noted. (Enter cents for averages and figures per unit where cents are important. The truncating of cents is allowed except on the four basic financial statements where rounding is required.) The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support. When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting period, and use for statement of income accounts the current year's year to date amounts.
- III. Complete each question fully and accurately, even if it has been answered in a previous report. Enter the word "None" where it truly and completely states the fact.
- IV. For any page(s) that is not applicable to the respondent, omit the page(s) and enter "NA," "NONE," or "Not Applicable" in column (d) on the List of Schedules, pages 2 and 3.
- V. Enter the month, day, and year for all dates. Use customary abbreviations. The **"Date of Report" included in the header of each page is to be completed only for resubmissions** (see VII. below).
- VI. Generally, except for certain schedules, all numbers, whether they are expected to be debits or credits, must be reported as positive. Numbers having a sign that is different from the expected sign must be reported by enclosing the numbers in parentheses.
- VII. For any resubmissions, submit the electronic filing using the form submission software only. Please explain the reason for the resubmission in a footnote to the data field.
- VIII. Do not make references to reports of previous periods/years or to other reports in lieu of required entries, except as specifically authorized.
- IX. Wherever (schedule) pages refer to figures from a previous period/year, the figures reported must be based upon those shown by the report of the previous period/year, or an appropriate explanation given as to why the different figures were used.

Definitions for statistical classifications used for completing schedules for transmission system reporting are as follows:

FNS - Firm Network Transmission Service for Self. "Firm" means service that can not be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. "Network Service" is Network Transmission Service as described in Order No. 888 and the Open Access Transmission Tariff. "Self" means the respondent.

FNO - Firm Network Service for Others. "Firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. "Network Service" is Network Transmission Service as described in Order No. 888 and the Open Access Transmission Tariff.

LFP - for Long-Term Firm Point-to-Point Transmission Reservations. "Long-Term" means one year or longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. "Point-to-Point Transmission Reservations" are described in Order No. 888 and the Open Access Transmission Tariff. For all transactions identified as LFP, provide in a footnote the termination date of the contract defined as the earliest date either buyer or seller can unilaterally cancel the contract.

OLF - Other Long-Term Firm Transmission Service. Report service provided under contracts which do not conform to the terms of the Open Access Transmission Tariff. "Long-Term" means one year or longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under

adverse conditions. For all transactions identified as OLF, provide in a footnote the termination date of the contract defined as the earliest date either buyer or seller can unilaterally get out of the contract.

SFP - Short-Term Firm Point-to-Point Transmission Reservations. Use this classification for all firm point-to-point transmission reservations, where the duration of each period of reservation is less than one-year.

NF - Non-Firm Transmission Service, where firm means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions.

OS - Other Transmission Service. Use this classification only for those services which can not be placed in the above-mentioned classifications, such as all other service regardless of the length of the contract and service FERC Form. Describe the type of service in a footnote for each entry.

AD - Out-of-Period Adjustments. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting periods. Provide an explanation in a footnote for each adjustment.

DEFINITIONS

- I. Commission Authorization (Comm. Auth.) -- The authorization of the Federal Energy Regulatory Commission, or any other Commission. Name the commission whose authorization was obtained and give date of the authorization.
- II. Respondent -- The person, corporation, licensee, agency, authority, or other Legal entity or instrumentality in whose behalf the report is made.

EXCERPTS FROM THE LAW

Federal Power Act, 16 U.S.C. § 791a-825r

Sec. 3. The words defined in this section shall have the following meanings for purposes of this Act, to with:

- (3) 'Corporation' means any corporation, joint-stock company, partnership, association, business trust, organized group of persons, whether incorporated or not, or a receiver or receivers, trustee or trustees of any of the foregoing. It shall not include 'municipalities, as hereinafter defined;
- (4) 'Person' means an individual or a corporation;
- (5) 'Licensee, means any person, State, or municipality Licensed under the provisions of section 4 of this Act, and any assignee or successor in interest thereof;
- (7) 'municipality means a city, county, irrigation district, drainage district, or other political subdivision or agency of a State competent under the Laws thereof to carry and the business of developing, transmitting, unitizing, or distributing power;
- (11) "project' means. a complete unit of improvement or development, consisting of a power house, all water conduits, all dams and appurtenant works and structures (including navigation structures) which are a part of said unit, and all storage, diverting, or fore bay reservoirs directly connected therewith, the primary line or lines transmitting power there from to the point of junction with the distribution system or with the interconnected primary transmission system, all miscellaneous structures used and useful in connection with said unit or any part thereof, and all water rights, rights-of-way, ditches, dams, reservoirs, Lands, or interest in Lands the use and occupancy of which are necessary or appropriate in the maintenance and operation of such unit;

"Sec. 4. The Commission is hereby authorized and empowered

- (a) To make investigations and to collect and record data concerning the utilization of the water 'resources of any region to be developed, the water-power industry and its relation to other industries and to interstate or foreign commerce, and concerning the location, capacity, development -costs, and relation to markets of power sites; to the extent the Commission may deem necessary or useful for the purposes of this Act."

"Sec. 304. (a) Every Licensee and every public utility shall file with the Commission such annual and other periodic or special* reports as the Commission may be rules and regulations or other prescribe as necessary or appropriate to assist the Commission in the -proper administration of this Act. The Commission may prescribe the manner and FERC Form in which such reports salt be made, and require from such persons specific answers to all questions upon which the Commission may need information. The Commission may require that such reports shall include, among other things, full information as to assets and Liabilities, capitalization, net investment, and reduction thereof, gross receipts, interest due and paid, depreciation, and other reserves, cost of project and other facilities, cost of maintenance and operation of the project and other facilities, cost of renewals and replacement of the project works and other facilities, depreciation, generation, transmission, distribution, delivery, use, and sale of electric energy. The Commission may require any such person to make adequate provision for currently determining such costs and other facts. Such reports shall be made under oath unless the Commission otherwise specifies*.10

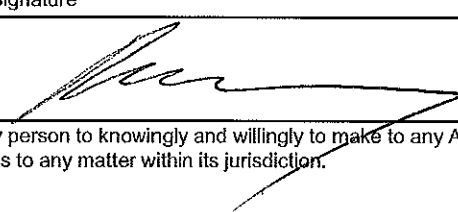
"Sec. 309. The Commission shall have power to perform any and all acts, and to prescribe, issue, make, and rescind such orders, rules and regulations as it may find necessary or appropriate to carry out the provisions of this Act. Among other things, such rules and regulations may define accounting, technical, and trade terms used in this Act; and may prescribe the FERC Form or FERC Forms of all statements, declarations, applications, and reports to be filed with the Commission, the information which they shall contain, and the time within which they shall be filed..."

General Penalties

The Commission may assess up to \$1 million per day per violation of its rules and regulations. See FPA § 316(a) (2005), 16 U.S.C. § 825o(a).

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**FERC FORM NO. 1/3-Q:
REPORT OF MAJOR ELECTRIC UTILITIES, LICENSEES AND OTHER**

IDENTIFICATION		
01 Exact Legal Name of Respondent Texas-New Mexico Power Company	02 Year/Period of Report End of 2022/Q4	
03 Previous Name and Date of Change (if name changed during year) //		
04 Address of Principal Office at End of Period (Street, City, State, Zip Code) 557 North Garden Ridge Blvd., Lewisville, TX 75067		
05 Name of Contact Person Henry E. Monroy	06 Title of Contact Person VP, Corporate Controller	
07 Address of Contact Person (Street, City, State, Zip Code) 414 Silver Ave. SE, Albuquerque, NM 87102		
08 Telephone of Contact Person, <i>Including Area Code</i> (505) 241-2223	09 This Report Is (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	10 Date of Report (Mo, Da, Yr) 03/31/2023
ANNUAL CORPORATE OFFICER CERTIFICATION		
<p>The undersigned officer certifies that:</p> <p>I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report, conform in all material respects to the Uniform System of Accounts.</p>		
01 Name Henry E. Monroy	03 Signature 	04 Date Signed (Mo, Da, Yr) 03/31/2023
02 Title VP, Corporate Controller		
<p>Title 18, U.S.C. 1001 makes it a crime for any person to knowingly and willingly to make to any Agency or Department of the United States any false, fictitious or fraudulent statements as to any matter within its jurisdiction.</p>		

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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LIST OF SCHEDULES (Electric Utility)			
Enter in column (c) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the respondents are "none," "not applicable," or "NA".			
Line No.	Title of Schedule (a)	Reference Page No. (b)	Remarks (c)
1	General Information	101	
2	Control Over Respondent	102	
3	Corporations Controlled by Respondent	103	
4	Officers	104	
5	Directors	105	
6	Information on Formula Rates	106(a)(b)	None
7	Important Changes During the Year	108-109	
8	Comparative Balance Sheet	110-113	
9	Statement of income for the Year	114-117	
10	Statement of Retained Earnings for the Year	118-119	
11	Statement of Cash Flows	120-121	
12	Notes to Financial Statements	122-123	
13	Statement of Accum Comp Income, Comp Income, and Hedging Activities	122(a)(b)	None
14	Summary of Utility Plant & Accumulated Provisions for Dep, Amort & Dep	200-201	
15	Nuclear Fuel Materials	202-203	None
16	Electric Plant In Service	204-207	
17	Electric Plant Leased to Others	213	None
18	Electric Plant Held for Future Use	214	
19	Construction Work in Progres-Electirc	216	
20	Accumulated Provision for Depreciation of Electric Utility Plant	219	
21	Investment of Subsidiary Companies	224-225	None
22	Materials and Supplies	227	
23	Allowances	228(ab)-229(ab)	None
24	Extraordinary Property Losses	230a	None
25	Unrecovered Plant and Regulatory Study Costs	230b	None
26	Transmission Service and Generation Interconnection Study Costs	231	
27	Other Regulatory Assets	232	
28	Miscellaneous Deferred Debits	233	
29	Accumulated Deferred Income Taxes	234	
30	Capital Stock	250-251	
31	Other Paid-in Capital	253	
32	Capital Stock Expenses	254b	None
33	Long-Term Debt	256-257	
34	Reconciliation of Reported Net Income with Taxable Inc for Fed Inc Tax	261	
35	Taxes Accrued, Prepaid and Charged During the Year	262-263	
36	Accumulated Deferred Investment Tax Credits	266-267	None

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LIST OF SCHEDULES (Electric Utility) (continued)

Enter in column (c) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the respondents are "none," "not applicable," or "NA".

Line No.	Title of Schedule (a)	Reference Page No. (b)	Remarks (c)
67	Transmission Line Statistics Pages	422-423	
68	Transmission Lines Added During the Year	424-425	
69	Substations	426-427	
70	Transactions with Associated (Affiliated) Companies	429	
	Stockholders' Reports Check appropriate box: <input type="checkbox"/> Two copies will be submitted <input checked="" type="checkbox"/> No annual report to stockholders is prepared		

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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GENERAL INFORMATION

1. Provide name and title of officer having custody of the general corporate books of account and address of office where the general corporate books are kept, and address of office where any other corporate books of account are kept, if different from that where the general corporate books are kept.

Henry E. Monroy, Vice President, Corporate Controller
414 Silver Ave. SW
Albuquerque, NM 87102-3289

2. Provide the name of the State under the laws of which respondent is incorporated, and date of incorporation. If incorporated under a special law, give reference to such law. If not incorporated, state that fact and give the type of organization and the date organized.

Texas
April 18, 1963

3. If at any time during the year the property of respondent was held by a receiver or trustee, give (a) name of receiver or trustee, (b) date such receiver or trustee took possession, (c) the authority by which the receivership or trusteeship was created, and (d) date when possession by receiver or trustee ceased.

N/A

4. State the classes or utility and other services furnished by respondent during the year in each State in which the respondent operated.

Texas
Electric

5. Have you engaged as the principal accountant to audit your financial statements an accountant who is not the principal accountant for your previous year's certified financial statements?

(1) Yes...Enter the date when such independent accountant was initially engaged:

(2) No

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CONTROL OVER RESPONDENT

1. If any corporation, business trust, or similar organization or a combination of such organizations jointly held control over the respondent at the end of the year, state name of controlling corporation or organization, manner in which control was held, and extent of control. If control was in a holding company organization, show the chain of ownership or control to the main parent company or organization. If control was held by a trustee(s), state name of trustee(s), name of beneficiary or beneficiaries for whom trust was maintained, and purpose of the trust.

Texas-New Mexico Power Company ("TNMP") is 100% owned by TNP Enterprises, Inc. ("TNP"). TNP was organized as a holding company in 1983. TNP is 100% owned by PNM Resources, Inc. ("PNMR"). PNMR was incorporated in the State of New Mexico in 2000.

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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CORPORATIONS CONTROLLED BY RESPONDENT

- Report below the names of all corporations, business trusts, and similar organizations, controlled directly or indirectly by respondent at any time during the year. If control ceased prior to end of year, give particulars (details) in a footnote.
- If control was by other means than a direct holding of voting rights, state in a footnote the manner in which control was held, naming any intermediaries involved.
- If control was held jointly with one or more other interests, state the fact in a footnote and name the other interests.

Definitions

- See the Uniform System of Accounts for a definition of control.
- Direct control is that which is exercised without interposition of an intermediary.
- Indirect control is that which is exercised by the interposition of an intermediary which exercises direct control.
- Joint control is that in which neither interest can effectively control or direct action without the consent of the other, as where the voting control is equally divided between two holders, or each party holds a veto power over the other. Joint control may exist by mutual agreement or understanding between two or more parties who together have control within the meaning of the definition of control in the Uniform System of Accounts, regardless of the relative voting rights of each party.

Line No.	Name of Company Controlled (a)	Kind of Business (b)	Percent Voting Stock Owned (c)	Footnote Ref. (d)
1	Texas Generating Company, LP (TGC)	Inactive	100%	
2				
3	Texas Generating Company II, LLC (TGC II)	Inactive	100%	
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OFFICERS			
1. Report below the name, title and salary for each executive officer whose salary is \$50,000 or more. An "executive officer" of a respondent includes its president, secretary, treasurer, and vice president in charge of a principal business unit, division or function (such as sales, administration or finance), and any other person who performs similar policy making functions.			
2. If a change was made during the year in the incumbent of any position, show name and total remuneration of the previous incumbent, and the date the change in incumbency was made.			
Line No.	Title (a)	Name of Officer (b)	Salary for Year (c)
1	Chairman of the Board, Chief Executive Officer (until 6/30/22)		
2	Chairman of the Board (eff 7/1/22)	Patricia K. Collawn	1,005,880
3			
4	Senior Vice President, General Council and Secretary	Patrick V. Apodaca	389,826
5			
6	Executive Vice President, Corporate Development and Finance		
7	(until 6/30/22)	Charles N. Eldred	277,787
8			
9	Senior Vice President, Chief Financial Officer (until 6/30/22)		
10	Chief Executive Officer (eff 7/1/22)	Joseph D. Tarry	480,717
11			
12	Vice President, Corporate Controller	Henry E. Monroy	280,005
13			
14	President, Texas Operations	James N. Walker	259,098
15			
16	Vice President, Regulatory Affairs	Stacy R. Whitehurst	200,457
17			
18	Vice President, Operations (until 6/30/22)		
19	Operations Advisor Principal (eff 7/1/22)	Evans Spanos	163,911
20			
21	Vice President, Engineering and Technical Services (until 6/30/22)		
22	Vice President, Operations (eff 7/1/22)	Keith C. Nix	214,341
23			
24	Vice President, Treasurer (until 6/30/22)		
25	Senior Vice President, Chief Financial Officer, Treasurer (eff 7/1/22)	Elisabeth A. Eden	354,716
26			
27	Vice President, Human Resources	Rebecca R. Teague	299,558
28			
29	Senior Vice President, Utility Operations (until 9/10/22)	Chris M. Olson	244,914
30			
31	Vice President, Chief Information Officer	Mike M. Mertz	342,026
32			
33	Vice President, Engineering and Technical Services (eff 7/1/22)	Christopher Gerety	193,481
34			
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FOOTNOTE DATA

Page 104, Row 1, Column (c)

Officer compensation amounts in column (c) are consolidated amounts for PNM Resources, Inc.

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DIRECTORS

- Report below the information called for concerning each director of the respondent who held office at any time during the year. Include in column (a), abbreviated titles of the directors who are officers of the respondent.
- Designate members of the Executive Committee by a triple asterisk and the Chairman of the Executive Committee by a double asterisk.

Line No.	Name (and Title) of Director (a)	Principal Business Address (b)
1	Patricia Collawn	PNM Resources
2	Chairman of the Board, Chief Executive Officer (until 6/30/22)	414 Silver S.W.
3	Chairman of the Board (eff 7/1/22)	Albuquerque, NM 87102-3289
4		
5	Ronald Darnell	PNM Resources
6	Director	414 Silver S.W.
7		Albuquerque, NM 87102-3289
8		
9	Charles Eldred	PNM Resources
10	Executive Vice President, Corporate Development and Finance (until 6/30/22)	414 Silver S.W.
11		Albuquerque, NM 87102-3289
12		
13	James N. Walker	Texas-New Mexico Power Company
14	President, Texas Operations	557 North Garden Ridge Blvd.
15		Lewisville, TX 75067
16		
17	Chris M. Olson	PNM Resources
18	Senior Vice President, Utility Operations (until 9/10/22)	414 Silver S.W.
19		Albuquerque, NM 87102-3289
20		
21	Joseph D. Tarry	PNM Resources
22	Senior Vice President, Chief Financial Officer (until 6/30/22)	414 Silver S.W.
23	Chief Executive Officer (eff 7/1/22)	Albuquerque, NM 87102-3289
24		
25	Mike M. Mertz	PNM Resources
26	Vice President, Chief Information Officer	414 Silver S.W.
27	Director (eff 9/10/22)	Albuquerque, NM 87102-3289
28		
29	Elisabeth A. Eden	PNM Resources
30	Vice President, Treasurer (until 6/30/22)	414 Silver S.W.
31	Senior Vice President, Chief Financial Officer, Treasurer (eff 7/1/22)	Albuquerque, NM 87102-3289
32		
33		
34	Note: Texas-New Mexico Power Company does not have	
35	an Executive Committee	
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Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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IMPORTANT CHANGES DURING THE QUARTER/YEAR

Give particulars (details) concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquiries. Each inquiry should be answered. Enter "none," "not applicable," or "NA" where applicable. If information which answers an inquiry is given elsewhere in the report, make a reference to the schedule in which it appears.

1. Changes in and important additions to franchise rights: Describe the actual consideration given therefore and state from whom the franchise rights were acquired. If acquired without the payment of consideration, state that fact.
2. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give names of companies involved, particulars concerning the transactions, name of the Commission authorizing the transaction, and reference to Commission authorization.
3. Purchase or sale of an operating unit or system: Give a brief description of the property, and of the transactions relating thereto, and reference to Commission authorization, if any was required. Give date journal entries called for by the Uniform System of Accounts were submitted to the Commission.
4. Important leaseholds (other than leaseholds for natural gas lands) that have been acquired or given, assigned or surrendered: Give effective dates, lengths of terms, names of parties, rents, and other condition. State name of Commission authorizing lease and give reference to such authorization.
5. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased and give reference to Commission authorization, if any was required. State also the approximate number of customers added or lost and approximate annual revenues of each class of service. Each natural gas company must also state major new continuing sources of gas made available to it from purchases, development, purchase contract or otherwise, giving location and approximate total gas volumes available, period of contracts, and other parties to any such arrangements, etc.
6. Obligations incurred as a result of issuance of securities or assumption of liabilities or guarantees including issuance of short-term debt and commercial paper having a maturity of one year or less. Give reference to FERC or State Commission authorization, as appropriate, and the amount of obligation or guarantee.
7. Changes in articles of incorporation or amendments to charter: Explain the nature and purpose of such changes or amendments.
8. State the estimated annual effect and nature of any important wage scale changes during the year.
9. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.
10. Describe briefly any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder reported on Page 104 or 105 of the Annual Report Form No. 1, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.
11. (Reserved.)
12. If the important changes during the year relating to the respondent company appearing in the annual report to stockholders are applicable in every respect and furnish the data required by Instructions 1 to 11 above, such notes may be included on this page.
13. Describe fully any changes in officers, directors, major security holders and voting powers of the respondent that may have occurred during the reporting period.
14. In the event that the respondent participates in a cash management program(s) and its proprietary capital ratio is less than 30 percent please describe the significant events or transactions causing the proprietary capital ratio to be less than 30 percent, and the extent to which the respondent has amounts loaned or money advanced to its parent, subsidiary, or affiliated companies through a cash management program(s). Additionally, please describe plans, if any to regain at least a 30 percent proprietary ratio.

PAGE 108 INTENTIONALLY LEFT BLANK
SEE PAGE 109 FOR REQUIRED INFORMATION.

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report 2022/Q4
IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued)			

Item 1 - TNMP holds long-term, non-exclusive franchise agreements for its electric transmission and distribution services. These agreements have varying expiration dates, including some that have expired. TNMP intends to negotiate and execute new or amended franchise agreements with municipalities where the agreements have expired or will be expiring. Since TNMP is the exclusive provider of transmission and distribution services in most areas that it serves, the need to renew or renegotiate franchise agreements should not have a material adverse impact on TNMP's business. TNMP also earns revenues from services provided to facilities in its service area that lie outside the territorial jurisdiction of the municipalities with which TNMP has franchise agreements.

Item 2 - On October 20, 2020, PNMR, Avangrid, and Merger Sub, entered into an Agreement and Plan of Merger (the "Merger Agreement") pursuant to which Merger Sub will merge with and into PNMR (the "Merger"), with PNMR surviving the Merger as a wholly-owned subsidiary of Avangrid. For further information see Footnote 22 on pages 123.98.

Item 3 - None

Item 4 - Refer to Footnote 8 on page 123.32 for information regarding leases.

Item 5 - None

Item 6 - At December 31, 2021, the TNMP Revolving Credit Facility had a financing capacity of \$75.0 million, secured by \$75.0 million aggregate principal amount of TNMP first mortgage bonds. The facility was amended on March 11, 2022 to extend its current maturity of September 23, 2022 to September 23, 2024, with two one-year extension options that, if exercised, would extend the maturity to September 23, 2026, subject to approval by a majority of the lenders. The amended TNMP Revolving Credit Facility also contained an accordion feature that would allow TNMP to increase the size of the revolver from \$75.0 million to \$100.0 million, subject to certain conditions. On May 13, 2022, TNMP exercised the accordion feature and increased the capacity of the TNMP Revolving Credit Facility to \$100.0 million, secured by \$100.0 million aggregate principal amount of TNMP first mortgage bonds. On January 26, 2023, TNMP exercised one of the one-year extension options on its credit facility, which extended the maturity to September 23, 2025. The facility contains a financial covenant that requires the maintenance of debt-to-capital ratio of less than or equal to 65%.

On April 27, 2022, TNMP entered into an agreement (the "TNMP 2022 Bond Purchase Agreement") with institutional investors for the sale of \$160.0 million aggregate principal amount of two series of TNMP first mortgage bonds (the "TNMP 2022 Bonds") offered in private placement transactions. TNMP issued the first series of \$65.0 million of the TNMP 2022 Bonds on May 12, 2022, at a 4.13% interest rate, due May 12, 2052, and the second series of \$95.0 million of the TNMP 2022 Bonds on July 28, 2022, at a 3.81% interest rate, due July 28, 2032. The proceeds were used to repay borrowings under the TNMP Revolving Credit Facility and for other corporate purposes. The TNMP 2022 Bonds are subject to continuing compliance with the representations, warranties and covenants set forth in the supplemental indenture governing the TNMP 2022 Bonds. The terms of the supplemental indentures governing the TNMP 2022 Bonds include the customary covenants discussed above. In the event of a change of control, TNMP will be required to offer to prepay the TNMP 2022 Bonds at par. However, the definition of change of control in the supplemental indentures governing the TNMP 2022 Bonds will not be triggered by the close of the Merger. TNMP has the right to redeem any or all of the TNMP 2022 Bonds prior to their maturity, subject to payment of a customary make-whole premium.

See Note 7 to the Consolidated Financial Statements on page 123.25.

Item 7 - None

Item 8 - TNMP's annual merit award program recognized individual employee performance based on established performance targets for the previous calendar year. The most recent merit awards were effective March 18, 2023, and the average award was 4.49% of base salary.

Item 9 - See notes 16 and 17 to the Consolidated Financial Statements on pages 123.61 and 123.74.

Item 10 - None

Item 11 - (Reserved.)

Item 12 - No annual report is issued.

Item 13 - Effective June 30, 2022: Patricia Collawn steps down as Chief Executive Officer; Charles Eldred retires

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report 2022/Q4
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IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued)

Effective July 1, 2022: Joseph D. Tarry, Chief Executive Officer; Elisabeth A. Eden, Senior Vice President, Chief Financial Officer, Treasurer, and Director; Evans Spanos, Operations Advisor Principal; Keith Nix, Vice President, Operations; Christopher Gerety, Vice President, Engineering and Technical Services.

Effective September 10, 2022: Chris M. Olson retired and Mike Mertz was appointed to replace him as Director.

Item 14 - Not Applicable

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COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	UTILITY PLANT			
2	Utility Plant (101-106, 114)	200-201	2,868,455,219	2,492,367,679
3	Construction Work in Progress (107)	200-201	63,718,469	53,319,125
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		2,932,173,688	2,545,686,804
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 110, 111, 115)	200-201	675,188,982	636,012,981
6	Net Utility Plant (Enter Total of line 4 less 5)		2,256,984,706	1,909,673,823
7	Nuclear Fuel in Process of Ref., Conv., Enrich., and Fab. (120.1)	202-203	—	—
8	Nuclear Fuel Materials and Assemblies-Stock Account (120.2)		—	—
9	Nuclear Fuel Assemblies in Reactor (120.3)		—	—
10	Spent Nuclear Fuel (120.4)		—	—
11	Nuclear Fuel Under Capital Lease (120.6)		—	—
12	(Less) Accum. Prov. for Amort. of Nucl. Fuel Assemblies (120.5)	202-203	—	—
13	Net Nuclear Fuel (Enter Total of line 7-11 less 12)		—	—
14	Net Utility Plant (Enter Total of lines 6 and 13)		2,256,984,706	1,909,673,823
15	Utility Plant Adjustments (116)		—	—
16	Gas Stored Underground - Noncurrent (117)		—	—
17	OTHER PROPERTY AND INVESTMENTS			
18	Nonutility Property (121)		2,127,809	2,239,733
19	(Less) Accum. Prov. for Depr. and Amort. (122)		—	—
20	Investments in Associated Companies (123)		—	—
21	Investment in Subsidiary Companies (123.1)	224-225	—	—
22	(For Cost of Account 123.1, See Footnote Page 224, line 42)		—	—
23	Noncurrent Portion of Allowances	228-229	—	—
24	Other Investments (124)		101,812	135,915
25	Sinking Funds (125)		—	—
26	Depreciation Fund (126)		—	—
27	Amortization Fund - Federal (127)		—	—
28	Other Special Funds (128)		—	—
29	Special Funds (Non Major Only) (129)		942,014	5,355,842
30	Long-Term Portion of Derivative Assets (175)		—	—
31	Long-Term Portion of Derivative Assets - Hedges (176)		—	—
32	TOTAL Other Property and Investments (lines 18-21, 23-31)		3,171,635	7,731,490
33	CURRENT AND ACCRUED ASSETS			
34	Cash and Working Funds (Non-major Only) (130)		—	—
35	Cash (131)		—	—
36	Special Deposits (132-134)		5,000	5,000
37	Working Fund (135)		—	—
38	Temporary Cash Investments (136)		—	—
39	Notes Receivable (141)		—	—
40	Customer Accounts Receivable (142)		32,282,972	25,141,289
41	Other Accounts Receivable (143)		8,550,986	4,107,673
42	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)		—	—
43	Notes Receivable from Associated Companies (145)		—	—
44	Accounts Receivable from Assoc. Companies (146)		1,010	—
45	Fuel Stock (151)	227	—	—
46	Fuel Stock Expenses Undistributed (152)	227	—	—
47	Residuals (Elec) and Extracted Products (153)	227	—	—
48	Plant Material and Operating Supplies (154)	227	10,842,771	7,096,246
49	Merchandise (155)	227	—	—
50	Other Materials and Supplies (156)	227	—	—
51	Nuclear Materials Held for Sale (157)	202-203/227	—	—
52	Allowances (158.1 and 158.2)	228-229	—	—

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	PROPRIETARY CAPITAL			
2	Common Stock Issued (201)	250-251	63,569	63,569
3	Preferred Stock Issued (204)	250-251	—	—
4	Capital Stock Subscribed (202,205)		—	—
5	Stock Liability for Conversion (203, 206)		—	—
6	Premium on Capital Stock (207)		66,224,517	66,224,517
7	Other Paid-In Capital (208-211)	253	738,941,936	670,941,936
8	Installments Received on Capital Stock (212)	252	—	—
9	(Less) Discount on Capital Stock (213)	254	—	—
10	(Less) Capital Stock Expense (214)	254b	—	—
11	Retained Earnings (215, 215.1, 216)	118-119	296,645,763	204,369,697
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119	—	—
13	(Less) Reacquired Capital Stock (217)	250-251	—	—
14	Noncorporate Proprietorship (Non-major only) (218)		—	—
15	Accumulated Other Comprehensive Income (219)	122(a)(b)	—	—
16	Total Proprietary Capital (lines 2 thru 15)		1,101,875,785	941,599,719
17	LONG-TERM DEBT			
18	Bonds (221)	256-257	1,068,198,000	908,198,000
19	(Less) Reacquired Bonds (222)	256-257	—	—
20	Advances from Associated Companies (223)	256-257	—	—
21	Other Long-Term Debt (224)	256-257	—	—
22	Unamortized Premium on Long-Term Debt (225)		15,693,191	16,468,164
23	(Less) Unamortized Discount on Long-Term Debt-Debit (226)		—	—
24	Total Long-Term Debt (lines 18 through 23)		1,083,891,191	924,666,164
25	OTHER NONCURRENT LIABILITIES			
26	Obligations Under Capital Leases - Noncurrent (227)		9,730,847	11,428,499
27	Accumulated Provision for Property Insurance (228.1)		—	—
28	Accumulated Provision for Injuries and Damages (228.2)		887,400	1,415,447
29	Accumulated Provision for Pensions and Benefits (228.3)		792,392	338,880
30	Accumulated Miscellaneous Operating Provisions (228.4)		—	—
31	Accumulated Provision for Rate Refunds (229)		—	—
32	Long-Term Portion of Derivative Instrument Liabilities		—	—
33	Long-Term Portion of Derivative Instrument Liabilities - Hedges		—	—
34	Asset Retirement Obligations (230)		828,151	763,273
35	Total Other Noncurrent Liabilities (lines 26 through 34)		12,238,790	13,946,099
36	CURRENT AND ACCRUED LIABILITIES			
37	Notes Payable (231)		36,700,000	400,000
38	Accounts Payable (232)		34,152,459	43,088,759
39	Notes Payable to Associated Companies (233)		—	—
40	Accounts Payable to Associated Companies (234)		6,272,684	6,568,438
41	Customer Deposits (235)		—	—
42	Taxes Accrued (236)	262-263	42,144,604	29,527,387
43	Interest Accrued (237)		12,527,358	10,477,670
44	Dividends Declared (238)		—	—
45	Matured Long-Term Debt (239)		—	—

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STATEMENT OF INCOME

Quarterly

- Report in column (c) the current year to date balance. Column (c) equals the total of adding the data in column (g) plus the data in column (i) plus the data in column (k). Report in column (d) similar data for the previous year. This information is reported in the annual filing only.
- Enter in column (e) the balance for the reporting quarter and in column (f) the balance for the same three month period for the prior year.
- Report in column (g) the quarter to date amounts for electric utility function; in column (i) the quarter to date amounts for gas utility, and in column (k) the quarter to date amounts for other utility function for the current year quarter.
- Report in column (h) the quarter to date amounts for electric utility function; in column (j) the quarter to date amounts for gas utility, and in column (l) the quarter to date amounts for other utility function for the prior year quarter.
- If additional columns are needed, place them in a footnote.

Annual or Quarterly if applicable

- Do not report fourth quarter data in columns (e) and (f)
- Report amounts for accounts 412 and 413, Revenues and Expenses from Utility Plant Leased to Others, in another utility column in a similar manner to a utility department. Spread the amount(s) over lines 2 thru 26 as appropriate. Include these amounts in columns (c) and (d) totals.
- Report amounts in account 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above.

Line No.	Title of Account (a)	(Ref.) Page No. (b)	Current Year to Date Balance for Quarter/ (c)	Total Prior Year to Date Balance for Quarter/ Year (d)	Months Ended Quarterly Only No 4th (e)	Months Ended Quarterly Only No 4th (f)
1	UTILITY OPERATING INCOME					
2	Operating Revenues (400)	300-301	482,871,878	417,994,525	—	—
3	Operating Expenses					
4	Operating Expenses (401)	320-323	188,428,840	174,100,625	—	—
5	Maintenance Expenses (402)	320-323	21,840,016	18,006,785	—	—
6	Depreciation Expense (403)	336-337	94,741,433	87,073,281	—	—
7	Depreciation Expense for Asset Retirement Costs (403.1)	336-337	431	431	—	—
8	Amort. & Depl. Of Utility Plant (404-405)	336-337	1,368,131	829,300	—	—
9	Amort. of Utility Plant Acq. Adj. (406)	336-337	—	—	—	—
10	Amort. Property Losses, Unrecov Plant and Regulatory Study Costs (407)		1,628,664	1,628,664	—	—
11	Amort. of Conversion Expenses (407)		—	—	—	—
12	Regulatory Debits (407.3)		—	498,103	—	—
13	(Less) Regulatory Credits (407.4)		27,038	23,333	—	—
14	Taxes Other Than Income Taxes (408.1)	262-263	38,520,946	34,919,349	—	—
15	Income Taxes - Federal (409.1)	262-263	16,212,904	5,472,544	—	—
16	- Other (409.1)	262-263	2,606,658	2,356,903	—	—
17	Provision for Deferred Income Taxes (410.1)	234, 272-277	22,591,843	24,092,650	—	—
18	(Less) Provision for Deferred Income Taxes-Cr. (411.1)	234, 272-277	27,148,051	24,346,089	—	—
19	Investment Tax Credit Adj. - Net (411.4)	266	—	—	—	—
20	(Less) Gains from Disp. Of Utility Plant (411.6)		—	—	—	—
21	Losses from Disp. Of Utility Plant (411.7)		—	—	—	—
22	(Less) Gains from Disposition of Allowances (411.8)		—	—	—	—
23	Losses from Disposition of Allowances (411.9)		—	—	—	—
24	Accretion Expense (411.10)		64,878	59,796	—	—
25	TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 24)		360,829,655	324,669,009	—	—
26	Net Util Oper Inc (Enter Tot Line 2 less 25), Carry to Pg117, line 27		122,042,223	93,325,516	—	—

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STATEMENT OF INCOME FOR THE YEAR (continued)						
Line No.	Title of Account (a)	(Ref.) Page No. (b)	TOTAL		Ended Quarterly Only No (e)	Ended Quarterly Only No (f)
			Current Year (c)	Previous Year (d)		
27	Net Utility Operating Income (Carried forward from page 114)		122,042,223	93,325,516	—	—
28	Other Income and Deductions					
29	Other Income					
30	Nonutility Operating Income					
31	Revenues From Merchandising, Jobbing and Contract Work (415)		1,627,088	1,297,141	—	—
32	(Less) Costs and Exp. Of Merchandising, Job. & Contract Work (416)		1,607,111	1,295,109	—	—
33	Revenues from Nonutility Operations (417)		—	—	—	—
34	(Less) Expenses of Nonutility Operations (417.1)		—	—	—	—
35	Nonoperating Rental Income (418)		—	—	—	—
36	Equity in Earnings of Subsidiary Companies (418.1)	119	—	—	—	—
37	Interest and Dividend Income (419)		1,508,946	4,098	—	—
38	Allowance for Other Funds Used During Construction (419.1)		4,476,877	3,312,372	—	—
39	Miscellaneous Nonoperating Income (421)		2,687,374	2,140,855	—	—
40	Gain on Disposition of Property (421.1)		—	64,328	—	—
41	TOTAL Other Income (Enter Total of lines 31 thru 40)		8,693,174	5,523,685	—	—
42	Other Income Deductions					
43	Loss on Disposition of Property (421.2)		—	19,794	—	—
44	Miscellaneous Amortization (425)		—	—	—	—
45	Donations (426.1)		111,252	98,667	—	—
46	Life Insurance (426.2)		34,103	27,771	—	—
47	Penalties (426.3)		77,523	48,933	—	—
48	Exp for Certain Civic, Political & Related Activities (426.4)		174,592	258,577	—	—
49	Other Deductions (426.5)		7,466	477,866	—	—
50	TOTAL Other Income Deductions (Total of lines 43 thru 49)		404,936	931,608	—	—
51	Taxes Applic. To Other Income and Deductions					
52	Taxes Other Than Income Taxes (408.2)	262-263	—	—	—	—
53	Income Taxes - Federal (409.2)	262-263	841,661	298,518	—	—
54	Income Taxes - Other (409.2)	262-263	55,721	37,552	—	—
55	Provision for Deferred Income Taxes (410.2)	234, 272-277	—	—	—	—
56	(Less) Provision for Deferred Income Taxes-Cr (411.2)	234, 272-277	—	—	—	—
57	Investment Tax Credit Adj. - Net (411.5)		—	—	—	—
58	(Less) Investment Tax Credits (420)		—	—	—	—
59	TOTAL Taxes on Other Income and Deduction (Total of lines 52-58)		897,382	336,070	—	—
60	Net Other Income and Deductions (Total of lines 41, 50, 59)		7,390,856	4,256,007	—	—
61	Interest Charges					
62	Interest on Long-Term Debt (427)		37,790,544	33,570,174	—	—
63	Amort. of Debt Disc. and Expense (428)		696,472	729,075	—	—
64	Amortization of Loss on Reacquired Debt (428.1)		1,298,226	1,298,226	—	—
65	(Less) Amort. of Premium on Debt-Credit (429)		774,972	774,972	—	—
66	(Less) Amortization of Gain on Reacquired Debt-Credit (429.1)		—	—	—	—
67	Interest on Debt to Assoc. Companies (430)		166,395	268	—	—
68	Other Interest Expense (431)		1,346,392	504,107	—	—
69	(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)		3,366,044	1,625,100	—	—
70	Net Interest Charges (Total of lines 62 thru 69)		37,157,013	33,701,778	—	—
71	Income Before Extraordinary Items (Total of Lines 27, 60 and 70)		92,276,066	63,879,745	—	—
72	Extraordinary Items					
73	Extraordinary Income (434)		—	—	—	—
74	(Less) Extraordinary Deductions (435)		—	—	—	—
75	Net Extraordinary Items (Total of Line 73 less line 74)		—	—	—	—
76	Income Taxes-Federal and Other (409.3)	262-263	—	—	—	—
77	Extraordinary Items After Taxes (line 75 less line 76)		—	—	—	—
78	Net Income (Total of lines 71 and 77)		92,276,066	63,879,745	—	—

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Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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STATEMENT OF RETAINED EARNINGS

- Do not report Lines 49-53 on the quarterly version.
- Report all changes in appropriated retained earnings, unappropriated retained earnings, year to date, and unappropriated undistributed subsidiary earnings for the year.
- Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436-439 inclusive). Show the contra primary account affected in column (b)
- State the purpose and amount of each reservation or appropriation of retained earnings.
- List first account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items in that order.
- Show dividends for each class and series of capital stock.
- Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
- Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservation or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.
- If any notes appearing in the report to stockholders are applicable to this statement, include them on pages 122-123.

Line No.	Item (a)	Contra Primary Account Affected (b)	Current Quarter/ Year Year to Date Balance (c)	Previous Quarter Year Year to Date Balance (d)
	UNAPPROPRIATED RETAINED EARNINGS (Account 216)			
1	Balance-Beginning of Period		204,369,697	140,489,952
2	Changes			
3	Adjustments to Retained Earnings (Account 439)			
4				
5				
6				
7				
8				
9	TOTAL Credits to Retained Earnings (Acct. 439)		—	—
10	Dividends to Parent		—	—
11				
12				
13				
14				
15	TOTAL Debits to Retained Earnings (Acct. 439)		—	—
16	Balance Transferred from Income (Account 433 less Account 418.1)		92,276,066	63,879,745
17	Appropriations of Retained Earnings (Acct. 436)			
18				
19				
20				
21				
22	Total Appropriations of Retained Earnings (Acct. 436)		—	—
23	Dividends Declared-Preferred Stock (Account 437)			
24				
25				
26				
27				
28				
29	TOTAL Dividends Declared-Preferred Stock (Account 437)		—	—
30	Dividends Declared-Common Stock (Account 438)			
31				
32				
33				
34				
35				
36	TOTAL Dividends Declared-Common Stock (Account 438)		—	—
37	Transfers from Acct 216.1, Unapprop. Undistrib. Subsidiary Earnings		—	—
38	Balance - End of Period (Total 1, 9, 15, 16, 22, 29, 36, 37)		296,645,763	204,369,697
	APPROPRIATED RETAINED EARNINGS (Account 215)			
39				
40				

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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STATEMENT OF RETAINED EARNINGS

1. Do not report Lines 49-53 on the quarterly version.
2. Report all changes in appropriated retained earnings, unappropriated retained earnings, year to date, and unappropriated undistributed subsidiary earnings for the year.
3. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436-439 inclusive). Show the contra primary account affected in column (b)
4. State the purpose and amount of each reservation or appropriation of retained earnings.
5. List first account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items in that order.
6. Show dividends for each class and series of capital stock.
7. Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
8. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservation or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.
9. If any notes appearing in the report to stockholders are applicable to this statement, include them on pages 122-123.

Line No.	Item (a)	Contra Primary Account Affected (b)	Current Quarter/Year Year to Date Balance (c)	Previous Quarter Year Year to Date Balance (d)
41				
42				
43				
44				
45	TOTAL Appropriated Retained Earnings (Account 215)		—	—
	APPROP. RETAINED EARNINGS - AMORT. Reserve, Federal (Account 215.1)			
46	TOTAL Approp. Retained Earnings-Amort. Reserve, Federal (Account 215.1)		—	—
47	TOTAL Approp. Retained Earnings (Acct 215, 215.1) (Total 45, 46)		—	—
48	TOTAL Retained Earnings (Acct. 215, 215.1, 216) (Total 38, 47) (216.1)		296,645,763	204,369,697
	UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS (Account Report only on an Annual Basis, no Quarterly			
49	Balance-Beginning of Year (Debit or Credit)		—	—
50	Equity in Earnings for Year (Credit) (Account 418.1)		—	—
51	(Less) Dividends Received (Debit)		—	—
52				
53	Balance-End of Year (Total Ines 49 thru 52)		—	—

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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STATEMENT OF CASH FLOWS			
<p>1. Codes to be used:(a) Net Proceeds or Payments;(b)Bonds, debentures and other long-term debt; (c) Include commercial paper; and (d) Identify separately such items as investments, fixed assets, intangibles, etc.</p> <p>2. Information about noncash investing and financing activities must be provided in the Notes to the Financial statements. Also provide a reconciliation between "Cash and Cash Equivalents at End of Period" with related amounts on the Balance Sheet.</p> <p>3. Operating Activities - Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show in the Notes to the Financials the amounts of interest paid (net of amount capitalized) and income taxes paid.</p> <p>4. Investing Activities: Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed in the Notes to the Financial Statements. Do not include on this statement the dollar amount of leases capitalized per the USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost.</p>			
Line No.	Description (See Instruction No. 1 for Explanation of Codes) (a)	Current Year to Date Quarter/Year (b)	Previous Year to Date Quarter/Year (c)
1	Net Cash Flow from Operating Activities:		
2	Net Income (Line 78(c) on page 117)	92,276,066	63,879,745
3	Noncash Charges (Credits) to Income:		
4	Depreciation and Depletion	—	—
4.1	Depreciation Expense (A/C 403)	94,741,433	87,073,281
4.2	Depreciation Expense for Asset Retirement Costs (A/C 403.1)	431	431
4.3	Accretion Expense (A/C 411.10)	64,878	59,796
4.4	Amortization & Depletion of Utility Plant (A/C 404, 405)	1,368,131	829,300
5	Amortization of Debt Expense & Loss on Reacquired Debt	1,367,478	1,290,043
6	Amortization of Regulatory Assets & Liabilities	1,601,512	2,081,163
7			
8	Deferred Income Taxes (Net)	(4,556,208)	(253,439)
9	Investment Tax Credit Adjustment (Net)	—	—
10	Net (Increase) Decrease in Receivables	(12,355,683)	(1,167,094)
11	Net (Increase) Decrease in Inventory	(3,723,334)	(1,174,902)
12	Net (Increase) Decrease in Allowances Inventory	—	—
13	Net Increase (Decrease) in Payables and Accrued Expenses	18,021,056	791,032
14	Net (Increase) Decrease in Other Regulatory Assets	8,027,636	1,254,160
15	Net Increase (Decrease) in Other Regulatory Liabilities	9,083,470	(1,518,340)
16	(Less) Allowance for Other Funds Used During Construction	4,476,877	3,312,372
17	(Less) Undistributed Earnings from Subsidiary Companies	—	—
18	Other: Net (Increase) Decrease in Current Assets	(5,815,707)	(106,384)
19	Other: Net (Increase) Decrease in Deferred Debits	998,657	976,691
20	Other: Net Increase (Decrease) in Deferred Credits	(1,165,610)	4,961,458
21	Regulatory Disallowances	—	—
22	Net Cash Provided by (Used in) Operating Activities (Total 2 thru 21)	195,457,329	155,664,569
23			
24	Cash Flows from Investment Activities:		
25	Construction and Acquisition of Plant (including land):		
26	Gross Additions to Utility Plant (less nuclear fuel)	(445,184,260)	(308,739,131)
27	Gross Additions to Nuclear Fuel	—	—
28	Gross Additions to Common Utility Plant	—	—
29	Gross Additions to Nonutility Plant	—	—
30	(Less) Allowance for Other Funds Used During Construction	4,476,877	3,312,372
31	Capitalized interest	(383,144)	(370,742)
32			
33			
34	Cash Outflows for Plant (Total of lines 26 thru 33)	(450,044,281)	(312,422,245)
35			
36	Acquisition of Other Noncurrent Assets (d)	—	—
37	Proceeds from Disposal of Noncurrent Assets (d)	—	—
38			
39	Investments in and Advances to Assoc. and Subsidiary Companies	—	—
40	Contributions and Advances from Assoc. and Subsidiary Companies	—	—
41	Disposition of Investments in (and Advances to)		
42	Associated and Subsidiary Companies	—	—
43			
44	Purchase of Investment Securities (a)	—	—

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of 2022/Q4
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STATEMENT OF CASH FLOWS			
<p>1. Codes to be used:(a) Net Proceeds or Payments;(b)Bonds, debentures and other long-term debt; (c) Include commercial paper; and (d) Identify separately such items as investments, fixed assets, intangibles, etc.</p> <p>2. Information about noncash investing and financing activities must be provided in the Notes to the Financial statements. Also provide a reconciliation between "Cash and Cash Equivalents at End of Period" with related amounts on the Balance Sheet.</p> <p>3. Operating Activities - Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show in the Notes to the Financials the amounts of interest paid (net of amount capitalized) and income taxes paid.</p> <p>4. Investing Activities: Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed in the Notes to the Financial Statements. Do not include on this statement the dollar amount of leases capitalized per the USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost.</p>			
Line No.	Description (See Instruction No. 1 for Explanation of Codes) (a)	Current Year to Date Quarter/Year (b)	Previous Year to Date Quarter/Year (c)
45	Proceeds from Sales of Investment Securities (a)	—	—
46	Loans Made or Purchased	—	—
47	Collections on Loans	—	—
48			
49	Net (Increase) Decrease in Receivables	—	—
50	Net (Increase) Decrease in Inventory	—	—
51	Net (Increase) Decrease in Allowances Held for Speculation	—	—
52	Net Increase (Decrease) in Payables and Accrued Expenses	—	—
53	Other (provide details in footnote):	—	—
54			
55			
56	Net Cash Provided by (Used in) Investing Activities		
57	Total of lines 34 thru 55)	(450,044,281)	(312,422,245)
58			
59	Cash Flows from Financing Activities:		
60	Proceeds from Issuance of:		
61	Long-Term Debt (b)	160,000,000	65,000,000
62	Preferred Stock	—	—
63	Common Stock	—	—
64	Other (provide details in footnote):	—	—
65	Equity Contributions from Parent	68,000,000	52,000,000
66	Net Increase in Short-Term Debt (c)	36,300,000	400,000
67	Other (provide details in footnote):	—	—
67.1	Transmission Interconnection Arrangements	6,400,000	32,700,000
68	Net (Decrease) Increase in Affiliated Short-Term Debt	—	—
69		—	—
70	Cash Provided by Outside Sources (Total 61 thru 69)	270,700,000	150,100,000
71			
72	Payments for Retirement of:		
73	Long-term Debt (b)	—	—
74	Preferred Stock	—	—
75	Common Stock	—	—
76	Other (provide details in footnote):	—	—
76.1	Debt Issuance Cost and Other, Net	(1,963,048)	(840,324)
76.2	Refunds Paid Under Transmission Interconnection Arrangements	(14,150,000)	(7,302,000)
77			
78	Net Decrease in Short-Term Debt (c)	—	—
79			
80	Dividends on Preferred Stock	—	—
81	Dividends on Common Stock	—	—
82	Net Cash Provided by (Used in) Financing Activities		
83	(Total of lines 70 thru 81)	254,586,952	141,957,676
84			
85	Net Increase (Decrease) in Cash and Cash Equivalents		
86	(Total of lines 22,57 and 83)	—	(14,800,000)
87			
88	Cash and Cash Equivalents at Beginning of Period	—	14,800,000
89			
90	Cash and Cash Equivalents at End of period	—	—

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report 2022/Q4
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FOOTNOTE DATA

Page 121, Row 90, Column (b)

	December-31 2022	December-31 2021
Cash and Cash Equivalents at End of Period	\$ —	\$ —
	\$ —	\$ —

Supplemental Cash Flow disclosures:

Interest paid, net of capitalized interest	\$ 33,974,306	\$ 31,598,689
Income taxes paid (refunded), net	\$ 9,244,841	\$ 13,734,680

Supplemental Noncash Investing and Financing Activities:

(Increase) decrease in accrued plant additions	\$ 9,131,109	\$ (9,130,710)
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Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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NOTES TO FINANCIAL STATEMENTS

1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Cash Flows, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.
2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.
3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and plan of disposition contemplated, giving references to Commission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.
4. Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.
5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.
6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 114-121, such notes may be included herein.
7. For the 3Q disclosures, respondent must provide in the notes sufficient disclosures so as to make the interim information not misleading. Disclosures which would substantially duplicate the disclosures contained in the most recent FERC Annual Report may be omitted.
8. For the 3Q disclosures, the disclosures shall be provided where events subsequent to the end of the most recent year have occurred which have a material effect on the respondent. Respondent must include in the notes significant changes since the most recently completed year in such items as: accounting principles and practices; estimates inherent in the preparation of the financial statements; status of long-term contracts; capitalization including significant new borrowings or modifications of existing financing agreements; and changes resulting from business combinations or dispositions. However were material contingencies exist, the disclosure of such matters shall be provided even though a significant change since year end may not have occurred.
9. Finally, if the notes to the financial statements relating to the respondent appearing in the annual report to the stockholders are applicable and furnish the data required by the above instructions, such notes may be included herein.

PAGE 122 INTENTIONALLY LEFT BLANK
SEE PAGE 123 FOR REQUIRED INFORMATION.

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report 2022/Q4
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NOTES TO FINANCIAL STATEMENTS (Continued)

GLOSSARY

Definitions:

2024 Rate Change	PNM's request for a general increase in electric rates filed with the NMPRC on December 5, 2022 using a calendar year 2024 FTY
ABCWUA	Albuquerque Bernalillo County Water Utility Authority
ABO	Accumulated Benefit Obligation
ACE Rule	Affordable Clean Energy Rule
AEP OnSite Partners	AEP OnSite Partners, LLC, a subsidiary of American Electric Power, Inc.
Afton	Afton Generating Station
AFUDC	Allowance for Funds Used During Construction
ALJ	Administrative Law Judge
AMI	Advanced Metering Infrastructure
AMS	Advanced Meter System
Anaheim	City of Anaheim, California
AOCI	Accumulated Other Comprehensive Income
APBO	Accumulated Postretirement Benefit Obligation
APS	Arizona Public Service Company, the operator and a co-owner of PVNGS and Four Corners
ARO	Asset Retirement Obligation
ARP	Alternative Revenue Program
Avangrid	Avangrid, Inc., a New York corporation
BART	Best Available Retrofit Technology
Board	Board of Directors of PNMR
BSER	Best system of emission reduction technology
BTU	British Thermal Unit
CAA	Clean Air Act
CAISO	California Independent System Operator
Carbon Pollution Standards	Carbon Pollution Standards established by the EPA on August 3, 2015
Casa Mesa Wind	Casa Mesa Wind Energy Center
CCAIE	Coalition for Clean Affordable Energy
CCR	Coal Combustion Residuals
CFIUS	Committee on Foreign Investment in the United States
CFRE	Citizens for Fair Rates and the Environment
CIAC	Contributions in Aid of Construction
CO ₂	Carbon Dioxide
Community Solar Act	Senate Bill 84 effective June 18, 2021
COVID-19	Novel coronavirus global pandemic
CSA	Coal Supply Agreement
DC Circuit	United States Court of Appeals for the District of Columbia Circuit
DCOS	TNMP's applications for a distribution cost recovery factor
DOE	United States Department of Energy
Effective Time	The time the Merger is consummated
EGU	Electric Generating Unit
EIM	Western Energy Imbalance Market developed and operated by CAISO
ELG	Effluent Limitation Guidelines

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NOTES TO FINANCIAL STATEMENTS (Continued)

End Date	The date at which the Merger Agreement may be terminated if the Effective Time has not yet occurred; January 20, 2022, subsequently extended to April 20, 2023.
Energy Transition Charge	Rate rider established to collect non-bypassable customer charges for repayment of the Securitized Bonds
EPA	United States Environmental Protection Agency
EPE	El Paso Electric Company
ERCOT	Electric Reliability Council of Texas
ESG	Environmental, Social, and Governance principles
ETA	The New Mexico Energy Transition Act
EUEA	The New Mexico Efficient Use of Energy Act
EV	Electric Vehicle
Exchange Act	Securities Exchange Act of 1934
Farmington	The City of Farmington, New Mexico
FASB	Financial Accounting Standards Board
FAST Act	SEC's modernization and simplification of Regulation S-K
FCC	Federal Communications Commission
FERC	Federal Energy Regulatory Commission
Four Corners	Four Corners Power Plant
Four Corners Abandonment Application	PNM's January 8, 2021 application for approval for the abandonment of Four Corners and issuance of a securitized financing order
Four Corners CSA	Four Corners' coal supply contract with NTEC
Four Corners Purchase and Sale Agreement	PNM's pending sale of its 13% ownership interest in Four Corners to NTEC
FPPAC	Fuel and Purchased Power Adjustment Clause
FTC	Federal Trade Commission
FTY	Future Test Year
GAAP	Generally Accepted Accounting Principles in the United States of America
GHG	Greenhouse Gas Emissions
Grid Modernization Application	PNM's October 3, 2022 application for approval of grid modernization investments of approximately \$344 million for the first six years of a broader 11-year strategy
GWh	Gigawatt hours
HSR	Hart-Scott Rodino Antitrust Improvement Act of 1976
IBEW	International Brotherhood of Electrical Workers
Iberdrola	Iberdrola, S.A., a corporation organized under the laws of the Kingdom of Spain, and 81.5% owner of Avangrid
INDC	Intended Nationally Determined Contribution
IRA	Inflation Reduction Act
IRC	Internal Revenue Code
IRP	Integrated Resource Plan
IRS	Internal Revenue Service
ISFSI	Independent Spent Fuel Storage Installation
Joint Applicants	PNM, PNMR, Merger Sub, Avangrid and Iberdrola, S.A.
kV	Kilovolt
KW	Kilowatt

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NOTES TO FINANCIAL STATEMENTS (Continued)

KWh	Kilowatt Hour
La Joya Wind I	La Joya Wind Facility generating 166 MW of output that became operational in February 2021
La Joya Wind II	La Joya Wind Facility generating 140 MW of output that became operational in June 2021
La Luz	La Luz Generating Station
Leased Interest	Leased capacity in PVNGS Unit 1 and Unit 2
Leeward	Leeward Renewable Energy Development, LLC
LIBOR	London Interbank Offered Rate
Lightning Dock Geothermal	Lightning Dock geothermal power facility, also known as the Dale Burgett Geothermal Plant
Lordsburg	Lordsburg Generating Station
Los Alamos	The Incorporated County of Los Alamos, New Mexico
Luna	Luna Energy Facility
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
Merger	The merger of Merger Sub with and into PNMR pursuant to the Merger Agreement, with PNMR surviving the Merger as a direct, wholly-owned subsidiary of Avangrid
Merger Agreement	The Agreement and Plan of Merger, dated October 20, 2020, between PNMR, Avangrid and Merger Sub, as amended by the amendment to the Merger Agreement dated January 3, 2022
Merger Sub	NM Green Holdings, Inc., a New Mexico corporation and wholly-owned subsidiary of Avangrid which will merge with and into PNMR at the effective time of the Merger (defined below)
Meta	Meta Platform, Inc., formerly known as Facebook Inc.
MMBTU	Million BTUs
Moody's	Moody's Investor Services, Inc.
MW	Megawatt
MWh	Megawatt Hour
NAAQS	National Ambient Air Quality Standards
NDT	Nuclear Decommissioning Trusts for PVNGS
NEE	New Energy Economy
NERC	North American Electric Reliability Corporation
New Mexico Wind	New Mexico Wind Energy Center
NM 2015 Rate Case	Request for a General Increase in Electric Rates Filed by PNM on August 27, 2015
NM 2016 Rate Case	Request for a General Increase in Electric Rates Filed by PNM on December 7, 2016
NM AREA	New Mexico Affordable Reliable Energy Alliance, formerly New Mexico Industrial Energy Consumers Inc.
NM District Court	United States District Court for the District of New Mexico
NM Supreme Court	New Mexico Supreme Court
NMAG	New Mexico Attorney General
NMED	New Mexico Environment Department
NMMD	The Mining and Minerals Division of the New Mexico Energy, Minerals and Natural Resources Department

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NOTES TO FINANCIAL STATEMENTS (Continued)

NMPRC	New Mexico Public Regulation Commission
NMRD	NM Renewable Development, LLC, owned 50% each by PNMR Development and AEP OnSite Partners, LLC
NOx	Nitrogen Oxides
NOPR	Notice of Proposed Rulemaking
NPDES	National Pollutant Discharge Elimination System
NRC	United States Nuclear Regulatory Commission
NTEC	Navajo Transitional Energy Company, LLC, an entity owned by the Navajo Nation
OATT	Open Access Transmission Tariff
OCI	Other Comprehensive Income
OPEB	Other Post-Employment Benefits
OSM	United States Office of Surface Mining Reclamation and Enforcement
Paris Agreement	A legally binding international treaty on climate change adopted on December 12, 2015
Pattern Wind	Pattern New Mexico Wind, LLC, an affiliate of Western Spirit and Pattern Development
PBO	Projected Benefit Obligation
PCRBs	Pollution Control Revenue Bonds
PM	Particulate Matter
PNM	Public Service Company of New Mexico and Subsidiaries
PNM New Mexico Credit Facility	PNM's \$40.0 Million Unsecured Revolving Credit Facility
PNM 2019 \$40.0 Million Term Loan	PNM's \$40.0 Million Unsecured Term Loan
PNM 2021 Fixed Rate PCRBs	PNM's \$100.3 million PCRBs remarketed on October 1, 2021
PNM 2021 Note Purchase Agreement	PNM's Agreement for the sale of PNM's 2021 SUNs
PNM 2021 SUNs	PNM's \$160.0 Million Senior Unsecured Notes issued on July 14, 2021
PNM 2021 Term Loan	PNM's \$75.0 Million 18-month Unsecured Term Loan that was repaid on August 5, 2022
PNM 2022 Delayed- Draw Term Loan	PNM's \$225.0 million Unsecured Term Loan that matures February 5, 2024
PNM Floating Rate PCRBs	PNM's \$100.3 million PCRBs remarketed on July 1, 2020
PNM Revolving Credit Facility	PNM's \$400.0 Million Unsecured Revolving Credit Facility
PNM September 2021 Note Purchase Agreement	PNM's Agreement for the sale of PNM's September 2021 SUNs
PNM September 2021 SUNs	PNM's \$150.0 Million Senior Unsecured Notes issued on December 2, 2021
PNMR	PNM Resources, Inc. and Subsidiaries
PNMR 2018 SUNS	PNMR's \$300.0 Million Senior Unsecured Notes issued on March 9, 2018
PNMR 2018 Two-Year Term Loan	PNMR's \$50.0 Million Two-Year Unsecured Term Loan
PNMR 2019 Term Loan	PNMR's \$150.0 Million Unsecured Term Loan
PNMR 2020 Forward Equity Sale Agreements	PNMR's Block Equity Sale of 6.2 million Shares of PNMR Common Stock with Forward Sales Agreement
PNMR 2020 Term Loan	PNMR's \$150.0 million Unsecured Term Loan that was repaid on May 18, 2021

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NOTES TO FINANCIAL STATEMENTS (Continued)

PNMR 2020 Delayed-Draw Term Loan	PNMR's \$300.0 million Unsecured Delayed-Draw Term Loan that was repaid on May 18, 2021
PNMR 2021 Delayed-Draw Term Loan	PNMR's \$1.0 Billion Unsecured Delayed-Draw Term Loan that matures on May 18, 2025
PNMR 2022 ATM Program	PNMR's agreement to sell up to an aggregate sales price of \$200.0 million of common stock
PNMR Development	PNMR Development and Management Company, an unregulated wholly-owned subsidiary of PNMR
PNMR Development Revolving Credit Facility	PNMR Development's \$40.0 million Unsecured Revolving Credit Facility
PNMR Development Term Loan	PNMR Development's \$65.0 Million Unsecured Term Loan that was repaid on May 18, 2021
PNMR Revolving Credit Facility	PNMR's \$300.0 Million Unsecured Revolving Credit Facility
PPA	Power Purchase Agreement
PUCT	Public Utility Commission of Texas
PV	Photovoltaic
PVNGS	Palo Verde Nuclear Generating Station
PVNGS Leased Interest Abandonment Application	Application with the NMPRC requesting approval for the decertification and abandonment of 114MW of leased PVNGS capacity
RCT	Reasonable Cost Threshold
REA	New Mexico's Renewable Energy Act of 2004
RECs	Renewable Energy Certificates
Red Mesa Wind	Red Mesa Wind Energy Center
REP	Retail Electricity Provider
RFP	Request For Proposal
Rio Bravo	Rio Bravo Generating Station, formerly known as Delta
ROE	Return on Equity
RPS	Renewable Energy Portfolio Standard
S&P	Standard and Poor's Ratings Services
SCE	Southern California Edison Company
SCPPA	Southern California Public Power Authority
SEC	United States Securities and Exchange Commission
Securitized Bonds	Energy transition bonds
SIP	State Implementation Plan
SJCC	San Juan Coal Company
SJGS	San Juan Generating Station
SJGS Abandonment Application	PNM's July 1, 2019 consolidated application seeking NMPRC approval to retire PNM's share of SJGS in 2022, for related replacement generating resources, and for the issuance of securitized bonds under the ETA
SJGS CSA	San Juan Generating Station Coal Supply Agreement
SNCR	Selective Non-Catalytic Reduction
SO ₂	Sulfur Dioxide
SOFR	Secured Overnight Financing Rate
SRP	Salt River Project
SUNs	Senior Unsecured Notes

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NOTES TO FINANCIAL STATEMENTS (Continued)

Tax Act	Federal tax reform legislation enacted on December 22, 2017, commonly referred to as the Tax Cuts and Jobs Act
TCEQ	Texas Commission on Environmental Quality
TCOS	Transmission Cost of Service
TECA	Texas Electric Choice Act
Tenth Circuit	United States Court of Appeals for the Tenth Circuit
TEP	Transportation Electrification Program
TNMP	Texas-New Mexico Power Company and Subsidiaries
TNMP 2021 Bonds	TNMP's First Mortgage Bonds to be issued under the TNMP 2021 Bond Purchase Agreement
TNMP 2021 Bond Purchase Agreement	TNMP's Agreement for the sale of TNMP's 2021 First Mortgage Bonds
TNMP 2022 Bonds	TNMP's First Mortgage Bonds to be issued under the TNMP 2022 Bond Purchase Agreement
TNMP 2022 Bond Purchase Agreement	TNMP's Agreement for the sale of an aggregate \$160.0 million of TNMP's 2022 Bonds
TNMP FMBs	TNMP's aggregate \$750.0 Million of outstanding 2014 to 2020 First Mortgage Bonds
TNMP Revolving Credit Facility	TNMP's \$75.0 Million Secured Revolving Credit Facility
TNP	TNP Enterprises, Inc. and Subsidiaries
Tri-State	Tri-State Generation and Transmission Association, Inc.
TSAs	Transmission Service Agreements
Tucson	Tucson Electric Power Company
UAMPS	Utah Associated Municipal Power Systems
U.S.	The United States of America
US Supreme Court	United States Supreme Court
Valencia	Valencia Energy Facility
VIE	Variable Interest Entity
WACC	Weighted Average Cost of Capital
Western Spirit Line	An approximately 150-mile 345-kV transmission line that PNM purchased in December 2021
Westmoreland	Westmoreland Coal Company
WFB LOC Facility	Letter of credit arrangements with Wells Fargo Bank, N.A., entered into in August 2020
WRA	Western Resource Advocates
WSJ	Westmoreland San Juan, LLC, an indirect wholly-owned subsidiary of Westmoreland
WSJ LLC	Westmoreland San Juan, LLC, a subsidiary of Westmoreland Mining Holdings, LLC, and current owner of SJCC
WSPP	Western Systems Power Pool

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NOTES TO FINANCIAL STATEMENTS (Continued)

Reconciliation of FERC and GAAP Differences

The financial statements presented herein are prepared in accordance with the accounting requirements of the FERC as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than GAAP. The primary differences between the FERC accounting requirements and GAAP are (1) deferred tax assets (Account 190) are shown on the asset side of the balance sheet for FERC purposes, but are netted against deferred tax liabilities under GAAP; (2) the current portion of long-term debt is shown in current liabilities under GAAP, but not for FERC purposes; (3) the tax effect of the items included in the Statement of Accumulated Comprehensive Income, Comprehensive Income and Hedging Activities is not required to be disclosed separately for FERC, but is required under GAAP; (4) cost of removal for GAAP is reclassified and recorded as a regulatory liability, whereas under FERC it is in Account 108 (Accumulated Provision for Depreciation of Electric Utility Plant); (5) certain components of the costs of pension and OPEB plans are recorded as regulatory assets for GAAP, but capitalized in other accounts (primarily, Account 107, Construction Work in Progress) for FERC and other components of the costs of pension and OPEB plans are charged to Other (deductions) for GAAP, but charged to Account 926 (Employee Pensions and Benefits) for FERC; (6) accumulated provision for injuries and damages is recorded net of expected insurance proceeds for FERC, but not for GAAP; (7) debt issuance costs are classified as a reduction of the related long-term debt under GAAP, but not for FERC purposes; (8) Leases are recorded differently for GAAP and FERC (see additional discussion below); (9) costs associated with proposed Avangrid Merger are reported as utility operating expenses for GAAP and as other deductions (426.5) for FERC; (10) certain classifications are treated differently for FERC purposes than under GAAP.

Leases

Accounting and Financial Reporting for Leases Accounting Standards Update (ASU) No. 2016-02 – FERC Docket No. A19-1-000 TNMP adopted accounting guidance (ASU) No. 2016-02, Leases (Topic 842) on January 1, 2019. Under FASB's new guidance, lessees are required to recognize on the balance sheet assets and liabilities for the rights and obligations created by lease arrangements for operating leases with terms of more than 12 months. The changes in accounting will have no impact on existing ratemaking treatment at TNMP.

Additional disclosure information specified by FERC is provided below.

Utility Plant excluding leases	2,916,813,180
Operating leases	3,426,331
Financing leases*	11,934,177
Total Utility Plant	<u>2,932,173,688</u>

Obligations under operating leases	1,702,624
Obligations under financing leases	8,028,223
Total non-current lease obligations	<u>9,730,847</u>

Obligations under operating leases	1,542,722
Obligations under financing leases	3,867,419
Total current lease obligations	<u>5,410,141</u>

* Under GAAP, financing leases are depreciated, and interest expense is determined using the effective interest method resulting in higher interest expense at the beginning of the lease term, declining as the lease liability is reduced. Under FERC, interest expense on lease obligations is not recognized. Rather, the regulations provide that the amounts recorded for the financing lease asset and the related obligation are reduced by equal and offsetting amounts over the lease term.

Refer to Footnote 8 on page 123.32 for additional information regarding leases.

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NOTES TO FINANCIAL STATEMENTS (Continued)

A reconciliation of FERC Form 1 earnings to GAAP for the year ended December 31, 2022 is as follows:

	Earnings <u>(in thousands)</u>
Form 1 Earnings	92,276
Impacts of converting leases from FERC to GAAP	<u>(9)</u>
GAAP Earnings	92,267

Subsequent Event

On March 8, 2023, PNM, Avangrid, and the NMPRC filed a joint motion with the NM Supreme Court for dismissal of the appeal and remand for rehearing and reconsideration at the NMPRC.

The following Notes to Consolidated Financial Statements (see pages 123.9 – 123.99) represent those included in TNMP's Annual Report on Form 10-K, which are a component part of the financial statements prepared in accordance with GAAP and SEC reporting requirements. These notes are not significantly different than those prepared in support of the other comprehensive basis of accounting discussed above. The primary differences in disclosure relate directly to those differences mentioned above. The following Notes to Consolidated Financial Statements include disclosures for PNMR, PNM and TNMP. Information solely applicable to PNMR or PNM should be disregarded.

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NOTES TO FINANCIAL STATEMENTS (Continued)

(1) Summary of the Business and Significant Accounting Policies

Nature of Business

PNMR is an investor-owned holding company with two regulated utilities providing electricity and electric services in New Mexico and Texas. PNMR's primary subsidiaries are PNM and TNMP. PNM is a public utility with regulated operations primarily engaged in the generation, transmission, and distribution of electricity. TNMP is a wholly-owned subsidiary of TNP, which is a holding company that is wholly-owned by PNMR. TNMP provides regulated transmission and distribution services in Texas. PNMR's common stock trades on the New York Stock Exchange under the symbol PNM. On October 20, 2020, PNMR, Avangrid, and Merger Sub, entered into an Agreement and Plan of Merger (the "Merger Agreement") pursuant to which Merger Sub will merge with and into PNMR (the "Merger"), with PNMR surviving the Merger as a wholly-owned subsidiary of Avangrid. See Note 22.

Financial Statement Preparation and Presentation

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could ultimately differ from those estimated.

The Notes to Consolidated Financial Statements include disclosures for PNMR, PNM, and TNMP. This report uses the term "Company" when discussing matters of common applicability to PNMR, PNM, and TNMP. Discussions regarding only PNMR, PNM, or TNMP are so indicated.

Certain amounts in the 2021 and 2020 Consolidated Financial Statements and Notes thereto have been reclassified to conform to the 2022 financial statement presentation.

GAAP defines subsequent events as events or transactions that occur after the balance sheet date but before financial statements are issued or are available to be issued. Based on their nature, magnitude, and timing, certain subsequent events may be required to be reflected at the balance sheet date and/or required to be disclosed in the financial statements. The Company has evaluated subsequent events accordingly.

Principles of Consolidation

The Consolidated Financial Statements of each of PNMR, PNM, and TNMP include their accounts and those of subsidiaries in which that entity owns a majority voting interest. PNM also consolidates Valencia (Note 10). PNM owns undivided interests in jointly-owned power plants and records its pro-rata share of the assets, liabilities, and expenses for those plants. The agreements for the jointly-owned plants provide that if an owner were to default on its payment obligations, the non-defaulting owners would be responsible for their proportionate share of the obligations of the defaulting owner. In exchange, the non-defaulting owners would be entitled to their proportionate share of the generating capacity of the defaulting owner. There have been no such payment defaults under any of the agreements for the jointly-owned plants.

PNMR Services Company expenses, which represent costs that are primarily driven by corporate level activities, are charged to the business segments. These services are billed at cost and are reflected as general and administrative expenses in the business segments. Other significant intercompany transactions between PNMR, PNM, and TNMP include intercompany loans, interest and income tax sharing payments, as well as equity transactions, and interconnection billings. All intercompany transactions and balances have been eliminated. See Note 20.

Accounting for the Effects of Certain Types of Regulation

The Company maintains its accounting records in accordance with the uniform system of accounts prescribed by FERC and adopted by the NMPRC and PUCT.

Certain of the Company's operations are regulated by the NMPRC, PUCT, and FERC and the provisions of GAAP for rate-regulated enterprises are applied to the regulated operations. Regulators may assign costs to accounting periods that differ from accounting methods applied by non-regulated utilities. When it is probable that regulators will permit recovery of costs through future rates, costs are deferred as regulatory assets that otherwise

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NOTES TO FINANCIAL STATEMENTS (Continued)

would be expensed. Likewise, regulatory liabilities are recognized when it is probable that regulators will require refunds through future rates or when revenue is collected for expenditures that have not yet been incurred. GAAP also provides for the recognition of revenue and regulatory assets and liabilities associated with "alternative revenue programs" authorized by regulators. Such programs allow the utility to adjust future rates in response to past activities or completed events, if certain criteria are met. Regulatory assets and liabilities are amortized into earnings over the authorized recovery period. Accordingly, the Company has deferred certain costs and recorded certain liabilities pursuant to the rate actions of the NMPRC, PUCT, and FERC. Information on regulatory assets and regulatory liabilities is contained in Note 13.

In some circumstances, regulators allow a requested increase in rates to be implemented, subject to refund, before the regulatory process has been completed and a decision rendered by the regulator. When this occurs, the Company assesses the possible outcomes of the rate proceeding. The Company records a provision for refund to the extent the amounts being collected, subject to refund, exceed the amount the Company determines is probable of ultimately being allowed by the regulator.

Cash and Restricted Cash

Cash deposits received and held for a period of time that are restricted to a specific purpose, under the terms of their effective agreements, are considered restricted cash. Investments in highly liquid investments with original maturities of three months or less at the date of purchase are considered cash and cash equivalents. At December 31, 2022 and 2021 there was no restricted cash for PNMR, PNM, and TNMP.

Utility Plant

Utility plant is stated at original cost and includes capitalized payroll-related costs such as taxes, pension, other fringe benefits, administrative costs, and AFUDC, where authorized by rate regulation, or capitalized interest.

Repairs, including major maintenance activities, and minor replacements of property are expensed when incurred, except as required by regulators for ratemaking purposes. Major replacements are charged to utility plant. Gains, losses, and costs to remove resulting from retirements or other dispositions of regulated property in the normal course of business are credited or charged to accumulated depreciation.

PNM and TNMP may receive reimbursements, referred to as CIAC, from customers to pay for all or part of certain construction projects to the extent the project does not benefit regulated customers in general. PNM and TNMP account for these reimbursements as offsets to utility plant additions based on the requirements of the NMPRC, FERC, and PUCT. Due to the PUCT's regulatory treatment of CIAC reimbursements, TNMP also receives a financing component that is recognized as other income on the Consolidated Statements of Earnings. Under the NMPRC regulatory treatment, PNM typically does not receive a financing component.

Depreciation and Amortization

PNM's provision for depreciation and amortization of utility plant, other than nuclear fuel, is based upon straight-line rates approved by the NMPRC and FERC. Amortization of nuclear fuel is based on units-of-production. TNMP's provision for depreciation and amortization of utility plant is based upon straight-line rates approved by the PUCT. Depreciation and amortization of non-utility property, including right-of-use assets for finance leases as discussed in Note 8, is computed based on the straight-line method. The provision for depreciation of certain equipment is allocated between operating expenses and construction projects based on the use of the equipment. Average straight-line rates used were as follows:

	Year ended December 31,		
	2022	2021	2020
PNM			
Electric plant	2.55 %	2.48 %	2.47 %
Common, intangible, and general plant	7.83 %	7.91 %	7.65 %
TNMP	3.72 %	3.88 %	3.95 %

Allowance for Funds Used During Construction

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NOTES TO FINANCIAL STATEMENTS (Continued)

As provided by the FERC uniform systems of accounts, AFUDC is charged to regulated utility plant for construction projects. This allowance is designed to enable a utility to capitalize financing costs during periods of construction of property subject to rate regulation. It represents the cost of borrowed funds (allowance for borrowed funds used during construction or "debt AFUDC") and a return on other funds (allowance for equity funds used during construction or "equity AFUDC"). The debt AFUDC is recorded in interest charges and the equity AFUDC is recorded in other income on the Consolidated Statements of Earnings.

For the years ended December 31, 2022, 2021, and 2020, PNM recorded \$3.7 million, \$3.4 million, and \$3.0 million of debt AFUDC at annual rates of 1.70%, 1.70%, and 2.40% and \$9.3 million, \$9.9 million, and \$7.0 million of equity AFUDC at annual rates of 4.26%, 4.94%, and 3.42%. For the years ended December 31, 2022, 2021, and 2020, TNMP recorded \$3.4 million, \$1.6 million, and \$2.1 million of debt AFUDC at rates of 2.25%, 1.80%, and 2.20% and \$4.5 million, \$3.3 million, and \$4.3 million of equity AFUDC at rates of 2.99%, 3.67%, and 4.42%.

Materials, Supplies, and Fuel Stock

Materials and supplies relate to transmission, distribution, and generating assets. Materials and supplies are charged to inventory when purchased and are expensed or capitalized as appropriate when issued. Materials and supplies are valued using an average costing method. Coal is valued using a rolling weighted average costing method that is updated based on the current period cost per ton. Average cost is equal to net realizable value under the ratemaking process. Inventories consisted of the following at December 31:

	PNMR		PNM		TNMP	
	2022	2021	2022	2021	2022	2021
	(In thousands)					
Coal	\$ 985	\$ 2,973	\$ 985	\$ 2,973	\$ —	\$ —
Materials and supplies	65,748	62,088	54,905	54,969	10,843	7,119
	<u>\$ 66,733</u>	<u>\$ 65,061</u>	<u>\$ 55,890</u>	<u>\$ 57,942</u>	<u>\$ 10,843</u>	<u>\$ 7,119</u>

Investments

PNM holds investment securities in the NDT for the purpose of funding its share of the decommissioning costs of PVNGS, a trust for PNM's share of decommissioning costs at SJGS, and trusts for PNM's share of final reclamation costs related to the coal mines that served SJGS and continue to serve Four Corners (Note 16). Investments (both equity and available-for-sale debt securities) are measured at fair value on a quarterly basis with changes in fair value for equity securities recognized in earnings for that period. Since third party investment managers have sole discretion over the purchase and sale of the securities (under general guidelines and targets provided by management), PNM records an impairment, as a realized loss, for any available-for-sale debt security that has a fair value which is less than cost at the end of each quarter. For the years ended December 31, 2022, 2021 and 2020, PNM recorded impairment losses on the available-for-sale debt securities of \$25.8 million, \$(0.7) million and \$3.2 million. No gains or losses are deferred as regulatory assets or liabilities. See Notes 3 and 9. All investments are held in PNM's name and are in the custody of major financial institutions. The specific identification method is used to determine the cost of securities disposed of, with realized gains and losses reflected in other income and deductions.

As discussed above, PNM immediately records an impairment loss for any available-for-sale debt security that has a fair value that is less than its carrying value. As a result, the Company has no available-for-sale debt securities for which carrying value exceeds fair value and there are no impairments considered to be "other than temporary" that are included in AOCI and not recognized in earnings. All gains and losses resulting from sales and changes in the fair value of equity securities are recognized immediately in earnings.

Equity Method Investment

PNMR accounts for its investment in NMRD using the equity method of accounting because PNMR's ownership interest results in significant influence, but not control, over NMRD and its operations. PNMR records as income its percentage share of earnings or loss of NMRD and carries its investment at cost, adjusted for its share of undistributed earnings or losses. See Note 21.

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NOTES TO FINANCIAL STATEMENTS (Continued)

Goodwill

The Company does not amortize goodwill. Goodwill is evaluated for impairment annually, or more frequently if events and circumstances indicate that the goodwill might be impaired. See Note 19.

Asset Impairment

Tangible long-lived assets and right-of-use assets associated with leases are evaluated in relation to the estimated future undiscounted cash flows to assess recoverability when events and circumstances indicate that the assets might be impaired.

Revenue Recognition

See Note 4 for a discussion of electric operating revenues.

Accounts Receivable and Allowance for Credit Losses

See Note 4 for a discussion of accounts receivable and the allowance for credit losses.

Amortization of Debt Acquisition Costs

Discount, premium, and expense related to the issuance of long-term debt are amortized over the lives of the respective issues. Gains and losses incurred upon the early retirement of long-term debt are recognized in other income or other deductions, except for amounts recoverable through NMPRC, FERC, or PUCT regulation, which are recorded as regulatory assets or liabilities and amortized over the lives of the respective issues. Unamortized premium, discount, and expense related to long-term debt are reflected as part of the related liability on the Consolidated Balance Sheets.

Derivatives

The Company records derivative instruments, including energy contracts, on the balance sheet as either an asset or liability measured at their fair value. Changes in the derivatives' fair value are recognized in earnings unless specific hedge accounting criteria are met. PNM also records certain commodity derivative transactions recoverable through NMPRC regulation as regulatory assets or liabilities. See Note 9.

The Company treats all forward commodity purchases and sales contracts subject to unplanned netting or "book-out" by the transmission provider as derivative instruments subject to mark-to-market accounting. GAAP provides guidance on whether realized gains and losses on derivative contracts not held for trading purposes should be reported on a net or gross basis and concludes such classification is a matter of judgment that depends on the relevant facts and circumstances. See Note 4.

Decommissioning and Reclamation Costs

PNM is only required to recognize and measure decommissioning liabilities for tangible long-lived assets for which a legal obligation exists. Nuclear decommissioning costs and related accruals are based on periodic site-specific estimates of the costs for removing all radioactive and other structures at PVNGS and are dependent upon numerous assumptions, including estimates of future decommissioning costs at current price levels, inflation rates, and discount rates. PNM's accruals for PVNGS Units 1, 2, and 3, including portions held under leases, have been made based on such estimates, the guidelines of the NRC, and the PVNGS license periods. PNM records its share of the SJGS decommissioning obligation as an ARO on its Consolidated Balance Sheets. Studies on the decommissioning costs of SJGS are performed periodically and revisions to the ARO liability are recorded. See Note 16.

In connection with both the SJGS and Four Corners coal supply agreements, the owners are required to reimburse the mining companies for the cost of contemporaneous reclamation, as well as the costs for final reclamation of the coal mines. The reclamation costs are based on periodic site-specific studies that estimate the costs to be incurred in the future and are dependent upon numerous assumptions, including estimates of future

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NOTES TO FINANCIAL STATEMENTS (Continued)

reclamation costs at current price levels, inflation rates, and discount rates. PNM considers the contemporaneous reclamation costs part of the cost of its delivered coal costs. See Note 16 for a discussion of reclamation costs.

Environmental Costs

The normal operations of the Company involve activities and substances that expose the Company to potential liabilities under laws and regulations protecting the environment. Liabilities under these laws and regulations can be material and may be imposed without regard to fault, or may be imposed for past acts, even though the past acts may have been lawful at the time they occurred.

The Company records its environmental liabilities when site assessments or remedial actions are probable and a range of reasonably likely cleanup costs can be estimated. The Company reviews its sites and measures the liability by assessing a range of reasonably likely costs for each identified site using currently available information and the probable level of involvement and financial condition of other potentially responsible parties. These estimates are based on assumptions regarding the costs for site investigations, remediation, operations and maintenance, monitoring, and site closure. The ultimate cost to clean up the Company's identified sites may vary from its recorded liability due to numerous uncertainties inherent in the estimation process. Amounts recorded for environmental expense in the years ended December 31, 2022, 2021, and 2020, as well as the amounts of environmental liabilities at December 31, 2022 and 2021, were insignificant.

Pension and Other Postretirement Benefits

See Note 11 for a discussion of pension and postretirement benefits expense, including a discussion of the actuarial assumptions.

Stock-Based Compensation

See Note 12 for a discussion of stock-based compensation expense.

Income Taxes

Income taxes are recognized using the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying value of existing assets and liabilities and their respective tax basis. All deferred taxes are reflected as non-current on the Consolidated Balance Sheets. Current NMPRC, FERC, and PUCT approved rates include the tax effects of the majority of these differences. Rate-regulated enterprises are required to record deferred income taxes for temporary differences accorded flow-through treatment at the direction of a regulatory commission. The resulting deferred tax assets and liabilities are recorded based on the expected cash flow to be reflected in future rates. Because the NMPRC, FERC, and the PUCT have consistently permitted the recovery of tax effects previously flowed-through earnings, the Company has established regulatory assets and liabilities offsetting such deferred tax assets and liabilities. The Company recognizes only the impact of tax positions that, based on their merits, are more likely than not to be sustained upon an IRS audit. The Company defers investment tax credits and amortizes them over the estimated useful lives of the assets. See Note 18 for additional information, including a discussion of the impacts of the Tax Act.

The Company makes an estimate of its anticipated effective tax rate for the year as of the end of each quarterly period within its fiscal year. In interim periods, income tax expense is calculated by applying the anticipated annual effective tax rate to year-to-date earnings before taxes. Certain unusual or infrequently occurring items, as well as adjustments due to enactment of new tax laws, have been excluded from the estimated annual effective tax rate calculation.

Lease Commitments

See Note 8 for a discussion of lease commitments.

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NOTES TO FINANCIAL STATEMENTS (Continued)

New Accounting Pronouncements

Information concerning a recently issued accounting pronouncement that has not yet been adopted by the Company is presented below. The Company does not expect difficulty in adopting this standard by its required effective date.

Accounting Standards Update 2022-03 - Fair Value Measurement (Topic 820): Fair Value Measurements of Equity Securities Subject to Contractual Sale Restrictions

In June 2022, the FASB issued ASU 2022-03 clarifying that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the security and, therefore, is not considered in measuring fair value. The amendment also clarifies that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. Disclosure requirements from the amendment include disclosure of the fair value of equity securities subject to contractual sale restrictions that are reflected in the balance sheet; the nature and remaining duration of the restriction(s); and the circumstances that could cause a lapse in the restriction(s). ASU 2022-03 is effective for the Company beginning January 1, 2024 with early adoption for both interim and annual periods being permitted. ASU 2022-03 is to be applied prospectively with any adjustments recognized in earnings and disclosed on the date of adoption.

(2) Segment Information

The following segment presentation is based on the methodology that management uses for making operating decisions and assessing performance of its various business activities. A reconciliation of the segment presentation to the GAAP financial statements is provided.

PNM

PNM includes the retail electric utility operations of PNM that are subject to traditional rate regulation by the NMPRC. PNM provides integrated electricity services that include the generation, transmission, and distribution of electricity for retail electric customers in New Mexico. PNM also includes the generation and sale of electricity into the wholesale market, as well as providing transmission services to third parties. The sale of electricity includes the asset optimization of PNM's jurisdictional capacity as well as the capacity excluded from retail rates through 2022. FERC has jurisdiction over wholesale power and transmission rates.

TNMP

TNMP is an electric utility providing services in Texas under the TECA. TNMP's operations are subject to traditional rate regulation by the PUCT. TNMP provides transmission and distribution services at regulated rates to various REPs that, in turn, provide retail electric service to consumers within TNMP's service area. TNMP also provides transmission services at regulated rates to other utilities that interconnect with TNMP's facilities.

Corporate and Other

The Corporate and Other segment includes PNMR holding company activities, primarily related to corporate level debt and PNMR Services Company. The activities of PNMR Development and the equity method investment in NMRD are also included in Corporate and Other. Eliminations of intercompany transactions are reflected in the Corporate and Other segment.

PNMR SEGMENT INFORMATION

The following tables present summarized financial information for PNMR by segment. PNM and TNMP each operate in only one segment. Therefore, tabular segment information is not presented for PNM and TNMP.

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NOTES TO FINANCIAL STATEMENTS (Continued)

2022	PNM	TNMP	Corporate and Other	PNMR Consolidated
	(In thousands)			
Electric operating revenues	\$ 1,766,825	\$ 482,730	\$ —	\$ 2,249,555
Cost of energy	864,013	123,928	—	987,941
Utility margin	902,812	358,802	—	1,261,614
Other operating expenses	460,513	124,519	(22,031)	563,001
Depreciation and amortization	180,812	98,316	25,725	304,853
Operating income (loss)	261,487	135,967	(3,694)	393,760
Interest income	14,816	—	1,279	16,095
Other income (deductions)	(77,012)	8,653	(2,278)	(70,637)
Interest charges	(61,073)	(37,192)	(29,643)	(127,908)
Segment earnings (loss) before income taxes	138,218	107,428	(34,336)	211,310
Income taxes (benefit)	19,198	15,161	(8,229)	26,130
Segment earnings (loss)	119,020	92,267	(26,107)	185,180
Valencia non-controlling interest	(15,122)	—	—	(15,122)
Subsidiary preferred stock dividends	(528)	—	—	(528)
Segment earnings (loss) attributable to PNMR	\$ 103,370	\$ 92,267	\$ (26,107)	\$ 169,530
At December 31, 2022:				
Total Assets	\$ 6,272,166	\$ 2,746,601	\$ 238,610	\$ 9,257,377
Goodwill	\$ 51,632	\$ 226,665	\$ —	\$ 278,297

2021	PNM	TNMP	Corporate and Other	PNMR Consolidated
	(In thousands)			
Electric operating revenues	\$ 1,362,020	\$ 417,853	\$ —	\$ 1,779,873
Cost of energy	531,786	113,067	—	644,853
Utility margin	830,234	304,786	—	1,135,020
Other operating expenses	438,372	114,228	(9,840)	542,760
Depreciation and amortization	170,365	90,440	23,302	284,107
Operating income (loss)	221,497	100,118	(13,462)	308,153
Interest income	14,605	—	57	14,662
Other income (deductions)	13,809	5,408	(726)	18,491
Interest charges	(51,360)	(33,735)	(11,782)	(96,877)
Segment earnings (loss) before income taxes	198,551	71,791	(25,913)	244,429
Income taxes (benefit)	26,992	7,912	(2,322)	32,582
Segment earnings (loss)	171,559	63,879	(23,591)	211,847
Valencia non-controlling interest	(15,490)	—	—	(15,490)
Subsidiary preferred stock dividends	(528)	—	—	(528)
Segment earnings (loss) attributable to PNMR	\$ 155,541	\$ 63,879	\$ (23,591)	\$ 195,829
At December 31, 2021:				
Total Assets	\$ 6,060,133	\$ 2,364,772	\$ 241,980	\$ 8,666,885
Goodwill	\$ 51,632	\$ 226,665	\$ —	\$ 278,297

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2020	PNM	TNMP	Corporate and Other	PNMR Consolidated
	(In thousands)			
Electric operating revenues	\$ 1,139,834	\$ 383,178	\$ —	\$ 1,523,012
Cost of energy	345,167	102,074	—	447,241
Utility margin	794,667	281,104	—	1,075,771
Other operating expenses	414,445	104,852	(4,419)	514,878
Depreciation and amortization	165,325	87,799	22,488	275,612
Operating income (loss)	214,897	88,453	(18,069)	285,281
Interest income (loss)	14,469	—	(246)	14,223
Other income (deductions)	17,120	6,828	(1,108)	22,840
Interest charges	(64,615)	(30,388)	(19,389)	(114,392)
Segment earnings (loss) before income taxes	181,871	64,893	(38,812)	207,952
Income taxes (benefit)	21,857	6,308	(7,529)	20,636
Segment earnings (loss)	160,014	58,585	(31,283)	187,316
Valencia non-controlling interest	(14,013)	—	—	(14,013)
Subsidiary preferred stock dividends	(528)	—	—	(528)
Segment earnings (loss) attributable to PNMR	<u>\$ 145,473</u>	<u>\$ 58,585</u>	<u>\$ (31,283)</u>	<u>\$ 172,775</u>
At December 31, 2020:				
Total Assets	\$ 5,581,033	\$ 2,132,580	\$ 226,241	\$ 7,939,854
Goodwill	\$ 51,632	\$ 226,665	\$ —	\$ 278,297

Non-GAAP Financial Measures

The Company defines utility margin as electric operating revenues less cost of energy. Cost of energy consists primarily of fuel and purchase power costs for PNM and costs charged by third-party transmission providers for TNMP. The Company believes that utility margin provides a more meaningful basis for evaluating operations than electric operating revenues since substantially all such costs are offset in revenues as fuel and purchase power costs are passed through to customers under PNM's FPPAC and third-party transmission costs are passed on to consumers through TNMP's transmission cost recovery factor. Utility margin is not a financial measure required to be presented and is considered a non-GAAP measure. PNM and TNMP do not intend for utility margin to represent any financial measure as defined by GAAP; however, the calculation of utility margin, as presented, most closely compares to gross margin as defined by GAAP. Reconciliations between utility margin and gross margin are presented below.

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	PNM	TNMP	Corporate and Other	PNMR Consolidated
	(In thousands)			
2022				
Gross margin	\$ 516,375	\$ 224,080	\$ —	\$ 740,455
Energy production costs	147,347	—	—	147,347
Transmission and distribution costs	58,278	36,406	—	94,684
Depreciation and amortization	180,812	98,316	—	279,128 ¹
Utility margin	<u>\$ 902,812</u>	<u>\$ 358,802</u>	<u>\$ —</u>	<u>\$ 1,261,614</u>
2021				
Gross margin	\$ 466,092	\$ 182,857	\$ —	\$ 648,949
Energy production costs	143,931	—	—	143,931
Transmission and distribution costs	49,846	31,489	—	81,335
Depreciation and amortization	170,365	90,440	—	260,805 ¹
Utility margin	<u>\$ 830,234</u>	<u>\$ 304,786</u>	<u>\$ —</u>	<u>\$ 1,135,020</u>
2020				
Gross margin	\$ 441,831	\$ 164,896	\$ —	\$ 606,727
Energy production costs	137,977	—	—	137,977
Transmission and distribution costs	49,534	28,409	—	77,943
Depreciation and amortization	165,325	87,799	—	253,124 ¹
Utility margin	<u>\$ 794,667</u>	<u>\$ 281,104</u>	<u>\$ —</u>	<u>\$ 1,075,771</u>

¹ Corporate and Other depreciation and amortization represents corporate level activities that are billed at cost and reflected as general and administrative expenses at PNM and TNMP and therefore are not a component of gross margin or utility margin. See Note 1.

Major Customers

PNM's participation in EIM, operated by CAISO, accounted for approximately 24% and 11% of electric operating revenues during the years ended December 31, 2022 and 2021. These revenues are passed on to customers under PNM's FPPAC with no impact to net earnings. No individual PNM customer accounted for more than 10% during the year ended December 31, 2020. Two REPs accounted for more than 10% of the electric operating revenues of TNMP during the year ended December 31, 2022 and three REPs during the years ended December 31, 2021 and 2020 as follows:

	Year Ended December 31,		
	2022	2021	2020
REP A	27 %	23 %	21 %
REP B	20 %	19 %	18 %
REP C	N/A	10 %	11 %

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(3) Accumulated Other Comprehensive Income (Loss)

AOCI reports a measure for accumulated changes in equity that result from transactions and other economic events other than transactions with shareholders. Information regarding AOCI is as follows:

	Accumulated Other Comprehensive Income (Loss)				
	PNM			PNMR	
	Unrealized Gains on Available- for-Sale Securities	Pension Liability Adjustment	Total	Fair Value Adjustment for Cash Flow Hedges	Total
	(In thousands)				
Balance at December 31, 2019	\$ 10,638	\$ (109,693)	\$ (99,055)	\$ (322)	\$ (99,377)
Amounts reclassified from AOCI (pre-tax)	(9,497)	8,300	(1,197)	(1,740)	(2,937)
Income tax impact of amounts reclassified	2,412	(2,108)	304	442	746
Other OCI changes (pre-tax)	22,586	6,149	28,735	1,271	30,006
Income tax impact of other OCI changes	(5,736)	(1,562)	(7,298)	(323)	(7,621)
Net after-tax change	9,765	10,779	20,544	(350)	20,194
Balance at December 31, 2020	20,403	(98,914)	(78,511)	(672)	(79,183)
Amounts reclassified from AOCI (pre-tax)	(9,765)	8,348	(1,417)	(903)	(2,320)
Income tax impact of amounts reclassified	2,480	(2,120)	360	229	589
Other OCI changes (pre-tax)	(1,881)	12,111	10,230	1,804	12,034
Income tax impact of other OCI changes	478	(3,076)	(2,598)	(458)	(3,056)
Net after-tax change	(8,688)	15,263	6,575	672	7,247
Balance at December 31, 2021	11,715	(83,651)	(71,936)	—	(71,936)
Amounts reclassified from AOCI (pre-tax)	(3,827)	7,104	3,277	(1,176)	2,101
Income tax impact of amounts reclassified	972	(1,804)	(832)	299	(533)
Other OCI changes (pre-tax)	(1,928)	(4,565)	(6,493)	12,285	5,792
Income tax impact of other OCI changes	490	1,159	1,649	(3,121)	(1,472)
Net after-tax change	(4,293)	1,894	(2,399)	8,287	5,888
Balance at December 31, 2022	\$ 7,422	\$ (81,757)	\$ (74,335)	\$ 8,287	\$ (66,048)

The Consolidated Statements of Earnings include pre-tax amounts reclassified from AOCI related to Unrealized Gains on Available-for-Sale Debt Securities in gains (losses) on investment securities, related to Pension Liability Adjustment in other (deductions), and related to Fair Value Adjustment for Cash Flow Hedges in interest charges. The income tax impacts of all amounts reclassified from AOCI are included in income taxes in the Consolidated Statements of Earnings.

(4) Electric Operating Revenues

Accounts Receivable and Allowance for Credit Losses

Accounts receivable consists primarily of trade receivables from customers. In the normal course of business, credit is extended to customers on a short-term basis. The Company estimates the allowance for credit losses on trade receivables based on historical experience and estimated default rates. Accounts receivable balances are reviewed monthly, adjustments to the allowance for credit losses are made as necessary and amounts that are deemed uncollectible are written off.

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As a result of the economic conditions resulting from the COVID-19 pandemic, PNM updated its allowance for accounts receivable balances and recorded incremental reductions to credit losses of \$(2.3) million and \$(1.1) million in the years ended December 31, 2022 and 2021. The NMPRC issued an order authorizing all public utilities to create a regulatory asset to defer incremental costs related to COVID-19, including increases in uncollectible accounts. See discussion regarding regulatory treatment in Note 17.

In addition to the allowance for credit losses on trade receivables, the Company has evaluated other receivables for potential credit related losses. These balances include potential exposures for other non-retail utility services. In the years ended December 31, 2022 and 2021, PNM recorded zero and \$1.0 million in estimated credit losses related to these transactions.

In February 2021, Texas experienced a severe winter storm delivering the coldest temperatures in 100 years for many parts of the state. During the weather event, generators experienced an extreme spike in market driven fuel prices and in turn charged REPs excessive market driven power prices which eventually get passed to end users on their electricity bill. Given the uncertainty of the collectability of end users' bills by REPs, ERCOT also increased the collateral required by REPs in order to do business within ERCOT's Balancing Authority. TNMP has deferred bad debt expense (credit losses) from defaulting REPs to a regulatory asset totaling \$0.8 million at December 31, 2022 and will seek recovery in a general rate case.

Revenue Recognition

Retail electric operating revenues are recorded in the period of energy delivery, which includes estimated amounts for service rendered but unbilled at the end of each accounting period. The determination of the energy sales billed to individual retail customers is based on the reading of their meters, which occurs on a systematic basis throughout the month. At the end of each month, amounts of energy delivered to customers since the date of the last meter reading and the corresponding unbilled revenue are estimated. Unbilled electric revenue is estimated based on daily generation volumes, estimated customer usage by class, line losses, historical trends and experience, applicable customer rates or by using AMS data where available. Amounts billed are generally due within the next month. The Company does not incur incremental costs to obtain contracts for its energy services.

PNM's wholesale electricity sales are recorded as electric operating revenues and wholesale electricity purchases are recorded as costs of energy sold. Derivative contracts that are subject to unplanned netting are recorded net in earnings. A "book-out" is the planned or unplanned netting of off-setting purchase and sale transactions. A book-out is a transmission mechanism to reduce congestion on the transmission system or administrative burden. For accounting purposes, a book-out is the recording of net revenues upon the settlement of a derivative contract.

Unrealized gains and losses on derivative contracts that are not designated for hedge accounting are classified as economic hedges. Economic hedges are defined as derivative instruments, including long-term power and fuel supply agreements, used to hedge generation assets and purchased power costs. Changes in the fair value of economic hedges are reflected in results of operations, with changes related to economic hedges on sales included in operating revenues and changes related to economic hedges on purchases included in cost of energy sold. See Note 9.

The Company has collaborative arrangements related to its interest in SJGS, Four Corners, PVNGS, and Luna. The Company has determined that during the years ended December 31, 2022, 2021, and 2020 none of the joint owners in its collaborative arrangements were customers under Topic 606. The Company will continue to evaluate transactions between collaborative arrangement participants in future periods under the revenue recognition standard.

PNM and TNMP recognize revenue as they satisfy performance obligations, which typically occurs as the customer or end-user consumes the electric service provided. Electric services are typically for a bundle of services that are distinct and transferred to the end-user in one performance obligation measured by KWh or KW. Electric operating revenues are recorded in the period of energy delivery, including estimated unbilled amounts. The Company has elected to exclude all sales and similar taxes from revenue.

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Revenue from contracts with customers is recorded based upon the total authorized tariff or market price at the time electric service is rendered, including amounts billed under arrangements qualifying as an Alternative Revenue Program (“ARP”). ARP arrangements are agreements between PNM or TNMP and its regulator that allow PNM or TNMP to adjust future rates in response to past activities or completed events, if certain criteria are met. ARP revenues are required to be reported separately from contracts with customers. ARP revenues in a given period include the recognition of “originating” ARP revenues (i.e. when the regulator-specific conditions are met) in the period, offset by the reversal of ARP revenues when billed to customers.

Sources of Revenue

Additional information about the nature of revenues is provided below. Additional information about matters affecting PNM’s and TNMP’s regulated revenues is provided in Note 17.

Revenue from Contracts with Customers

PNM

NMPRC Regulated Retail Electric Service – PNM provides electric generation, transmission, and distribution service to its rate-regulated customers in New Mexico. PNM’s retail electric service territory covers a large area of north central New Mexico, including the cities of Albuquerque, Rio Rancho, and Santa Fe, and certain areas of southern New Mexico. Customer rates for retail electric service are set by the NMPRC and revenue is recognized as energy is delivered to the customer. PNM invoices customers on a monthly basis for electric service and generally collects billed amounts within one month.

Transmission Service to Third Parties – PNM owns transmission lines that are interconnected with other utilities in New Mexico, Texas, Arizona, Colorado, and Utah. Transmission customers receive service for the transmission of energy owned by the customer utilizing PNM’s transmission facilities. Customers generally receive transmission services, which are regulated by FERC, from PNM through PNM’s Open Access Transmission Tariff (“OATT”) or a specific contract. Customers are billed based on capacity and energy components on a monthly basis. In December 2021, PNM completed the purchase of the Western Spirit Line and services under related transmission agreements were initiated using an incremental rate, approved by FERC, that are separate from the formula rate mechanism.

Wholesale Energy Sales – PNM engages in activities to optimize its existing jurisdictional assets and long-term power agreements through spot market, hour-ahead, day-ahead, week-ahead, month-ahead, and other sales of excess generation not required to fulfill retail load and contractual commitments. PNM began participating in the EIM in 2021. The EIM is a real-time wholesale energy trading market operated by the CAISO that enables participating electric utilities to buy and sell energy. The NMPRC granted PNM authority to seek recovery of costs associated with joining the EIM, which have been included in the 2024 Rate Change and to pass the benefits of participating in EIM to customers through the FPPAC. PNM’s participation in EIM has significantly increased Electric operating revenues which are passed on to customers under PNM’s FPPAC with no impact to net earnings.

Beginning on January 1, 2018, PNM acquired a 65 MW interest in SJGS Unit 4, which was held as merchant plant as ordered by the NMPRC. PNM sold power from 36 MW of this capacity to a third party at a fixed price that was recorded as revenue from contracts with customers. PNM was obligated to deliver power under this arrangement only when SJGS Unit 4 was operating. In May 2022, PNM executed a new agreement to sell 50 MW of that capacity to a third party for the period from July 1, 2022 through September 30, 2022 on a system-contingent basis.

TNMP

PUCT Regulated Retail Electric Service – TNMP provides transmission and distribution services in Texas under the provisions of TECA and the Texas Public Utility Regulatory Act. TNMP is subject to traditional cost-of-service regulation with respect to rates and service under the jurisdiction of the PUCT and certain municipalities. TNMP’s transmission and distribution activities are solely within ERCOT and not subject to traditional rate regulation by FERC. TNMP provides transmission and distribution services at regulated rates to various REPs that, in turn, provide retail electric service to consumers within TNMP’s service territory. Revenue is recognized

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as energy is delivered to the consumer. TNMP invoices REPs on a monthly basis and is generally paid within a month.

TCOS – TNMP is a transmission service provider that is allowed to recover its TCOS through a network transmission rate that is approved by the PUCT. TCOS customers are other utilities that receive service for the transmission of energy owned by the customer utilizing TNMP's transmission facilities.

Alternative Revenue Programs

The Company defers certain costs and records certain liabilities pursuant to the rate actions of the NMPRC, PUCT, and FERC. ARP revenues, which are discussed above, include recovery or refund provisions under PNM's renewable energy rider and true-ups to PNM's formula transmission rates; TNMP's AMS surcharge, transmission cost recovery factor, and the impacts of the PUCT's January 25, 2018 order regarding the change in the federal corporate income tax rate; and the energy efficiency incentive bonus at both PNM and TNMP. Regulatory assets and liabilities are recognized for the difference between ARP revenues and amounts billed under those programs. Regulatory assets and liabilities are amortized into earnings as amounts are billed. TNMP's 2018 Rate Case integrated AMS costs into base rates beginning January 1, 2019. These costs are being amortized into earnings as alternative revenues over a period of five years.

Other Electric Operating Revenues

Other electric operating revenues consist primarily of PNM's economic hedges that meet the definition of a derivative, and are therefore not considered revenue from contracts with customers. Derivative revenues include gains and losses representing changes in fair value (Note 9) and settlements from sales of electricity under forward sales contracts.

Disaggregation of Revenues

A disaggregation of revenues from contracts with customers by the type of customer is presented in the table below. The table also reflects ARP revenues and other revenues.

Year Ended December 31, 2022	PNM	TNMP	PNMR Consolidated
	(In thousands)		
Electric Operating Revenues:			
Contracts with customers:			
Retail electric revenue			
Residential	\$ 484,699	\$ 187,951	\$ 672,650
Commercial	422,163	154,059	576,222
Industrial	85,102	36,919	122,021
Public authority	21,330	6,379	27,709
Economy energy service	45,009	—	45,009
Transmission	149,421	113,782	263,203
Wholesale energy sales	534,196	—	534,196
Miscellaneous	5,390	3,817	9,207
Total revenues from contracts with customers	1,747,310	502,907	2,250,217
Alternative revenue programs	692	(20,177)	(19,485)
Other electric operating revenues	18,823	—	18,823
Total Electric Operating Revenues	\$ 1,766,825	\$ 482,730	\$ 2,249,555

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	PNM	TNMP	PNMR Consolidated
Year Ended December 31, 2021			
(In thousands)			
Electric Operating Revenues:			
Contracts with customers:			
Retail electric revenue			
Residential	\$ 484,720	\$ 158,796	\$ 643,516
Commercial	419,251	125,536	544,787
Industrial	88,479	29,089	117,568
Public authority	22,720	6,142	28,862
Economy energy service	35,220	—	35,220
Transmission	87,880	94,152	182,032
Wholesale energy sales	184,132	—	184,132
Miscellaneous	4,770	3,794	8,564
Total revenues from contracts with customers	1,327,172	417,509	1,744,681
Alternative revenue programs	(4,108)	344	(3,764)
Other electric operating revenues	38,956	—	38,956
Total Electric Operating Revenues	\$ 1,362,020	\$ 417,853	\$ 1,779,873

Year Ended December 31, 2020			
Electric Operating Revenues:			
Contracts with customers:			
Retail electric revenue			
Residential	\$ 482,852	\$ 158,066	\$ 640,918
Commercial	392,257	118,243	510,500
Industrial	90,845	27,367	118,212
Public authority	23,126	5,853	28,979
Economy energy service	15,911	—	15,911
Transmission	59,856	78,374	138,230
Wholesale energy sales	50,277	—	50,277
Miscellaneous	5,456	3,738	9,194
Total revenues from contracts with customers	1,120,580	391,641	1,512,221
Alternative revenue programs	(3,531)	(8,463)	(11,994)
Other electric operating revenues	22,785	—	22,785
Total Electric Operating Revenues	\$ 1,139,834	\$ 383,178	\$ 1,523,012

Contract Balances

Performance obligations related to contracts with customers are typically satisfied when the energy is delivered and the customer or end-user utilizes the energy. Accounts receivable from customers represent amounts billed, including amounts under ARPs. For PNM, accounts receivable reflected on the Consolidated Balance Sheets, net of allowance for credit losses, includes \$151.4 million and \$94.9 million at December 31, 2022 and 2021 resulting from contracts with customers. All of TNMP's accounts receivable results from contracts with customers.

Contract assets are an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time (for

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example, the entity's future performance). Upon the completion of the Western Spirit Line, PNM entered into a TSA with Pattern Wind under an incremental tariff rate approved by FERC. The terms of the agreement provide for a financing component that benefits the customer. As such, the revenue that PNM recognizes will be in excess of the consideration received at the beginning of the service term resulting in a contract asset. The balance of the contract asset was \$11.9 million at December 31, 2022 and \$0.6 million at December 31, 2021, and is included in Other deferred charges on the Consolidated Balance Sheets.

Contract liabilities arise when consideration is received in advance from a customer before satisfying the performance obligations. Therefore, revenue is deferred and not recognized until the obligation is satisfied. Under its OATT, PNM accepts upfront consideration for capacity reservations requested by transmission customers, which requires PNM to defer the customer's transmission capacity rights for a specific period of time. PNM recognizes the revenue of these capacity reservations over the period it defers the customer's capacity rights. Other utilities pay PNM and TNMP in advance for the joint-use of their utility poles. These revenues are recognized over the period of time specified in the joint-use contract, typically for one calendar year. Deferred revenues on these arrangements are recorded as contract liabilities. PNMR's, PNM's, and TNMP's contract liabilities and related revenues are not material for any of the periods presented. The Company has no other arrangements with remaining performance obligations to which a portion of the transaction price would be required to be allocated.

(5) Earnings and Dividends Per Share

Dual presentation of basic and diluted earnings per share has been presented in the Consolidated Statements of Earnings of PNMR. Information regarding the computation of earnings per share and dividends per share is as follows:

	Year Ended December 31,		
	2022	2021	2020
	(In thousands, except per share amounts)		
Net Earnings Attributable to PNMR	\$ 169,530	\$ 195,829	\$ 172,775
Average Number of Common Shares:			
Outstanding during year	85,835	85,835	79,941
Vested awards of restricted stock	287	235	216
Average Shares – Basic	86,122	86,070	80,157
Dilutive Effect of Common Stock Equivalents:			
PNMR 2020 Forward Equity Sale Agreements	—	—	106
Stock options and restricted stock	47	41	40
Average Shares – Diluted	86,169	86,111	80,303
Net Earnings Attributable to PNMR Per Share of Common Stock:			
Basic	\$ 1.97	\$ 2.28	\$ 2.16
Diluted	\$ 1.97	\$ 2.27	\$ 2.15
Dividends Declared per Common Share	\$ 1.41	\$ 1.33	\$ 1.25

(6) Stockholders' Equity

Common Stock and Equity Contributions

On December 15, 2020 PNMR physically settled all shares under the PNMR 2020 Forward Equity Sale Agreements by issuing 6.2 million shares to the forward purchasers at a price of \$45.805 per share, aggregating net proceeds of \$283.1 million. In addition, PNMR recorded a net \$0.1 million for equity issuance costs reimbursed by the lead underwriter. Following this settlement, no shares of PNMR's common stock remain subject to future settlement under the PNMR 2020 Forward Equity Sale Agreements. PNMR, PNM, and TNMP

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did not issue any common stock during the years ended December 31, 2022 and 2021. Neither PNM nor TNMP issued any common stock during the year ended December 31, 2020.

PNMR funded zero, \$53.0 million, and \$230.0 million of cash equity contributions to PNM in 2022, 2021, and 2020, respectively. PNMR also funded \$68.0 million, \$52.0 million, and \$71.0 million of cash equity contributions to TNMP in 2022, 2021, and 2020, respectively.

PNMR offered shares of PNMR common stock through the PNMR Direct Plan. As required by the Merger Agreement, effective November 2, 2020, PNMR entered into the Second Amendment to the Third Amended and Restated PNM Resources, Inc. Direct Plan (the "PNMR Direct Plan"), which among other matters, terminated the right to purchase shares of PNMR common stock under the PNMR Direct Plan with respect to any cash dividends and optional cash investments not received by noon Eastern Time on November 17, 2020. No purchases of shares of PNMR common stock under the PNMR Direct Plan may occur after November 18, 2020. The shares of PNMR common stock utilized in the PNMR Direct Plan were offered under a SEC shelf registration statement that expired in March 2021.

Dividends on Common Stock

The declaration of common dividends by PNMR is dependent upon a number of factors, including the ability of PNMR's subsidiaries to pay dividends. PNMR's primary sources of dividends are its operating subsidiaries.

PNM declared and paid cash dividends to PNMR of \$153.5 million, \$60.0 million, and \$40.7 million in 2022, 2021, and 2020, respectively. TNMP declared and paid cash dividends to PNMR of zero, zero, and \$58.5 million in 2022, 2021, and 2020, respectively.

The NMPRC has placed certain restrictions on the ability of PNM to pay dividends to PNMR, including the restriction that PNM cannot pay dividends that cause its debt rating to fall below investment grade. The NMPRC provisions allow PNM to pay dividends, with at least 15 days prior notice, from current earnings, which is determined on a rolling four quarter basis, or from equity contributions previously made by PNMR. The Federal Power Act also imposes certain restrictions on dividends by public utilities. Debt-to-capitalization ratio requirements, as discussed in Note 7, remain at less than or equal to 65% for PNM and TNMP and less than or equal to 70% for PNMR. These debt-to-capitalization ratio requirements could limit the amounts of dividends that could be paid. PNM also has other financial covenants that limit the transfer of assets, through dividends or other means, including a requirement to obtain the approval of certain financial counterparties to transfer more than five percent of PNM's assets. As of December 31, 2022, none of the numerical tests would restrict the payment of dividends from the retained earnings of PNM or TNMP, and the 70% debt-to-capitalization covenant would restrict the payment of dividends by PNMR to \$255.8 million.

In addition, the ability of PNMR to declare dividends is dependent upon the extent to which cash flows will support dividends, the availability of retained earnings, financial circumstances and performance, current and future regulatory decisions, Congressional and legislative acts, and economic conditions. Conditions imposed by the NMPRC or PUCT, future growth plans and related capital requirements, and business considerations may also affect PNMR's ability to pay dividends.

Under the terms of the Merger Agreement, PNMR has agreed not to declare, set aside, make or pay any dividend or other distribution, payable in cash, stock, property or otherwise, with respect to any of its equity securities, or make any other actual, constructive or deemed distribution in respect of any equity securities (except (i) PNMR may continue the declaration and payment of planned regular quarterly cash dividends on PNMR common stock for each quarterly period ended after the date of the Merger Agreement, which for any fiscal quarter in 2023 shall not exceed \$0.3675, with usual record and payment dates in accordance with past dividend practice, and (ii) for any cash dividend or cash distribution by a wholly-owned subsidiary of PNMR to PNMR or another wholly-owned subsidiary of PNMR).

Preferred Stock

PNM's cumulative preferred shares outstanding bear dividends at 4.58% per annum. PNM preferred stock does not have a mandatory redemption requirement, but may be redeemed, at PNM's option, at 102% of the stated value plus accrued dividends. The holders of the PNM preferred stock are entitled to payment before the holders of common stock in the event of any liquidation or dissolution or distribution of assets of PNM. In addition, PNM's preferred stock is not entitled to a sinking fund and cannot be converted into any other class of stock of PNM.

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PNMR and TNMP have no preferred stock outstanding. The authorized shares of PNMR and TNMP preferred stock are 10 million shares and 1 million shares, respectively.

(7) Financing

The Company's financing strategy includes both short-term and long-term borrowings. The Company utilizes short-term revolving credit facilities, as well as cash flows from operations, to provide funds for both construction and operating expenditures. Depending on market and other conditions, the Company will periodically sell long-term debt or enter into term loan arrangements and use the proceeds to reduce borrowings under the revolving credit facilities or refinance other debt. Each of the Company's revolving credit facilities, term loans, and other debt agreements contains a single financial covenant that requires the maintenance of a debt-to-capitalization ratio. For the PNMR agreements this ratio must be maintained at less than or equal to 70%, and for the PNM and TNMP agreements this ratio must be maintained at less than or equal to 65%. The Company's revolving credit facilities, term loans, and other debt agreements generally also contain customary covenants, events of default, cross-default provisions, and change-of-control provisions.

PNM must obtain NMPRC approval for any financing transaction having a maturity of more than 18 months. In addition, PNM files its annual informational financing filing and short-term financing plan with the NMPRC.

Financing Activities

PNMR

At December 31, 2020, PNMR had \$300.0 million aggregate principal amount of 3.25% SUNs outstanding (the "PNMR 2018 SUNs"), which were set to mature on March 9, 2021. As discussed below, on March 9, 2021, PNMR utilized \$220.0 million of capacity under the PNMR 2020 Delayed-Draw Term Loan as well as \$80.0 million in borrowings under the PNMR Revolving Credit Facility to repay the PNMR 2018 SUNs.

At December 31, 2020, PNMR had \$65.0 million outstanding under the PNMR Development Term Loan that was amended to reduce the balance from \$90.0 million to \$65.0 million. On May 18, 2021, the \$65.0 million PNMR Development Term Loan was repaid using proceeds from the PNMR 2021 Delayed-Draw Term Loan discussed below.

At December 31, 2020, PNMR had \$150.0 million outstanding under the PNMR 2019 Term Loan. On May 18, 2021, the \$150.0 million PNMR 2019 Term Loan was repaid using proceeds from the PNMR 2021 Delayed-Draw Term Loan discussed below.

On December 21, 2020, PNMR entered into a \$150.0 million term loan agreement (the "PNMR 2020 Term Loan"), between PNMR and U.S. Bank National Association, as sole lender. Proceeds from the PNMR 2020 Term Loan were used to repay the \$50.0 million PNMR 2018 Two-Year Term Loan and for other corporate purposes. On May 18, 2021, the PNMR 2020 Term Loan was repaid with proceeds from the PNMR 2021 Delayed-Draw Term Loan discussed below.

On December 22, 2020, PNMR entered into a \$300.0 million delayed-draw term loan agreement (the "PNMR 2020 Delayed-Draw Term Loan"), among PNMR, the lenders party thereto, and MUFG Bank, Ltd., as administrative agent. Initially PNMR drew \$80.0 million to refinance existing indebtedness and for other corporate purposes. PNMR used the remaining \$220.0 million of capacity from the PNMR 2020 Delayed-Draw Term Loan to repay an equivalent amount of the PNMR 2018 SUNs. On May 18, 2021, the \$300.0 million outstanding under the PNMR 2020 Delayed-Draw Term Loan was repaid with proceeds from the PNMR 2021 Delayed-Draw Term Loan discussed below.

On May 18, 2021, PNMR entered into the PNMR 2021 Delayed-Draw Term Loan, among PNMR, the lenders party thereto, and Wells Fargo Bank, N.A., as administrative agent. Initially PNMR drew \$850.0 million to repay and terminate existing indebtedness, including the \$150.0 million PNMR 2019 Term Loan, the \$300.0 million PNMR 2020 Delayed-Draw Term Loan, the \$150.0 million PNMR 2020 Term Loan, the \$65.0 million PNMR Development Term Loan, and \$40.0 million in borrowings under the PNMR Development Revolving Credit Facility. Additionally, PNMR repaid \$92.1 million in borrowings under the PNMR Revolving Credit Facility. On December 2, 2021, PNMR drew an additional \$50.0 million under the PNMR 2021 Delayed-Draw Term Loan. On January 24, 2022, PNMR drew the remaining \$100.0 million available under the PNMR 2021 Delayed-Draw Term Loan. On May 20, 2022, PNMR amended and restated the PNMR 2021 Delayed-Draw Term Loan, extending its maturity to May 18, 2025. The PNMR 2021 Delayed-Draw Term Loan provides for

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assignment of the term loan to Avangrid upon completion of the Merger. Draws on the PNMR 2021 Delayed-Draw Term Loan bear interest at a variable rate, which was 5.37% at December 31, 2022.

On November 10, 2022, PNMR entered into a distribution agreement with BofA Securities, Inc., MUFG Securities Americas Inc. and Wells Fargo Securities, LLC, as sales agents and Bank of America, N.A., MUFG Securities EMEA plc and Wells Fargo Bank, N.A., as forward purchasers, pursuant to which the Company may sell, from time to time, up to an aggregate sales price of \$200.0 million of its common stock, no par value, through the sales agents (the "PNMR 2022 ATM Program"). Sales of the shares made pursuant to the distribution agreement, if any, may be made in "at the market offerings" as defined in Rule 415 of the Securities Act. Actual sales will depend on a variety of factors to be determined by the Company, including market conditions, the trading price of PNMR's common stock, capital needs and determinations by the Company of the appropriate sources of funding for the Company. PNMR did not initially receive any proceeds upon the execution of this agreement. The Company also may enter into forward stock purchase transactions, in which forward purchasers may borrow from third parties and, through a sales agent, sell a number of shares equal to the number of shares of the Company's common stock to hedge the agreement. Except in certain specified circumstances, PNMR has the option to elect physical, cash, or net share settlement of the forward stock purchase transactions. The Company will not receive any proceeds from the sale of borrowed shares of common stock by a forward seller. The Company expects to receive proceeds from the sale of shares directly or upon future physical settlement(s), in which case, the Company will expect to receive, subject to certain adjustments, aggregate net cash proceeds at settlement equal to the number of shares underlying the relevant forward agreement, multiplied by the relevant forward sale price.

On March 2, 2022, PNMR filed a shelf registration that provides for the issuance of various types of debt and equity securities. The PNMR shelf registration statement expires in March 2025.

PNM

At December 31, 2020, PNM had a \$40.0 million outstanding term loan agreement (the "PNM 2019 \$40.0 million Term Loan"), between PNM and Bank of America, N.A. as sole lender and administrative agent. On June 18, 2021, the \$40.0 million PNM 2019 Term Loan was repaid using proceeds from the PNM 2021 Term Loan discussed below.

At December 31, 2020, PNM had outstanding PCRBs aggregating \$100.3 million, that were issued in the weekly mode (the "PNM Floating Rate PCRBs"). The PNM Floating Rate PCRBs bore interest at rates that were reset weekly, giving investors the option to return the PCRBs for remarketing to new investors upon 7 days' notice. On October 1, 2021, PNM converted the PNM Floating Rate PCRBs to a fixed rate period and successfully remarketed them to new investors (the "PNM 2021 Fixed Rate PCRBs"). The PNM 2021 Fixed Rate PCRBs now bear interest at 0.875% and are subject to mandatory tender on October 1, 2026.

At December 31, 2020, PNM had \$146.0 million of outstanding PCRBs with a final maturity of April 1, 2033. These PCRBs were subject to mandatory tender on October 1, 2021, and were successfully remarketed to new investors on that date. The \$146.0 million PCRBs bear interest at a fixed rate of 2.15% until their final maturity.

At December 31, 2021, PNM had \$80.0 million aggregate principal amount of its 2.59% senior unsecured notes outstanding, due July 15, 2033, and \$80.0 million aggregate principal amount of its 3.14% senior unsecured notes outstanding, due July 15, 2041 (the "PNM 2021 SUNs"). The PNM 2021 SUNs were offered and issued to institutional investors in private placement transactions on July 14, 2021 under the PNM 2021 Note Purchase Agreement. Proceeds from the PNM 2021 SUNs were used to repay the total amount of \$160.0 million of PNM's 5.35% SUNs, at par, earlier than their scheduled maturity of October 1, 2021. The PNM 2021 Note Purchase Agreement includes the customary covenants discussed above. In the event of a change of control, PNM will be required to offer to prepay the PNM 2021 SUNs at par. Although there are customary change of control provisions in the PNM debt agreements, the change of control provisions in these agreements, including the PNM 2021 Note Purchase Agreement, are not triggered by the closing of the Merger. PNM has the right to redeem any or all of the PNM 2021 SUNs prior to their maturities, subject to payment of a customary make-whole premium.

At December 31, 2021, PNM had \$50.0 million aggregate principal amount of its 2.29% senior unsecured notes outstanding, due December 30, 2031, and another \$100.0 million aggregate principal amount of its 2.97% senior unsecured notes outstanding, due December 30, 2041 (the "PNM September 2021 SUNs"). The PNM September 2021 SUNs were offered and issued to institutional investors in private placement transactions on December 2, 2021 under the PNM September 2021 Note Purchase Agreement. Proceeds from the PNM September 2021 SUNs were used for funding of capital expenditures, including the purchase of the Western Spirit

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Line, repayment of existing indebtedness, and for general corporate purposes. The PNM September 2021 Note Purchase Agreement includes the customary covenants discussed above. In the event of a change of control, PNM will be required to offer to prepay the PNM September 2021 SUNs at par. Although there are customary change of control provisions in the PNM debt agreements, the change of control provisions in these agreements, including the PNM September 2021 Note Purchase Agreement, are not triggered by the closing of the Merger. PNM has the right to redeem any or all of the PNM September 2021 SUNs prior to their maturities, subject to payment of a customary make-whole premium.

On June 18, 2021, PNM entered into a \$75.0 million outstanding term loan (the "PNM 2021 Term Loan") between PNM and Bank of America, N.A., as lender. The PNM 2021 Term Loan was used to repay the PNM 2019 \$40.0 million Term Loan and for other corporate purposes. On August 5, 2022, the PNM 2021 Term Loan was prepaid without penalty with proceeds from the PNM 2022 Delayed-Draw Term Loan discussed below.

At December 31, 2021, PNM had \$104.5 million PCRBs outstanding with a mandatory remarketing date of June 1, 2022, consisting of \$36.0 million at 1.05% issued by the Maricopa County, Arizona Pollution Control Corporation with a final maturity of January 2038; \$37.0 million at 2.125% issued by the City of Farmington, New Mexico with a final maturity of June 2040; \$11.5 million at 1.20% issued by the City of Farmington, New Mexico with a final maturity of June 2040; and \$20.0 million at 2.45% issued by the City of Farmington, New Mexico with a final maturity of September 2042. On June 1, 2022, PNM remarketed to new investors the \$36.0 million and \$37.0 million series in the tax-exempt market at 3.00% with a mandatory put date of June 1, 2024. PNM purchased and redeemed the remaining two series of PCRBs, totaling \$31.5 million, on June 1, 2022.

On August 5, 2022, PNM entered into a \$225.0 million delayed-draw term loan agreement (the "PNM 2022 Delayed-Draw Term Loan"), among PNM, the lender parties thereto, and Royal Bank of Canada, as administrative agent. PNM initially drew \$180.0 million to repay the \$75.0 million PNM 2021 Term Loan ahead of its December 2022 maturity and for other corporate purposes. On September 30, 2022, PNM drew the remaining \$45.0 million and used the proceeds for general corporate purposes. Draws on the PNM 2022 Delayed-Draw Term Loan bear interest at a variable rate, which was 5.09% at December 31, 2022 and must be repaid on or before February 5, 2024.

PNM has a shelf registration statement, which will expire in May 2023, with capacity for the issuance of up to \$650.0 million of senior unsecured notes.

TNMP

On July 14, 2021, TNMP entered into the TNMP 2021 Bond Purchase Agreement with institutional investors for the sale of \$65.0 million aggregate principal amount of the TNMP 2021 Bonds offered in private placement transactions. On August 16, 2021, TNMP issued all \$65.0 million of the TNMP 2021 Bonds at 2.44% with a maturity of August 15, 2035, and used the proceeds to repay existing debt and for other corporate purposes. The TNMP 2021 Bonds are subject to continuing compliance with the representations, warranties and covenants set forth in the supplemental indenture governing the TNMP 2021 Bonds. The terms of the supplemental indenture governing the TNMP 2021 Bonds include the customary covenants discussed above. In the event of a change of control, TNMP will be required to offer to prepay the TNMP 2021 Bonds at par. However, the definition of change of control in the supplemental indenture governing the TNMP 2021 Bonds will not be triggered by the closing of the Merger. TNMP has the right to redeem any or all of the TNMP 2021 Bonds prior to their maturity, subject to payment of a customary make-whole premium.

On April 27, 2022, TNMP entered into an agreement (the "TNMP 2022 Bond Purchase Agreement") with institutional investors for the sale of \$160.0 million aggregate principal amount of two series of TNMP first mortgage bonds (the "TNMP 2022 Bonds") offered in private placement transactions. TNMP issued the first series of \$65.0 million of the TNMP 2022 Bonds on May 12, 2022, at a 4.13% interest rate, due May 12, 2052, and the second series of \$95.0 million of the TNMP 2022 Bonds on July 28, 2022, at a 3.81% interest rate, due July 28, 2032. The proceeds were used to repay borrowings under the TNMP Revolving Credit Facility and for other corporate purposes. The TNMP 2022 Bonds are subject to continuing compliance with the representations, warranties and covenants set forth in the supplemental indenture governing the TNMP 2022 Bonds. The terms of the supplemental indentures governing the TNMP 2022 Bonds include the customary covenants discussed above. In the event of a change of control, TNMP will be required to offer to prepay the TNMP 2022 Bonds at par. However, the definition of change of control in the supplemental indentures governing the TNMP 2022 Bonds will not be triggered by the close of the Merger. TNMP has the right to redeem any or all of the TNMP 2022 Bonds prior to their maturity, subject to payment of a customary make-whole premium.

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Merger Related Financing Activities

On October 20, 2020, the execution of the Merger Agreement constituted a “Change of Control” under certain PNMR, TNMP and PNMR Development debt agreements. Under each of the specified debt agreements, a “Change of Control” constitutes an “Event of Default,” pursuant to which the lender parties thereto have the right to accelerate the indebtedness under the debt agreements. The definition of Change of Control under the PNM debt agreements and PNM note purchase agreements was not triggered by the execution of the Merger Agreement.

On October 26, 2020, PNMR, TNMP and PNMR Development entered into amendment agreements with the lender parties thereto to amend the definition of “Change of Control” such that the entry into the Merger Agreement would not constitute a Change of Control and to waive the Event of Default arising from entry into the Merger Agreement. On September 15, 2021, PNMR and TNMP and the lender parties further amended the definition of “Change of Control” in the PNMR Revolving Credit Facility and the TNMP Revolving Credit Facility such that the closing of the Merger does not constitute a Change of Control under those facilities. The Change of Control provisions in the PNM debt agreements, PNM note purchase agreements, TNMP 2021 Bond Purchase Agreement, and TNMP 2022 Bond Purchase Agreement are not triggered by the closing of the Merger and did not require amendment.

The documents governing TNMP’s aggregate \$750.0 million of outstanding 2014 to 2020 First Mortgage Bonds (“TNMP FMBs”) obligated TNMP to offer, within 30 business days following the signing of the Merger Agreement, to prepay those \$750.0 million outstanding TNMP FMBs at 100% of the principal amount, plus accrued and unpaid interest thereon, but without any make-whole amount or other premium. TNMP made such offer to prepay the TNMP FMBs in accordance with the terms of the TNMP FMBs, and none of the holders of the TNMP FMBs accepted TNMP’s offer. The documents governing the 2014 to 2020 TNMP FMBs require TNMP to make another offer, within 30 business days of closing of the Merger, to prepay those \$750.0 million outstanding TNMP FMBs at par. TNMP will make such offer to prepay the \$750.0 million outstanding 2014 to 2020 TNMP FMBs in accordance with the terms of the TNMP FMBs; however, holders of the TNMP FMBs are not required to tender their TNMP FMBs and may accept or reject such offer to prepay.

The TNMP FMBs are not registered under the Securities Act and may not be offered or sold in the United States absent registration or applicable exemption from registration requirements and applicable state laws. The information in this Annual Report on Form 10-K is for informational purposes only and is neither an offer to purchase, nor a solicitation of an offer to sell, subscribe for or buy any securities in any jurisdiction pursuant to the proposed transactions or otherwise, nor shall there be any sale, issuance or transfer of securities in any jurisdiction in contravention of applicable law. Similar to the offer to prepay made after signing the Merger Agreement, the post-Merger closing offer to prepay the TNMP FMBs will be made only pursuant to an offer to prepay, which will set forth the terms and conditions of the offer to prepay.

Interest Rate Hedging Activities

In 2017, PNMR entered into three separate four-year hedging agreements that effectively established fixed interest rates of 1.926%, 1.823%, and 1.629%, plus customary spreads over LIBOR, subject to change if there is a change in PNMR’s credit rating, for three separate tranches, each of \$50.0 million, of its variable rate debt. These fixed interest rate hedging agreements expired according to their terms in 2021.

On May 2, 2022, PNMR entered into two separate 20-month hedging agreements for \$150.0 million and \$200.0 million, to hedge an equal amount of its variable rate debt, whereby it effectively established a fixed interest rate of 2.65%. On May 20, 2022, PNMR entered into a third 19-month hedging agreement for \$100.0 million to hedge an equal amount of its variable rate debt, whereby it effectively established a fixed interest rate of 2.52%. On September 30, 2022, PNMR entered into two separate 15-month hedging agreements for \$100.0 million each, totaling \$200.0 million, to hedge an equal amount of its variable rate debt, whereby it effectively established fixed interest rates of 4.17% and 4.18%. On October 31, 2022, PNMR entered into two additional 14-month hedging agreements for \$100.0 million each, totaling \$200.0 million, to hedge an equal amount of its variable rate debt, whereby it effectively established fixed interest rates of 4.66% and 4.65%. All of the hedging agreements discussed above establish the fixed rate indicated, plus a customary spread over SOFR, which is subject to change if there is a change in PNMR’s credit rating.

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These hedge agreements are accounted for as cash flow hedges and had fair values of \$11.1 million that were included in Other current assets on the Consolidated Balance Sheet at December 31, 2022. As discussed in Note 3, changes in the fair value of the cash flow hedges were deferred in AOCI and amounts reclassified to the Consolidated Statement of Earnings were recorded in interest charges. The fair values were determined using Level 2 inputs under GAAP, including using forward SOFR curves under the mid-market convention to discount cash flows over the remaining term of the agreements.

Borrowing Arrangements Between PNMR and its Subsidiaries

PNMR has intercompany loan agreements with its subsidiaries. Individual subsidiary loan agreements vary in amount up to \$150.0 million and have either reciprocal or non-reciprocal terms. Interest charged to the subsidiaries is equivalent to interest paid by PNMR on its short-term borrowings or the money-market interest rate if PNMR does not have any short-term borrowings outstanding. All balances outstanding under intercompany loan agreements are eliminated upon consolidation. See Note 1. PNM and TNMP had no borrowings from PNMR at December 31, 2022 and 2021. PNMR Development had no short-term borrowings outstanding from PNMR at December 31, 2022 and 2021. PNMR had \$5.3 million and \$6.4 million in short-term borrowings outstanding from PNMR Development at December 31, 2022 and 2021.

Short-term Debt and Liquidity

Currently, the PNMR Revolving Credit Facility has a financing capacity of \$300.0 million and the PNM Revolving Credit Facility has a financing capacity of \$400.0 million. On May 20, 2022, both PNMR and PNM extended the facilities to October 31, 2024, with two one-year extension options that, if exercised, would extend the maturity through October 2026, subject to approval by a majority of the lenders. On January 26, 2023, PNMR and PNM exercised one of the one-year extension options extending their maturities through October 2025; provided that, effective November 1, 2024, the amount of the PNMR Revolving Credit Facility will adjust to \$285.0 million and the PNM Revolving Credit Facility will adjust to \$380.0 million because one lender in each facility failed to agree to the one-year extension through October 2025. Also on May 20, 2022, the \$40.0 million PNM New Mexico Credit Facility was extended to May 20, 2026. At December 31, 2021, the TNMP Revolving Credit Facility had a financing capacity of \$75.0 million, secured by \$75.0 million aggregate principal amount of TNMP first mortgage bonds. On March 11, 2022, the TNMP Revolving Credit Facility was amended to extend the maturity to September 23, 2024, with two one-year extension options that, if exercised, would extend the maturity to September 23, 2026, subject to approval by a majority of the lenders. The amended TNMP Revolving Credit Facility also contained an accordion feature that would allow TNMP to increase the size of the revolver from \$75.0 million to \$100.0 million, subject to certain conditions. On May 13, 2022, TNMP exercised the accordion feature and increased the capacity of the TNMP Revolving Credit Facility to \$100.0 million, secured by \$100.0 million aggregate principal amount of TNMP first mortgage bonds. On January 26, 2023, TNMP exercised one of the one-year extension options on its credit facility, which extended the maturity to September 23, 2025. PNMR Development had a \$40.0 million revolving credit facility that was terminated on May 18, 2021. Variable interest rates under the PNMR, PNM, and TNMP revolving credit facilities are based on SOFR.

Short-term debt outstanding consists of:

Short-term Debt	December 31,	
	2022	2021
	(In thousands)	
PNM:		
PNM Revolving Credit Facility	\$ 145,900	\$ 7,400
PNM New Mexico Credit Facility	40,000	—
	185,900	7,400
TNMP Revolving Credit Facility	36,700	400
PNMR:		
PNMR Revolving Credit Facility	9,400	54,900
	\$ 232,000	\$ 62,700

In addition to the above borrowings, PNMR, PNM, and TNMP had letters of credit outstanding of \$3.4 million, zero, and zero at December 31, 2022, that reduce the available capacity under their respective revolving

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credit facilities. In addition, PNMR had \$30.3 million of letters of credit outstanding under the WFB LOC Facility. At December 31, 2022, interest rates on outstanding borrowings were 5.90% for the PNMR Revolving Credit Facility, 5.67% for the PNM Revolving Credit Facility, 5.68% for the PNM New Mexico Credit Facility, and 5.29% for the TNMP Revolving Credit Facility.

Long-Term Debt

Information concerning long-term debt outstanding and unamortized (premiums), discounts, and debt issuance costs is as follows:

	December 31, 2022		December 31, 2021	
	Principal	Unamortized Discounts, (Premiums), and Issuance Costs, net	Principal	Unamortized Discounts, (Premiums), and Issuance Costs, net
(In thousands)				
PNM Debt				
Senior Unsecured Notes, Pollution Control Revenue Bonds:				
2.15% due April 2033	\$146,000	\$ 915	\$146,000	\$ 1,003
2.125% due June 2040, mandatory tender - June 1, 2022	—	—	37,000	45
3.00% due June 2040, mandatory tender - June 1, 2024	37,000	296	—	—
2.45% due September 2042, mandatory tender - June 1, 2022	—	—	20,000	17
0.875% due October 2026	100,345	550	100,345	697
1.05% due January 2038, mandatory tender - June 1, 2022	—	—	36,000	75
3.00% due January 2038, mandatory tender - June 1, 2024	36,000	288	—	—
1.20% due June 2040, mandatory tender - June 1, 2022	—	—	11,500	24
1.10% due June 2040, mandatory tender June 1, 2023	130,000	178	130,000	535
1.15% due June 2040, mandatory tender - June 1, 2024	125,000	383	125,000	639
Senior Unsecured Notes:				
3.15% due May 2023	55,000	29	55,000	106
3.45% due May 2025	104,000	248	104,000	353
3.85% due August 2025	250,000	775	250,000	1,075
3.68% due May 2028	88,000	333	88,000	395
3.78% due August 2028	15,000	59	15,000	69
3.93% due May 2033	38,000	185	38,000	203
4.22% due May 2038	45,000	243	45,000	259
4.50% due May 2048	20,000	119	20,000	124
4.60% due August 2048	85,000	510	85,000	530
3.21% due April 2030	150,000	1,171	150,000	1,331
3.57% due April 2039	50,000	454	50,000	482
2.59% due July 2033	80,000	405	80,000	443
3.14% due July 2041	80,000	427	80,000	450
2.29% due December 2031	50,000	264	50,000	293
2.97% due December 2041	100,000	557	100,000	587
PNM 2021 \$75.0 Million Term Loan due December 2022	—	—	75,000	—
PNM 2022 \$225.0 Million Term Loan due February 2024	225,000	56	—	—
	2,009,345	8,445	1,890,845	9,735
Less current maturities	185,000	207	179,500	161
	1,824,345	8,238	1,711,345	9,574

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	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	(Premiums), and Issuance Costs, net		(Premiums), and Issuance Costs, net	
	<u>Principal</u>	<u>Principal</u>	<u>Principal</u>	<u>Principal</u>
	(In thousands)			
TNMP Debt				
First Mortgage Bonds:				
6.95% due April 2043	93,198	(14,488)	93,198	(15,202)
4.03% due July 2024	80,000	158	80,000	264
3.53% due February 2026	60,000	256	60,000	338
3.22% due August 2027	60,000	266	60,000	324
3.85% due June 2028	60,000	344	60,000	406
3.79% due March 2034	75,000	422	75,000	460
3.92% due March 2039	75,000	457	75,000	486
4.06% due March 2044	75,000	479	75,000	501
3.60% due July 2029	80,000	391	80,000	451
2.73% due April 2030	85,000	616	85,000	699
3.36% due April 2050	25,000	226	25,000	235
2.93% due July 2035	25,000	208	25,000	224
3.36% due July 2050	50,000	457	50,000	473
2.44% due August 2035	65,000	454	65,000	489
4.13% due May 12, 2052	65,000	439	—	—
3.81% due July 28, 2032	95,000	638	—	—
	<u>1,068,198</u>	<u>(8,677)</u>	<u>908,198</u>	<u>(9,852)</u>
Less current maturities	—	—	—	—
	<u>1,068,198</u>	<u>(8,677)</u>	<u>908,198</u>	<u>(9,852)</u>
PNMR Debt				
PNMR 2021 Delayed-Draw Term Loan due May 2025	1,000,000	388	900,000	241
	<u>1,000,000</u>	<u>388</u>	<u>900,000</u>	<u>241</u>
Less current maturities	—	—	—	—
	<u>1,000,000</u>	<u>388</u>	<u>900,000</u>	<u>241</u>
Total Consolidated PNMR Debt	<u>4,077,543</u>	<u>156</u>	<u>3,699,043</u>	<u>124</u>
Less current maturities	185,000	207	179,500	161
	<u>\$3,892,543</u>	<u>\$ (51)</u>	<u>\$3,519,543</u>	<u>\$ (37)</u>

Reflecting mandatory tender dates, long-term debt maturities as of December 31, 2022, are follows:

	<u>PNMR</u>	<u>PNM</u>	<u>TNMP</u>	<u>PNMR Consolidated</u>
	(In thousands)			
2023	\$ —	\$ 185,000	\$ —	\$ 185,000
2024	—	423,000	80,000	503,000
2025	1,000,000	354,000	—	1,354,000
2026	—	100,345	60,000	160,345
2027	—	—	60,000	60,000
Thereafter	—	947,000	868,198	1,815,198
Total	<u>\$ 1,000,000</u>	<u>\$ 2,009,345</u>	<u>\$ 1,068,198</u>	<u>\$ 4,077,543</u>

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(8) Lease Commitments

The Company enters into various lease agreements to meet its business needs and to satisfy the needs of its customers. The Company accounts for contracts that convey the use and control of identified assets for a period of time as leases. The Company classifies leases as operating or financing by evaluating the terms of the lease agreement. Agreements under which the Company is likely to utilize substantially all of the economic value or life of the asset or that the Company is likely to own at the end of the lease term, either through purchase or transfer of ownership, are classified as financing leases. Leases not meeting these criteria are accounted for as operating leases. Agreements under which the Company is a lessor are insignificant. PNMR, PNM, and TNMP determine present value for their leases using their incremental borrowing rates at the commencement date of the lease or, when readily available, the rate implicit in the agreement. The Company leases office buildings, vehicles, and other equipment. In addition, PNM leases interests in PVNGS and certain rights-of-way agreements that are classified as leases. All of the Company's leases with terms in excess of one year are recorded on the Consolidated Balance Sheets by recording a present value lease liability and a corresponding right-of-use asset. Operating lease expense is recognized within operating expenses according to the use of the asset on a straight-line basis. Financing lease costs, which are comprised primarily of fleet and office equipment leases commencing after January 1, 2019, are recognized by amortizing the right-of-use asset on a straight-line basis and by recording interest expense on the lease liability. Financing lease right-of-use assets amortization is reflected in depreciation and amortization and interest on financing lease liabilities is reflected as interest charges on the Company's Consolidated Statements of Earnings.

PVNGS

In 1985 and 1986, PNM entered into leases for its interest in PVNGS Unit 1 and 2. The leases initially were scheduled to expire in January 2015 for four Unit 1 leases and January 2016 for four Unit 2 leases. Following procedures set forth in the PVNGS leases, PNM notified four of the lessors under the Unit 1 leases and one lessor under the Unit 2 lease that it would elect to renew those leases on the expiration date of the original leases. The four Unit 1 leases expired in January 2023 and the one Unit 2 lease expires in January 2024. The annual lease payments during the renewal periods aggregated \$16.5 million for PVNGS Unit 1 and \$1.6 million for Unit 2.

The terms of each of the extended leases do not provide for additional renewal options beyond their currently scheduled expiration dates. PNM had the option to purchase the assets underlying each of the extended leases at their fair market value or to return the lease interests to the lessors on the expiration dates. On June 11, 2020, PNM provided notice to the lessors and the NMPRC of its intent to return the assets underlying in both the PVNGS Unit 1 and Unit 2 leases upon their expiration in January 2023 and 2024. Although PNM elected to return the assets underlying the extended leases, PNM retains certain obligations related to PVNGS, including costs to decommission the facility. PNM depreciates its capital improvements related to the extended leases using NMPRC approved rates through the end of the NRC license period for each unit, which expire in June 2045 for Unit 1 and in June 2046 for Unit 2. Upon expiration of the leases PNM will cease depreciation and as authorized by the NMPRC create a regulatory asset for the associated remaining undepreciated investments.

On April 5, 2021, PNM and SRP entered into an Asset Purchase and Sale Agreement, pursuant to which PNM agreed to sell to SRP certain PNM-owned assets and nuclear fuel necessary to the ongoing operation and maintenance of leased capacity in PVNGS Unit 1 and Unit 2, which SRP has agreed to acquire from the lessors upon termination of the existing leases. The transaction between PNM and SRP received all necessary approvals, including NRC approval for the transfer of the associated possessory licenses to SRP at the end of the term of each of the respective leases. In January 2023, the Unit 1 leases expired, and PNM closed on the associated sale to SRP, receiving payments of \$17.7 million for PNM-owned assets and \$17.3 million for nuclear fuel. See Notes 16 and 17 for information on other PVNGS matters including the PVNGS Leased Interest Abandonment Application which includes NMPRC authorization to create regulatory assets for the associated remaining undepreciated investments.

PNM is exposed to loss under the remaining PVNGS lease arrangements upon the occurrence of certain events that PNM does not consider reasonably likely to occur. Under certain circumstances (for example, the NRC issuing specified violation orders with respect to PVNGS or the occurrence of specified nuclear events), PNM would be required to make specified payments to the lessors and take title to the leased interests. If such an event had occurred as of December 31, 2022, amounts due to the lessors under the circumstances described

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above would be up to \$14.1 million, payable on January 13, 2023, in addition to the scheduled lease payments due on that date.

Land Easements and Rights-of-Ways

Many of PNM's electric transmission and distribution facilities are located on lands that require the grant of rights-of-way from governmental entities, Native American tribes, or private parties. PNM has completed several renewals of rights-of-way, the largest of which is a renewal with the Navajo Nation. PNM is obligated to pay the Navajo Nation annual payments of \$6.0 million, subject to adjustment each year based on the Consumer Price Index, through 2029. PNM's April 2022 payment for the amount due under the Navajo Nation right-of-way lease was \$7.9 million, which included amounts due under the Consumer Price Index adjustment. Changes in the Consumer Price Index subsequent to January 1, 2019, are considered variable lease payments.

PNM has other prepaid rights-of-way agreements that are not accounted for as leases or recognized as a component of plant in service. PNM reflects the unamortized balance of these prepayments in other deferred charges on the Consolidated Balance Sheets and recognizes amortization expense associated with these agreements in the Consolidated Statement of Earnings over their term. As of December 31, 2022 and 2021, the unamortized balance of these rights-of-ways was \$54.6 million and \$53.4 million. During the years ended December 31, 2022, 2021, and 2020, PNM recognized amortization expense associated with these agreements of \$3.8 million, \$3.7 million, and \$4.4 million.

Fleet Vehicles and Equipment

Fleet vehicle and equipment leases commencing on or after January 1, 2019, are classified as financing leases. Fleet vehicle and equipment leases existing as of December 31, 2018, are classified as operating leases. The Company's fleet vehicle and equipment lease agreements include non-lease components for insignificant administrative and other costs that are billed over the life of the agreement. At December 31, 2022, residual value guarantees on fleet vehicle and equipment leases are \$1.0 million, \$1.2 million, and \$2.2 million for PNM, TNMP, and PNMR Consolidated.

Information related to the Company's operating leases recorded on the Consolidated Balance Sheets is presented below:

	December 31, 2022			December 31, 2021		
	PNM	TNMP	PNMR Consolidated	PNM	TNMP	PNMR Consolidated
	(In thousands)					
Operating leases:						
Operating lease assets, net of amortization	\$ 52,556	\$ 3,426	\$ 55,982	\$ 73,903	\$ 5,264	\$ 79,511
Current portion of operating lease liabilities	17,239	1,543	18,781	25,278	1,882	27,218
Long-term portion of operating lease liabilities	39,633	1,703	41,336	52,552	3,155	55,993

As discussed above, the Company classifies its fleet vehicle and equipment leases and its office equipment leases commencing on or after January 1, 2019, as financing leases. Information related to the Company's financing leases recorded on the Consolidated Balance Sheets is presented below:

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	December 31, 2022			December 31, 2021		
	PNM	TNMP	PNMR Consolidated	PNM	TNMP	PNMR Consolidated
	(In thousands)			(In thousands)		
Financing leases:						
Non-utility property	\$ 19,324	\$ 20,084	\$ 39,738	\$ 15,171	\$ 16,181	\$ 31,695
Accumulated depreciation	(7,726)	(8,202)	(16,189)	(4,550)	(4,923)	(9,660)
Non-utility property, net	\$ 11,598	\$ 11,882	\$ 23,549	\$ 10,621	\$ 11,258	\$ 22,035
Other current liabilities	\$ 3,441	\$ 3,867	\$ 7,363	\$ 2,731	\$ 2,994	\$ 5,813
Other deferred credits	8,079	8,028	16,123	7,732	8,273	16,075

Information concerning the weighted average remaining lease terms and the weighted average discount rates used to determine the Company's lease liabilities is presented below:

	December 31, 2022			December 31, 2021		
	PNM	TNMP	PNMR Consolidated	PNM	TNMP	PNMR Consolidated
Weighted average remaining lease term (years):						
Operating leases	6.74	2.16	6.48	5.60	2.90	5.44
Financing leases	3.99	3.39	3.68	4.30	4.14	4.20
Weighted average discount rate:						
Operating leases	4.01 %	3.94 %	4.00 %	3.99 %	3.98 %	3.99 %
Financing leases	3.36 %	3.53 %	3.44 %	2.60 %	2.71 %	2.65 %

Information for the components of lease expense is as follows:

	Year Ended December 31, 2022		
	PNM	TNMP	PNMR Consolidated
	(In thousands)		
Operating lease cost	\$ 26,764	\$ 2,020	\$ 28,835
Amounts capitalized	(690)	(1,728)	(2,417)
Total operating lease expense	26,074	292	26,418
Financing lease cost:			
Amortization of right-of-use assets	3,175	3,279	6,529
Interest on lease liabilities	327	330	659
Amounts capitalized	(2,264)	(3,208)	(5,471)
Total financing lease expense	1,238	401	1,717
Variable lease expense	890	—	890
Short-term lease expense ⁽¹⁾	3,058	5	3,109
Total lease expense for the period	\$ 31,260	\$ 698	\$ 32,134

⁽¹⁾ Includes expense of \$2.7 million for the twelve months ended December 31, 2022 for rental of temporary cooling towers associated with the SJGS Unit 1 outage. These amounts are offset with insurance reimbursements of \$2.7 million for the twelve months ended December 31, 2022.

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Year Ended December 31, 2021

	PNMR		
	PNM	TNMP	Consolidated
	(In thousands)		
Operating lease cost	\$ 26,690	\$ 2,445	\$ 29,270
Amounts capitalized	(836)	(2,115)	(2,951)
Total operating lease expense	25,854	330	26,319
Financing lease cost:			
Amortization of right-of-use assets	2,507	2,682	5,277
Interest on lease liabilities	263	307	574
Amounts capitalized	(1,726)	(2,678)	(4,404)
Total financing lease expense	1,044	311	1,447
Variable lease expense	380	—	380
Short-term lease expense	2,972	6	3,035
Total lease expense for the period	\$ 30,250	\$ 647	\$ 31,181

⁽¹⁾ Includes expense of \$2.5 million for the twelve months ended December 31, 2021 for rental of temporary cooling towers associated with the SJGS Unit 1 outage. These amounts are partially offset with insurance reimbursements of \$1.8 million for the twelve months ended December 31, 2021.

Supplemental cash flow information related to the Company's leases is as follows:

	Year Ended December 31, 2022			Year Ended December 31, 2021		
	PNM	TNMP	PNMR Consolidated	PNM	TNMP	PNMR Consolidated
	(In thousands)					

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$25,687	\$ 246	\$ 25,984	\$25,655	\$ 323	\$ 26,129
Operating cash flows from financing leases	96	43	141	90	34	128
Financing cash flows from financing leases	1,123	499	1,711	870	339	1,296

Non-cash information related to right-of-use assets obtained in exchange for lease obligations:

Operating leases	\$ 2,924	\$ 179	\$ 3,103	\$ —	\$ 317	\$ 317
Financing leases	4,205	4,061	8,266	3,792	3,126	6,958

Capitalized lease costs are reflected as investing activities on the Company's Consolidated Statements of Cash Flows for the twelve months ended December 31, 2022 and 2021.

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Future expected lease payments are shown below:

	As of December 31, 2022					
	PNM		TNMP		PNMR Consolidated	
	Financing	Operating	Financing	Operating	Financing	Operating
	(In thousands)					
2023	\$ 3,764	\$ 17,566	\$ 4,210	\$ 1,330	\$ 8,029	\$ 19,037
2024	3,031	8,294	3,562	1,030	6,606	9,334
2025	2,140	7,070	2,592	525	4,734	7,595
2026	1,570	7,041	1,417	449	2,988	7,490
2027	1,066	7,018	473	—	1,539	7,018
Later years	788	17,366	375	—	1,162	17,366
Total minimum lease payments	12,359	64,355	12,629	3,334	25,058	67,840
Less: Imputed interest	839	7,483	734	88	1,572	7,723
Lease liabilities as of December 31, 2022	\$ 11,520	\$ 56,872	\$ 11,895	\$ 3,246	\$ 23,486	\$ 60,117

The above table includes \$11.3 million, \$12.9 million, and \$24.2 million for PNM, TNMP, and PNMR at December 31, 2022 for expected future payments on fleet vehicle and equipment leases that could be avoided if the leased assets were returned and the lessor is able to recover estimated market value for the equipment from third parties. The Company's contractual commitments for leases that have not yet commenced are insignificant.

(9) Fair Value of Derivative and Other Financial Instruments

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value is based on current market quotes as available and is supplemented by modeling techniques and assumptions made by the Company to the extent quoted market prices or volatilities are not available. External pricing input availability varies based on commodity location, market liquidity, and term of the agreement. Valuations of derivative assets and liabilities take into account nonperformance risk, including the effect of counterparties' and the Company's credit risk. The Company regularly assesses the validity and availability of pricing data for its derivative transactions. Although the Company uses its best judgment in estimating the fair value of these instruments, there are inherent limitations in any estimation technique.

Energy Related Derivative Contracts

Overview

The primary objective for the use of commodity derivative instruments, including energy contracts, options, swaps, and futures, is to manage price risk associated with forecasted purchases of energy and fuel used to generate electricity, as well as managing anticipated generation capacity in excess of forecasted demand from existing customers. PNM's energy related derivative contracts manage commodity risk. PNM is required to meet the demand and energy needs of its customers. PNM is exposed to market risk for the needs of its customers not covered under the FPPAC.

In 2021, PNM entered into three agreements to purchase power from third parties at a fixed price in order to ensure that customer demand during the 2022 summer peak load period was met. Two of the agreements, the purchase of 85 MW from June through September 2022 and the purchase of 40 MW for the full year of 2022, were not considered derivatives because there were no notional amounts due to the unit-contingent nature of the agreements. The third agreement for the purchase of 150 MW firm power in June and September 2022 met the definition of an economic hedge described below and was accounted for accordingly. In June and December 2022, PNM entered into agreements to purchase power from third parties in order to ensure that customer demand during the 2023 summer peak load is met. The agreements for the purchase of 35 MW and 25 MW from June 1, 2023 through September 30, 2023 were not considered a derivative because there was no notional amount due to the unit-contingent nature of one agreement and the other qualified for a normal purchase, normal

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sale scope exception. In the third and fourth quarters of 2022, PNM entered into several additional agreements to purchase power from third parties in order to ensure that customer demand during the 2023 summer peak load is met. These agreements are primarily derivative agreements and are accounted for as such. For additional information related to 2023 summer peak resource adequacy, see Note 17.

PNM was exposed to market risk for its 65 MW interest in SJGS Unit 4, which was held as merchant plant as ordered by the NMPRC from January 1, 2018 until September 30, 2022. PNM entered into agreements to sell power from 36 MW of that capacity to a third party at a fixed price for the period January 1, 2018 through June 30, 2022, subject to certain conditions. Under these agreements, PNM was obligated to deliver 36 MW of power only when SJGS Unit 4 was operating. In May 2022, PNM executed a new agreement to sell 50 MW of that capacity to a third party for the period from July 1, 2022 through September 30, 2022 on a system-contingent basis. These agreements were not considered derivatives because there was no notional amount due to the unit-contingent nature of the transactions.

PNM and Tri-State had a hazard sharing agreement that expired in May 2022. Under this agreement, each party sold the other party 100 MW of capacity and energy from a designated generation resource on a unit contingent basis, subject to certain performance guarantees. The agreement was accounted for as a commodity derivative. In May 2022, PNM and Tri-State entered into another hazard sharing agreement that existed on a unit contingent basis through September 30, 2022, however this agreement did not include a performance guarantee. As a result, this agreement was not considered a derivative. Both the purchases and sales are made at the same market index price. This agreement served to reduce the magnitude of each party's single largest generating hazard and assist in enhancing the reliability and efficiency of their respective operations. PNM passed the sales and purchases through to customers under PNM's FPPAC.

PNM's operations are managed primarily through a net asset-backed strategy, whereby PNM's aggregate net open forward contract position is covered by its forecasted excess generation capabilities or market purchases. PNM could be exposed to market risk if its generation capabilities were to be disrupted or if its load requirements were to be greater than anticipated. If all or a portion of load requirements were required to be covered as a result of such unexpected situations, commitments would have to be met through market purchases. TNMP does not enter into energy related derivative contracts.

Commodity Risk

Marketing and procurement of energy often involve market risks associated with managing energy commodities and establishing positions in the energy markets, primarily on a short-term basis. PNM routinely enters into various derivative instruments such as forward contracts, option agreements, and price basis swap agreements to economically hedge price and volume risk on power commitments and fuel requirements and to minimize the effect of market fluctuations. PNM monitors the market risk of its commodity contracts in accordance with approved risk and credit policies.

Unusually cold weather in February 2021 resulted in higher-than-expected natural gas and purchased power costs. PNM mitigated the impacts from the cold weather by securing gas supplies in advance, engaging in market purchases when lower prices were available, and adjusting plant operation of its gas units to minimize reliance on higher-priced gas supplies. PNM estimates the impact of the cold weather conditions in the first quarter of 2021 resulted in approximately \$20 million of additional natural gas costs and approximately \$8 million in additional purchased power costs. These fuel increases are passed through to customers under the FPPAC.

Accounting for Derivatives

Under derivative accounting and related rules for energy contracts, PNM accounts for its various instruments for the purchase and sale of energy, which meet the definition of a derivative, based on PNM's intent. During the years ended December 31, 2022, 2021, and 2020, PNM was not hedging its exposure to the variability in future cash flows from commodity derivatives through designated cash flow hedges. The derivative contracts recorded at fair value that do not qualify or are not designated for cash flow hedge accounting are classified as economic hedges. Economic hedges are defined as derivative instruments, including long-term power agreements, used to economically hedge generation assets, purchased power and fuel costs, and customer load requirements. Changes in the fair value of economic hedges are reflected in results of operations and are classified between operating revenues and cost of energy according to the intent of the hedge. PNM also uses such instruments under an NMPRC approved hedging plan to manage fuel and purchased power costs related to

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customers covered by its FPPAC. Changes in the fair value of instruments covered by its FPPAC are recorded as regulatory assets and liabilities. PNM has no trading transactions.

Commodity Derivatives

PNM's commodity derivative instruments that are recorded at fair value, all of which are accounted for as economic hedges and considered Level 2 fair value measurements, are presented in the following line items on the Consolidated Balance Sheets:

	Economic Hedges	
	December 31,	
	2022	2021
	(In thousands)	
Other current assets	\$ 9,780	\$ 684
Other deferred charges	—	—
	9,780	684
Other current liabilities	(19,209)	(2,275)
Other deferred credits	—	—
	(19,209)	(2,275)
Net	\$ (9,429)	\$ (1,591)

Certain of PNM's commodity derivative instruments in the above table are subject to master netting agreements whereby assets and liabilities could be offset in the settlement process. PNM does not offset fair value and cash collateral for derivative instruments under master netting arrangements and the above table reflects the gross amounts of fair value assets and liabilities for commodity derivatives. Included in the table above are equal amounts of current assets and current liabilities aggregating zero at December 31, 2022 and \$0.5 million at December 31, 2021 resulting from PNM's hazard sharing arrangements with Tri-State that ended May 2022. The hazard sharing arrangements were net-settled upon delivery. As discussed above, PNM's most recent hazard sharing agreement with Tri-State was not considered a derivative.

As discussed above, PNM has NMPRC-approved guidelines for hedging arrangements to manage fuel and purchased power costs related to customers covered by its FPPAC. The table above includes \$9.8 million in current assets and \$19.2 million of current liabilities related to these arrangements at December 31, 2022 and \$0.2 million in current assets and \$1.8 million of current liabilities at December 31, 2021 with changes in fair value recorded as regulatory assets and regulatory liabilities. See Note 13.

At December 31, 2022 and 2021, PNM had no amounts recognized for the legal right to reclaim cash collateral. However, amounts posted as cash collateral under margin arrangements were \$10.5 million at December 31, 2022 and \$0.5 million at December 31, 2021. These amounts are included in other current assets on the Consolidated Balance Sheets. Obligations to return cash collateral were \$0.2 million at December 31, 2022 and \$0.9 million at December 31, 2021. Cash collateral amounts are included on the Consolidated Balance Sheets in other current liabilities.

The changes in the fair value of commodity derivative instruments that are considered economic hedges had no impact on PNM's net earnings during the years ended December 31, 2022 and 2021. Commodity derivatives also had no impact on OCI for the periods presented.

PNM's net buy (sell) volume positions for energy were 432,200 MWh and 122,400 MWh at December 31, 2022 and 2021. PNM had no open gas commodity volume positions at December 31, 2022 and 2021.

PNM has contingent requirements to provide collateral under commodity contracts having an objectively determinable collateral provision that are in net liability positions and are not fully collateralized with cash. In connection with managing its commodity risks, PNM enters into master agreements with certain counterparties. If PNM is in a net liability position under an agreement, some agreements provide that the counterparties can request collateral if PNM's credit rating is downgraded; other agreements provide that the counterparty may

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request collateral to provide it with “adequate assurance” that PNM will perform; and others have no provision for collateral.

Contractual liability represents those commodity derivative contracts recorded at fair value on the balance sheet, determined on an individual contract basis without offsetting amounts for individual contracts that are in an asset position and could be offset under master netting agreements with the same counterparty. Cash collateral posted under these contracts does not reflect letters of credit under the Company’s revolving credit facilities that may have been issued as collateral. Net exposure is the net contractual liability for all contracts, including those designated as normal purchase and normal sale, offset by existing collateral and by any offsets available under master netting agreements, including both assets and liability positions. At December 31, 2022, PNM had \$15.3 million of contractual liability, zero posted cash collateral, and \$13.1 million of net exposure related to these contingent requirements for contracts in a net liability position. At December 31, 2021, PNM had no such contracts in a net liability position.

Non-Derivative Financial Instruments

The carrying amounts reflected on the Consolidated Balance Sheets approximate fair value for cash, receivables, and payables due to the short period of maturity. Investment securities are carried at fair value. Investment securities consist of PNM assets held in the NDT for its share of decommissioning costs of PVNGS, a trust for PNM’s share of decommissioning costs at SJGS, and trusts for PNM’s share of final reclamation costs related to the coal mines serving SJGS and Four Corners. See Note 16. At December 31, 2022 and 2021, the fair value of investment securities included \$325.3 million and \$394.5 million for the NDT, \$14.7 million and zero for the SJGS decommissioning trust, and \$77.5 million and \$68.6 million for the coal mine reclamation trusts.

PNM records a realized loss as an impairment for any available-for-sale debt security that has a fair value that is less than its carrying value. As a result, the Company has no available-for-sale debt securities for which carrying value exceeds fair value and there are no impairments considered to be “other than temporary” that are included in AOCI and not recognized in earnings. All gains and losses resulting from sales and changes in the fair value of equity securities are recognized immediately in earnings. Gains and losses recognized on the Consolidated Statements of Earnings related to investment securities in the NDT and reclamation trusts are presented in the following table:

	Year ended December 31,		
	2022	2021	2020
	(In thousands)		
Equity securities:			
Net gains (losses) from equity securities sold	\$ (6,940)	\$ 8,738	\$ 5,861
Net gains (losses) from equity securities still held	(38,025)	(442)	17,707
Total net gains (losses) on equity securities	(44,965)	8,296	23,568
Available-for-sale debt securities:			
Net gains (losses) on debt securities	(33,392)	8,554	(1,969)
Net gains (losses) on investment securities	\$ (78,357)	\$ 16,850	\$ 21,599

The proceeds and gross realized gains and losses on the disposition of securities held in the NDT and coal mine reclamation trusts are shown in the following table. Realized gains and losses are determined by specific identification of costs of securities sold.

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Gross realized losses shown below exclude the (increase)/decrease in realized impairment losses of \$(25.8) million, \$0.7 million, and \$(3.2) million for the years ended December 31, 2022, 2021 and 2020.

	Year Ended December 31,		
	2022	2021	2020
	(In thousands)		
Proceeds from sales	\$ 526,448	\$ 459,867	\$ 590,998
Gross realized gains	\$ 22,071	\$ 39,408	\$ 35,904
Gross realized (losses)	\$ (36,623)	\$ (22,815)	\$ (28,817)

At December 31, 2022, the available-for-sale debt securities held by PNM, had the following final maturities:

	Fair Value
	(In thousands)
Within 1 year	\$ 40,339
After 1 year through 5 years	67,426
After 5 years through 10 years	70,608
After 10 years through 15 years	15,571
After 15 years through 20 years	12,825
After 20 years	32,211
	<u>\$ 238,980</u>

Fair Value Disclosures

The Company determines the fair values of its derivative and other financial instruments based on the hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

For investment securities, Level 2 and Level 3 fair values are provided by fund managers utilizing a pricing service. For Level 2 fair values, the pricing provider predominantly uses the market approach using bid side market values based upon a hierarchy of information for specific securities or securities with similar characteristics. Fair values of Level 2 investments in mutual funds are equal to net asset value. For commodity derivatives, Level 2 fair values are determined based on market observable inputs, which are validated using multiple broker quotes, including forward price, volatility, and interest rate curves to establish expectations of future prices. Credit valuation adjustments are made for estimated credit losses based on the overall exposure to each counterparty. For the Company's long-term debt, Level 2 fair values are provided by an external pricing service. The pricing service primarily utilizes quoted prices for similar debt in active markets when determining fair value. The valuation of Level 3 investments, when applicable, requires significant judgment by the pricing provider due to the absence of quoted market values, changes in market conditions, and the long-term nature of the assets. The Company has no Level 3 investments as of December 31, 2022 and 2021. Management of the Company independently verifies the information provided by pricing services.

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NOTES TO FINANCIAL STATEMENTS (Continued)

Items recorded at fair value by PNM on the Consolidated Balance Sheets are presented below by level of the fair value hierarchy along with gross unrealized gains on investments in available-for-sale securities.

	GAAP Fair Value Hierarchy			Unrealized Gains
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
(In thousands)				
December 31, 2022				
Cash and cash equivalents	\$ 66,843	\$ 66,843	\$ —	
Equity securities:				
Corporate stocks, common	40,103	40,103	—	
Corporate stocks, preferred	5,191	790	4,401	
Mutual funds and other	66,359	66,359	—	
Available-for-sale debt securities:				
U.S. government	45,905	45,645	260	\$ 1,334
International government	9,762	—	9,762	1,117
Municipals	43,136	—	43,136	1,062
Corporate and other	140,177	—	140,177	6,473
	<u>\$ 417,476</u>	<u>\$ 219,740</u>	<u>\$ 197,736</u>	<u>\$ 9,986</u>
December 31, 2021				
Cash and cash equivalents	\$ 7,895	\$ 7,895	\$ —	
Equity securities:				
Corporate stocks, common	97,626	97,626	—	
Corporate stocks, preferred	9,114	3,775	5,339	
Mutual funds and other	75,285	75,241	44	
Available-for-sale debt securities:				
U.S. government	43,128	13,204	29,924	\$ 214
International government	16,001	—	16,001	1,508
Municipals	47,050	—	47,050	1,807
Corporate and other	167,027	—	167,027	12,212
	<u>\$ 463,126</u>	<u>\$ 197,741</u>	<u>\$ 265,385</u>	<u>\$ 15,741</u>

The carrying amounts and fair values of long-term debt, all of which are considered Level 2 fair value measurements and are not recorded at fair value on the Consolidated Balance Sheets are presented below:

	Carrying Amount		Fair Value
	(In thousands)		
December 31, 2022			
PNMR	\$ 4,077,387	\$ 3,726,195	
PNM	\$ 2,000,900	\$ 1,789,186	
TNMP	\$ 1,076,875	\$ 937,009	
December 31, 2021			
PNMR	\$ 3,698,919	\$ 3,915,010	
PNM	\$ 1,881,110	\$ 1,975,987	
TNMP	\$ 918,050	\$ 1,039,023	

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The carrying amount and fair value of the Company's other investments presented on the Consolidated Balance Sheets are not material and not shown in the above table.

Investments Held by Employee Benefit Plans

As discussed in Note 11, PNM and TNMP have trusts that hold investment assets for their pension and other postretirement benefit plans. The fair value of the assets held by the trusts impacts the determination of the funded status of each plan but the assets are not reflected on the Company's Consolidated Balance Sheets. Both the PNM Pension Plan and the TNMP Pension Plan hold units of participation in the PNM Resources, Inc. Master Trust (the "PNMR Master Trust"), which was established for the investment of assets of the pension plans. The PNM Pension Plan's investment allocation targets in 2022 consist of 35% equities, 15% alternative investments (both of which are considered return generating), and 50% fixed income. The TNMP Pension Plan's investment allocation targets in 2022 consist of 16% equities, 14% alternative investments (both of which are considered return generating), and 70% fixed income.

GAAP provides a practical expedient that allows the net asset value per share to be used as fair value for investments in certain entities that do not have readily determinable fair values and are considered to be investment companies. Fair values for alternative investments held by the PNMR Master Trust are valued using this practical expedient. Investments for which fair value is measured using that practical expedient are not required to be categorized within the fair value hierarchy. Level 2 and Level 3 fair values are provided by fund managers utilizing a pricing service. For level 2 fair values, the pricing provider predominately uses the market approach using bid side market value based upon a hierarchy of information for specific securities or securities with similar characteristics. Fair values of Level 2 investments in mutual funds are equal to net asset value as of year-end. Fair value prices for Level 2 corporate term loans predominately use the market approach which uses bid side market values based upon hierarchy information for specific securities or securities with similar characteristics. Alternative investments include private equity funds, hedge funds, and real estate funds. The private equity funds are not voluntarily redeemable. These investments are realized through periodic distributions occurring over a 10 to 15 years term after the initial investment. The real estate funds and hedge funds may be voluntarily redeemed but are subject to redemption provisions that may result in the funds not being redeemable in the near term. Audited financial statements are received for each fund and are reviewed by the Company annually.

The valuation of alternative investments requires significant judgment by the pricing provider due to the absence of quoted market values, changes in market conditions, and the long-term nature of the assets. The significant unobservable inputs include estimates of liquidation value, current operating performance, and future expectations of performance. Neither the employee benefit plans nor the PNMR Master Trust have any Level 3 investments as of December 31, 2022 or 2021.

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The fair values of investments held by the employee benefit plans are as follows:

	Total	GAAP Fair Value Hierarchy	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
December 31, 2022			
PNM Pension Plan			
Participation in PNMR Master Trust Investments:			
Investments categorized within fair value hierarchy	\$ 342,183	\$ 143,911	\$ 198,272
Uncategorized investments	67,787		
Total Master Trust Investments	<u>\$ 409,970</u>		
TNMP Pension Plan			
Participation in PNMR Master Trust Investments:			
Investments categorized within fair value hierarchy	\$ 38,617	\$ 13,556	\$ 25,061
Uncategorized investments	5,433		
Total Master Trust Investments	<u>\$ 44,050</u>		
PNM OPEB Plan			
Cash and cash equivalents	\$ 1,703	\$ 1,703	\$ —
Equity securities:			
Mutual funds	69,001	42,068	26,933
	<u>\$ 70,704</u>	<u>\$ 43,771</u>	<u>\$ 26,933</u>
TNMP OPEB Plan			
Cash and cash equivalents	\$ 149	\$ 149	\$ —
Equity securities:			
Mutual funds	8,573	8,018	555
	<u>\$ 8,722</u>	<u>\$ 8,167</u>	<u>\$ 555</u>
December 31, 2021			
PNM Pension Plan			
Participation in PNMR Master Trust Investments:			
Investments categorized within fair value hierarchy	\$ 527,873	\$ 235,605	\$ 292,268
Uncategorized investments	49,432		
Total Master Trust Investments	<u>\$ 577,305</u>		
TNMP Pension Plan			
Participation in PNMR Master Trust Investments:			
Investments categorized within fair value hierarchy	\$ 58,623	\$ 21,390	\$ 37,233
Uncategorized investments	3,962		
Total Master Trust Investments	<u>\$ 62,585</u>		
PNM OPEB Plan			
Cash and cash equivalents	\$ 1,578	\$ 1,578	\$ —
Equity securities:			
Mutual funds	94,549	58,383	36,166
	<u>\$ 96,127</u>	<u>\$ 59,961</u>	<u>\$ 36,166</u>
TNMP OPEB Plan			
Cash and cash equivalents	\$ 381	\$ 381	\$ —
Equity securities:			
Mutual funds	12,249	11,575	674
	<u>\$ 12,630</u>	<u>\$ 11,956</u>	<u>\$ 674</u>

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The fair values of investments in the PNMR Master Trust are as follows:

	Total	GAAP Fair Value Hierarchy	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
December 31, 2022		(In thousands)	
PNMR Master Trust			
Cash and cash equivalents	\$ 17,106	\$ 17,106	\$ —
Equity securities:			
Corporate stocks, common	53,661	53,661	—
Corporate stocks, preferred	639	639	—
Mutual funds and other	135,200	27,412	107,788
Fixed income securities:			
U.S. government	62,637	58,649	3,988
International government	3,318	—	3,318
Municipals	4,922	—	4,922
Corporate and other	103,317	—	103,317
Total investments categorized within fair value hierarchy	<u>380,800</u>	<u>\$ 157,467</u>	<u>\$ 223,333</u>
Uncategorized investments:			
Private equity funds	6,691		
Hedge funds	33,258		
Real estate funds	33,271		
	<u>\$ 454,020</u>		
December 31, 2021			
PNMR Master Trust			
Cash and cash equivalents	\$ 18,924	\$ 18,924	\$ —
Equity securities:			
Corporate stocks, common	92,484	92,484	—
Corporate stocks, preferred	806	—	806
Mutual funds and other	222,106	59,203	162,903
Fixed income securities:			
U.S. government	95,429	86,384	9,045
International government	5,977	—	5,977
Municipals	6,143	—	6,143
Corporate and other	144,627	—	144,627
Total investments categorized within fair value hierarchy	<u>586,496</u>	<u>\$ 256,995</u>	<u>\$ 329,501</u>
Uncategorized investments:			
Private equity funds	10,479		
Hedge funds	8,913		
Real estate funds	34,002		
	<u>\$ 639,890</u>		

(10) Variable Interest Entities

How an enterprise evaluates and accounts for its involvement with variable interest entities, focuses primarily on whether the enterprise has the power to direct the activities that most significantly impact the economic performance of a variable interest entity ("VIE"). This evaluation requires continual reassessment of the primary beneficiary of a VIE.

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Valencia

PNM has a PPA to purchase all of the electric capacity and energy from Valencia, a 155 MW natural gas-fired power plant near Belen, New Mexico, through May 2028. A third party built, owns, and operates the facility while PNM is the sole purchaser of the electricity generated. PNM is obligated to pay fixed operation and maintenance and capacity charges in addition to variable operation and maintenance charges under this PPA. For the years ended December 31, 2022, 2021, and 2020, PNM paid \$19.5 million, \$19.8 million, and \$20.0 million for fixed charges and \$1.9 million, \$1.9 million, and \$1.4 million for variable charges. PNM does not have any other financial obligations related to Valencia. The assets of Valencia can only be used to satisfy its obligations and creditors of Valencia do not have any recourse against PNM's assets. During the term of the PPA, PNM has the option, under certain conditions, to purchase and own up to 50% of the plant or the VIE. The PPA specifies that the purchase price would be the greater of 50% of book value reduced by related indebtedness or 50% of fair market value.

PNM sources fuel for the plant, controls when the facility operates through its dispatch, and receives the entire output of the plant, which factors directly and significantly impact the economic performance of Valencia. Therefore, PNM has concluded that the third-party entity that owns Valencia is a VIE and that PNM is the primary beneficiary of the entity since PNM has the power to direct the activities that most significantly impact the economic performance of Valencia and will absorb the majority of the variability in the cash flows of the plant. As the primary beneficiary, PNM consolidates Valencia in its financial statements. Accordingly, the assets, liabilities, operating expenses, and cash flows of Valencia are included in the Consolidated Financial Statements of PNM although PNM has no legal ownership interest or voting control of the VIE. The assets and liabilities of Valencia are set forth below and are not shown separately on the Consolidated Balance Sheets. The owner's equity and net income of Valencia are considered attributable to non-controlling interest.

Summarized financial information for Valencia is as follows:

Results of Operations

	Year Ended December 31		
	2022	2021	2020
	(In thousands)		
Operating revenues	\$ 21,403	\$ 21,624	\$ 21,297
Operating expenses	6,281	6,134	7,284
Earnings attributable to non-controlling interest	<u>\$ 15,122</u>	<u>\$ 15,490</u>	<u>\$ 14,013</u>

Financial Position

	December 31,	
	2022	2021
	(In thousands)	
Current assets	\$ 3,429	\$ 3,042
Net property, plant and equipment	50,094	52,908
Total assets	<u>53,523</u>	<u>55,950</u>
Current liabilities	529	545
Owners' equity – non-controlling interest	<u>\$ 52,994</u>	<u>\$ 55,405</u>

Westmoreland San Juan Mining, LLC

As discussed in the subheading Coal Supply in Note 16, PNM purchased coal for SJGS under the SJGS CSA. PNM and Westmoreland also entered into agreements under which CCR disposal and mine reclamation services for SJGS would be provided. On October 9, 2018, Westmoreland filed a Current Report on Form 8-K with the SEC announcing it had filed voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code. On March 15, 2019, Westmoreland emerged from Chapter 11 bankruptcy as a privately held company owned and

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operated by a group of its former creditors. Under the reorganization, the assets of SJCC were sold to Westmoreland San Juan Mining, LLC (“WSJ LLC”), a subsidiary of Westmoreland Mining Holdings, LLC. As successor entity to SJCC, WSJ LLC assumed all rights and obligations of SJCC including obligations to PNM under the SJGS CSA and to PNMR under letter of credit support agreements. See Note 16.

PNMR issued \$30.3 million in letters of credit to facilitate the issuance of reclamation bonds required in order for SJCC to mine coal to be supplied to SJGS. As discussed above, WSJ LLC assumed the rights and obligations of SJCC, including obligations to PNMR for the letters of credit. The letters of credit support results in PNMR having a variable interest in WSJ LLC since PNMR is subject to possible loss in the event performance by PNMR is required under the letters of credit support. PNMR considers the possibility of loss under the letters of credit support to be remote since the purpose of posting the bonds is to provide assurance that WSJ LLC performs the required reclamation of the mine site in accordance with applicable regulations and the reclamation services agreement provides WSJ LLC the ability to recover the cost of reclamation. Additionally, much of the mine reclamation activities are being performed after the SJGS CSA expired on September 30, 2022. As discussed in Note 16, each of the SJGS participants has established and actively fund trusts to meet future reclamation obligations.

WSJ LLC is considered a VIE. PNMR’s analysis of its arrangements with WSJ LLC concluded that WSJ LLC had the ability to direct its mining operations and reclamation services, which are the factors that most significantly impact the economic performance of WSJ LLC. Other than PNM being able to ensure that coal was supplied in adequate quantities and of sufficient quality to provide the fuel necessary to operate SJGS in a normal manner and monitoring of reclamation activities, the mining operations and reclamation services were solely under the control of WSJ LLC, including developing mining and reclamation plans, hiring of personnel, and incurring operating and maintenance expenses. Neither PNMR nor PNM had any ability to direct or influence the mining operation or reclamation activities. PNM’s involvement through the SJGS CSA and the reclamation services agreement is a protective right rather than a participating right and WSJ LLC still has the power to direct the activities that most significantly impact the economic performance of WSJ LLC. The SJGS CSA required WSJ LLC to deliver coal to fuel SJGS in exchange for payment of a set price per ton, which escalated over time for inflation. The reclamation services agreement requires WSJ LLC to perform reclamation services at a base price per activity, which escalates over time for inflation. If WSJ LLC had been able to mine or perform reclamation services more efficiently than anticipated, its economic performance would improve. Conversely, if WSJ LLC had not been able to mine or does not perform reclamation services as efficiently as anticipated, its economic performance would be negatively impacted. Accordingly, PNMR believes WSJ LLC is the primary beneficiary and, therefore, WSJ LLC is not consolidated by either PNMR or PNM. The amounts outstanding under the letters of credit support continue to be PNMR’s maximum exposure to loss from the VIE at December 31, 2022.

(11) Pension and Other Postretirement Benefits

PNMR and its subsidiaries maintain qualified defined benefit pension plans, postretirement benefit plans providing medical and dental benefits, and executive retirement programs (collectively, the “PNM Plans” and “TNMP Plans”). PNMR maintains the legal obligation for the benefits owed to participants under these plans. The periodic costs or income of the PNM Plans and TNMP Plans are included in regulated rates to the extent attributable to regulated operations. PNM and TNMP receive a regulated return on the amounts funded for pension and OPEB plans in excess of the periodic cost or income to the extent included in retail rates (a “prepaid pension asset”).

Participants in the PNM Plans include eligible employees and retirees of PNMR and PNM. Participants in the TNMP Plans include eligible employees and retirees of TNMP. The PNM pension plan was frozen at the end of 1997 with regard to new participants, salary levels, and benefits. Through December 31, 2007, additional credited service could be accrued under the PNM pension plan up to a limit determined by age and service. The TNMP pension plan was frozen at December 31, 2005 with regard to new participants, salary levels, and benefits.

A plan sponsor is required to (a) recognize in its statement of financial position an asset for a plan’s overfunded status or a liability for a plan’s underfunded status; (b) measure a plan’s assets and its obligations that determine its funded status as of the end of the employer’s fiscal year; and (c) recognize changes in the funded status of a defined benefit postretirement plan in the year in which the changes occur.

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Unrecognized prior service costs and unrecognized gains or losses are required to be recorded in AOCI and subsequently amortized. To the extent the amortization of these items will ultimately be recovered or returned through future rates, PNM and TNMP record the costs as a regulatory asset or regulatory liability. The amortization of these incurred costs is included as pension and postretirement benefit periodic cost or income in subsequent years.

The Company maintains trust funds for the pension and OPEB plans from which benefits are paid to eligible employees and retirees. The Company's funding policy is to make contributions to the trusts, as determined by an independent actuary, that comply with minimum guidelines of the Employee Retirement Income Security Act and the IRC. Information concerning the fair value of investments is contained in Note 9. The Company has in place a policy that defines the investment objectives, establishes performance goals of asset managers, and provides procedures for the manner in which investments are to be reviewed. The plans implement investment strategies to achieve the following objectives:

- Implement investment strategies commensurate with the risk that the Corporate Investment Committee deems appropriate to meet the obligations of the pension plans and OPEB plans, minimize the volatility of expense, and account for contingencies
- Transition asset mix over the long-term to a higher proportion of high-quality fixed income investments as the plans' funded statuses improve

Management is responsible for the determination of the asset target mix and the expected rate of return. The target asset allocations are determined based on consultations with external investment advisors. The expected long-term rate of return on pension and postretirement plan assets is calculated on the market-related value of assets. Actual gains and losses on pension and OPEB plan assets are recognized in the market-related value of assets equally over a period of not more than five years, which reduces year-to-year volatility. For the PNM Plans and TNMP Plans, the market-related value of assets is equal to the prior year's market-related value of assets adjusted for contributions, benefit payments and investment gains and losses that are within a corridor of plus or minus 4.0% around the expected return on market value. Gains and losses that are outside the corridor are amortized over five years.

Pension Plans

For defined benefit pension plans, including the executive retirement plans, the PBO represents the actuarial present value of all benefits attributed by the pension benefit formula to employee service rendered prior to that date using assumptions regarding future compensation levels. The ABO represents the PBO without considering future compensation levels. Since the pension plans are frozen, the PBO and ABO are equal. The following table presents information about the PBO, fair value of plan assets, and funded status of the plans:

	PNM		TNMP	
	Year Ended December 31, 2022	2021	Year Ended December 31, 2022	2021
	(In thousands)			
PBO at beginning of year	\$ 584,061	\$ 630,904	\$ 59,609	\$ 67,390
Service cost	—	—	—	—
Interest cost	16,857	16,143	1,720	1,741
Actuarial (gain)	(118,552)	(19,372)	(11,711)	(3,306)
Benefits paid	(48,721)	(43,614)	(3,403)	(3,678)
Settlements	—	—	(2,254)	(2,538)
PBO at end of year	433,645	584,061	43,961	59,609
Fair value of plan assets at beginning of year	576,707	587,530	62,942	66,149
Actual return on plan assets	(117,523)	32,791	(13,838)	3,009
Employer contributions	—	—	—	—
Benefits paid	(48,721)	(43,614)	(3,403)	(3,678)
Settlements	—	—	(2,254)	(2,538)
Fair value of plan assets at end of year	410,463	576,707	43,447	62,942
Funded status – asset (liability) for pension benefits	\$ (23,182)	\$ (7,354)	\$ (514)	\$ 3,333

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Actuarial (gain) loss results from changes in:

	PNM		TNMP	
	Year Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
	(in thousands)			
Discount rates	\$ (111,478)	\$ (19,989)	\$ (11,697)	\$ (2,017)
Demographic experience	(7,074)	617	(742)	(1,403)
Mortality rate	—	—	—	—
Other assumptions and experience	—	—	728	114
	<u>\$ (118,552)</u>	<u>\$ (19,372)</u>	<u>\$ (11,711)</u>	<u>\$ (3,306)</u>

The following table presents pre-tax information about net actuarial (gain) loss in AOCI as of December 31, 2022.

	PNM	TNMP
	(In thousands)	
Amounts in AOCI not yet recognized in net periodic benefit cost (income) at beginning of year	\$ 112,063	\$ —
Experience loss	27,531	4,602
Regulatory asset (liability) adjustment	(22,282)	(4,602)
Amortization recognized in net periodic benefit (income)	(6,967)	—
Amounts in AOCI not yet recognized in net periodic benefit cost at end of year	<u>\$ 110,345</u>	<u>\$ —</u>

The following table presents the components of net periodic benefit cost (income):

	Year Ended December 31,		
	2022	2021	2020
	(In thousands)		
PNM			
Service cost	\$ —	\$ —	\$ —
Interest cost	16,857	16,143	19,941
Expected return on plan assets	(28,563)	(28,531)	(29,453)
Amortization of net loss	15,794	18,166	17,860
Amortization of prior service cost	—	—	(554)
Net periodic benefit cost	<u>\$ 4,088</u>	<u>\$ 5,778</u>	<u>\$ 7,794</u>
TNMP			
Service cost	\$ —	\$ —	\$ —
Interest cost	1,720	1,741	2,177
Expected return on plan assets	(2,472)	(3,181)	(3,284)
Amortization of net loss	932	1,247	1,258
Amortization of prior service cost	—	—	—
Settlement loss	1,033	746	—
Net periodic benefit cost	<u>\$ 1,213</u>	<u>\$ 553</u>	<u>\$ 151</u>

The following significant weighted-average assumptions were used to determine the PBO and net periodic benefit cost (income). Should actual experience differ from actuarial assumptions, the PBO and net periodic benefit cost (income) would be affected.

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PNM	Year Ended December 31,		
	2022	2021	2020
Discount rate for determining December 31 PBO	5.74 %	3.00 %	2.66 %
Discount rate for determining net periodic benefit cost	3.00 %	2.66 %	3.42 %
Expected return on plan assets	5.50 %	5.50 %	5.90 %
Rate of compensation increase	N/A	N/A	N/A
TNMP			
Discount rate for determining December 31 PBO	5.75 %	3.01 %	2.69 %
Discount rate for determining net periodic benefit cost	3.01 %	2.69 %	3.46 %
Expected return on plan assets	4.40 %	5.50 %	5.90 %
Rate of compensation increase	N/A	N/A	N/A

The assumed discount rate for determining the PBO was determined based on a review of long-term high-grade bonds and management's expectations. The expected long-term rate of return on plan assets reflects the average rate of earnings expected on the funds invested, or to be invested, to provide for the benefits included in the PBO. Factors that are considered include, but are not limited to, historic returns on plan assets, current market information on long-term returns (e.g., long-term bond rates) and current and target asset allocations between asset categories. If all other factors were to remain unchanged, a 1% decrease in the expected long-term rate of return would cause PNM's and TNMP's 2023 net periodic benefit cost to increase \$4.6 million and \$0.5 million (analogous changes would result from a 1% increase). The actual rate of return for the PNM and TNMP pension plans was (21.28)% and (23.03)% for the year ended December 31, 2022.

The Company's long-term pension investment strategy is to invest in assets whose interest rate sensitivity is correlated with the pension liability. The Company uses an investment strategy, known as Liability Driven Investing, that increases the liability matching investments as the funded status of the pension plans improve. The Company's investment allocation targets consist of 35% equities, 15% alternative investments (both of which are considered return generating), and 50% liability matching securities that are primarily bonds and other fixed income investments. Equity investments are primarily in domestic securities that include large-, mid-, and small-capitalization companies. The pension plans have a 13% targeted allocation to equities of companies domiciled primarily in developed countries outside of the U.S. The equity investments category includes actively managed domestic equity securities that are benchmarked against a variety of style indices. Fixed income investments are primarily corporate bonds of companies from diversified industries and government securities. Alternative investments include investments in hedge funds, real estate funds, and private equity funds. The private equity funds are structured as multi-manager multi-strategy fund of funds to achieve a diversified position in these asset classes. The hedge funds use multi-strategies that pursue various absolute return strategies such as relative value, merger arbitrage, event driven equities, and structured credit. The real estate investments are commingled real estate portfolios that invest in a diversified portfolio of assets including commercial property and multi-family housing. See Note 9 for fair value information concerning assets held by the pension plans.

The following pension benefit payments are expected to be paid:

	PNM	TNMP
	(In thousands)	
2023	\$ 42,827	\$ 4,358
2024	41,621	4,236
2025	40,876	4,207
2026	39,528	4,139
2027	38,600	3,929
2028 - 2032	174,505	17,211

Based on current law, funding requirements, and estimates of portfolio performance, the Company does not expect to make any cash contributions to the pension plans in 2023 through 2026. PNM expects to make a contribution of \$0.4 million in 2027. TNMP does not expect to make any cash contributions in 2027. The funding

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assumptions were developed using discount a rate of 5.75%. Actual amounts to be funded in the future will be dependent on the actuarial assumptions at that time, including the appropriate discount rates. PNM and TNMP may make additional contributions at their discretion.

Other Postretirement Benefit Plans

For postretirement benefit plans, the APBO is the actuarial present value of all future benefits attributed under the terms of the postretirement benefit plan to employee service rendered to date.

The following table presents information about the APBO, the fair value of plan assets, and the funded status of the plans:

	PNM		TNMP	
	Year Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
	(In thousands)			
APBO at beginning of year	\$ 66,984	\$ 75,196	\$ 10,570	\$ 11,938
Service cost	10	23	38	45
Interest cost	1,914	1,907	307	308
Participant contributions	1,431	1,617	219	135
Actuarial (gain)	(14,829)	(5,053)	(2,788)	(1,141)
Benefits paid	(6,396)	(6,706)	(641)	(715)
Curtailment loss	836	—	—	—
APBO at end of year	49,950	66,984	7,705	10,570
Fair value of plan assets at beginning of year	95,805	93,402	12,593	12,885
Actual return on plan assets	(23,156)	4,783	(3,453)	288
Employer contributions	2,617	2,709	—	—
Participant contributions	1,431	1,617	219	135
Benefits paid	(6,396)	(6,706)	(641)	(715)
Fair value of plan assets at end of year	70,301	95,805	8,718	12,593
Funded status – asset	\$ 20,351	\$ 28,821	\$ 1,013	\$ 2,023

As of December 31, 2022, the fair value of plan assets exceeds the APBO for both PNM's and TNMP's OPEB Plans and the resulting net asset is presented in other deferred charges on the Consolidated Balance Sheets.

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Actuarial (gain) loss results from changes in:

	PNM		TNMP	
	Year Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
	(in thousands)			
Discount rates	\$ (11,876)	\$ (2,042)	\$ (2,469)	\$ (423)
Claims, contributions, and demographic experience	(2,985)	(2,893)	(319)	(718)
Assumed participation rate	—	—	—	—
Mortality rate	—	—	—	—
Dental trend assumption	32	(118)	—	—
	<u>\$ (14,829)</u>	<u>\$ (5,053)</u>	<u>\$ (2,788)</u>	<u>\$ (1,141)</u>

In the year ended December 31, 2022, actuarial losses of \$12.7 million were recorded as adjustments to regulatory assets for the PNM OPEB plan. For the TNMP OPEB plan, actuarial losses of \$1.1 million were recorded as adjustments to regulatory liabilities.

The following table presents the components of net periodic benefit cost (income):

	Year Ended December 31,		
	2022	2021	2020
	(In thousands)		
PNM			
Service cost	\$ 10	\$ 23	\$ 38
Interest cost	1,914	1,907	2,453
Expected return on plan assets	(4,351)	(4,167)	(5,548)
Amortization of net loss	—	—	348
Curtailment loss	\$ 836	\$ —	\$ —
Net periodic benefit (income)	<u>\$ (1,591)</u>	<u>\$ (2,237)</u>	<u>\$ (2,709)</u>
TNMP			
Service cost	\$ 38	\$ 45	\$ 46
Interest cost	307	308	373
Expected return on plan assets	(418)	(407)	(538)
Amortization of net (gain)	(520)	(322)	(323)
Net periodic benefit (income)	<u>\$ (593)</u>	<u>\$ (376)</u>	<u>\$ (442)</u>

The following significant weighted-average assumptions were used to determine the APBO and net periodic benefit cost. Should actual experience differ from actuarial assumptions, the APBO and net periodic benefit cost would be affected.

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PNM	Year Ended December 31,		
	2022	2021	2020
Discount rate for determining December 31 APBO	5.75 %	2.99 %	2.65 %
Discount rate for determining net periodic benefit cost	2.99 %	2.65 %	3.42 %
Expected return on plan assets	4.75 %	4.75 %	7.00 %
Rate of compensation increase	N/A	N/A	N/A
TNMP			
Discount rate for determining December 31 APBO	5.75 %	2.99 %	2.65 %
Discount rate for determining net periodic benefit cost	2.99 %	2.65 %	3.42 %
Expected return on plan assets	3.80 %	3.80 %	5.60 %
Rate of compensation increase	N/A	N/A	N/A

The assumed discount rate for determining the APBO was determined based on a review of long-term high-grade bonds and management's expectations. The expected long-term rate of return on plan assets reflects the average rate of earnings expected on the funds invested, or to be invested, to provide for the benefits included in the APBO. Factors that are considered include, but are not limited to, historic returns on plan assets, current market information on long-term returns (e.g., long-term bond rates), and current and target asset allocations between asset categories. If all other factors were to remain unchanged, a 1% decrease in the expected long-term rate of return would cause PNM's and TNMP's 2023 net periodic benefit cost to increase \$0.8 million and \$0.1 million (analogous changes would result from a 1% increase). The actual rate of return for the PNM and TNMP OPEB plans was (24.5)% and (27.9)% for the year ended December 31, 2022.

The following table shows the assumed health care cost trend rates for the PNM OPEB plan:

	PNM	
	December 31,	
	2022	2021
Health care cost trend rate assumed for next year	6.25 %	6.00 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.75 %	4.75 %
Year that the rate reaches the ultimate trend rate	2029	2027

TNMP's exposure to cost increases in the OPEB plan is minimized by a provision that limits TNMP's share of costs under the plan. Costs of the plan in excess of the limit, which was reached at the end of 2001, are wholly borne by the participants. As a result, a one-percentage-point change in assumed health care cost trend rates would have no effect on either the net periodic expense or the year-end APBO. Effective January 1, 2018, the PNM OPEB plan was amended to limit the annual increase in the Company's costs to 5%. Increases in excess of the limit are born by the PNM OPEB plan participants.

The Company's OPEB plans invest in a portfolio that is diversified by asset class and style strategies. The OPEB plans generally use the same pension fixed income and equity investment managers and utilize the same overall investment strategy as described above for the pension plans, except there is no allocation to alternative investments. The OPEB plans have a target asset allocation of 30% equities and 70% fixed income. See Note 9 for fair value information concerning assets held by the other postretirement benefit plans. The following OPEB payments, which reflect expected future service and are net of participant contributions, are expected to be paid:

	PNM	TNMP
	(In thousands)	
2023	\$ 5,880	\$ 621
2024	5,533	640
2025	5,157	643
2026	4,873	649
2027	4,593	641
2028 - 2032	19,200	2,980

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PNM and TNMP made no cash contributions to the OPEB trusts in 2022 or 2021 and PNM and TNMP do not expect to make cash contributions to the OPEB trusts in 2023-2027. However, a portion of the disbursements attributable to the OPEB trust are paid by PNM and are therefore considered to be contributions to the PNM OPEB plan. Payments by PNM on behalf of the PNM OPEB plan are expected to be \$0.2 million in 2023 and \$9.0 million in 2024-2027.

Executive Retirement Programs

For the executive retirement programs, the following table presents information about the PBO and funded status of the plans:

	PNM		TNMP	
	Year Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
	(In thousands)			
PBO at beginning of year	\$ 12,612	\$ 14,222	\$ 406	\$ 678
Service cost	—	—	—	—
Interest cost	362	363	11	17
Actuarial (gain)	(1,628)	(657)	(2)	(211)
Benefits paid	(1,304)	(1,316)	(71)	(78)
PBO at end of year – funded status	10,042	12,612	344	406
Less current liability	1,217	1,248	66	67
Non-current liability	\$ 8,825	\$ 11,364	\$ 278	\$ 339

The following table presents pre-tax information about net actuarial loss in AOCI as of December 31, 2022.

	December 31, 2022	
	PNM	TNMP
	(In thousands)	
Amount in AOCI not yet recognized in net periodic benefit cost at beginning of year	\$ 1,816	\$ —
Experience (gain)	(1,628)	(2)
Regulatory asset adjustment	944	2
Amortization recognized in net periodic benefit (income)	(137)	—
Amount in AOCI not yet recognized in net periodic benefit cost at end of year	\$ 995	\$ —

The following table presents the components of net periodic benefit cost:

	Year Ended December 31,		
	2022	2021	2020
	(In thousands)		
PNM			
Service cost	\$ —	\$ —	\$ —
Interest cost	362	363	491
Amortization of net loss	327	395	403
Amortization of prior service cost	—	—	—
Net periodic benefit cost	\$ 689	\$ 758	\$ 894
TNMP			
Service cost	\$ —	\$ —	\$ —
Interest cost	11	17	22
Amortization of net loss	—	33	24
Amortization of prior service cost	—	—	—
Net periodic benefit cost	\$ 11	\$ 50	\$ 46

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The following significant weighted-average assumptions were used to determine the PBO and net periodic benefit cost. Should actual experience differ from actuarial assumptions, the PBO and net periodic benefit cost would be affected.

	Year Ended December 31,		
	2022	2021	2020
PNM			
Discount rate for determining December 31 PBO	5.73 %	3.02 %	2.68 %
Discount rate for determining net periodic benefit cost	3.02 %	2.68 %	3.44 %
Long-term rate of return on plan assets	N/A	N/A	N/A
Rate of compensation increase	N/A	N/A	N/A
TNMP			
Discount rate for determining December 31 PBO	5.75 %	3.01 %	2.69 %
Discount rate for determining net periodic benefit cost	3.01 %	2.69 %	3.46 %
Long-term rate of return on plan assets	N/A	N/A	N/A
Rate of compensation increase	N/A	N/A	N/A

The assumed discount rate for determining the PBO was determined based on a review of long-term high-grade bonds and management's expectations. The impacts of changes in assumptions or experience were not significant.

Disbursements under the executive retirement program, funded by PNM and TNMP, which are considered to be contributions to the plan were \$1.3 million and \$0.1 million in the year ended December 31, 2022 and \$1.3 million and \$0.1 million for the year ended December 31, 2021. The following executive retirement plan payments, which reflect expected future service, are expected:

	PNM	TNMP
	(In thousands)	
2023	\$ 1,251	\$ 68
2024	1,208	61
2025	1,158	54
2026	1,102	48
2027	1,042	41
2028 - 2032	4,230	121

Other Retirement Plans

PNMR sponsors a 401(k) defined contribution plan for eligible employees, including those of its subsidiaries. PNMR's contributions to the 401(k) plan consist of a discretionary matching contribution equal to 75% of the first 6% of eligible compensation contributed by the employee on a before-tax basis. PNMR also makes a non-matching contribution ranging from 3% to 10% of eligible compensation based on the eligible employee's age. PNMR also provides executive deferred compensation benefits through an unfunded, non-qualified plan. The purpose of this plan is to permit certain key employees of PNMR who participate in the 401(k) defined contribution plan to defer compensation and receive credits without reference to the certain limitations on contributions.

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A summary of expenses for these other retirement plans is as follows:

	Year Ended December 31,		
	2022	2021	2020
	(In thousands)		
PNMR			
401(k) plan	\$ 15,844	\$ 16,648	\$ 16,247
Non-qualified plan	\$ (1,027)	\$ 3,594	\$ 2,090
PNM			
401(k) plan	\$ 11,067	\$ 11,826	\$ 11,676
Non-qualified plan	\$ (721)	\$ 2,622	\$ 1,544
TNMP			
401(k) plan	\$ 4,776	\$ 4,823	\$ 4,572
Non-qualified plan	\$ (305)	\$ 972	\$ 547

(12) Stock-Based Compensation

PNMR has various stock-based compensation programs, including stock options, restricted stock, and performance shares granted under the Performance Equity Plan ("PEP"). Although certain PNM and TNMP employees participate in the PNMR plans, PNM and TNMP do not have separate employee stock-based compensation plans. The Company has not awarded stock options since 2010 and all employee stock options expired or were exercised in February 2020. Certain restricted stock awards are subject to achieving performance or market targets. Other awards of restricted stock are only subject to time vesting requirements. Restricted stock expected to be awarded under the PEP for performance periods ending after 2023 no longer have market targets.

Performance Equity Plan

The PEP provides for the granting of non-qualified stock options, restricted stock rights, performance shares, performance units, and stock appreciation rights to officers, key employees, and non-employee members of the Board. Restricted stock under the PEP refers to awards of stock subject to vesting, performance, or market conditions rather than to shares with contractual post-vesting restrictions. Generally, the awards vest ratably over three years from the grant date of the award. However, awards with performance or market conditions vest upon satisfaction of those conditions. In addition, plan provisions provide that upon retirement, participants become 100% vested in certain stock awards. The vesting period for awards of restricted stock to non-employee members of the Board is one year. The total number of shares of PNMR common stock subject to all awards under the PEP, as approved by PNMR's shareholders in May 2014, may not exceed 13.5 million shares, subject to adjustment and certain share counting rules set forth in the PEP. This current share pool is charged five shares for each share subject to restricted stock or other full value award.

Source of Shares

The source of shares for exercised stock options and vested restricted stock is shares acquired on the open market by an independent agent, rather than newly issued shares.

Accounting for Stock Awards

The stock-based compensation expense related to restricted stock awards without performance or market conditions to participants that are retirement eligible on the grant date is recognized immediately at the grant date and is not amortized. Compensation expense for other such awards is amortized to compensation expense over the shorter of the requisite vesting period or the period until the participant becomes retirement eligible. Compensation expense for performance-based shares is recognized ratably over the performance period as required service is provided and is adjusted periodically to reflect the level of achievement expected to be attained. Compensation expense related to market-based shares is recognized ratably over the measurement period, regardless of the actual level of achievement, provided the employees meet their service requirements.

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Total compensation expense for stock-based payment arrangements recognized by PNMR for the years ended December 31, 2022, 2021, and 2020 was \$7.9 million, \$9.4 million, and \$8.1 million. Stock compensation expense of \$5.3 million, \$6.4 million, and \$5.5 million was charged to PNM and \$2.6 million, \$3.0 million, and \$2.6 million was charged to TNMP. At December 31, 2022, PNMR had unrecognized compensation expense related to stock awards of \$4.6 million, which is expected to be recognized over an average of 1.54 years.

PNMR receives a tax deduction for the value of restricted stock at the vesting date. To the extent the tax deduction exceeds the Company's cumulative expense related to a stock award, an excess tax benefit is recorded. When the cumulative expense exceeds the tax deduction, a tax deficiency is recorded. All excess tax benefits and deficiencies are recorded to tax expense and classified as operating cash flows when used to reduce taxes payable.

Excess Tax Benefits (Deficiencies)	Year Ended December 31,		
	2022	2021	2020
	(In thousands)		
PNM	\$ (65)	\$ 564	\$ 279
TNMP	(26)	224	112
PNMR	(91)	788	391

TNMP used excess tax benefits to reduce income taxes payable and the benefit was reflected in cash flows from operating activities. The benefit of excess tax benefits at PNM and PNMR will be reflected in operating cash flows when they reduce income taxes payable.

The grant date fair value for restricted stock and stock awards with Company internal performance targets is determined based on the market price of PNMR common stock on the date of the agreements reduced by the present value of future dividends that will not be received prior to vesting. The grant date fair value is applied to the total number of shares that are anticipated to vest, although the number of performance shares that ultimately vest cannot be determined until after the performance periods end. The grant date fair value of stock awards with market targets is determined using Monte Carlo simulation models, which provide grant date fair values that include an expectation of the number of shares to vest at the end of the measurement period.

The following table summarizes the weighted-average assumptions used to determine the awards grant date fair value:

Restricted Shares and Performance-Based Shares	Year Ended December 31,		
	2022	2021	2020
Expected quarterly dividends per share	\$ 0.3475	\$ 0.3275	\$ 0.3075
Risk-free interest rate	1.46 %	0.32 %	0.72 %
Market-Based Shares ⁽¹⁾			
Dividend yield	N/A	2.76 %	2.51 %
Expected volatility	N/A	33.69 %	19.41 %
Risk-free interest rate	N/A	0.29 %	0.72 %

⁽¹⁾ Restricted stock expected to be awarded under the PEP for performance periods ending after 2023 no longer have market targets.

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The following table summarizes activity in restricted stock awards including performance-based and market-based shares:

	Restricted Stock	
	Shares	Weighted-Average Grant Date Fair Value
Outstanding at December 31, 2021	167,270	\$ 43.71
Granted	193,943	41.04
Released	(173,474)	42.47
Forfeited	(5,293)	42.31
Outstanding at December 31, 2022	<u>182,446</u>	<u>\$ 42.09</u>

PNMR's current stock-based compensation program provides for performance and market targets through 2023 and performance targets through 2024. Included as granted and released in the table above are 92,343 previously awarded shares that were earned for the 2019 - 2021 performance measurement period and ratified by the Board in February 2022 (based upon achieving market targets at below "maximum" levels). Excluded from the above table are 100,991 previously awarded shares that were earned for the 2020 - 2022 performance measurement period and ratified by the Board in February 2023 (based upon achieving market targets at above "target", below "maximum" levels). Also excluded from the table above are 144,175 and 150,050 shares for the three-year performance periods ending in 2023 and 2024 that will be awarded if all performance and/or market criteria are achieved at maximum levels and all executives remain eligible.

The following table provides additional information concerning restricted stock activity, including performance-based and market-based shares, and stock options:

Restricted Stock	Year Ended December 31,		
	2022	2021	2020
Weighted-average grant date fair value	\$ 41.04	\$ 43.48	\$ 36.73
Total fair value of restricted shares that vested (in thousands)	\$ 7,368	\$ 8,617	\$ 8,299
Stock Options			
Total intrinsic value of options exercised (in thousands)	\$ —	\$ —	\$ 84

At December 31, 2019, the aggregate intrinsic value of stock options outstanding, all of which were exercisable, was less than \$0.1 million. All the outstanding options were exercised or expired in February 2020.

(13) Regulatory Assets and Liabilities

The operations of PNM and TNMP are regulated by the NMPRC, PUCT, and FERC and the provisions of GAAP for rate-regulated enterprises are applied to its regulated operations. Regulatory assets represent probable future recovery of previously incurred costs that will be collected from customers through the ratemaking process. Regulatory liabilities represent probable future reductions in revenues associated with amounts that are to be credited to customers through the ratemaking process.

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Regulatory assets and liabilities reflected in the Consolidated Balance Sheets are presented below.

	PNM		TNMP	
	December 31,		December 31,	
	2022	2021	2022	2021
(In thousands)				
Assets:				
Current:				
FPPAC	\$ 8,904	\$ 7,130	\$ —	\$ —
NMPRC hedging plan	9,429	1,591	—	—
Transmission cost recovery factor	—	—	—	3,906
Energy efficiency costs	—	—	1,932	2,158
	<u>18,333</u>	<u>8,721</u>	<u>1,932</u>	<u>6,064</u>
Non-Current:				
SJGS - ETA ⁽¹⁾	\$ 343,238	\$ 51,975	\$ —	\$ —
SJGS - non-ETA ⁽²⁾	26,296	43	—	—
Shutdown of SJGS Units 2 and 3	94,677	100,954	—	—
SJGS replacement resources	8,312	8,269	—	—
EIM	13,102	7,028	—	—
Loss on reacquired debt	15,323	17,249	26,317	27,615
Pension and OPEB ⁽³⁾	187,182	165,006	21,558	17,924
Deferred income taxes	67,621	68,687	9,193	9,505
AMS surcharge	—	—	6,254	12,507
AMS retirement and other costs	—	—	12,591	12,286
Deferred COVID-19 costs	5,664	6,896	1,053	—
Other	2,526	2,874	5,779	5,440
	<u>763,941</u>	<u>428,981</u>	<u>82,745</u>	<u>85,277</u>
Total regulatory assets	<u>\$ 782,274</u>	<u>\$ 437,702</u>	<u>\$ 84,677</u>	<u>\$ 91,341</u>

	PNM		TNMP	
	December 31,		December 31,	
	2022	2021	2022	2021
Liabilities:				
Current:				
Renewable energy rider, including excess return	\$ (5,076)	\$ (5,989)	\$ —	\$ —
Energy efficiency costs	(2,837)	(2,327)	—	—
Transmission cost recovery factor	—	—	(9,089)	—
	<u>(7,913)</u>	<u>(8,316)</u>	<u>(9,089)</u>	<u>—</u>
Non-Current:				
Cost of removal	(238,903)	(294,193)	(97,030)	(73,029)
Deferred income taxes	(301,493)	(321,976)	(94,994)	(107,250)
PVNGS ARO	—	(1,215)	—	—
Renewable energy tax benefits	(15,610)	(16,756)	—	—
Accelerated depreciation SNCRs ⁽³⁾	—	(16,331)	—	—
Pension and OPEB	—	(2,376)	(4,518)	(6,099)
COVID-19 cost savings	(900)	(900)	—	—
Other	(83)	(83)	(1,671)	(1,185)
	<u>(556,989)</u>	<u>(653,830)</u>	<u>(198,213)</u>	<u>(187,563)</u>
Total regulatory liabilities	<u>\$ (564,902)</u>	<u>\$ (662,146)</u>	<u>\$ (207,302)</u>	<u>\$ (187,563)</u>

⁽¹⁾ Amounts approved for recovery through the Energy Transition Charge, see Note 17

⁽²⁾ Authorized to be recorded as regulatory assets for certain other abandonment costs that are not specifically addressed under the provisions of the ETA, see Note 17

⁽³⁾ Reclassified to the SJGS - ETA regulatory asset after shutdown of SJGS in 2022

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The Company's regulatory assets and regulatory liabilities are reflected in rates charged to customers or have been addressed in a regulatory proceeding. The Company does not receive or pay a rate of return on the following regulatory assets and regulatory liabilities (and their remaining amortization periods): SJGS non-ETA, SJGS replacement resources, EIM, PVNGS ARO, and deferred COVID-19 costs (to be determined in the 2024 Rate Change); deferred income taxes (over the remaining life of the taxable item, up to the remaining life of utility plant); pension and OPEB costs (through 2039); costs recoverable under the ETA (over the securitization period).

The Company is permitted, under rate regulation, to accrue and record a regulatory liability for the estimated cost of removal and salvage associated with certain of its assets through depreciation expense. Actuarial losses and prior service costs for pension plans are required to be recorded in AOCI; however, to the extent authorized for recovery through the regulatory process these amounts are recorded as regulatory assets or liabilities. Based on prior regulatory approvals, the amortization of these amounts will be included in the Company's rates. Based on a current evaluation of the various factors and conditions that are expected to impact future cost recovery, the Company believes that future recovery of its regulatory assets is probable.

(14) Construction Program and Jointly-Owned Electric Generating Plants

PNM is a participant in jointly-owned power plant projects. The participation agreement for SJGS expired on September 30, 2022. The primary operating or participation agreements for the other joint projects expire in July 2041 for Four Corners, December 2046 for Luna, and November 2047 for PVNGS.

PNM's expenditures for additions to utility plant were \$433.5 million in 2022, including expenditures on jointly-owned projects. TNMP does not participate in the ownership or operation of any generating plants, but incurred expenditures for additions to utility plant of \$449.5 million during 2022. On a consolidated basis, PNMR's expenditures for additions to utility plant were \$912.6 million in 2022.

Joint Projects

Under the agreements for the jointly-owned projects, PNM has an undivided interest in each asset and liability of the project and records its pro-rata share of each item in the corresponding asset and liability account on PNM's Consolidated Balance Sheets. Likewise, PNM records its pro-rata share of each item of operating and maintenance expenses for its jointly-owned plants within the corresponding operating expense account in its Consolidated Statements of Earnings. PNM is responsible for financing its share of the capital and operating costs of the joint projects.

At December 31, 2022, PNM's interests and investments in jointly-owned generating facilities are:

<u>Station (Type)</u>	<u>Plant in Service</u>	<u>Accumulated Depreciation⁽¹⁾</u>	<u>Construction Work in Progress</u>	<u>Composite Interest</u>
(In thousands)				
PVNGS (Nuclear)	\$ 891,708	\$ 420,076	\$ 35,504	10.20 %
Four Corners Units 4 and 5 (Coal)	\$ 320,376	\$ 101,022	\$ 9,390	13.00 %
Luna (Gas)	\$ 83,146	\$ 33,063	\$ 111	33.33 %

⁽¹⁾ Includes cost of removal.

Palo Verde Nuclear Generating Station

PNM is a participant in the three units of PVNGS with APS (the operating agent), SRP, EPE, SCE, SCPPA, and The Department of Water and Power of the City of Los Angeles. PNM had a 10.2% undivided interest in PVNGS, with portions of its interests in Units 1 and 2 held under leases. In January 2023, leased capacity of 104 MW in PVNGS Unit 1 expired and the rights to the capacity were acquired by SRP from the lessors. Subsequently, PNM's interest in PVNGS represents 7.6%. See Note 8 for additional information concerning the PVNGS leases.

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Operation of each of the three PVNGS units requires an operating license from the NRC. Currently the operating licenses for the plants for 20 years through June 2045 for Unit 1, April 2046 for Unit 2, and November 2047 for Unit 3.

Four Corners Power Plant

PNM is a participant in two units of Four Corners with APS (the operating agent), an affiliate of APS, SRP, and Tucson. PNM has a 13.0% undivided interest in Units 4 and 5 of Four Corners. The Four Corners plant site is located on land within the Navajo Nation and is subject to an easement from the federal government. APS, on behalf of the Four Corners participants, negotiated amendments to an existing agreement with the Navajo Nation, which extends the owners' right to operate the plant on the site to July 2041. See Notes 16 and 17 for additional information about Four Corners.

Luna Energy Facility

Luna is a combined-cycle power plant near Deming, New Mexico. Luna is owned equally by PNM, Tucson, and Samchully Power & Utilities 1, LLC. The operation and maintenance of the facility has been contracted to North American Energy Services.

(15) Asset Retirement Obligations

ARO's are recorded based on studies to estimate the amount and timing of future ARO expenditures and reflect underlying assumptions, such as discount rates, estimates of the future costs for decommissioning, and the timing of the removal activities to be performed. Approximately 68% of PNM's total ARO liabilities are related to nuclear decommissioning of PVNGS. PNM is responsible for all decommissioning obligations related to its entire interest in PVNGS, including portions under lease both during and after termination of the leases. Studies of the decommissioning costs of PVNGS, SJGS, Four Corners, and other facilities are performed periodically and revisions to the ARO liabilities are recorded. Changes in the assumptions underlying the calculations may also require revisions to the estimated AROs when identified. A reconciliation of the ARO liabilities is as follows:

	PNMR	PNM	TNMP
	(In thousands)		
Liability at December 31, 2019	\$ 181,962	\$ 181,081	\$ 881
Liabilities incurred	—	—	—
Liabilities settled	(1,444)	(1,192)	(252)
Accretion expense	11,310	11,236	74
Revisions to estimated cash flows ⁽¹⁾	(8,407)	(8,407)	—
Liability at December 31, 2020	183,421	182,718	703
Liabilities incurred	1,781	1,781	—
Liabilities settled	(142)	(142)	—
Accretion expense	9,308	9,248	60
Revisions to estimated cash flows ⁽²⁾	39,778	39,778	—
Liability at December 31, 2021	234,146	233,383	763
Liabilities incurred	—	—	—
Liabilities settled	—	—	—
Accretion expense	10,767	10,702	65
Revisions to estimated cash flows ⁽³⁾	(21,536)	(21,536)	—
Liability at December 31, 2022	<u>\$ 223,377</u>	<u>\$ 222,549</u>	<u>\$ 828</u>

⁽¹⁾ Reflects a decrease of \$9.2 million related to an updated PVNGS decommissioning study and an increase of \$0.8 million related to an updated Four Corners decommissioning study.

⁽²⁾ Reflects impacts of newly approved remediation ordinance in San Juan county requiring the full demolition of SJGS. See Note 16.

⁽³⁾ Reflects a decrease of \$21.5 million related to an updated SJGS decommissioning study.

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(16) Commitments and Contingencies

Overview

There are various claims and lawsuits pending against the Company. In addition, the Company is subject to federal, state, and local environmental laws and regulations and periodically participates in the investigation and remediation of various sites. In addition, the Company periodically enters into financial commitments in connection with its business operations. Also, the Company is involved in various legal and regulatory proceedings in the normal course of its business. See Note 17. It is not possible at this time for the Company to determine fully the effect of all litigation and other legal and regulatory proceedings on its financial position, results of operations, or cash flows.

With respect to some of the items listed below, the Company has determined that a loss is not probable or that, to the extent probable, cannot be reasonably estimated. In some cases, the Company is not able to predict with any degree of certainty the range of possible loss that could be incurred. The Company assesses legal and regulatory matters based on current information and makes judgments concerning their potential outcome, giving due consideration to the nature of the claim, the amount and nature of any damages sought, and the probability of success. Such judgments are made with the understanding that the outcome of any litigation, investigation, or other legal proceeding is inherently uncertain. The Company records liabilities for matters where it is probable a loss has been incurred and the amount of loss is reasonably estimable. The actual outcomes of the items listed below could ultimately differ from the judgments made and the differences could be material. The Company cannot make any assurances that the amount of reserves or potential insurance coverage will be sufficient to cover the cash obligations that might be incurred as a result of litigation or regulatory proceedings. Except as otherwise disclosed, the Company does not expect that any known lawsuits, environmental costs, or commitments will have a material effect on its financial condition, results of operations, or cash flows.

Commitments and Contingencies Related to the Environment

PVNGS Decommissioning Funding

The costs of decommissioning a nuclear power plant are substantial. PNM is responsible for all decommissioning obligations related to its entire interest in PVNGS, including portions under leases both during and after termination of the leases. PNM has a program for funding its share of decommissioning costs for PVNGS, including portions held under leases. The nuclear decommissioning funding program is invested in equities and fixed income instruments in qualified and non-qualified trusts. PNM funded \$1.3 million for each of the years ended December 31, 2022, 2021 and 2020 into the qualified trust funds. The fair value of the trusts at December 31, 2022 and 2021 was \$325.3 million and \$394.5 million. See Note 17 for additional discussion of PNM's PVNGS Lease Abandonment Application.

Nuclear Spent Fuel and Waste Disposal

Nuclear power plant operators are required to enter into spent fuel disposal contracts with the DOE that require the DOE to accept and dispose of all spent nuclear fuel and other high-level radioactive wastes generated by domestic power reactors. Although the Nuclear Waste Policy Act required the DOE to develop a permanent repository for the storage and disposal of spent nuclear fuel by 1998, the DOE announced that it would not be able to open the repository by 1998 and sought to excuse its performance of these requirements. In November 1997, the DC Circuit issued a decision preventing the DOE from excusing its own delay but refused to order the DOE to begin accepting spent nuclear fuel. Based on this decision and the DOE's delay, a number of utilities, including APS (on behalf of itself and the other PVNGS owners, including PNM), filed damages actions against the DOE in the Court of Federal Claims. The lawsuits filed by APS alleged that damages were incurred due to DOE's continuing failure to remove spent nuclear fuel and high-level waste from PVNGS. In August 2014, APS and the DOE entered into a settlement agreement that established a process for the payment of claims for costs incurred through December 31, 2019. APS has accepted the DOE's extensions of the settlement agreement for recovery of costs incurred through December 31, 2025. Under the settlement agreement, APS must submit claims annually for payment of allowable costs. PNM records estimated claims on a quarterly basis. The benefit from the claims is passed through to customers under the FPPAC to the extent applicable to NMPRC regulated operations.

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PNM estimates that it will incur approximately \$59.6 million (in 2019 dollars) for its share of the costs related to the on-site interim storage of spent nuclear fuel at PVNGS during the term of the operating licenses. PNM accrues these costs as a component of fuel expense as the nuclear fuel is consumed. At December 31, 2022 and 2021, PNM had a liability for interim storage costs of \$12.0 million and \$13.0 million, which is included in other deferred credits.

PVNGS has sufficient capacity at its on-site Independent Spent Fuel Storage Installation (“ISFSI”) to store all of the nuclear fuel that will be irradiated during the initial operating license period, which ends in December 2027. Additionally, PVNGS has sufficient capacity at its on-site ISFSI to store a portion of the fuel that will be irradiated during the period of extended operation, which ends in November 2047. If uncertainties regarding the U.S. government’s obligation to accept and store spent fuel are not favorably resolved, APS will evaluate alternative storage solutions that may obviate the need to expand the ISFSI to accommodate all of the fuel that will be irradiated during the period of extended operation.

The Energy Transition Act

In 2019, the Governor signed into New Mexico state law Senate Bill 489, known as the Energy Transition Act (“ETA”). The ETA became effective as of June 14, 2019 and sets a statewide standard that requires investor-owned electric utilities to have specified percentages of their electric-generating portfolios be from renewable and zero-carbon generating resources. The ETA requires utilities operating in New Mexico to have renewable portfolios equal to 40% by 2025, 50% by 2030, 80% by 2040, and 100% zero-carbon energy by 2045. The ETA also allows for the recovery of undepreciated investments and decommissioning costs related to qualifying EGUs that the NMPRC has required be removed from retail jurisdictional rates, provided replacement resources to be included in retail rates have lower or zero-carbon emissions. The ETA requires the NMPRC to review and approve utilities’ annual renewable portfolio plans to ensure compliance with the RPS. The ETA also directs the New Mexico Environmental Improvement Board to adopt standards of performance that limit CO₂ emissions to no more than 1,100 lbs per MWh beginning January 1, 2023 for new or existing coal-fired EGUs with original installed capacities exceeding 300 MW.

The ETA provides for a transition from fossil-fuel generation resources to renewable and other carbon-free resources through certain provisions relating to the abandonment of coal-fired generating facilities. These provisions include the use of energy transition bonds, which are designed to be highly rated bonds that can be issued to finance certain costs of abandoning coal-fired facilities that are retired prior to January 1, 2023, for facilities operated by a “qualifying utility,” or prior to January 1, 2032 for facilities that are not operated by a qualifying utility. The amount of energy transition bonds that can be issued to recover abandonment costs is limited to the lesser of \$375.0 million or 150% of the undepreciated investment of the facility as of the abandonment date. Proceeds provided by energy transition bonds must be used only for purposes related to providing utility service to customers and to pay energy transition costs (as defined by the ETA). These costs may include plant decommissioning and coal mine reclamation costs, provided those costs have not previously been recovered from customers or disallowed by the NMPRC or by a court order. Proceeds from energy transition bonds may also be used to fund severances for employees of the retired facility and related coal mine and to promote economic development, education and job training in areas impacted by the retirement of the coal-fired facilities. Energy transition bonds must be issued under a NMPRC approved financing order, are secured by “energy transition property,” are non-recourse to the issuing utility, and are repaid by a non-bypassable charge paid by all customers of the issuing utility. These customer charges are subject to an adjustment mechanism designed to provide for timely and complete payment of principal and interest due under the energy transition bonds.

The ETA also provides that utilities must obtain NMPRC approval of competitively procured replacement resources that shall be evaluated based on their cost, economic development opportunity, ability to provide jobs with comparable pay and benefits to those lost upon retirement of the facility and that do not exceed emissions thresholds specified in the ETA. In determining whether to approve replacement resources, the NMPRC must give preference to resources with the least environmental impacts, those with higher ratios of capital costs to fuel costs, and those located in the school district of the abandoned facility. The ETA also provides for the procurement of energy storage facilities and gives utilities discretion to maintain, control, and operate these systems to ensure reliable and efficient service.

The ETA has and will have a significant impact on PNM’s future generation portfolio, including PNM’s retirement of SJGS in 2022 and the planned Four Corners exit in 2024 (subject to regulatory approval). PNM

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cannot predict the full impact of the ETA or the outcome of its pending and potential future generating resource abandonment and replacement resource filings with the NMPRC. See additional discussion in Note 17 of PNM's SJGS and Four Corners Abandonment Applications.

The Clean Air Act

Regional Haze

In 1999, EPA developed a regional haze program and regional haze rules under the CAA. The rule directs each of the 50 states to address regional haze. Pursuant to the CAA, states are required to establish goals for improving visibility in national parks and wilderness areas (also known as Class I areas) and to develop long-term strategies for reducing emissions of air pollutants that cause visibility impairment in their own states and for preventing degradation in other states. States must establish a series of interim goals to ensure continued progress by adopting a new SIP every ten years. In the first SIP planning period, states were required to conduct BART determinations for certain covered facilities, including utility boilers, built between 1962 and 1977 that have the potential to emit more than 250 tons per year of visibility impairing pollution. If it was demonstrated that the emissions from these sources caused or contributed to visibility impairment in any Class I area, BART must have been installed by the beginning of 2018. For all future SIP planning periods, states must evaluate whether additional emissions reduction measures may be needed to continue making reasonable progress toward natural visibility conditions.

In 2017, EPA published revisions to the regional haze rule in the Federal Register. The new rule delayed the due date for the next cycle of SIPs from 2019 to 2021, altered the planning process that states must employ in determining whether to impose "reasonable progress" emission reduction measures, and gave new authority to federal land managers to seek additional emission reduction measures outside of the states' planning process. Finally, the rule made several procedural changes to the regional haze program, including changes to the schedule and process for states to file 5-year progress reports. EPA's new rule was challenged by numerous parties. On January 19, 2018, EPA filed a motion to hold the case in abeyance in light of several letters issued by EPA on January 17, 2018 to grant various petitions for reconsideration of the 2017 rule revisions. EPA's decision to revisit the 2017 rule is not a determination on the merits of the issues raised in the petitions.

On December 20, 2018, EPA released a new guidance document on tracking visibility progress for the second planning period. EPA is allowing states discretion to develop SIPs that may differ from EPA's guidance as long as they are consistent with the CAA and other applicable regulations. On August 20, 2019, EPA finalized the draft guidance that was previously released as a companion to the regional haze rule revisions, and EPA clarified that guidance in a memorandum issued on July 8, 2021. SIPs for the second planning period were due in July 2021, which deadline NMED was unable to meet. NMED is currently preparing its SIP for the second compliance period and has notified PNM that it will not be required to submit a regional haze four-factor analysis for SJGS since PNM retired its share of SJGS in 2022. On April 7, 2022, EPA announced its intent to make findings by August 31, 2022 of the states that have failed to submit regional haze implementation plans for the second planning period and directed states to file their plans by August 15, 2022 to avoid inclusion in that finding. Despite that announcement, on April 13, 2022, four environmental groups sued EPA in the U.S. District Court for the Northern District of California seeking to compel EPA to issue a finding that 34 states failed to submit regional haze SIPs for the second planning period. On August 30, 2022, EPA published in the Federal Register an official "Finding of Failure to Submit" for states, including New Mexico, that have not yet submitted a round 2 regional haze SIP. This action by EPA starts a 2-year clock for it to issue a Federal Implementation Plan (FIP). NMED's current timeline indicates the proposed SIP will be submitted to EPA by October 2023.

Carbon Dioxide Emissions

In 2015, EPA established standards to limit CO₂ emissions from power plants, including (1) Carbon Pollution Standards for new, modified, and reconstructed power plants; and (2) the Clean Power Plan for existing power plants.

Multiple states, utilities, and trade groups filed petitions for review in the DC Circuit to challenge both the Carbon Pollution Standards for new sources and the Clean Power Plan for existing sources in separate cases. Challengers successfully petitioned the US Supreme Court for a stay of the Clean Power Plan. However, before the DC Circuit could issue an opinion regarding either the Carbon Pollution Standards or the Clean Power Plan,

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the Trump Administration asked that the case be held in abeyance while the rules were reevaluated, which was granted.

In 2019, EPA repealed the Clean Power Plan, promulgated the ACE Rule, and revised the implementing regulations for all emission guidelines. EPA set the BSER for existing coal-fired power plants as heat rate efficiency improvements based on a range of "candidate technologies" that can be applied inside the fence-line of an individual facility. The DC Circuit issued an order that granted motions by various petitioners, including industry groups and EPA, to dismiss the cases challenging the Clean Power Plan as moot due to EPA's issuance of the ACE Rule.

The ACE Rule was also challenged, and on January 19, 2021, the DC Circuit issued an opinion in American Lung Association and American Public Health Association v. EPA, et al., finding that EPA misinterpreted the CAA when it determined that the language of Section 111 unambiguously barred consideration of emissions reduction options that were not applied at the source. As a result, the court vacated the ACE Rule and remanded the record back to the EPA for further consideration consistent with the court's opinion. While the DC Circuit rejected the ACE Rule, it did not reinstate the Clean Power Plan. EPA filed a motion seeking a partial stay of the mandate as to the repeal of the Clean Power Plan, to ensure the court's order will not render effective the now out-of-date Clean Power Plan. On February 22, 2021, the U.S. Court of Appeals for the DC Circuit granted EPA's motion, indicating that it would withhold issuance of the mandate with respect to the repeal of the Clean Power Plan until EPA responds to the court's remand in a new rulemaking action.

On October 29, 2021, the US Supreme Court granted four petitions for writs of certiorari of the D.C. Circuit's decision, and on June 30, 2022, the US Supreme Court held that the "generation shifting" approach in the Clean Power Plan exceeded the powers granted to EPA by Congress, though the Court did not address the related issue of whether Section 111 of the CAA only authorizes EPA to require measures that can be implemented entirely within the fenceline at an individual source. Of broader significance in administrative law, the Court expressly invoked the major question doctrine as a basis for rejecting EPA's statutory interpretation. The basic principle of the major question doctrine is that, if an agency seeks to decide an issue of "vast economic or political significance," its action must be supported by clear statutory authorization. In cases where there is no authority, courts need not defer to the agency's statutory interpretation. The decision sets legal precedent for future rulemakings by EPA and other federal regulatory agencies whereby the agencies' authority may be limited based upon similar reasoning.

The litigation over the Carbon Pollution Standards remains held in abeyance but could be reactivated by the parties upon a determination by the court that the Biden Administration is unlikely to finalize the revisions proposed in 2018 and that reconsideration of the rule has concluded.

EPA has commenced the rulemaking process under section 111 to establish new emission guidelines for CO₂ emissions from existing power plants. The agency indicates that it plans to publish a draft rule in April 2023 and a final rule in June 2024.

On January 27, 2021, President Biden signed an extensive Executive Order aimed at addressing climate change concerns domestically and internationally. The order is intended to build on the initial climate-related actions the Biden Administration took on January 20, 2021. It addresses a wide range of issues, including establishing climate change concerns as an essential element of U.S. foreign and security policy, identifying a process to determine the U.S. INDC under the Paris Agreement, and establishing a Special Presidential Envoy for Climate that will sit on the National Security Council. On April 22, 2021, at the Earth Day Summit, as part of the U.S.'s re-entry into the Paris Agreement, President Biden unveiled the goal to cut U.S. emissions by 50% - 52% from 2005 levels by 2030, nearly double the GHG emissions reduction target set by the Obama Administration. The 2030 goal joins President Biden's other climate goals which include a carbon pollution-free power sector by 2035 and a net-zero emissions economy by no later than 2050.

PNM's review of the GHG emission reductions standards that may occur as a result of legislation or regulation under the Biden Administration and in response to the court's ruling on the ACE Rule is ongoing. PNM cannot predict the impact these standards may have on its operations or a range of the potential costs of compliance, if any.

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National Ambient Air Quality Standards (“NAAQS”)

The CAA requires EPA to set NAAQS for pollutants reasonably anticipated to endanger public health or welfare. EPA has set NAAQS for certain pollutants, including NO_x, SO₂, ozone, and particulate matter.

NO_x Standard – In 2018, EPA published the final rule to retain the current primary health-based NO_x standards of which NO₂ is the constituent of greatest concern and is the indicator for the primary NAAQS. EPA concluded that the current 1-hour and annual primary NO₂ standards are requisite to protect public health with an adequate margin of safety. The rule became effective on May 18, 2018. The State of New Mexico has attained the current NO_x NAAQS standards.

SO₂ Standard – In 2019, EPA announced its final decision to retain, without changes, the primary health-based NAAQS for SO₂. Specifically, EPA will retain the current 1-hour standard for SO₂, which is 75 parts per billion, based on the 3-year average of the 99th percentile of daily maximum 1-hour SO₂ concentrations.

On March 26, 2021, EPA published in the Federal Register the initial air quality designations for all remaining areas not yet designated under the 2010 SO₂ Primary NAAQS. This is EPA’s fourth and final set of actions to designate areas of the U.S. for the 2010 SO₂ NAAQS. All areas of New Mexico have been designated attainment/unclassifiable through four rounds of designations by EPA.

Ozone Standard – In 2015, EPA finalized the new ozone NAAQS and lowered both the primary and secondary 8-hour standard from 75 to 70 parts per billion. With ozone standards becoming more stringent, fossil-fueled generation units will come under increasing pressure to reduce emissions of NO_x and volatile organic compounds since these are the pollutants that form ground-level ozone. On July 13, 2020, EPA proposed to retain the existing ozone NAAQS based on a review of the full body of currently available scientific evidence and exposure/risk information. EPA finalized its decision to retain the ozone NAAQS in a notice published on December 31, 2020 making it immediately effective. The Center for Biological Diversity filed a lawsuit on February 25, 2021, challenging the decision to retain the existing ozone standard. In response to lawsuits brought by states and environmental groups, on October 29, 2021, EPA filed a motion in the DC Circuit indicating it will reconsider the 2020 ozone NAAQS. In April 2022, EPA released an External Review Draft Policy Assessment for the reconsideration of the ozone NAAQS, in which EPA Staff recommended that EPA retain the existing primary and secondary ozone NAAQS. EPA is targeting the end of 2023 to complete this reconsideration.

In 2015, EPA proposed a rule revising its Exceptional Events Rule, which outlines the requirements for excluding air quality data (including ozone data) from regulatory decisions if the data is affected by events outside an area’s control. The proposed rule is important in light of the more stringent ozone NAAQS final rule since western states like New Mexico and Arizona are subject to elevated background ozone transport from natural local sources, such as wildfires and stratospheric inversions, and transported via winds from distant sources in other regions or countries. EPA finalized the rule on October 3, 2016 and released related guidance in 2018 and 2019 to help implement its new exceptional events policy.

During 2017 and 2018, EPA released rules establishing area designations for ozone. In those rules, San Juan County, New Mexico, where Four Corners is located, is designated as attainment/unclassifiable and only a small area in Doña Ana County, New Mexico is designated as marginal non-attainment. Although Afton Generating Station is located in Doña Ana County, it is not located within the small area designated as non-attainment for the 2015 ozone standard. The rule became effective May 8, 2018.

On November 22, 2019, EPA issued findings that several states, including New Mexico, had failed to submit interstate transport SIPs for the 2015 8-hour ozone NAAQS. In response, in December 2019, NMED published the Public Review Draft of the New Mexico 2013 NAAQS Good Neighbor SIP that demonstrates that there are no significant contributions from New Mexico to downwind problems in meeting the federal ozone standard.

NMED has responsibility for bringing the small area in Doña Ana County designated as marginal/non-attainment for ozone into compliance and will look at all sources of NO_x and volatile organic compounds. NMED has submitted the required elements for the Sunland Park Ozone Non-attainment Area SIP. This includes a transportation conformity demonstration, a 2017 baseline emissions inventory and emissions statement, and an amendment to the state’s Non-attainment Permitting rules at 20.2.79 New Mexico Administrative Code to conform to EPA’s SIP Requirements Rule for 2015 Q3 NAAQS (i.e., “implementation rule”).

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The SIP elements had staggered deadlines and were done in three submissions: (1) the transportation conformity demonstration was completed by the El Paso Metropolitan Planning Organization on behalf of New Mexico in 2019, which is responsible for transportation planning in that area, and the submission received concurrence from EPA and the Federal Highway Administration; (2) the emissions inventory and statement SIP was submitted to EPA in September 2020; and (3) the Non-attainment New Source Review SIP was submitted to EPA on August 10, 2021. On October 15, 2021, EPA proposed to approve New Mexico's SIP to meet the emissions inventory and statement requirements of the CAA for the Sunland Park Ozone Non-Attainment Area.

PNM does not believe there will be material impacts to its facilities because of NMED's non-attainment designation of the small area within Doña Ana County. Until EPA approves attainment designations for the Navajo Nation and releases a proposal to implement the revised ozone NAAQS, PNM is unable to predict what impact the adoption of these standards may have on Four Corners. With respect to EPA's reconsideration of the 2020 decision to retain the 2015 ozone standards, it is expected to be completed by the end of 2023. PNM cannot predict the outcome of this matter.

PM Standard – On January 30, 2020, EPA published in the Federal Register a notice announcing the availability of a final Policy Assessment for the Review of the NAAQS for Particulate Matter (the "PA"). The 2020 final PA was prepared as part of the review of the primary and secondary PM NAAQS. In the 2020 final PA, EPA recommended lowering the primary annual PM 2.5 standard to between 8 µg/m³ and 10 µg/m³. However, on April 30, 2020, EPA published a proposed rule to retain the current standards for PM due to uncertainties in the data relied upon in the 2020 final PA and EPA published a notice of that final action on December 18, 2020, making it immediately effective. On January 14, 2021, several states and New York City filed a petition for review in the DC Circuit, challenging EPA's final rule retaining the current primary and secondary PM NAAQS and a similar lawsuit was filed by the Center for Biological Diversity in the DC Circuit. On June 10, 2021, EPA announced that it will reconsider the previous administration's December 2020 decision to retain the current primary and secondary PM NAAQS and on October 8, 2021, EPA announced the release of a new draft PA stating that available scientific evidence and technical information indicate that the current standards may not be adequate to protect public health and welfare, as required by the CAA. On June 1, 2022, EPA issued a new final PA that likewise indicates current standards may not be adequate and that available scientific evidence could support lowering the standards.

On January 6, 2023, EPA announced a proposal to lower the annual fine particulate matter standard to between 9-10 µg/m³ but retain the rest of its PM standards, including the current daily fine particulate matter standard, the daily coarse particulate matter standard, and the secondary PM standards. Although the proposal focuses on the range of 9-10 µg/m³, EPA requests comment on a range between 8-11 µg/m³, but that range does not include the current annual standard of 12 µg/m³, indicating EPA will not consider retaining the current standard. Comments on the proposal will be due 60 days after publication in the Federal Register, and EPA's current regulatory agenda indicates EPA plans to finalize the proposal in August 2023. PNM cannot predict the impacts of the outcome of future rulemaking.

Cooling Water Intake Structures

In 2014, EPA issued a rule establishing national standards for certain cooling water intake structures at existing power plants and other facilities under the Clean Water Act to protect fish and other aquatic organisms by minimizing impingement mortality (the capture of aquatic wildlife on intake structures or against screens) and entrainment mortality (the capture of fish or shellfish in water flow entering and passing through intake structures).

To minimize impingement mortality, the rule provides operators of facilities, such as Four Corners, seven options for meeting Best Technology Available ("BTA") standards for reducing impingement. The permitting authority must establish the BTA for entrainment on a site-specific basis, taking into consideration an array of factors, including endangered species and social costs and benefits. Affected sources must submit source water baseline characterization data to the permitting authority to assist in the determination. Compliance deadlines under the rule are tied to permit renewal and will be subject to a schedule of compliance established by the permitting authority.

EPA has indicated that it is contemplating a December 31, 2023 compliance deadline. With respect to SJGS, no material changes will result given the shutdown of the plant in September of 2022.

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In 2018, several environmental groups sued EPA Region IX in the U.S. Court of Appeals for the Ninth Circuit Court over EPA's failure to timely reissue the Four Corners NPDES permit. The petitioners asked the court to issue a *writ of mandamus* compelling EPA Region IX to take final action on the pending NPDES permit by a reasonable date. EPA subsequently reissued the NPDES permit. The permit did not contain conditions related to the cooling water intake structure rule, as EPA determined that the facility has achieved BTA for both impingement and entrainment by operating a closed-cycle recirculation system. Several environmental groups filed a petition for review with EPA's Environmental Appeals Board ("EAB") concerning the reissued permit. The environmental groups alleged that the permit was reissued in contravention of several requirements under the Clean Water Act and did not contain required provisions concerning certain revised ELG, existing-source regulations governing cooling-water intake structures, and effluent limits for surface seepage and subsurface discharges from coal-ash disposal facilities. EPA withdrew the Four Corners NPDES permit in order to examine issues raised by the environmental groups. Withdrawal of the permit moots the appeal pending before the EAB. EAB thereafter dismissed the environmental groups' appeal. EPA issued an updated NPDES permit in 2019. The permit was once again appealed to the EAB and was stayed before the effective date. Oral argument was heard on September 3, 2020. The EAB issued an order denying the petition for review on September 30, 2020. The denial was based on the EAB's determination that the petitioners had failed to demonstrate that review of the permit was warranted on any of the grounds presented in the petition. Thereafter, the Regional Administrator of the EPA signed a notice of final permit decision, and the NPDES permit was issued on November 9, 2020. The permit became effective December 1, 2020 and will expire on November 30, 2025. On January 22, 2021, the environmental groups filed a petition for review of the EAB's decision with the U.S. Court of Appeals for the Ninth Circuit. The September 2019 permit remains in effect pending this appeal. On March 21, 2022, EPA provided notice in the Federal Register of a proposed settlement agreement with the environmental groups. The parties subsequently executed the settlement agreement as of May 2, 2022. Under the settlement, the associated case was administratively closed through September 6, 2023, during which time a third-party consultant will spend 12 months sampling discharges from Four Corners and EPA will spend three months completing an analysis. PNM cannot predict whether the analysis to be conducted under the settlement agreement will result in changes to the NPDES permit, but does not anticipate that it will have a material impact on PNM's financial position, results of operations, or cash flows.

Effluent Limitation Guidelines

In 2013, EPA published proposed revised wastewater ELG establishing technology-based wastewater discharge limitations for fossil fuel-fired electric power plants. EPA signed the final Steam Electric ELG rule in 2015. The final rule, which became effective on January 4, 2016, phased in the new, more stringent requirements in the form of effluent limits for arsenic, mercury, selenium, and nitrogen for wastewater discharged from wet scrubber systems and zero discharge of pollutants in ash transport water that must be incorporated into plants' NPDES permits. The 2015 rule required each plant to comply between 2018 and 2023 depending on when it needs a new or revised NPDES permit.

The Steam Electric ELG rule was challenged in the U.S. Court of Appeals for the Fifth Circuit by numerous parties. In 2017, EPA signed a notice indicating its intent to reconsider portions of the rule, and the Fifth Circuit issued an order severing the issues under reconsideration and holding the case in abeyance as to those issues. However, the court allowed challenges to other portions of the rule to proceed. In 2019, the Fifth Circuit granted those challenges and issued an opinion vacating several portions of the rule, specifically those related to legacy wastewater and leachate, for which the court deemed the standards selected by EPA arbitrary and capricious.

In 2017, EPA published a final rule for postponement of certain compliance dates. The rule postponed the earliest date on which compliance with the ELG for these waste streams would be required from November 1, 2018 until November 1, 2020. In 2019, EPA published a proposed rule revising the original ELG while maintaining the compliance dates. On October 13, 2020, EPA published in the Federal Register the final Steam Electric ELG and standards for the Steam Electric Power Generating Point Source Category, revising the final 2015 guidelines for both flue gas desulfurization wastewater and bottom ash transport water. The rule requires compliance with new limits as soon as possible on or after October 13, 2021, but no later than December 31, 2025.

On August 3, 2021, EPA published notice that it will undertake a supplemental rulemaking to revise the ELG after completing its review of the rules reconsidered in 2020. As part of this process, EPA will determine whether more stringent limitations and standards are appropriate. EPA intends to publish a proposed rule in early 2023.

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Reeves Station discharges cooling tower blowdown to a publicly owned treatment plant and no longer holds an NPDES permit; therefore, it is expected that no requirements will be imposed.

See "Cooling Water Intake Structures" above for additional discussion of Four Corners' current NPDES permit. Four Corners may be required to change equipment and operating practices affecting boilers and ash handling systems, as well as change its waste disposal techniques during the next NPDES permit renewal in 2023. PNM is unable to predict the outcome of these matters or a range of the potential costs of compliance.

Santa Fe Generating Station

PNM and NMED are parties to agreements under which PNM has installed a remediation system to treat water from a City of Santa Fe municipal supply well and an extraction well to address gasoline contamination in the groundwater at the site of PNM's former Santa Fe Generating Station and service center. A 2008 NMED site inspection report states that neither the source nor extent of contamination at the site has been determined and that the source may not be the former Santa Fe Generating Station. During 2013 and 2014, PNM and NMED collected additional samples that showed elevated concentrations of nitrate and volatile organic compounds in some of the monitoring wells at the site. In addition, one monitoring well contained free-phase hydrocarbon products. PNM collected a sample of the product for "fingerprint" analysis. The results of this analysis indicated the product was a mixture of older and newer fuels. The presence of newer fuels in the sample suggests the hydrocarbon product likely originated from off-site sources. In 2015, PNM and NMED entered into a memorandum of understanding to address changing groundwater conditions at the site under which PNM agreed to continue hydrocarbon investigation under the supervision of NMED. Qualified costs are eligible for payment through the New Mexico Corrective Action Fund ("CAF"), which is administered by the NMED Petroleum Storage Tank Bureau. In 2019, PNM received notice from NMED that an abatement plan for the site is required to address concentrations of previously identified compounds, unrelated to those discussed above, found in the groundwater. NMED approved PNM's abatement plan proposal, which covers field work and reporting.

Field work related to the investigation under both the CAF and abatement plan requirements was completed and activities and findings associated with the field work were presented in two separate reports and released to stakeholders in early 2020. Subsequent field work was completed in July 2020 and two reports were released supporting PNM's contention that off-site sources have impacted, and are continuing to impact, the local groundwater in the vicinity of the former Santa Fe Generating Station.

PNM submitted work plans to NMED in January 2021 for review and approval. In December 2021, NMED approved both workplans and work is underway. These activities were completed by the end of 2022 and a report will be submitted to the NMED.

The City of Santa Fe has stopped operating its well at the site, which is needed for PNM's groundwater remediation system to operate. As a result, PNM has stopped performing remediation activities at the site. However, PNM's monitoring and other abatement activities at the site are ongoing and will continue until the groundwater meets applicable federal and state standards or until the NMED determines remediation is not required, whichever is earlier. PNM is not able to assess the duration of this project or estimate the impact on its obligations if PNM is required to resume groundwater remediation activities at the site. PNM is unable to predict the outcome of these matters.

Coal Combustion Residuals Waste Disposal

CCRs consisting of fly ash, bottom ash, and gypsum generated from coal combustion and emission control equipment at SJGS are currently disposed of in the surface mine pits adjacent to the plant. SJGS does not operate any CCR impoundments or landfills. The NMMMD currently regulates mine reclamation activities at the San Juan mine, including placement of CCRs in the surface mine pits, with federal oversight by the OSM. APS disposes of CCRs in ponds and dry storage areas at Four Corners. Ash management at Four Corners is regulated by EPA and the New Mexico State Engineer's Office.

EPA's final coal ash rule, which became effective in 2015, included a non-hazardous waste determination for coal ash and sets minimum criteria for existing and new CCR landfills and surface impoundments. In 2016, the Water Infrastructure Improvements for the Nation Act (the "WIIN Act") was signed into law to address critical water infrastructure needs in the U.S. and contains a number of provisions related to the CCR rules. Among other things, the WIIN Act allows, but does not require, states to develop and submit CCR permit programs for EPA

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approval, provides flexibility for states to incorporate EPA's final rule for CCRs or develop other criteria that are at least as protective as EPA's final rule, and requires EPA to approve state permit programs within 180 days of submission by the state. Because states are not required to implement their own CCR permit programs, EPA will implement the permit program in states that choose not to implement a program, subject to Congressional funding. Until permit programs are in effect, EPA has authority to directly enforce the CCR rule. For facilities located within the boundaries of Native American reservations, such as the Navajo Nation where Four Corners is located, EPA is required to develop a federal permit program regardless of appropriated funds.

In 2018, EPA published a rule that constitutes "Phase One, Part One" of its ongoing reconsideration and revision of the April 17, 2015, CCR rule. The final Phase One, Part One rule includes two types of revisions. The first revision extended the deadline to allow EGUs with unlined impoundments or that fail to meet the uppermost aquifer requirement to continue to receive coal ash until October 31, 2020. This deadline was again extended by subsequent amendments. The rule also authorized a "Participating State Director" or EPA to approve suspension of groundwater monitoring requirements and to issue certifications related to the location restrictions, design criteria, groundwater monitoring, remedy selection and implementation. The rule also modified groundwater protection standards for certain constituents, which include cobalt, molybdenum, lithium, and lead without a maximum contamination level.

In 2019, EPA published a second round of revisions, which are commonly referred to as the "Phase Two" revisions. Phase Two proposed revisions to reporting and accessibility to public information, the "CCR piles" and "beneficial use" definitions and the requirements for management of CCR piles. EPA has reopened and extended the Phase Two comment period several times. EPA has not yet finalized provisions in Phase Two related to beneficial use of CCR and CCR piles. This activity is on EPA's long-term agenda, which means EPA has no plans to address these issues in the next 12 months.

Since promulgating its Phase Two proposal, EPA has finalized two other rules addressing various CCR rule provisions. In 2019, EPA promulgated its proposed Holistic Approach to Closure Part A ("Part A"), which proposed a new deadline of August 31, 2020, for companies to initiate closure of unlined CCR impoundments. In accordance with the DC Circuit Court of Appeals' vacatur of portions of the CCR Rule, Part A also proposed changing the classification of compacted soil-lined or clay-lined surface impoundments from "lined" to "unlined". In addition, Part A delineated a process for owners/operators to submit requests for alternative closure deadlines based on lack of alternate disposal capacity. EPA issued the final Part A, which became effective on September 28, 2020. This rule finalized the classification of soil-lined and clay-lined surface impoundments as unlined, thus, triggering closure or retrofit requirements for those impoundments. The final Part A also gave operators of unlined impoundments until April 11, 2021 to cease receipt of waste at these units and initiate closure.

On March 3, 2020, EPA issued the proposed Holistic Approach to Closure Part B ("Part B"), which delineated the process for owners/operators to submit alternate liner demonstrations for clay-lined surface impoundments that could otherwise meet applicable requirements. Part B also proposed regulations addressing beneficial use for closure of surface impoundments. EPA issued the final Part B rule, which became effective on December 14, 2020. This rule did not include beneficial use of CCR for closure, which EPA explains will be addressed in subsequent rulemaking actions. EPA intends to issue several other rulemakings covering legacy ponds and finalizing parts of previously proposed rules, including a final rule in August 2023 on remaining Part B issues regarding closure options and annual reporting.

On February 20, 2020, EPA published a proposed rule establishing a federal permitting program for the handling of CCR within the boundaries of Native American reservations and in states without their own federally authorized state programs. Permits for units within the boundaries of Native American reservations would be due 18 months after the effective date of the rule. Per the Fall 2022 Regulatory Agenda EPA will issue a final rule in August 2023. EPA is coordinating with the affected permits for the three facilities with CCR disposal units located on Native American lands. PNM cannot predict the outcome of EPA's rule making activity or the outcome of any related litigation, and whether or how such a ruling would affect operations at Four Corners.

The CCR rule does not cover mine placement of coal ash. OSM is expected to publish a proposed rule covering mine placement in the future and will likely be influenced by EPA's rule and the determination by EPA that CCRs are non-hazardous. PNM cannot predict the outcome of OSM's proposed rulemaking regarding CCR regulation, including mine placement of CCRs, or whether OSM's actions will have a material impact on PNM's operations, financial position, or cash flows. Based upon the requirements of the final Part A CCR rule, PNM

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conducted a CCR assessment at SJGS and made minor modifications at the plant to ensure that there are no facilities that would be considered impoundments or landfills under the rule. PNM would seek recovery from its retail customers of all CCR costs for jurisdictional assets that are ultimately incurred.

Utilities that own or operate CCR disposal units, such as those at Four Corners, as indicated above, were required to collect sufficient groundwater sampling data to initiate a detection monitoring program. Four Corners completed the analysis for its CCR disposal units, which identified several units that will need corrective action or will need to cease operations and initiate closure by April 11, 2021. As part of this assessment, Four Corners will continue to gather additional groundwater data and perform remedial evaluations. At this time, PNM does not anticipate its share of the cost to complete these corrective actions to close the CCR disposal units, or to gather and perform remedial evaluations on groundwater at Four Corners, will have a significant impact on its operations, financial position, or cash flows.

Other Commitments and Contingencies

Coal Supply

SJGS

The coal requirements for SJGS were supplied by WSJ LLC. In addition to coal delivered to meet the needs of SJGS, PNM prepaid the San Juan mine owner and operator, WSJ LLC, for certain coal mined but not yet delivered to the plant site. At December 31, 2022 and 2021, prepayments for coal, which were included in prepaid assets, amounted to zero and \$20.4 million.

In conjunction with the activities undertaken to comply with the CAA for SJGS, PNM and the other owners of SJGS evaluated alternatives for the supply of coal to SJGS. On July 1, 2015, PNM and Westmoreland entered into a new coal supply agreement (the "SJGS CSA"), pursuant to which Westmoreland, through its indirectly wholly-owned subsidiary SJCC, agreed to supply all of the coal requirements of SJGS through June 30, 2022. PNM and Westmoreland also entered into agreements under which CCR disposal and mine reclamation services for SJGS would be provided. As discussed in Note 10, WSJ LLC assumed the rights and obligations of SJCC under the SJGS CSA and the agreements for CCR disposal and mine reclamation services.

Pricing under the SJGS CSA was primarily fixed, with adjustments to reflect changes in general inflation and takes into account that WSJ LLC has been paid for coal mined but not delivered. Substantially all of SJGS' coal costs were passed through the FPPAC. On February 17, 2022, PNM and WSJ LLC entered into an amendment to extend the SJGS CSA through September 30, 2022, which FERC accepted on March 24, 2022. The SJGS CSA amendment provided for a fixed price increase of \$5.00 per ton, beginning April 1, 2022, which passed through the FPPAC. See additional discussion of PNM's SJGS Abandonment Application and summer peak resource adequacy in Note 17.

The SJGS Restructuring Agreement set forth terms under which PNM acquired the coal inventory, including coal mined but not delivered, of the exiting SJGS participants as of January 1, 2016, and supplied coal to the SJGS exiting participants for the period from January 1, 2016 through December 31, 2017, and supplied coal to the SJGS remaining participants over the term of the SJGS CSA.

In connection with certain mining permits relating to the operation of the San Juan mine, the San Juan mine owner was required to post reclamation bonds of \$118.7 million with the NMMMD. In order to facilitate the posting of reclamation bonds by sureties on behalf of the San Juan mine owner, PNMR entered into the WFB LOC Facility under which letters of credit aggregating \$30.3 million have been issued.

Four Corners

APS purchases all of Four Corners' coal requirements from NTEC, an entity owned by the Navajo Nation, under the Four Corners CSA that expires in 2031. The coal comes from reserves located within the Navajo Nation. The contract provides for pricing adjustments over its term based on economic indices. PNM's share of the coal costs is being recovered through the FPPAC. In connection with the exit of Four Corners, PNM would make payments totaling \$75.0 million to NTEC for relief from its obligations under the coal supply agreements for Four Corners after December 31, 2024. PNM is not proposing to recover the \$75.0 million from ratepayers and, if approved, would not be recovered through the FPPAC. See Note 17 for additional information on PNM's Four Corners Abandonment Application.

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NTEC contracted with Bisti Fuels Company, LLC, a subsidiary of The North American Coal Corporation, for management and operation of the mine. Under the Four Corners CSA, NTEC had the right, after a specified period, to request approval from the Four Corners owners to replace Bisti Fuels Company as mine manager with NTEC's internal resources and perform all or some mine management functions. APS granted approval on behalf of the owners on June 16, 2021, subject to certain credit assurance requirements. On June 17, 2021, NTEC notified The North American Coal Corporation that the contract mining agreement between Bisti Fuels Company and NTEC was terminated effective September 30, 2021. NTEC assumed direct operations at Navajo Mine on October 1, 2021.

Coal Mine Reclamation

As indicated under Coal Combustion Residuals Waste Disposal above, SJGS currently disposes of CCRs in the surface mine pits adjacent to the plant and Four Corners disposes of CCRs in ponds and dry storage areas. In conjunction with the proposed shutdown of SJGS Units 2 and 3 and to comply with the BART requirements of the CAA, periodic updates to the coal mine reclamation study were requested by the SJGS participants. These updates have included adjustments to reflect the shutdown of SJGS, the terms of the reclamation services agreement with WSJ LLC, and changes to reflect the requirements of the 2015 San Juan mine permit plan.

In late 2020, a mine reclamation cost study was completed for the mine that serves SJGS and in December 2020, PNM remeasured its liability, which resulted in an increase in the overall reclamation costs of \$3.6 million, due primarily to higher inflationary factors. As a result, PNM recorded a less than \$0.1 million decrease in the liability at December 31, 2020 related to the underground mine and a decrease to the regulatory assets on the Consolidated Balance Sheets and recorded a \$3.6 million increase in the liability associated with the surface mine as regulatory disallowances and restructuring costs on the Consolidated Statements of Earnings. PNM's estimate of the costs necessary to reclaim the mine that serves SJGS is subject to many assumptions, including the timing of reclamation, generally accepted practices at the time reclamation activities occur, and the then current inflation and discount rates. PNM cannot predict the ultimate cost to reclaim the mine that serves SJGS and would seek to recover all costs related to reclaiming the underground mine from its customers but could be exposed to additional loss related to surface mine reclamation.

A coal mine reclamation study for the mine that serves Four Corners was issued in 2019. The study reflected operation of the mine through 2031, the term of the Four Corners CSA. As discussed in Note 17, PNM remains responsible for its share of costs associated with mine reclamation under the Four Corners Purchase and Sale Agreement with NTEC. NTEC and PNM will complete a reclamation study in 2024 providing the final mine reclamation cost estimate on the date of ownership transfer. PNM will make its final reclamation payment to NTEC based on the reclamation study in 2024 and will have no further obligations regarding the mine reclamation after 2024. PNM determined that events and circumstances regarding Four Corners, including the Four Corners Purchase and Sale Agreement with NTEC and the Four Corners Abandonment Application and subsequent appeal of the NMPRC decision, indicated that it is more likely than not that PNM's share of Four Corners coal mine reclamation obligation would be settled in 2024, rather than 2031. As of December 31, 2020, PNM remeasured its Four Corners coal mine reclamation liability and recorded a decrease to the liability of \$2.5 million on the Consolidated Balance Sheets and a decrease to regulatory disallowances and restructuring costs on the Consolidated Statement of Earnings.

Based on the most recent estimates, PNM's remaining payments for mine reclamation, in future dollars, are estimated to be \$67.7 million for the surface mines at both SJGS and Four Corners and \$33.3 million for the underground mine at SJGS as of December 31, 2022. At December 31, 2022 and 2021, liabilities, in current dollars, of \$62.6 million and \$67.4 million for surface mine reclamation and \$28.2 million and \$27.9 million for underground mine reclamation were recorded in other deferred credits.

Under the terms of the SJGS CSA, PNM and the other SJGS owners are obligated to compensate WSJ LLC for all reclamation costs associated with the supply of coal from the San Juan mine. The SJGS owners entered into a reclamation trust funds agreement to provide funding to compensate WSJ LLC for post-term reclamation obligations. The trust funds agreement requires each owner to enter into an individual trust agreement with a financial institution as trustee, create an irrevocable reclamation trust, and periodically deposit funds into the reclamation trust for the owner's share of the mine reclamation obligation. Deposits, which are based on funding curves, must be made on an annual basis. PNM funded \$10.0 million in 2022, \$5.2 million in 2021, and \$3.2 million in 2020. Based on PNM's reclamation trust fund balance at December 31, 2022, the current funding curves indicate PNM's required contributions to its reclamation trust fund would be zero in each of

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the years 2023, 2024, and 2025.

Under the Four Corners CSA, PNM is required to fund its share of estimated final reclamation costs in annual installments into an irrevocable escrow account solely dedicated to the final reclamation cost of the surface mine at Four Corners. PNM contributed \$2.4 million in 2022, \$2.2 million in 2021, and \$2.0 million in 2020 and anticipates providing additional funding of \$2.1 million in each of the years 2023 and 2024. As discussed above, under the terms of the Four Corners Purchase and Sale Agreement with NTEC, PNM will make its final reclamation payment to NTEC based on the reclamation study in 2024 and will have no further obligations regarding the mine reclamation.

PNM recovers from retail customers reclamation costs associated with the underground mine. However, the NMPRC has capped the amount that can be collected from retail customers for final reclamation of the surface mines at \$100.0 million for both SJGS and Four Corners. If future estimates increase the liability for surface mine reclamation, the excess would be expensed at that time. The impacts of changes in New Mexico state law as a result of the enactment of the ETA and regulatory determinations made by the NMPRC may also affect PNM's financial position, results of operations, and cash flows. See additional discussion regarding PNM's SJGS and Four Corners Abandonment Applications in Note 17. PNM is currently unable to determine the outcome of these matters or the range of possible impacts.

SJGS Decommissioning

On November 9, 2021, the San Juan County Commission approved the Coal-Fired Electricity Generating Facility Demolition and Remediation Ordinance ("Ordinance 121"), requiring the full demolition of SJGS upon its complete and permanent closure. Ordinance 121 required the SJGS owners to submit a proposed demolition and remediation plan no later than three months after SJGS was retired. The SJGS owners submitted its decommissioning and remediation plan on December 28, 2022. In connection with restructuring of the SJGS ownership on December 31, 2017, PNM and the other SJGS owners entered into the San Juan Decommissioning and Trust Funds Agreement, which requires PNM to fund its ownership share of final decommissioning costs into an irrevocable trust. Under the agreement, PNM made an initial funding of \$14.7 million in December 2022. The amount and timing of additional trust funding is subject to revised decommissioning cost studies and agreement among the SJGS owners. PNM has posted a surety bond in the amount of \$46.0 million in connection with certain environmental decommissioning obligations and must maintain the bond or other financial assurance until those obligations are satisfied. The surety bond only represents a liability if PNM fails to deliver on its contractual liability. For information regarding the impact of Ordinance 121 on PNM's SJGS decommissioning ARO see Note 15.

PNM records its share of the SJGS decommissioning obligation as an ARO on its Consolidated Balance Sheets. Studies on the decommissioning costs of SJGS are performed periodically and revisions to the ARO liability are recorded. In the third quarter of 2022, a new decommissioning cost study was completed, which required PNM to remeasure its SJGS decommissioning ARO. The new study resulted in an estimated decrease to PNM's share of the decommissioning obligation of \$21.1 million, which was recorded in September 2022. Additional information concerning the Company's SJGS decommissioning ARO is contained in Note 15.

City of Farmington Opposition to Closure of SJGS

On September 21, 2022, the City of Farmington ("Farmington") filed a lawsuit and requested injunctive relief in order to force the other SJGS owners to convey SJGS to Farmington and suspend decommissioning. The case was initiated in the 11th Judicial District Court in San Juan County, New Mexico, but was moved to federal district court. Subsequently, the San Juan Project Participation Agreement ("SJPPA") expired by its express terms on September 30, 2022. Farmington voluntarily dismissed its complaint and request for injunctive relief on October 6, 2022. The parties were then engaged in arbitration in accordance with the SJPPA terms. On September 30, 2022, PNM filed a notice of cancellation of the SJPPA with FERC. On October 4, 2022, Farmington filed a protest to PNM's notice of cancellation and requested a hearing. On October 20, 2022, PNM filed a motion requesting the FERC reject Farmington's request for hearing or alternatively hold the cancellation filing in abeyance while arbitration proceeds. Subsequently, The Incorporated County of Los Alamos, New Mexico, the City of Anaheim, California, M-S-R Public Power Agency, Southern California Public Power Authority, Tri-State and Tucson Electric Power Company filed at FERC in support of PNM's notice of cancellation of the SJPPA so that decommissioning can proceed. On December 19, 2022, FERC accepted PNM's notice of

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cancellation of the SJPPA with an effective date of October 1, 2022, and denied Farmington's request for hearing. On December 20, 2022, Farmington notified PNM that it had decided to withdraw from the arbitration process.

PVNGS Liability and Insurance Matters

Public liability for incidents at nuclear power plants is governed by the Price-Anderson Nuclear Industries Indemnity Act, which limits the liability of nuclear reactor owners to the amount of insurance available from both commercial sources and an industry-wide retrospective payment plan. In accordance with this act, the PVNGS participants are insured against public liability exposure for a nuclear incident up to \$13.7 billion per occurrence. PVNGS maintains the maximum available nuclear liability insurance in the amount of \$450 million, which is provided by American Nuclear Insurers. The remaining \$13.2 billion is provided through a mandatory industry-wide retrospective assessment program. If losses at any nuclear power plant covered by the program exceed the accumulated funds, PNM could be assessed retrospective premium adjustments. Based on PNM's 10.2% interest in each of the three PVNGS units, as of December 31, 2022, PNM's maximum potential retrospective premium assessment per incident for all three units is \$42.1 million, with a maximum annual payment limitation of \$6.2 million. After the expiration of the PVNGS Unit 1 leases in January 2023, PNM's maximum potential retrospective premium assessment per incident for all three units is \$31.2 million, with a maximum annual payment limitation of \$4.7 million, to be adjusted periodically for inflation.

The PVNGS participants maintain insurance for damage to, and decontamination of, property at PVNGS in the aggregate amount of \$2.8 billion, a substantial portion of which must first be applied to stabilization and decontamination. These coverages are provided by Nuclear Electric Insurance Limited ("NEIL"). The primary policy offered by NEIL contains a sublimit of \$2.25 billion for non-nuclear property damage. If NEIL's losses in any policy year exceed accumulated funds, PNM is subject to retrospective premium adjustments of \$5.4 million as of December 31, 2022, for each retrospective premium assessment declared by NEIL's Board of Directors due to losses. After the expiration of the PVNGS Unit 1 leases in January 2023, PNM is subject to retrospective premium adjustments of \$5.1 million. The insurance coverages discussed in this and the previous paragraph are subject to certain policy conditions, sublimits, and exclusions.

Navajo Nation Allottee Matters

In 2012, 43 landowners filed a notice of appeal with the Bureau of Indian Affairs ("BIA") appealing a March 2011 decision of the BIA Regional Director regarding renewal of a right-of-way for a PNM transmission line. The landowners claim to be allottees, members of the Navajo Nation, who pursuant to the Dawes Act of 1887, were allotted ownership in land carved out of the Navajo Nation and allege that PNM is a rights-of-way grantee with rights-of-way across the allotted lands and are either in trespass or have paid insufficient fees for the grant of rights-of-way or both. The allottees generally allege that they were not paid fair market value for the right-of-way, that they were denied the opportunity to make a showing as to their view of fair market value, and thus denied due process. The allottees filed a motion to dismiss their appeal with prejudice, which was granted in 2014. Subsequent to the dismissal, PNM received a letter from counsel on behalf of what appears to be a subset of the 43 landowner allottees involved in the appeal, notifying PNM that the specified allottees were revoking their consents for renewal of right of way on six specific allotments.

In 2015, PNM received a letter from the BIA Regional Director identifying ten allotments with rights-of-way renewals that were previously contested. The letter indicated that the renewals were not approved by the BIA because the previous consent obtained by PNM was later revoked, prior to BIA approval, by the majority owners of the allotments. It is the BIA Regional Director's position that PNM must re-obtain consent from these landowners. PNM filed a condemnation action in the NM District Court regarding the approximately 15.49 acres of land at issue. The allottees filed a separate complaint against PNM for federal trespass. On December 1, 2015, the court ruled that PNM could not condemn two of the five allotments at issue based on the Navajo Nation's fractional interest in the land. PNM filed a motion for reconsideration of this ruling, which was denied. In 2016, the Tenth Circuit granted PNM's petition to appeal the December 1, 2015 ruling. Both matters have been consolidated. Oral argument before the Tenth Circuit was heard on January 17, 2017. In 2017, the Tenth Circuit affirmed the district court. PNM filed a motion for reconsideration *en banc* with the Tenth Circuit, which was denied. The NM District Court stayed the case based on the Navajo Nation's acquisition of interests in two additional allotments and the unresolved ownership of the fifth allotment due to the owner's death. PNM filed its petition for *writ of certiorari* with the US Supreme Court, which was denied. The underlying litigation continues in the NM District Court. In, 2019, several individual allottees filed a motion for partial summary judgment on the

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issue of trespass. The Court held a hearing on the motion on June 18, 2019 and took the motion under advisement. In the fourth quarter of 2022, the parties executed a settlement agreement and the court, after a hearing on the matter, entered the stipulated order. The court has retained jurisdiction to ensure compliance with the settlement agreement. Under the settlement agreement, PNM made payments of \$1.5 million to the landowners.

Texas Winter Storm

In mid-February 2021, Texas experienced a severe winter storm delivering the coldest temperatures in 100 years for many parts of the state. As a result, the ERCOT market was not able to deliver sufficient generation load to the grid resulting in significant, statewide outages as ERCOT directed transmission operators to curtail thousands of firm load megawatts. TNMP complied with ERCOT directives to curtail the delivery of electricity in its service territory and did not experience significant outages on its system outside of the ERCOT directed curtailments. Various regulatory and governmental entities are conducting, or have announced they may conduct, inquiries, investigations and other reviews of the Texas winter storm event. Entities that have announced that they plan to conduct or are conducting such inquiries, investigations and other reviews include FERC, NERC, Texas Reliability Entity Inc., ERCOT, the Texas Legislature, the Texas Attorney General, the PUCT, and the Galveston County District Attorney. Further, lawsuits have been filed against various market participants relating to the power outages resulting from the Texas winter storm. TNMP has been named in two suits. As a utility operating during the Texas winter storm event, there is a risk TNMP could be named in additional lawsuits in the future. TNMP intends to vigorously defend itself against any claims that might be raised. TNMP deferred bad debt expense from defaulting REPs to a regulatory asset which totaled \$0.8 million at both December 31, 2022, and December 31, 2021, and will seek recovery in a general rate case. At this time, the Company does not expect significant financial impacts related to this event, however, it cannot predict the outcome of such matters or the impact on the ERCOT market.

(17) Regulatory and Rate Matters

The Company is involved in various regulatory matters, some of which contain contingencies that are subject to the same uncertainties as those described in Note 16.

PNMR

Merger Regulatory Proceedings

On October 20, 2020, PNMR, Avangrid and Merger Sub entered into the Merger Agreement pursuant to which Merger Sub will merge with and into PNMR, with PNMR surviving the Merger as a wholly-owned subsidiary of Avangrid. Among other conditions, consummation of the Merger is subject to receipt of all required regulatory approvals. In 2021, five federal agencies and the PUCT completed their reviews and approved the Merger, with the NMPRC as the only regulatory agency yet to approve the Merger. The original application before the NMPRC was filed in November 2020. For additional information on the Merger regulatory proceedings, including supplemental regulatory filings that were required due to the Merger Agreement being amended in January 2022, see Note 22.

PNM

New Mexico General Rate Case

2024 Rate Change

On December 5, 2022, PNM filed an application with the NMPRC for a general increase in retail electric rates. The requested change primarily reflects investments in transmission and distribution infrastructure, largely offset by cost reductions resulting from PNM's transition to lower-cost, clean generation resources. Key aspects of PNM's request are:

- Recovery on total rate base of \$2.7 billion, based on a calendar year 2024 FTY.
- An increase of \$63.8 million in retail non-fuel revenues

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- ROE of 10.25%
- Drivers of revenue deficiency
 - Needed investments in transmission, distribution, and generation facilities for six years of operations, covering 2019 through 2024. In particular, PNM is focused on expanding and improving its aging infrastructure to provide the underlying infrastructure crucial to a successful energy transition and to support distribution generation.
 - Cost reductions from closing SJGS and the expiration of 114 MW leased PVNGS capacity.
 - Lower-cost replacements for SJGS and PVNGS using renewable energy purchases and battery storage systems. Some of these costs will be reflected in PNM's requested base rates, while energy purchases will flow through PNM's FPPAC.
 - Updated depreciation rates, including new terminal dates, for natural gas plants to align with the Company's 2040 carbon-free portfolio goal.
 - Proposed customer-oriented services, such as fee-free payment options, and increased payment location options to address the needs of customers.
 - Increasing operating costs reflecting six years of inflation, including the impacts of today's current high inflation and the expenses that come with providing quality electric service to customers. Distribution maintenance increases also are necessary to enhance vegetation management programs to protect lines and support wildfire mitigation efforts. PNM has endeavored to keep operating costs below inflationary levels.
 - Increased energy sales and customer loads since PNM's last filing help cover the increased cost of doing business as PNM continues the energy transition.
 - Overall cost of capital based on PNM's actual regulatory capital structure of 52% equity / 48% debt, reflecting the increase in the ROE that shareholders require to fund new investments in PNM's system, which is partially offset by lower cost of debt.
- Proposed ratemaking treatment of PVNGS Leased Interest and testimony supporting the prudence of PNM's decisions to renew the five leases and repurchase 64.1 MW of PVNGS Unit 2 capacity regarding PVNGS; see PVNGS Lease Abandonment Application below.
- Proposed return of the unamortized unprotected portion of excess deferred federal income taxes to customers over a five-year period, beginning when rates from the case go into effect.
- Time-of-Day pilot proposal with the objective of incentivizing customers, through price signals, to use energy during the day when renewable generation is abundant.

On December 14, 2022, the NMPRC suspended PNM's advice notice in the case for a period of nine months beginning January 4, 2023 and appointed hearing examiners. On January 6, 2023, the hearing examiners issued an order setting out a procedural schedule with a hearing to begin June 20, 2023. On February 3, 2023, the hearing examiners issued a recommended decision recommending extension of the statutory suspension period for an additional three months. PNM is unable to predict the outcome of this matter.

On January 3, 2023, a joint motion and brief for accounting order was filed with the NMPRC. NM AREA, Staff, WRA, Bernalillo County, NEE, and CCAE (the "Joint Movants") jointly filed the motion which asked that the NMPRC issue an accounting order for the purpose of requiring PNM to create a regulatory liability to track the costs associated with the retirement of SJGS which are currently embedded in base rates. The Joint Movants requested that the NMPRC order PNM to track all costs associated with the running and management of SJGS totaling \$98.3 million annually and requested that the accounting order require PNM to create a regulatory liability to track the SJGS costs from the time Unit 1 and Unit 4 were abandoned, July 1, 2022, and October 1, 2022, respectively, until the date new rates are put into effect, and for any other relief the NMPRC deems is just and reasonable. On February 3, 2023, the hearing examiners issued an order requiring PNM to create a pure accounting order regulatory liability that tracks cost of SJGS which are currently embedded in base rates. On February 6, 2023, PNM filed a motion to permit interlocutory appeal of the hearing examiners order requiring PNM to create a pure accounting order regulatory liability. On February 10, 2023, the hearing examiners issued an order denying PNM's interlocutory appeal and clarified that the accounting order only required PNM to track the costs of SJGS. On February 14, 2023, NM AREA, Staff, WRA, ABCWUA, and CCAE filed a joint motion for clarification of the hearing examiners accounting order. For additional discussion on the retirement of SJGS and the associated accounting impacts see SJGS Abandonment Application discussion below.

Renewable Energy Portfolio Standard

As discussed in Note 16, the ETA amends the REA including removal of diversity requirements and certain customer caps and exemptions relating to the application of the RPS under the REA.

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The REA provides for streamlined proceedings for approval of utilities' renewable energy procurement plans, assures that utilities recover costs incurred consistent with approved procurement plans, and requires the NMPRC to establish a RCT for the procurement of renewable resources to prevent excessive costs being added to rates. The ETA sets a RCT of \$60 per MWh using an average annual levelized resource cost basis. PNM makes renewable procurements consistent with the NMPRC approved plans and recovers certain renewable procurement costs from customers through the renewable energy rider billed on a KWh basis.

Included in PNM's approved procurement plans are the following renewable energy resources:

- 158 MW of PNM-owned solar-PV facilities
- A PPA through 2044 for the output of New Mexico Wind, having a current aggregate capacity of 200 MW, and a PPA through 2035 for the output of Red Mesa Wind, having an aggregate capacity of 102 MW
- A PPA through 2040 for 140 MW of output from La Joya Wind II
- A PPA through 2042 for the output of the Lightning Dock Geothermal facility with a current capacity of 11 MW
- Solar distributed generation, aggregating 239.1 MW at December 31, 2022, owned by customers or third parties from whom PNM purchases any net excess output and RECs

On June 1, 2021 PNM filed its 2022 renewable energy procurement plan which proposed to collect \$66.9 million for the year. PNM did not propose any new procurements in the plan, but proposed to retire a small number of RECs in 2022 from resources that had not been previously approved as part of the RPS plan. The NMPRC assigned this matter to a hearing examiner and a hearing was held on September 30, 2021. On October 15, 2021, NMPRC Staff and PNM jointly filed the post-hearing brief stating that pending issues to the case had been resolved with PNM agreeing to certain compliance provisions. On October 30, 2021, the hearing examiner issued a recommended decision recommending approval of PNM's filing. On November 17, 2021, the NMPRC issued a final order adopting the recommended decision. The 2022 renewable energy procurement plan became effective on January 1, 2022.

On June 1, 2022, PNM filed its renewable energy procurement plan for 2023 which proposed to collect \$61.0 million for the year. PNM did not propose any new resource procurements, and the plan states that existing projects will meet the applicable RPS standards of 2023. A hearing was held September 8, 2022, briefs were filed September 23, 2022, and response briefs were filed September 28, 2022. On October 18, 2022, the hearing examiners issued a recommended decision recommending approval of all PNM's requests. On November 9, 2022, the NMPRC issued a final order adopting the recommended decision. The 2023 renewable energy procurement plan became effective on January 1, 2023.

The following sets forth PNM's revenues recorded for the renewable energy rider:

<u>Year Ended</u>	<u>Annual Revenues</u>
	(In millions)
2020	\$56.4
2021	61.7
2022	60.3

Under the renewable rider, if PNM's earned rate of return on jurisdictional equity in a calendar year, adjusted for items not representative of normal operations, exceeds the NMPRC-approved rate by 0.5%, PNM is required to refund the excess to customers during May through December of the following year. PNM slightly exceeded this limitation in 2022 and accordingly, recorded a current regulatory liability on the Consolidated Balance Sheets and a reduction to electric operating revenues in the Consolidated Statement of Earnings as of and for the period ending December 31, 2022. PNM did not exceed the limitation in 2021. The NMPRC currently has an open inquiry docket into the continued use of renewable riders by New Mexico utilities. PNM is unable to predict the outcome of the NMPRC's inquiry.

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Energy Efficiency and Load Management

Program Costs and Incentives/Disincentives

The New Mexico Efficient Use of Energy Act (“EUEA”) requires public utilities to achieve specified levels of energy savings and to obtain NMPRC approval to implement energy efficiency and load management programs. The EUEA requires the NMPRC to remove utility disincentives to implementing energy efficiency and load management programs and to provide incentives for such programs. The NMPRC has adopted a rule to implement this act. PNM’s costs to implement approved programs and incentives are recovered through a rate rider. During the 2019 New Mexico legislative session, the EUEA was amended to, among other things, include a decoupling mechanism for disincentives, preclude a reduction to a utility’s ROE based on approval of disincentive or incentive mechanisms, establish energy savings targets for the period 2021 through 2025, and require that annual program funding be 3% to 5% of an electric utility’s annual customer bills excluding gross receipt taxes, franchise and right-of-way access fees, provided that a customer’s annual cost not exceed seventy-five thousand dollars.

On April 15, 2020, PNM filed an application for energy efficiency and load management programs to be offered in 2021, 2022, and 2023. The proposed program portfolio consists of twelve programs with a total annual budget of \$31.4 million in 2021, \$31.0 million in 2022, and \$29.6 million in 2023. The application also sought approval of an annual base incentive of 7.1% of the portfolio budget if PNM were to achieve energy savings of at least 80 GWh in a year. The proposed incentive would increase if PNM is able to achieve savings greater than 94 GWh in a year. The application also proposed an advanced metering infrastructure (“AMI”) pilot program, which included the installation of 5,000 AMI meters at a cost of \$2.9 million. PNM proposed the pilot program to comply with an NMPRC order denying PNM’s February 2016 application to replace its existing customer metering equipment with AMI. PNM did not recommend the AMI pilot program due to the limited cost-effective benefits under a pilot structure. On September 17, 2020, the hearing examiner in the case issued a recommended decision recommending that PNM’s proposed energy efficiency and load management program be approved, with the exception of the proposed AMI pilot program. On October 28, 2020, the NMPRC issued an order adopting the recommended decision in its entirety.

On April 15, 2022, PNM filed an advice notice which reconciles the actual 2021 energy efficiency profit incentive collections with the profit incentive authorized by the NMPRC resulting in an additional \$0.3 million incentive to be collected through the energy efficiency rider during the remainder of 2022. The additional incentive was authorized for 2021 because annual energy savings for the year exceeded 94 GWh. PNM began collecting the incentive effective May 31, 2022.

2020 Decoupling Petition

As discussed above, the legislature amended the EUEA to, among other things, include a decoupling mechanism for disincentives. On May 28, 2020, PNM filed a petition for approval of a rate adjustment mechanism that would decouple the rates of its residential and small power rate classes. Decoupling is a rate design principle that severs the link between the recovery of fixed costs of the utility through volumetric charges. On July 13, 2020, NEE, ABCWUA, the City of Albuquerque, and Bernalillo County filed motions to dismiss the petition on the grounds that approving PNM’s proposed rate adjustment mechanism outside of a general rate case would result in retroactive ratemaking and piecemeal ratemaking. The motions to dismiss also alleged that PNM’s proposed rate adjustment mechanism is inconsistent with the EUEA. On October 2, 2020, PNM requested an order to vacate the public hearing, scheduled to begin October 13, 2020, and staying the proceeding until the NMPRC decides whether to entertain a petition to issue a declaratory order resolving the issues raised in the motions to dismiss. On October 7, 2020, the hearing examiner approved PNM’s request to stay the proceeding and vacate the public hearing and required PNM to file a petition for declaratory order by October 30, 2020. On October 30, 2020, PNM filed a petition for declaratory order asking the NMPRC to issue an order finding that full revenue decoupling is authorized by the EUEA. On November 4, 2020, ABCWUA and Bernalillo County jointly filed a competing petition asking the NMPRC to issue a declaratory order on the EUEA’s requirements related to disincentives. On November 24, 2020, the NMAG requested that the NMPRC deny both petitions for declaratory orders and instead address disincentives under the EUEA in a rulemaking. On March 17, 2021, the NMPRC issued an order granting the petitions for declaratory order, commencing a declaratory order proceeding to address the petitions, denying the NMAG’s request to initiate a rulemaking, and appointing a hearing examiner to preside over the declaratory order proceeding.

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On January 14, 2022, the hearing examiner issued a recommended decision recommending the NMPRC find that the EUEA does not mandate the NMPRC to authorize or approve a full decoupling mechanism, defining full decoupling as limited to energy efficiency and load management measures and programs. The recommended decision also states that a utility may request approval of a rate adjustment mechanism to remove regulatory disincentives to energy efficiency and load management measures and programs through a stand-alone petition, as part of the utility's triennial energy efficiency application or a general rate case and that PNM is not otherwise precluded from petitioning for a rate adjustment mechanism prior to its next general rate case. Finally, the recommended decision stated that the EUEA does not permit the NMPRC to reduce a utility's ROE based on approval of a disincentive removal mechanism founded on removing regulatory disincentives to energy efficiency and load management measures and programs. The recommended decision does not specifically prohibit a downward adjustment to a utility's capital structure, based on approval of a disincentive removal mechanism. On April 27, 2022, the NMPRC issued an order adopting the recommended decision in its entirety. On May 24, 2022, PNM filed a notice of appeal with the NM Supreme Court. On June 23, 2022, PNM and other parties filed Statement of Issues with the NM Supreme Court. On September 6, 2022, PNM and other parties filed Briefs in Chief with the NM Supreme Court. On October 21, 2022, NEE filed Answer Briefs with the NM Supreme Court. PNM cannot predict the outcome of this matter.

FPPAC Continuation Application

NMPRC rules require public utilities to file an application to continue using their FPPAC every four years. On June 17, 2022, PNM filed the required continuation application and requested that its FPPAC be continued without modification. On July 21, 2022, the NMPRC issued an order requiring Staff to file a response to PNM's application and set certain procedural dates. On August 4, 2022, Staff filed a response to PNM's application stating that while PNM's filing demonstrates that PNM's FPPAC meets the requirements of NMPRC rules, it would support a hearing if the NMPRC desires one. On October 26, 2022, the NMPRC appointed a hearing examiner and a hearing is scheduled to begin April 24, 2023. On December 30, 2022, the hearing examiner issued an order requiring briefing on consolidation of this case into the 2024 Rate Change and PNM and other parties filed responses to the order on January 6, 2023. On January 27, 2023, the hearing examiner issued a recommended decision recommending that the FPPAC Continuation Application be consolidated into the 2024 Rate Change. On January 5, 2023, ABCWUA, Bernalillo County, CCAE, NEE, and WRA filed a joint motion to expand the scope of the case to include a prudence review. PNM cannot predict the outcome of this matter.

Integrated Resource Plans

NMPRC rules require that investor-owned utilities file an IRP every three years. The IRP is required to cover a 20-year planning period and contain an action plan covering the first four years of that period. On September 14, 2022, the NMPRC adopted revisions to the IRP Rule. The final order revamps and modernizes the planning process to accommodate increased stakeholder involvement. The IRP Rule establishes a collaborative facilitated process for a utility and stakeholders to agree on a statement of need for potential new or additional resources, as well as an action plan to guide procurement or development of resources to meet the stated need. A most-cost-effective portfolio of resources shall be derived from the statement of need analysis. The statement of need and action plan must be accepted before the utility begins the resource solicitation process pursuant to the IRP Rule. Following acceptance of the statement of need and action plan, a utility will provide the NMPRC and intervenors drafts of the request for proposals ("RFP") and a timeline for issuing, receiving, evaluating, and ranking bids. The NMPRC will then appoint an Independent Monitor ("IM") to oversee the RFP process, which allows for parties and the IM to comment on the RFP consistency with the IRP, after which the utility issues the RFP. Within 75 days of receiving bids the utility shall provide the IM with results including pricing and non-price evaluation criteria, ranking of bids, chosen portfolio and alternatives that also meet the needs; the IM then rules on the fairness of the RFP execution. Acceptance of the statement of need and action plan will not constitute a finding of prudence or pre-approval of costs associated with the additional resources. Following the RFP and IM processes, the utility may apply approvals, and any costs incurred to implement the action plan will be considered in a general rate case and/or resource acquisition proceeding. On October 14, 2022, PNM and other investor-owned utilities filed motions for rehearing with the NMPRC. On October 26, 2022, the NMPRC issued an order partially granting and partially denying certain aspects of PNM's and the other investor-owned utilities' motions for rehearing. On November 2, 2022, the NMPRC adopted an amended IRP Rule. On December 2, 2022, PNM filed an appeal with the NM Supreme Court of the NMPRC's final order which adopted revisions to the IRP Rule. On January 3, 2023, PNM and two other investor-owned utilities filed statements of issues with the NM Supreme Court. PNM cannot predict the outcome of this matter.

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Abandonment Applications made under the ETA

As discussed in Note 16, the ETA sets a statewide standard that requires investor-owned electric utilities to have specified percentages of their electric-generating portfolios be from renewable and zero-carbon generating resources.

SJGS Abandonment Application

On July 1, 2019, PNM filed a Consolidated Application for the Abandonment and Replacement of SJGS and Related Securitized Financing Pursuant to the ETA (the "SJGS Abandonment Application"). The SJGS Abandonment Application sought NMPRC approval to retire PNM's share of SJGS after the existing coal supply and participation agreements end in June 2022, for approval of replacement resources, and for the issuance of energy transition bonds. PNM's application proposed several replacement resource scenarios. The SJGS Abandonment Application also included a request to issue approximately \$361 million of energy transition bonds (the "Securitized Bonds"). PNM's request for the issuance of Securitized Bonds included approximately \$283 million of forecasted undepreciated investments in SJGS at June 30, 2022, an estimated \$28.6 million for plant decommissioning and coal mine reclamation costs, approximately \$9.6 million in upfront financing costs, and approximately \$20.0 million for job training and severance costs for affected employees. Proceeds from the Securitized Bonds would also be used to fund approximately \$19.8 million for economic development in the Four Corners area.

On July 10, 2019, the NMPRC issued an order requiring the SJGS Abandonment Application be considered in two proceedings: one addressing SJGS abandonment and related financing, and the other addressing replacement resources. Hearings on the abandonment and securitized financing proceedings were held in December 2019 and hearings on replacement resources were held in January 2020. On February 21, 2020, the hearing examiners issued two recommended decisions recommending approval of PNM's proposed abandonment of SJGS, subject to approval of replacement resources, and approval of PNM's proposed financing order to issue Securitized Bonds. The hearing examiners recommended that PNM be authorized to abandon SJGS by June 30, 2022, and to record regulatory assets for certain other abandonment costs that are not specifically addressed under the provisions of the ETA to preserve its ability to recover the costs in a future general rate case. The hearing examiners recommended that this authority only extend to the deferral of the costs and it not be an approval of any ratemaking treatment. The hearing examiners also recommended PNM be authorized to issue Securitized Bonds of up to \$361 million and establish a rate rider to collect non-bypassable customer charges for repayment of the bonds and be subject to bi-annual adjustments (the "Energy Transition Charge"). The hearing examiners recommended an interim rate rider adjustment upon the start date of the Energy Transition Charge to provide immediate credits to customers for the full value of PNM's revenue requirement related to SJGS until those reductions are reflected in base rates. In addition, the hearing examiners recommended PNM be granted authority to establish regulatory assets to recover costs that PNM will pay prior to the issuance of the Securitized Bonds, including costs associated with the bond issuances as well as for severances, job training, economic development, and workforce training. On April 1, 2020, the NMPRC unanimously approved the hearing examiners' recommended decisions regarding the abandonment of SJGS and the related securitized financing under the ETA. On April 10, 2020, CFRE and NEE filed a notice of appeal with the NM Supreme Court of the NMPRC's approval of PNM's request to issue securitized financing under the ETA. On January 10, 2022, the NM Supreme Court issued its decision rejecting CFRE's and NEE's constitutional challenges to the ETA and affirmed the NMPRC final order.

In March 2020, PNMR and PNM recorded obligations of \$9.4 million and \$8.1 million for estimated severances, \$8.9 million for obligations to fund severances and other costs of WSJ LLC employees and to fund \$19.8 million to state agencies for economic development and workforce training. The total amount recorded for these estimates in 2021 was \$36.9 million and \$36.0 million reflected in other current liabilities and \$36.9 million as a corresponding deferred regulatory asset on PNMR's and PNM's Consolidated Balance Sheets at December 31, 2021. In 2022, PNM made payments of \$6.6 million for severances, \$8.9 million for obligations to fund severances and other costs of WSJ LLC employees and funded the \$19.8 million to state agencies and PNMR's and PNM's Consolidated Balance Sheets at December 31, 2022 reflects other current liabilities of \$0.7 million and deferred regulatory assets of \$37.2 million. In addition, PNM recorded \$1.6 million as Regulatory disallowance and restructuring costs on PNMR's and PNM's Consolidated Statements of Earnings for PNM's non-retail share of estimated severance in the year ended December 31, 2022.

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On September 29, 2022, SJGS was removed from service and as a result, PNM made the following adjustments reflected on the Consolidated Balance Sheets as of December 31, 2022:

	<u>Net Increase (decrease)</u> (In thousands)
Current Assets:	
Inventory	\$ (6,430)
Utility Plant:	
Net utility plant	(382,798)
Deferred Charges and Other Assets:	
Regulatory assets - ETA ⁽¹⁾	289,381
Regulatory assets - Non-ETA ⁽²⁾	22,593
Deferred Credits and Other Liabilities:	
Regulatory liabilities ⁽³⁾	(77,254)
	<u>\$ —</u>

⁽¹⁾ To be recovered through the Energy Transition Charge, which includes undepreciated investments of \$274.9 million and plant decommissioning of \$14.5 million, previously reflected in Net utility plant.

⁽²⁾ Authorized to be recorded as regulatory assets for certain other abandonment costs that are not specifically addressed under the provisions of the ETA to preserve its ability to recover the costs in a future general rate case, which includes obsolete inventory of \$6.4 million and plant decommissioning of \$16.2 million, previously reflected in Net utility plant.

⁽³⁾ Includes cost of removal and accelerated depreciation of SNCRs.

On July 29, 2020, the NMPRC issued an order approving resource selection criteria identified in the ETA that would include PPAs for 650 MW of solar and 300 MW of battery storage. On September 28, 2020, PNM filed an application for approval of the final executed contracts for the replacement resources, which was approved by the NMPRC on December 2, 2020. On October 14, 2022, PNM filed a motion for approval of amendments on a 200 MW solar PPA combined with the 100 MW battery storage agreement, as well as a letter agreement with the project developer providing payments to PNM for delay damages. The amendments included price increases on both the solar PPA and battery storage agreement and the commercial operation date extension to May 2024. No party filed objections and the amendments were deemed approved.

On February 28, 2022, WRA and CCAE filed a joint motion for order to show cause and enforce financing order and supporting brief, which requests that the NMPRC order PNM to show cause why its rates should not be reduced at the time SJGS is abandoned and to otherwise enforce the NMPRC's April 1, 2020 final order. On March 14, 2022, PNM filed its response to the joint motion to show cause refuting the movants' claims that the ETA and April 1, 2020 financing order require Securitized Bonds be issued at the time of abandonment and that rates be reduced upon abandonment as not being legally supportable. The movants filed joint replies on March 24, 2022. In response, on March 30, 2022, the NMPRC issued an order appointing hearing examiners to conduct a hearing, if necessary, and to issue a recommended decision to address the issues raised by the motion. PNM filed testimony on April 20, 2022, and a hearing was held on May 23, 2022.

On June 17, 2022, the hearing examiners issued a recommended decision requesting the NMPRC issue an order that would require PNM to:

- Revise its rates to remove all of the costs of SJGS Unit 1 by issuing rate credits of \$21.1 million on an annual basis, to customers by July 1, 2022
- Revise its rates again, to remove all costs of SJGS Unit 1, Unit 4, and common facilities by increasing the rate credits to \$98.3 million on an annual basis, by October 1, 2022
- Transfer payments due and owing to the Indian Affairs Fund, Economic Development Assistance Fund, and the Displaced Workers Assistance Fund within 30 days of the abandonment of SJGS Unit 1
- Include (in its next rate case application) an explanation and defense of the prudence in the timing of the issuance of Securitized Bonds beyond the abandonment dates and what actions were taken to protect customers from interest rate increases occurring as well as the continued marketability of the Securitized Bonds issued

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Following the filing of exceptions and responses, on June 29, 2022, the NMPRC issued its final order adopting and approving the recommended decision in its entirety with certain additions. The additions to the final order include requirements for PNM file a report, no later than October 15, 2022, that contains a record of all of its costs incurred in the show cause proceeding so that the prudence of those costs will be known and be subject to review in PNM's future rate case and that the prudence review shall include a compliance filing to enable a review of the prudence of PNM's decision to delay bond issuance beyond the dates of the SJGS abandonment. On June 29, 2022, PNM filed an Emergency Motion and Supporting Brief for Stay with the NMPRC ("PNM's NMPRC Emergency Motion"). On June 30, 2022, PNM filed a Notice of Appeal and an Emergency Motion for Partial Interim Stay of the NMPRC's Final Order with the NM Supreme Court ("PNM's NM Supreme Court Emergency Motion"). On July 12, 2022, several parties filed responses to PNM's NMPRC Emergency Motion. On July 21, 2022, the NMPRC adopted an order denying PNM's NMPRC Emergency Motion. Subsequently, on July 25, 2022, PNM filed another emergency motion seeking an immediate and ongoing stay from the NM Supreme Court for the pendency of the appeal. In the interim, PNM began issuing rate credits effective July 31, 2022. On July 28, 2022, PNM made payments totaling \$19.8 million to the Indian Affairs Fund, Economic Development Assistance Fund, and the Displaced Workers Assistance Fund. On September 2, 2022, the NM Supreme Court issued an order granting PNM's July 25, 2022 motion for partial stay and as a result PNM suspended issuing rate credits. On October 11, 2022, WRA filed a motion for emergency oral argument in PNM's NM Supreme Court Emergency Motion. On October 14, 2022, PNM made its required compliance filing under the NMPRC's June 29, 2022 final order. On November 1, 2022, the NM Supreme Court issued an order continuing the partial stay of the rate credits during the pendency of the appeal. On November 15, 2022, PNM filed a supplemental compliance filing to its October 14, 2022 compliance filing. On November 21, 2022, NEE filed a motion for rehearing and to lift the stay and WRA, CCAE, Prosperity Works, the NMAG and Bernalillo County filed a joint motion for rehearing with the NM Supreme Court in PNM's appeal of the NMPRC's final order in the SJGS financing order to show cause. On December 22, 2022, the NM Supreme Court issued an order denying the motions for rehearing. PNM cannot predict the outcome of this matter.

As required under GAAP, PNM evaluated the consequences of the NMPRC's June 29, 2022 order and the related NM Supreme Court appeal and order granting the stay, as well as the subsequent motions and the hearing examiners order filed in the 2024 Rate Change. Specifically, PNM assessed the likelihood PNM would be required to establish a regulatory liability for the benefit of the rate credits and the associated carrying charge during the pendency of the stay. These evaluations indicate that it is reasonably possible that PNM would be successful on the issues it was appealing and defending at the NMPRC, and therefore, no loss or regulatory liability has been recorded as of December 31, 2022. The amount of any such loss to be recorded would depend on the ultimate outcome of the appeal, however based on amounts currently included in base rates, discussed above, PNM estimates the potential loss as of December 31, 2022 to be \$28.7 million.

Four Corners Abandonment Application

On November 1, 2020, PNM entered into the Four Corners Purchase and Sale Agreement with NTEC, pursuant to which PNM agreed to sell its 13% ownership interest (other than certain transmission assets) in Four Corners to NTEC. The sale is contingent upon NMPRC approval and is expected to close by the end of 2024. In connection with the sale, PNM would make payments of \$75.0 million to NTEC for relief from its obligations under the coal supply agreement for Four Corners after December 31, 2024. Pursuant to the Four Corners Purchase and Sale Agreement, PNM would retain its current plant decommissioning and coal mine reclamation obligations. PNM made an initial payment to NTEC of \$15.0 million in November 2020, subject to refund with interest upon termination of the Four Corners Purchase and Sale Agreement prior to closing. Under the terms of the Four Corners Purchase and Sale Agreement, upon receipt of the NMPRC approval, PNM would make a final payment of \$60.0 million. The initial \$15.0 million payment is recorded in other deferred charges on the Consolidated Balance Sheet as of December 31, 2022 and 2021.

On January 8, 2021, PNM filed the Four Corners Abandonment Application, which sought NMPRC approval to exit PNM's share of Four Corners as of December 31, 2024, and issuance of approximately \$300 million of Securitized Bonds as provided by the ETA. PNM's request for the issuance of Securitized Bonds included approximately \$272 million of forecasted undepreciated investments in Four Corners at December 31, 2024, an estimated \$4.6 million for plant decommissioning costs, an estimated \$7.3 million in upfront financing costs, and an estimated \$16.5 million for economic development in the Four Corners area. PNM intends to submit a separate application for NMPRC approval of a replacement resource portfolio following NMPRC action on this application.

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On March 15, 2021, PNM filed an amended application and supplemental testimony for the approval of the abandonment and transfer of Four Corners and issuance of a financing order pursuant to the ETA and a motion to withdraw the January 8, 2021 Four Corners Application. The amended application and supplemental testimony provided additional information to support PNM's request to abandon its interest in Four Corners and transfer that interest to NTEC, and also provided additional detail explaining how the proposed sale and abandonment provides a net public benefit.

On November 12, 2021, the hearing examiner issued a recommended decision recommending approval of the Four Corners Abandonment Application and the corresponding request for issuance of securitized financing. On December 15, 2021, the NMPRC issued a final order rejecting the hearing examiner's recommended decision and denying approval of the Four Corners Abandonment Application and the corresponding request for issuance of securitized financing. In its order, the NMPRC concluded that PNM needed to conduct a review of the actual replacement resource portfolio and determined that the record was insufficient to determine the prudence of PNM's investments in Four Corners. On December 22, 2021, PNM filed a notice of appeal with the NM Supreme Court of the NMPRC decision to deny the application. On January 21, 2022, PNM filed a statement of issues outlining the arguments for appeal asserting, among other things, that the NMPRC misinterpreted and improperly applied the ETA in concluding that the NMPRC needed to review the actual replacement resource portfolio before authorizing abandonment and that the NMPRC improperly deferred the issue of prudence with respect to certain of PNM's investments in Four Corners, where other parties were given the opportunity to present evidence and failed to demonstrate PNM was imprudent in its decisions. On March 24, 2022, PNM filed its Brief in Chief and answer briefs were filed on May 9, 2022. On June 17, 2022, PNM filed its Consolidated Reply Brief. The NM Supreme Court has scheduled oral arguments to be held on March 27, 2023.

GAAP requires a loss be recognized when it is probable that a loss has been incurred and the amount of loss can be reasonably estimated. As of December 31, 2022, PNM evaluated the NMPRC order in the Four Corners Abandonment Application and determined it was reasonably possible that PNM would be successful in recovery of its undepreciated investment in a future proceeding. Therefore, no loss has been recorded.

The financial impact of an early exit of Four Corners and the NMPRC approval process is influenced by many factors outside of PNM's control, including the overall political and economic conditions of New Mexico. See additional discussion of the ETA in Note 16. PNM cannot predict the outcome of these matters.

PVNGS Leased Interest Abandonment Application

On April 2, 2021, PNM filed the PVNGS Leased Interest Abandonment Application, an application for the sale and transfer of related assets, and approval to procure new resources. As discussed in Note 8, PNM had Leased Interest under five separate leases that were approved and certificated by the predecessor agency to the NMPRC in the 1980s. Four of the five leases for 104 MW of Leased Interest terminated in January 2023, while the remaining lease for 10 MW of Leased Interest terminates in January 2024. Associated with the Leased Interest are certain PNM-owned assets and nuclear fuel that are necessary for the ongoing operation and maintenance of the Leased Interest and integration of the Leased Interest generation to the transmission network. PNM determined that there will be net benefits to its customers to return the Leased Interest to the lessors in conformity with the leases, sell and transfer the related PNM-owned assets, and to replace the Leased Interest with new resources. In the application, PNM requested NMPRC authorization to decertify and abandon its Leased Interest and to create regulatory assets for the associated remaining undepreciated investments with consideration of cost recovery of the undepreciated investments in a future rate case. PNM also sought NMPRC approval to sell and transfer the PNM-owned assets and nuclear fuel supply associated with the Leased Interest to SRP, which will be acquiring the Leased Interest from the lessors upon termination of the existing leases. In addition, PNM sought NMPRC approval for a 150 MW solar PPA combined with a 40 MW battery storage agreement, and a stand-alone 100 MW battery storage agreement to replace the Leased Interest. To ensure system reliability and load needs are met in 2023, when a majority of the leases expire, PNM also requested NMPRC approval for a 300 MW solar PPA combined with a 150 MW battery storage agreement. PNM's application sought a six-month regulatory time frame.

On April 21, 2021, the NMPRC issued an order assigning a hearing examiner and stated PNM's request to abandon the Leased Interest does not have any statutory or rule time limitation and the six-month limit in which the NMPRC must issue an order regarding the request for approvals of the solar PPAs and battery storage agreements does not begin until after the NMPRC acts on the abandonment request. The NMPRC's April 21, 2021, order also stated that issues reserved to a separate proceeding in the NM 2015 Rate Case regarding the

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decision to permanently disallow recovery of certain future decommissioning costs related to PVNGS Units 1 and 2 shall be addressed in this case and PNM shall file testimony addressing the issue. On June 28, 2021, NEE and CCAE jointly filed a motion to dismiss a portion of the application claiming that since PNM's request to abandon the Leased Interest was filed after PNM had already provided irrevocable notice it would not acquire the Leased Interest, abandonment is no longer required. On July 28, 2021, the hearing examiner issued a recommended decision on NEE's and CCAE's joint motion to dismiss, recommending dismissal of PNM's requests for approval to abandon and decertify the Leased Interest; dismissal of PNM's request for approval to sell and transfer the related assets; and dismissal of PNM's request to create regulatory assets for the associated remaining undepreciated investments, but did not preclude PNM seeking recovery of the costs in a general rate case in which the test year period includes the time period in which PNM incurs such costs. The hearing examiner's recommended decision further provides that PNM's request for replacement and system reliability resources and the decision to permanently disallow recovery of certain future decommissioning costs related to PVNGS Units 1 and 2 should remain within the scope of this case.

On August 25, 2021, the NMPRC issued an order granting portions of the July 28, 2021 recommended decision that were not contested related to dismissal of PNM's request for approval to abandon and decertify the Leased Interest and dismissal of PNM's request for approval to sell and transfer the related assets. In addition, the order bifurcated the issue of approval for the two PPAs and three battery storage agreements into a separate docket so it may proceed expeditiously. On September 8, 2021, the NMPRC issued an order on the remaining issues in the recommended decision. The order found that PNM's request for a regulatory asset to record costs associated with obtaining an abandonment order should be dismissed. However, the requests for regulatory assets associated with the remaining undepreciated investments should be addressed at an evidentiary hearing. On September 20, 2021, ABCWUA, Bernalillo County, NEE, and the NMAG filed a joint motion to reconsider the September 8, 2021 NMPRC order. Also, on September 20, 2021, PNM filed a motion for rehearing of the September 8, 2021 order stating that certain requirements of the order would lead to compromising PNM's First Amendment rights. On October 6, 2021, the NMPRC issued an order granting the motions for reconsideration and vacated the September 8, 2021 order, without specifically addressing issues raised in the motions.

On November 1, 2022, ABCWUA, Bernalillo County, CCAE, NEE, NM AREA, the NMAG, WRA, and Staff filed a joint motion for an accounting order to require PNM to track in a regulatory liability, all costs associated with the PVNGS Leased Interests that will be abandoned in January 2023 and January 2024 that are still being collected in rates, which PNM opposes. On November 18, 2022, the NMPRC issued its order on joint motion for an accounting order requiring PNM to establish a regulatory liability to track and account for, upon termination of the PVNGS leases, all costs currently borne by ratepayers associated with those leases during pendency of the 2024 Rate Change, subject to a determination of ratemaking treatment. In addition, PNM may establish a regulatory asset account to record undepreciated investment for improvements to the Unit 1 and Unit 2 Leased Interests upon termination of the leases, and to record cost differences in the proceeds from SRP for the sale of the PVNGS Leased Assets and the actual book value. Recovery of these items will be determined in the 2024 Rate Change. In the 2024 Rate Change, PNM must also address unresolved issues including whether PNM's decision to renew the five leases and repurchase 64.1 MW of PVNGS Unit 2 capacity exposed ratepayers to additional financial liability beyond that to which they would otherwise have been exposed, and whether PNM should be denied recovery of future decommissioning expenses as a remedy for imprudence. See 2024 Rate Change discussion above.

PNM is evaluating the consequences of the NMPRC's November 18, 2022 order, as required under GAAP, and whether it should establish a regulatory liability in 2023 to account for revenue collected from ratepayers during the pendency of the 2024 Rate Change. In addition, PNM is evaluating whether it should establish a regulatory asset account to record undepreciated investment for improvements to the Unit 1 and Unit 2 Leased Interests upon termination of the leases in January 2023 and 2024.

The hearing on the two PPAs and three battery storage agreements was held on November 12 and 15, 2021 and December 3, 2021 and post-hearing briefing was completed on January 18, 2022. On February 14, 2022, the hearing examiner issued a recommended decision recommending the NMPRC approve the 150 MW solar PPA combined with a 40 MW battery storage agreement, the stand-alone 100 MW battery storage agreement, and the 300 MW solar PPA combined with a 150 MW battery storage agreement. On February 16, 2022, the NMPRC adopted an order approving the recommended decision. On April 15, 2022, PNM made a compliance filing with the NMPRC in which it updated the NMPRC on the status of the PPAs and the battery storage agreements listed above. On June 16, 2022, PNM made a second compliance filing on the status of PPAs and battery storage agreements notifying the NMPRC that none of the developers of the two PPAs and

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three battery storage agreements have moved forward under the terms of the agreements approved by the NMPRC on February 16, 2022, and none of the replacement resource projects would be operational in 2023. All five projects will have significant delays and price increases as evidenced in the current alternative offers from the developers. PNM entered into amendments to the 300 MW solar PPA combined with a 150 MW battery storage agreement and proposed those amendments to the NMPRC for approval in a filing with the NMPRC on June 24, 2022. PNM determined the terms offered by the 150 MW solar PPA combined with a 40 MW battery storage agreement and the stand-alone 100 MW battery storage agreement are not satisfactory in comparison with other potential projects that might be utilized instead, and PNM did not support the proposed amendments to those agreements in the June 24, 2022 filing. No party filed objections following PNM's June 24, 2022 filing and pursuant to the NMPRC's February 16, 2022 order the 300 MW solar PPA combined with 150 MW battery storage agreement and the decision not to proceed with the other agreements, are deemed approved. On September 2, 2022, PNM entered into amendments to the 150 MW battery storage agreement to increase the capacity to 300 MW and proposed those amendments to the NMPRC for approval. On September 8, 2022, the NMPRC issued an order to extend the 10-day period for filing for an additional two days. No party filed objections within 12 days following PNM's September 2, 2022 filing and pursuant to the NMPRC's February 16, 2022 order the 300 MW solar battery storage agreement was deemed approved. PNM anticipates these facilities will be in service in 2024.

In addition to approval by the NMPRC, PNM and SRP received NRC approval for the transfer of the associated possessory licenses at the end of the term of each of the respective leases.

Summer Peak Resource Adequacy

Throughout 2021 and continuing into 2022, PNM provided notices of delays and status updates to the NMPRC for the approved SJGS replacement resource projects. All four project developers had notified PNM that completion of the projects would be delayed and no longer available for most, if any of the 2022 summer peak load period. The delays in the SJGS replacement resources, coupled with the abandonment of SJGS Units 1 and 4 presented a risk that PNM would have insufficient operational resources to meet the 2022 summer peak to reliably serve its customers if PNM was unable to find additional generation resources. PNM entered into three agreements to purchase power from third parties in the second half of 2021 to minimize potential impacts to customers; the purchase of 85 MW, unit contingent from Four Corners for June through September of 2022; the purchase of 150 MW, firm power in June and September 2022; and the purchase of 40 MW, unit contingent from PVNGS Unit 3 for the full year of 2022. Even after accounting for these additional contracts, PNM projected a very low system reserve margin during the 2022 summer peak. As a result, on February 17, 2022, PNM filed a Notice and Request for Modification to or Variance from Abandonment Date for SJGS Unit 4 with the NMPRC. The filing provided notice that PNM had obtained agreement from the SJGS owners and WSJ LLC to extend operation of Unit 4 until September 30, 2022. SJGS Unit 4 provided 327 MW of capacity and improved PNM's projected system reserve margin. On February 23, 2022, the NMPRC issued an order finding that PNM did not require NMPRC approval to extend operation of SJGS Unit 4 for an additional three-month period. The NMPRC's order states that issues regarding the prudence or reasonableness of the decisions made, actions taken by PNM, and recoverability of costs related to the continued operation of SJGS Unit 4, including fuel costs collected through PNM's FPPAC, shall be subject to review in a future proceeding. On February 25, 2022, an amended San Juan Project Participation Agreement was filed with FERC. On March 18, 2022, PNM filed its compliance notice updating its January 26, 2022 compliance notice indicating that 65 MW of SJGS Unit 4 owned as a deregulated merchant resource would be available to PNM retail operations on a system contingent basis, which further increased PNM's projected system reserve margin during the 2022 summer peak. On March 24, 2022, FERC accepted the amended SJGS participation agreement. While PNM experienced a new system peak retail load of 2,139 MW on July 19, 2022, PNM's generation resources performed sufficiently with no significant challenges to resource adequacy during the 2022 summer peak season.

PNM faces similar concerns in the summer of 2023 as a result of continued delays in the SJGS replacement resources as well as delays in replacement resources for the PVNGS leased capacity that expires in January 2023. As discussed above, PNM has made a number of compliance filings with the NMPRC on the status of the SJGS and PVNGS leased capacity interest replacement resources. On January 30, 2023, PNM informed the NMPRC that it had provided written notice to one of the SJGS replacement resource developers for 100 MW solar PPA and a 30 MW battery storage agreement of an event of seller default and of early termination and as a result the project would not proceed. In the second half of 2022, PNM entered into agreements totaling 270 MW of firm power purchases for June through September 2023, and the purchase of 40 MW of firm capacity at PVNGS for all twelve months of 2023, providing PNM with a projected system reserve margin with a range of

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10.3% to 6.0% for the 2023 summer peak period. PNM continues to evaluate other potential firm power agreements with various providers, as well as all potential short-term resource options to address these resource adequacy concerns. PNM is unable to predict the outcome of this matter.

Grid Modernization Application

On October 3, 2022, in compliance with New Mexico Grid Modernization Statute, PNM filed its Grid Modernization Application with the NMPRC. The projects included in the Grid Modernization Application improve customers' ability to customize their use of energy and ensure that customers, including low-income customers, are a top priority and will benefit consistent with the Grid Modernization Statute. PNM's proposal to modernize its electricity grid through infrastructure and technology improvements also increases the efficiency, reliability, resilience, and security of PNM's electric system. PNM's application seeks approval of grid modernization investments of approximately \$344 million for the first six years of a broader 11-year strategy. PNM's application requested NMPRC approval by July 1, 2023 for PNM's grid modernization plan in addition to approval of PNM's proposed Grid Modernization Rider by September 1, 2023. The proposed Grid Modernization Rider would recover capital costs, operating expenses, and taxes associated with the investments included in the Grid Modernization Application. PNM also requested authorization to create related regulatory assets and liabilities, permitting PNM to record costs incurred for the development and implementation of PNM's plan between the requested approval of the application on July 1, 2023, and the implementation of the Grid Modernization Rider by September 1, 2023; undepreciated investments associated with legacy meters being replaced with AMI meters; and over- or under-collection of costs through the Grid Modernization Rider. In addition, PNM requested approval of the proposed format of an Opt-Out Consent Form and methodology to determine PNM's proposed cost-based opt-out fees, which includes a one-time fee and a monthly fee. On October 25, 2022, the hearing examiner issued a procedural schedule with a hearing to begin March 20, 2023. PNM is unable to predict the outcome of this matter.

COVID-19 Regulatory Matters

On June 24, 2020, the NMPRC issued an order authorizing all public utilities regulated by the NMPRC to create a regulatory asset to defer incremental costs related to COVID-19, including increases to bad debt expense incurred during the period beginning March 11, 2020 through the termination of the Governor of New Mexico's emergency executive order. The NMPRC order requires public utilities creating regulatory assets to pursue all federal, state, or other subsidies available, to record a regulatory liability for all offsetting cost savings resulting from the COVID-19 pandemic, and allows PNM to request recovery in future ratemaking proceedings. As a result, PNM has deferred bad debt expense related to COVID-19 of \$5.7 million and \$6.9 million in regulatory assets on the Consolidated Balance Sheets at December 31, 2022 and 2021. Although PNM is seeking recovery for the increase in bad debt expense resulting from COVID-19 through a regulatory asset in the 2024 Rate Change, it no longer intends to seek recovery of other incremental costs related to the pandemic and therefore, reversed regulatory assets of \$2.7 million previously deferred at December 31, 2020. In addition, PNM has cost savings related to COVID-19 of \$0.9 million in regulatory liabilities on the Consolidated Balance Sheets at both December 31, 2022 and 2021.

The Community Solar Act

In June 2021, the Community Solar Act established a program that allows for the development of community solar facilities and provides customers of a qualifying utility with the option of accessing solar energy produced by a community solar facility in accordance with the Community Solar Act. The NMPRC is charged with administering the Community Solar Act program, establishing a total maximum capacity of 200 MW community solar (applicable until November 2024) facilities and allocating proportionally to the New Mexico electric investor-owned utilities and participating cooperatives. As required under the Community Solar Act, the NMPRC opened a docket on May 12, 2021 to adopt rules to establish a community solar program no later than April 1, 2022. On June 15, 2021, the NMPRC issued an order which required utilities provide a notice to all future applicants and to any likely applicants that, until the effective date of the NMPRC's rules in this area the NMPRC's existing interconnection rules and manual remain in place until amended or replaced by the NMPRC, and further, that a place in a utility's applicant queue for interconnection does not and will not provide any advantage for selection as a community solar project. PNM has provided the required notices. On October 27, 2021, the NMPRC adopted an order issuing a NOPR starting the formal process for adoption of rules pursuant to the Community Solar Act. On March 30, 2022, the NMPRC issued an order that adopted a rule on the administration of the Community Solar Act program. The rule requires utilities to file proposed community solar tariffs with the NMPRC within 60

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days from the publication of the rule. A number of motions for rehearing and requests for clarification were filed between April 7 and May 2, 2022. On May 18, 2022, the NMPRC issued an order partially granting motions for rehearing, reconsideration and clarification and staying implementation pending further rulemaking. On June 16, 2022, PNM requested clarification related to the existing interconnection queue, which would not delay implementation of the Community Solar Act program. On July 12, 2022, the NMPRC provided notice of publication of its final rule in the New Mexico Register, starting the 60-day clock for utilities to file their proposed community solar tariffs, forms, and other relevant agreements. On September 14, 2022, PNM filed Community Solar tariffs. On October 12, 2022, the NMPRC issued an order to suspend PNM's and two other investor-owned utilities tariffs and required the utilities to file information Staff has identified as necessary for a complete evaluation of the tariffs but did not appoint a hearing examiner or schedule a public hearing. Another investor-owned utility has filed an appeal with the NM Supreme Court seeking review of the NMPRC's decisions. On November 16, 2022, PNM filed its Community Solar tariff which establishes the Community Solar bill credit to be applied to an eligible retail customer of PNM who is a subscriber to a community solar facility. On December 23, 2022, PNM filed an updated Community Solar tariff under protest and filed a motion for clarification, suspension, and timely hearing on PNM's Community Solar tariff. On January 18, 2023, the NMPRC suspended PNM's Community Solar tariff. PNM cannot predict the outcome of the pending matters.

Formula Transmission Rates

PNM charges wholesale electric transmission service customers using a formula rate mechanism pursuant to which wholesale transmission service rates are calculated annually in accordance with an approved formula. The formula reflects a ROE of 10% and includes updating cost of service components, including investment in plant and operating expenses, based on information contained in PNM's annual financial report filed with FERC, as well as including projected large transmission capital projects to be placed into service in the following year. The projections included are subject to true-up in the following year formula rate. Certain items, including changes to return on equity and depreciation rates, require a separate filing to be made with FERC before being included in the formula rate. On June 1, 2022, PNM submitted an informational filing regarding the annual update to FERC. The new rates are effective June 1, 2022 through May 31, 2023.

On April 21, 2022, FERC instituted a show cause proceeding under Section 206 of the Federal Power Act to investigate the justness and reasonableness of PNM's transmission formula rate protocols. The order directs PNM, within 60 days to revise its formula rate protocols to provide interested parties the information necessary to understand and evaluate the implementation of the formula rate for both the correctness of inputs and calculations, and the reasonableness and prudence of the costs to be recovered in the formula rate or show cause why it should not be required to do so. On June 21, 2022, PNM submitted a compliance filing pursuant to FERC's April 21, 2022 order, which proposes modifications to its formula rate protocols to enhance and provide greater transparency to its customers as well as fix other ministerial issues. On August 12, 2022, FERC Staff issued a deficiency letter to PNM's June 21, 2022 compliance filing seeking minor adjustments and additional clarity. On September 9, 2022, PNM filed a response to FERC's deficiency letter making adjustments to its June 21, 2022 proposal and providing additional clarity. On September 23, 2022, the DOE filed comments to PNM's deficiency letter response. On October 13, 2022, PNM responded to comments raised by the DOE. On November 8, 2022, FERC issued an order accepting PNM's proposed tariff revisions, effective June 22, 2022, as requested, thereby terminating the April 21, 2022 proceeding under section 206 of the Federal Power Act. This matter is now concluded.

FERC Compliance

PNM conducted a comprehensive internal review of its filings with FERC regarding the potential timely filing of certain agreements that contained deviations from PNM's standard form of service agreement in its OATT and assessing any applicable FERC waivers or refund requirements. Upon completion of the comprehensive review, PNM identified service agreements containing provisions that do not conform to the standard form of agreement on file with FERC. On March 18 and March 21, 2022, PNM filed applications with FERC requesting acceptance of certain agreements as well as rejection of other service agreements and further requesting that FERC not assess time-value refunds on the accepted agreements. On May 17, 2022, FERC issued two delegated letter orders accepting the service agreements and requiring PNM to pay the time-value refunds on the revenues it received on unaffiliated, late-filed, service agreements which contained language alleged to be non-conforming.

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On June 16, 2022, PNM filed two requests for rehearing on the two proceedings. In the first proceeding, PNM argues that FERC has failed to address PNM's request for waiver of unlawful time-value refunds requiring PNM to pay its customers approximately \$7 million, for a ministerial error. In this proceeding, PNM waived the requirement for a customer to reimburse PNM for line losses and limited the rollover rights of another customer, which was not specifically addressed under the OATT. In the second proceeding, PNM argues that FERC's assessment of approximately \$28 million in unlawful, time-value refunds is in error and FERC failed to address the substantive arguments regarding why the agreements do not materially deviate from the OATT and as such were not required to be filed with FERC. In this proceeding, PNM had non-material deviations to certain provisions of the service agreements which were consistent with the OATT. Also on June 16, 2022, FERC granted PNM's request for a 75-day extension for PNM to issue refunds and an additional 30 days thereafter to prepare and file refund reports. On July 18, 2022, FERC issued two notices of denial of rehearing by operations of law and providing for further consideration. On July 29, 2022, PNM filed two separate petitions for reviews of the FERC's May 17, 2022 delegated letter orders, with the DC Court of Appeals. On August 23, 2022, FERC granted PNM's request for a 45-day extension for PNM to issue refunds and an additional 30 days thereafter to prepare and file refund reports. On August 30, 2022, FERC filed with the DC Court of Appeals to consolidate the proceedings and hold the petitions for review in abeyance until the earlier of (i) the issuance of the rehearing orders or (ii) October 30, 2022. PNM filed another motion, which was granted by FERC, for extension to issue time value refunds to December 1, 2022, with reports due on January 3, 2023.

On November 21, 2022, FERC issued an order on rehearing that required PNM to pay its customers approximately \$8.1 million in time-value refunds. On November 28, 2022, PNM filed an unopposed motion for voluntary dismissal with the United States Court of Appeals for the District of Columbia of its petitions for review, which was granted on December 22, 2022. In the fourth quarter of 2022, PNM made payments totaling \$8.1 million to customers which were recorded as a reduction to electric operating revenues on the Consolidated Statements of Earnings. This matter is now concluded.

FERC Order 864

In November 2019, FERC issued Order No. 864, which required public utility transmission providers with transmission formula rates to revise those rates to account for changes resulting from the Tax Cuts and Jobs Act of 2017 (the "Tax Act"). PNM had already made revisions to its formula rate to account for Tax Act changes, and, as a result of the Order, PNM proposed additional changes to its formula rate to implement the remaining requirements of the Order. In July 2022, FERC issued an order finding that PNM had predominantly complied with the requirements, but set aside certain matters for settlement and hearing procedures. PNM is unable to determine the outcome of this matter.

TNMP

Energy Efficiency

TNMP recovers the costs of its energy efficiency programs through an energy efficiency cost recovery factor ("EECRF"), which includes projected program costs, under or over collected costs from prior years, rate case expenses, and performance bonuses (if the programs exceed mandated savings goals).

The following sets forth TNMP's EECRF increases:

Effective Date	Aggregate Collection Amount	Performance Bonus
(In millions)		
March 1, 2020	\$ 5.9	\$ 0.8
March 1, 2021	5.9	1.0
March 1, 2022	7.2	2.3

On May 27, 2022, TNMP filed its request to adjust the EECRF to reflect changes in costs for 2023. The total amount requested was \$7.4 million, which includes a performance bonus of \$1.9 million based on TNMP's energy efficiency achievements in the 2021 plan year. On August 24, 2022, a unanimous stipulation and

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settlement was filed with the PUCT to recover \$7.3 million in 2023, including the performance bonus of \$1.9 million. On October 6, 2022, the PUCT approved the unanimous stipulation.

Transmission Cost of Service Rates

TNMP can update its TCOS rates twice per year to reflect changes in its invested capital although updates are not allowed while a general rate case is in process. Updated rates reflect the addition and retirement of transmission facilities, including appropriate depreciation, federal income tax and other associated taxes, and the approved rate of return on such facilities. The following sets forth TNMP's recent interim transmission cost rate increases:

Effective Date	Approved Increase in Rate Base	Annual Increase in Revenue
(In millions)		
March 27, 2020	\$ 59.2	\$ 7.8
October 7, 2020	10.8	2.0
March 12, 2021	112.6	14.1
September 20, 2021	41.2	6.3
March 25, 2022	95.6	14.2
September 22, 2022	36.0	5.3

On January 23, 2023, TNMP filed an application to further update its transmission rates, which would increase revenues by \$19.4 million annually, based on an increase in rate base of \$150.5 million. The application is pending before the PUCT.

Periodic Distribution Rate Adjustment

PUCT rules permit interim rate adjustments to reflect changes in investments in distribution assets. Distribution utilities may file for a periodic rate adjustment between April 1 and April 8 of each year as long as the electric utility is not earning more than its authorized rate of return using weather-normalized data. Utilities are limited to four periodic interim distribution rate adjustments between general rate cases.

On April 5, 2021, TNMP filed its 2021 DCOS that requested an increase in TNMP annual distribution revenue requirement of \$14.0 million based on an increase in rate base of \$104.5 million. On July 1, 2021, TNMP reached a unanimous settlement agreement with parties that would authorize TNMP to collect an increase in annual distribution revenues of \$13.5 million beginning in September 2021, which was approved by the PUCT. On April 5, 2022, TNMP filed its 2022 DCOS that requested an increase in TNMP annual distribution revenue requirement of \$9.7 million based on an increase in rate base of \$100.7 million. TNMP reached a unanimous settlement agreement in principle with parties that would authorize TNMP to collect an increase in annual distribution revenues of \$6.8 million. The reduction from the filed increase reflects removal of AMS technological upgrades from the current year's DCOS revenue requirement, but allows for deferral of operating costs to a regulatory asset, along with carrying charges. The regulatory asset and AMS technological upgrades can be included in future DCOS or general rate filings. On July 18, 2022, the ALJ issued an order approving interim rates based on an increase in the annual distribution revenue requirement of \$6.8 million, effective September 1, 2022. On November 3, 2022, the PUCT approved the unanimous settlement.

AMS Reconciliation

On July 14, 2021, TNMP filed a request with the PUCT to consider and approve its final reconciliation of the costs spent on the deployment of AMS from April 1, 2018 through December 31, 2018 of \$9.0 million and approve appropriate carrying charges until full collection. On September 13, 2021, the PUCT Staff filed a recommendation for approval of TNMP's application for substantially all costs from April 1, 2018 through December 31, 2018. On February 10, 2022, the PUCT approved substantially all costs included in TNMP's AMS reconciliation application. TNMP will include recovery of these costs and associated carrying charges in a future general rate proceeding.

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(18) Income Taxes

Federal Income Tax Reform

In 2017, comprehensive changes in U.S. federal income taxes were enacted through legislation commonly known as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act made many significant modifications to the tax laws, including reducing the federal corporate income tax rate from 35% to 21% effective January 1, 2018. The Tax Act also eliminated federal bonus depreciation for utilities, limited interest deductibility for non-utility businesses and limited the deductibility of officer compensation. During 2020, the IRS issued final regulations related to certain officer compensation and, in January 2021, issued final regulations on interest deductibility that provide a 10% "de minimis" exception that allows entities with predominantly regulated activities to fully deduct interest expenses. In addition, in 2020, the IRS finalized regulations interpreting Tax Act amendments to depreciation provisions of the Internal Revenue Code ("IRC") that allowed the Company to claim a bonus depreciation deduction on certain construction projects placed in service subsequent to the third quarter of 2017.

As a result of the change in the federal income tax rate, the Company re-measured and adjusted its deferred tax assets and liabilities as of December 31, 2017. The portion of that adjustment not related to PNM's and TNMP's regulated activities was recorded as a reduction in net deferred tax assets and an increase in income tax expense. The portion related to PNM's and TNMP's regulated activities was recorded as a reduction in net deferred tax liabilities and an increase in regulatory liabilities.

Beginning February 2018, PNM's NM 2016 Rate Case reflected the reduction in the federal corporate income tax rate, including amortization of excess deferred federal and state income taxes. In accordance with the order in that case, PNM is returning the protected portion of excess deferred federal income taxes to customers over the average remaining life of plant in service as of December 31, 2017 and the unprotected portion of excess deferred federal income taxes to customers over a period of approximately twenty-three years. In the 2024 Rate Change, PNM has proposed returning the unamortized unprotected portion of excess deferred federal income taxes to customers over a five-year period, beginning when rates from the case go into effect. Excess deferred state income taxes were returned to customers over a three-year period, which concluded in the first quarter of 2021. The approved settlement in the TNMP 2018 Rate Case includes a reduction in customer rates to reflect the impacts of the Tax Act beginning on January 1, 2019. PNMR, PNM, and TNMP amortized federal and state excess deferred income taxes of \$23.6 million, \$14.4 million, and \$9.2 million in 2022.

PNMR

PNMR's income taxes consist of the following components:

	Year Ended December 31,		
	2022	2021	2020
	(In thousands)		
Current federal income tax	\$ —	\$ —	\$ —
Current state income tax	1,597	1,835	231
Deferred federal income tax	18,413	20,679	17,574
Deferred state income tax	7,302	11,315	3,721
Amortization of accumulated investment tax credits	(1,182)	(1,247)	(890)
Total income taxes	<u>\$ 26,130</u>	<u>\$ 32,582</u>	<u>\$ 20,636</u>

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PNMR's provision for income taxes differed from the federal income tax computed at the statutory rate for each of the years shown. The differences are attributable to the following factors:

	Year Ended December 31,		
	2022	2021	2020
	(In thousands)		
Federal income tax at statutory rates	\$ 44,375	\$ 51,330	\$ 43,670
Amortization of accumulated investment tax credits	(1,182)	(1,247)	(890)
Amortization of excess deferred income tax	(23,599)	(24,484)	(30,723)
Flow-through of depreciation items	2,795	798	1,368
(Earnings) attributable to non-controlling interest in Valencia	(3,176)	(3,253)	(2,943)
State income tax, net of federal (benefit)	6,826	9,660	6,961
Allowance for equity funds used during construction	(2,898)	(2,776)	(2,363)
Regulatory recovery of prior year impairments of state net operating loss carryforward, including amortization	—	—	1,367
Allocation of tax (benefit) related to stock compensation awards	91	(788)	(392)
Non-deductible compensation	1,125	899	2,630
Transaction costs	74	848	—
Other	1,699	1,595	1,951
Total income taxes	\$ 26,130	\$ 32,582	\$ 20,636
Effective tax rate	12.37 %	13.33 %	9.92 %

The components of PNMR's net accumulated deferred income tax liability were:

	December 31,	
	2022	2021
	(In thousands)	
Deferred tax assets:		
Net operating loss	\$ 85,382	\$ 32,441
Regulatory liabilities related to income taxes	98,371	120,651
Federal tax credit carryforwards	122,557	122,436
Regulatory disallowances	28,037	38,835
Other	33,849	34,812
Total deferred tax assets	368,196	349,175
Deferred tax liabilities:		
Depreciation and plant related	(801,022)	(787,295)
Investment tax credit	(96,227)	(97,409)
Regulatory assets related to income taxes	(77,013)	(78,211)
Pension	(40,651)	(40,828)
Regulatory asset for shutdown of SJGS Units 2 and 3	(24,048)	(25,643)
Regulatory asset SJGS investment	(69,828)	—
Other	(82,238)	(84,639)
Total deferred tax liabilities	(1,191,027)	(1,114,025)
Net accumulated deferred income tax liabilities	\$ (822,831)	\$ (764,850)

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The following table reconciles the change in PNMR's net accumulated deferred income tax liability to the deferred income tax included in the Consolidated Statement of Earnings:

	Year Ended December 31, 2022
	(In thousands)
Net change in deferred income tax liability per above table	\$ 57,981
Change in tax effects of income tax related regulatory assets and liabilities	(7,546)
Amortization of excess deferred income tax	(23,599)
Tax effect of mark-to-market adjustments	(1,359)
Tax effect of excess pension liability	(645)
Adjustment for uncertain income tax positions	1,439
Reclassification of unrecognized tax benefits	(1,439)
Other	(299)
Deferred income tax	<u>\$ 24,533</u>

PNM

PNM's income taxes (benefit) consist of the following components:

	Year Ended December 31,		
	2022	2021	2020
	(In thousands)		
Current federal income tax (benefit)	\$ (13,533)	\$ —	\$ —
Current state income tax (benefit)	3,244	(128)	(585)
Deferred federal income tax	25,298	18,774	20,125
Deferred state income tax	4,361	8,583	2,560
Amortization of accumulated investment tax credits	(172)	(237)	(243)
Total income taxes	<u>\$ 19,198</u>	<u>\$ 26,992</u>	<u>\$ 21,857</u>

PNM's provision for income taxes differed from the federal income tax computed at the statutory rate for each of the years shown. The differences are attributable to the following factors:

	Year Ended December 31,		
	2022	2021	2020
	(In thousands)		
Federal income tax at statutory rates	\$ 29,026	\$ 41,696	\$ 38,193
Amortization of accumulated investment tax credits	(172)	(237)	(243)
Amortization of excess deferred income tax	(14,421)	(15,158)	(21,609)
Flow-through of depreciation items	2,641	689	1,279
(Earnings) attributable to non-controlling interest in Valencia	(3,176)	(3,253)	(2,943)
State income tax, net of federal (benefit)	5,694	7,609	7,111
Allowance for equity funds used during construction	(1,958)	(2,080)	(1,461)
Regulatory recovery of prior year impairment of state net operating loss carryforward, net of amortization	—	—	1,367
Allocation of tax (benefit) related to stock compensation awards	65	(563)	(279)
Non-deductible compensation	701	547	1,554
Transaction costs	10	22	—
Other	788	(2,280)	(1,112)
Total income taxes	<u>\$ 19,198</u>	<u>\$ 26,992</u>	<u>\$ 21,857</u>
Effective tax rate	13.89 %	13.59 %	12.02 %

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The components of PNM's net accumulated deferred income tax liability were:

	December 31,	
	2022	2021
	(In thousands)	
Deferred tax assets:		
Net operating loss	\$ 54,681	\$ 1,854
Regulatory liabilities related to income taxes	76,744	96,161
Federal tax credit carryforwards	84,902	86,811
Regulatory disallowance	28,037	38,835
Other	33,079	36,599
Total deferred tax assets	<u>277,443</u>	<u>260,260</u>
Deferred tax liabilities:		
Depreciation and plant related	(620,814)	(616,567)
Investment tax credit	(74,015)	(74,187)
Regulatory assets related to income taxes	(67,912)	(68,687)
Pension	(36,048)	(36,283)
Regulatory asset for shutdown of SJGS Units 2 and 3	(24,048)	(25,643)
Regulatory asset SJGS investment	(69,828)	—
Other	(66,818)	(69,575)
Total deferred tax liabilities	<u>(959,483)</u>	<u>(890,942)</u>
Net accumulated deferred income tax liabilities	<u>\$ (682,040)</u>	<u>\$ (630,682)</u>

The following table reconciles the change in PNM's net accumulated deferred income tax liability to the deferred income tax included in the Consolidated Statement of Earnings:

	Year Ended	
	December 31,	
	2022	
	(In thousands)	
Net change in deferred income tax liability per above table	\$	51,358
Change in tax effects of income tax related regulatory assets and liabilities		(4,995)
Amortization of excess deferred income tax		(14,421)
Tax effect of mark-to-market adjustments		1,462
Tax effect of excess pension liability		(646)
Adjustment for uncertain income tax positions		1,430
Reclassification of unrecognized tax benefits		(4,701)
Deferred income tax	<u>\$</u>	<u>29,487</u>

TNMP

TNMP's income taxes consist of the following components:

	Year Ended December 31,		
	2022	2021	2020
	(In thousands)		
Current federal income tax	\$ 17,055	\$ 5,770	\$ 12,048
Current state income tax	2,662	2,395	2,033
Deferred federal income tax (benefit)	(4,527)	(224)	(7,744)
Deferred state income tax (benefit)	(29)	(29)	(29)
Total income taxes	<u>\$ 15,161</u>	<u>\$ 7,912</u>	<u>\$ 6,308</u>

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TNMP's provision for income taxes differed from the federal income tax computed at the statutory rate for each of the periods shown. The differences are attributable to the following factors:

	Year Ended December 31,		
	2022	2021	2020
	(In thousands)		
Federal income tax at statutory rates	\$ 22,560	\$ 15,076	\$ 13,628
Amortization of excess deferred income tax	(9,177)	(9,326)	(9,113)
State income tax, net of federal (benefit)	2,103	1,763	1,625
Allocation of tax (benefit) related to stock compensation awards	26	(224)	(112)
Non-deductible compensation	422	351	1,071
Transaction costs	1	(4)	—
Other	(774)	276	(791)
Total income taxes	<u>\$ 15,161</u>	<u>\$ 7,912</u>	<u>\$ 6,308</u>
Effective tax rate	14.11 %	11.02 %	9.71 %

The components of TNMP's net accumulated deferred income tax liability were:

	December 31,	
	2022	2021
	(In thousands)	
Deferred tax assets:		
Regulatory liabilities related to income taxes	\$ 21,627	\$ 24,490
Other	5,353	3,648
Total deferred tax assets	<u>26,980</u>	<u>28,138</u>
Deferred tax liabilities:		
Depreciation and plant related	(166,230)	(157,649)
Regulatory assets related to income taxes	(9,213)	(9,525)
Loss on reacquired debt	(5,527)	(5,799)
Pension	(4,603)	(4,545)
AMS	(3,989)	(5,249)
Other	(2,055)	(2,619)
Total deferred tax liabilities	<u>(191,617)</u>	<u>(185,386)</u>
Net accumulated deferred income tax liabilities	<u>\$ (164,637)</u>	<u>\$ (157,248)</u>

The following table reconciles the change in TNMP's net accumulated deferred income tax liability to the deferred income tax (benefit) included in the Consolidated Statement of Earnings:

	Year Ended December 31, 2022
	(In thousands)
Net change in deferred income tax liability per above table	\$ 7,389
Change in tax effects of income tax related regulatory assets and liabilities	(2,552)
Amortization of excess deferred income tax	(9,177)
Other	(216)
Deferred income tax (benefits)	<u>\$ (4,556)</u>

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Other Disclosures

The Company is required to recognize only the impact of tax positions that, based on their technical merits, are more likely than not to be sustained upon an audit by the taxing authority. A reconciliation of unrecognized tax benefits is as follows:

	PNMR	PNM	TNMP
	(In thousands)		
Balance at December 31, 2019	\$ 10,693	\$ 7,776	\$ 114
Additions based on tax positions related to 2020	2,286	2,286	—
Additions for tax positions of prior years	173	168	5
Settlement payments	—	—	—
Balance at December 31, 2020	13,152	10,230	119
Additions based on tax positions related to 2021	305	295	11
Additions for tax positions of prior years	257	246	11
Settlement payments	—	—	—
Balance at December 31, 2021	13,714	10,771	141
Additions based on tax positions related to 2022	1,444	1,437	7
Additions (reductions) for tax positions of prior years	(4)	(7)	3
Settlement payments	—	—	—
Balance at December 31, 2022	<u>\$ 15,154</u>	<u>\$ 12,201</u>	<u>\$ 151</u>

Included in the balance of unrecognized tax benefits at December 31, 2022 are \$13.6 million, \$10.6 million, and \$0.2 million that, if recognized, would affect the effective tax rate for PNMR, PNM, and TNMP. The Company does not anticipate that any unrecognized tax expenses or unrecognized tax benefits will be reduced or settled in 2023.

PNMR, PNM, and TNMP had no estimated interest income or expense related to income taxes for the years ended December 31, 2022, 2021, and 2020. There was no accumulated accrued interest receivable or payable related to income taxes as of December 31, 2022 and 2021.

The Company files a federal consolidated and several consolidated and separate state income tax returns. The tax years prior to 2019 are closed to examination by either federal or state taxing authorities other than Arizona. The tax years prior to 2018 are closed to examination by Arizona taxing authorities. Other tax years are open to examination by federal and state taxing authorities and net operating loss carryforwards are open to examination for the years in which the carryforwards are utilized. At December 31, 2022, the Company has \$382.0 million of federal net operating loss carryforwards that expire beginning in 2034 and \$123.8 million of federal tax credit carryforwards that expire beginning in 2023. State net operating losses expire beginning in 2035 and vary from federal due to differences between state and federal tax law. The proposed Merger may impact the Company's ability to utilize its federal net operating loss and tax credit carryforwards.

In 2008, fifty percent bonus tax depreciation was enacted as a temporary two-year stimulus measure as part of the Economic Stimulus Act of 2008. Bonus tax depreciation in various forms has been extended since that time, including by the Protecting Americans from Tax Hikes Act of 2015. The 2015 act extended and phased-out bonus tax depreciation through 2019. As discussed above, the Tax Act eliminated bonus depreciation for utilities effective September 28, 2017. However, in 2020 the IRS issued regulations interpreting Tax Act amendments to depreciation provisions of the IRC which allowed the Company to claim a bonus depreciation deduction on certain construction projects placed in service after the third quarter of 2017. As a result of the net operating loss carryforwards for income tax purposes created by bonus depreciation, certain tax carryforwards were not expected to be utilized before their expiration. In addition, as a result of Tax Act changes to the deductibility of officer compensation, certain deferred tax benefits related to compensation are not expected to be realized. The Company has impaired the deferred tax assets for tax carryforwards which are not expected to be utilized and for compensation that is not expected to be deductible.

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The Company earns investment tax credits for construction or purchase of eligible property. The Company uses the deferral method of accounting for these investment tax credits.

Impairments of tax attributes after reflecting the expiration of carryforwards under applicable tax laws, net of federal tax benefit, for 2020 through 2022 are as follows:

	PNMR	PNM	TNMP
	(In thousands)		
December 31, 2022:			
Federal tax credit carryforwards	\$ 187	\$ 427	\$ —
Compensation expense	\$ 199	\$ 140	\$ 59
December 31, 2021:			
Federal tax credit carryforwards	\$ 1,029	\$ —	\$ —
Compensation expense	\$ 119	\$ 84	\$ 35
December 31, 2020:			
State tax credit carryforwards	\$ (425)	\$ —	\$ —
Compensation expense	\$ 96	\$ 61	\$ 35

The tax effect of compensation that is not expected to be deductible and impairments of unexpired tax credits are reflected as a valuation allowance against deferred tax assets. The reserve balances, after reflecting expiration of carryforwards under applicable tax laws, at December 31, 2022 and 2021 are as follows:

	PNMR	PNM	TNMP
	(In thousands)		
December 31, 2022:			
Federal tax credit carryforwards	\$ 1,216	\$ 427	\$ —
Compensation expense	\$ 725	\$ 483	\$ 241
December 31, 2021:			
Federal tax credit carryforwards	\$ 1,029	\$ —	\$ —
Compensation expense	\$ 526	\$ 343	\$ 182

(19) Goodwill

The excess purchase price over the fair value of the assets acquired and the liabilities assumed by PNMR for its 2005 acquisition of TNP was recorded as goodwill and was pushed down to the businesses acquired. In 2007, the TNMP assets that were included in its New Mexico operations, including goodwill, were transferred to PNM. PNMR's reporting units that currently have goodwill are PNM and TNMP.

The Company evaluates its goodwill for impairment annually at the reporting unit level or more frequently if circumstances indicate that the goodwill may be impaired. Application of the impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, and determination of the fair value of each reporting unit.

In certain circumstances an entity may perform a qualitative analysis to conclude that the goodwill of a reporting unit is not impaired. Under a qualitative assessment an entity considers macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, other relevant entity-specific events affecting a reporting unit, as well as whether a sustained decrease (both absolute and relative to its peers) in share price has occurred. An entity considers the extent to which each of the adverse events and circumstances identified could affect the comparison of a reporting unit's fair value with its carrying amount. An entity places more weight on the events and circumstances that most affect a reporting unit's fair value or the carrying amount of its net assets. An entity also considers positive and mitigating events and circumstances that may affect its determination of whether it is more likely than not that the fair value of a reporting unit is less than

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NOTES TO FINANCIAL STATEMENTS (Continued)

its carrying amount. An entity evaluates, on the basis of the weight of evidence, the significance of all identified events and circumstances in the context of determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. A quantitative analysis is not required if, after assessing events and circumstances, an entity determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount.

In other circumstances, an entity may perform a quantitative analysis to reach the conclusion regarding impairment with respect to a reporting unit. An entity may choose to perform a quantitative analysis without performing a qualitative analysis and may perform a qualitative analysis for certain reporting units, but a quantitative analysis for others. The first step of the quantitative impairment test requires an entity to compare the fair value of the reporting unit with its carrying value, including goodwill. If as a result of this analysis, the entity concludes there is an indication of impairment in a reporting unit having goodwill, the entity is required to perform the second step of the impairment analysis, determining the amount of goodwill impairment to be recorded. The amount is calculated by comparing the implied fair value of the goodwill to its carrying amount. This exercise would require the entity to allocate the fair value determined in step one to the individual assets and liabilities of the reporting unit. Any remaining fair value would be the implied fair value of goodwill on the testing date. To the extent the recorded amount of goodwill of a reporting unit exceeds the implied fair value determined in step two, an impairment loss would be reflected in results of operations.

PNMR periodically updates its quantitative analysis for both PNM and TNMP. The use of a quantitative approach in a given period is not necessarily an indication that a potential impairment has been identified under a qualitative approach. When PNMR performs a quantitative analysis for PNM or TNMP, a discounted cash flow methodology is primarily used to estimate the fair value of the reporting unit. This analysis requires significant judgments, including estimations of future cash flows, which is dependent on internal forecasts, estimations of long-term growth rates for the business, and determination of appropriate weighted average cost of capital for the reporting unit. Changes in these estimates and assumptions could materially affect the determination of fair value and the conclusion of impairment.

When PNMR performs a qualitative or quantitative analysis for PNM or TNMP, PNMR considers market and macroeconomic factors including changes in growth rates, changes in the WACC, and changes in discount rates. PNMR also evaluates its stock price relative to historical performance, industry peers, and to major market indices, including an evaluation of PNMR's market capitalization relative to the carrying value of its reporting units.

For its annual evaluations performed as of April 1, 2020, PNMR performed a qualitative analysis for the PNM reporting unit and a quantitative analysis for the TNMP reporting unit. In addition to the typical considerations discussed above, the qualitative analysis considered changes in PNM's expectations of future financial performance since the April 1, 2018 quantitative analysis as well as the 2019 qualitative analysis. The April 1, 2018 quantitative evaluations indicated the fair value of the PNM reporting unit, which has goodwill of \$51.6 million, exceeded its carrying value by approximately 19%. Based on an evaluation of these and other factors, the Company determined it was not more likely than not that the April 1, 2020 carrying value of PNM exceeded its fair value. Using the methods and considerations discussed above, the 2020 quantitative analysis indicated the fair value of the TNMP reporting unit, which has goodwill of \$226.7 million, exceeded its carrying value by approximately 38%. Based on an evaluation of these and other factors, the Company determined it was not more likely than not that the April 1, 2020 carrying value of TNMP exceeded its fair value.

For its annual evaluations performed as of April 1, 2021, PNMR performed a qualitative analysis for both the PNM and TNMP reporting units. In addition to the typical considerations discussed above, the qualitative analysis considered changes in the Company's expectations of future financial performance since the April 1, 2018 quantitative analysis performed for PNM and qualitative analyses through April 1, 2020, as well as the quantitative analysis performed for TNMP at April 1, 2020. Based on an evaluation of these and other factors, the Company determined it was not more likely than not that the April 1, 2021 carrying values of PNM and TNMP exceeded their fair value.

For its annual evaluations performed as of April 1, 2022, PNMR performed a qualitative analysis for both the PNM and TNMP reporting units. In addition to the typical considerations discussed above, the qualitative analysis considered changes in the Company's expectations of future financial performance since the April 1, 2018 quantitative analysis and the previous qualitative analyses through April 1, 2021 performed for PNM, as well as the April 1, 2020 quantitative analysis and the previous qualitative analyses performed for TNMP. This analysis considered Company specific events such as the Merger, potential impacts of legal and regulatory matters

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NOTES TO FINANCIAL STATEMENTS (Continued)

discussed in Notes 16 and 17, including potential outcomes in PNM's 2024 Rate Change, PNM's San Juan Abandonment Application, PNM's Four Corners Abandonment Application, PNM's PVNGS Leased Interest Abandonment Application and other potential impacts of changes in PNM's resource needs based on PNM's 2020 IRP. Based on an evaluation of these and other factors, the Company determined it was not more likely than not that the April 1, 2022 carrying values of PNM and TNMP exceeded their fair value. Since the April 1, 2022 annual evaluation, there have been no events or indications that the fair values of the reporting units with recorded goodwill have decreased below their carrying values.

(20) Related Party Transactions

PNMR, PNM, TNMP, and NMRD are considered related parties, as is PNMR Services Company, a wholly-owned subsidiary of PNMR that provides corporate services to PNMR and its subsidiaries in accordance with shared services agreements. These services are billed at cost on a monthly basis to the business units. In addition, PNMR provides construction and operations and maintenance services to NMRD, a 50% owned subsidiary of PNMR Development (Note 21), and PNM purchases renewable energy from certain NMRD-owned facilities at a fixed price per MWh of energy produced. PNM also provides interconnection services to PNMR Development and NMRD.

PNMR files a consolidated federal income tax return with its affiliated companies. A tax allocation agreement exists between PNMR and each of its affiliated companies. These agreements provide that the subsidiary company will compute its taxable income on a stand-alone basis. If the result is a net tax liability, such amount shall be paid to PNMR. If there are net operating losses and/or tax credits, the subsidiary shall receive payment for the tax savings from PNMR to the extent that PNMR is able to utilize those benefits.

See Note 7 for information on intercompany borrowing arrangements. The table below summarizes the nature and amount of related party transactions of PNMR, PNM and TNMP:

	Year Ended December 31,		
	2022	2021	2020
	(In thousands)		
Services billings:			
PNMR to PNM	\$ 115,415	\$ 107,747	\$ 100,872
PNMR to TNMP	42,293	41,798	39,053
PNM to TNMP	411	404	383
TNMP to PNMR	141	141	141
TNMP to PNM	—	—	—
PNMR to NMRD	308	221	260
Renewable energy purchases:			
PNM from NMRD	11,795	11,879	9,638
Interconnection and facility study billings:			
PNM to NMRD	—	225	350
PNM to PNMR	—	—	—
PNMR to PNM	—	—	—
NMRD to PNM	—	1,276	—
Interest billings:			
PNMR to PNM	13	31	6
PNM to PNMR	249	144	255
PNMR to TNMP	166	—	2
Income tax sharing payments:			
PNMR to TNMP	—	—	—
PNMR to PNM	—	19,492	—
PNM to PNMR	11,602	—	—
TNMP to PNMR	8,341	12,842	15,820

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NOTES TO FINANCIAL STATEMENTS (Continued)

(21) Equity Method Investment

In September 2017, PNMR Development and AEP OnSite Partners created NMRD to pursue the acquisition, development, and ownership of renewable energy generation projects, primarily in the state of New Mexico. PNMR Development and AEP OnSite Partners each have a 50% ownership interest in NMRD. At December 31, 2022, NMRD's renewable energy capacity in operation is 135.1 MW, which includes 130 MW of solar-PV facilities to supply energy to the Meta data center located within PNM's service territory, 1.9 MW to supply energy to Columbus Electric Cooperative located in southwest New Mexico, 2.0 MW to supply energy to the Central New Mexico Electric Cooperative, and 1.2 MW of solar-PV facilities to supply energy to the City of Rio Rancho, New Mexico. PNMR accounts for its investment in NMRD using the equity method of accounting because PNMR's ownership interest results in significant influence, but not control, over NMRD and its operations. PNMR records as income its percentage share of earnings or loss of NMRD and carries its investment at cost, adjusted for its share of undistributed earnings or losses.

During 2022, 2021, and 2020 PNMR Development and AEP OnSite Partners each made cash contributions of zero, zero, and \$23.3 million to NMRD for its construction activities. In February 2021, NMRD paid both PNMR Development and AEP OnSite Partners a dividend of \$3.0 million. PNMR Development's cumulative equity in earnings of NMRD as of March 31, 2021 was \$2.4 million and is presented as cash flows from operating activities on the Consolidated Statement of Cash Flows for the twelve months ending December 31, 2021. The portion of the dividend in excess of PNMR Development's cumulative equity earnings of NMRD amounting to \$0.6 million is presented as cash flows from investing activities.

PNMR presents its share of net earnings from NMRD in other income on the Consolidated Statements of Earnings. Summarized financial information for NMRD is as follows:

	December 31,		
	2022	2021	2020
	(In thousands)		
Operating revenues	\$ 12,505	\$ 12,738	\$ 10,366
Operating expenses	9,591	9,733	7,476
Net earnings	<u>\$ 2,914</u>	<u>\$ 3,005</u>	<u>\$ 2,890</u>

	December 31,	
	2022	2021
	(In thousands)	
Current assets	\$ 8,357	\$ 10,729
Net property, plant, and equipment	169,440	166,495
Non-current assets	9,631	2,289
Total assets	187,428	179,513
Current liabilities	5,822	824
Non-current liabilities	366	373
Owners' equity	<u>\$ 181,240</u>	<u>\$ 178,316</u>

(22) Merger

On October 20, 2020, PNMR, Avangrid, and Merger Sub, entered into the Merger Agreement pursuant to which Merger Sub will merge with and into PNMR, with PNMR surviving the Merger as a wholly-owned subsidiary of Avangrid. Pursuant to the Merger Agreement, each issued and outstanding share of PNMR common stock at the Effective Time will be converted into the right to receive \$50.30 in cash.

The proposed Merger has been unanimously approved by the Boards of Directors of PNMR, Avangrid and Merger Sub and approved by PNMR shareholders at the Special Meeting of Shareholders held on February 12, 2021.

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The Merger Agreement provided that it may be terminated by each of PNMR and Avangrid under certain circumstances, including if the Effective Time shall not have occurred by the January 20, 2022 End Date; however, either PNMR or Avangrid could extend the End Date to April 20, 2022 if all conditions to closing have been satisfied other than the obtaining of all required regulatory approvals. As discussed below, on December 8, 2021, the NMPRC issued an order rejecting the stipulation agreement relating to the Merger. In light of the NMPRC ruling, on January 3, 2022, PNMR, Avangrid and Merger Sub entered into an Amendment to the Merger Agreement pursuant to which PNMR and Avangrid agreed to extend the End Date to April 20, 2023.

The Merger is subject to certain regulatory approvals, including from the NMPRC. The Joint Applicants to the NMPRC application and a number of intervening parties had entered into an amended stipulation and agreement in the Joint Application for approval of Merger pending before the NMPRC. An evidentiary hearing was held in August 2021. On November 1, 2021, a Certification of Stipulation was issued by the hearing examiner, which recommended against approval of the amended stipulation. On December 8, 2021, the NMPRC issued an order adopting the Certification of Stipulation, rejecting the amended stipulation reached by the parties. On January 3, 2022, PNMR and Avangrid filed a notice of appeal with the NM Supreme Court. On February 2, 2022, PNMR and Avangrid filed a statement of issues outlining the argument for appeal. On April 7, 2022, PNMR and Avangrid filed their Brief in Chief with the NM Supreme Court. Answer briefs from the NMPRC were filed on June 14, 2022, and response briefs were filed on August 5, 2022.

With respect to other regulatory proceedings related to the Merger, in 2021 PNMR received clearances for the Merger from the FTC under the HSR Act, CFIUS, the FCC, FERC, the PUCT, and the NRC. As a result of the delay in closing of the Merger due to the need to obtain NMPRC approval, PNMR and Avangrid were required to make a new filing under the HSR Act and request extensions of approvals previously received from the FCC and NRC. PNM has received approval from the NRC through May 25, 2023, and the FCC through September 5, 2023. On February 8, 2023, PNM submitted an extension with the FTC under the HSR Act and on February 10, 2023, a request for extension was submitted to the NRC. No additional approvals are required from CFIUS, FERC or the PUCT.

Consummation of the Merger remains subject to the satisfaction or waiver of certain customary closing conditions, including, without limitation, the absence of any material adverse effect on PNMR, the receipt of required regulatory approval from the NMPRC, and the agreements relating to the divestiture of Four Corners being in full force and effect and all applicable regulatory filings associated therewith being made. The agreement relating to the divestiture of Four Corners has been entered into and is in full effect and related filings have been made with the NMPRC.

The Merger Agreement provides for certain customary termination rights. The Merger Agreement further provides that, upon termination of the Merger Agreement under certain specified circumstances (including if Avangrid terminates the Merger Agreement due to a change in recommendation of the Board or if PNMR terminates the Merger Agreement to accept a superior proposal (as defined in the Merger Agreement) and in either case prior to PNMR's shareholder having approved the Merger), PNMR will be required to pay Avangrid a termination fee of \$130.0 million. In addition, the Merger Agreement provides that (i) if the Merger Agreement is terminated by either party due to a failure of a regulatory closing condition and such failure is the result of Avangrid's breach of its regulatory covenants or (ii) Avangrid fails to effect the closing when all closing conditions have been satisfied and it is otherwise obligated to do so under the Merger Agreement, then, in either such case, upon termination of the Merger Agreement, Avangrid will be required to pay PNMR a termination fee of \$184.0 million as the sole and exclusive remedy. Upon the termination of the Merger Agreement under certain specified circumstances involving a breach of the Merger Agreement, either PNMR or Avangrid will be required to reimburse the other party's reasonable and documented out-of-pocket fees and expenses up to \$10.0 million (which amount will be credited toward, and offset against, the payment of any applicable termination fee).

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SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION			
Report in Column (c) the amount for electric function, in column (d) the amount for gas function, in column (e), (f), and (g) report other (specify) and in column (h) common function.			
Line No.	Classification (a)	Total Company for the Current Year/Quarter Ended (b)	Electric (c)
1	Utility Plant		
2	In Service		
3	Plant in Service (Classified)	2,726,333,770	2,726,333,770
4	Property Under Capital Leases	15,360,508	15,360,508
5	Plant Purchased or Sold	—	—
6	Completed Construction not Classified	126,748,205	126,748,205
7	Experimental Plant Unclassified	—	—
8	Total (3 thru 7)	2,868,442,483	2,868,442,483
9	Leased to Others	—	—
10	Held for Future Use	12,736	12,736
11	Construction Work in Progress	63,718,469	63,718,469
12	Acquisition Adjustments	—	—
13	Total Utility Plant (8 thru 12)	2,932,173,688	2,932,173,688
14	Accum Prov for Depr, Amort, & Depl	675,188,982	675,188,982
15	Net Utility Plant (13 less 14)	2,256,984,706	2,256,984,706
16	Detail of Accum Prov for Depr, Amort & Depl		
17	In Service:		
18	Depreciation	656,800,002	656,800,002
19	Amort & Depl of Producing Nat Gas Land/Land Right	—	
20	Amort of Underground Storage Land/Land Rights	—	
21	Amort of Other Utility Plant	18,388,980	18,388,980
22	Total In Service (18 thru 21)	675,188,982	675,188,982
23	Leased to Others		
24	Depreciation	—	—
25	Amortization and Depletion	—	—
26	Total Leased to Others (24 & 25)	—	—
27	Held for Future Use		
28	Depreciation	—	—
29	Amortization	—	—
30	Total Held for Future Use (28 & 29)	—	—
31	Abandonment of Leases (Natural Gas)	—	
32	Amort of Plant Acquisition Adj	—	—
33	Total Accum Prov (equals 14) (22,26,30,31,32)	675,188,982	675,188,982

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SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION					
Gas (d)	Other (Specify) (e)	Other (Specify) (f)	Other (Specify) (g)	Common (h)	Line No.
					1
					2
—	—	—	—	—	3
—	—	—	—	—	4
—	—	—	—	—	5
—	—	—	—	—	6
—	—	—	—	—	7
—	—	—	—	—	8
—	—	—	—	—	9
—	—	—	—	—	10
—	—	—	—	—	11
—	—	—	—	—	12
—	—	—	—	—	13
—	—	—	—	—	14
—	—	—	—	—	15
					16
					17
—	—	—	—	—	18
—					19
—					20
—	—	—	—	—	21
—	—	—	—	—	22
					23
—	—	—	—	—	24
—	—	—	—	—	25
—	—	—	—	—	26
					27
—	—	—	—	—	28
—	—	—	—	—	29
—	—	—	—	—	30
—					31
—	—	—	—	—	32
—	—	—	—	—	33

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ELECTRIC PLANT IN SERVICE (Account 101, 102, 103 and 106)

- Report below the original cost of electric plant in service according to the prescribed accounts.
- In addition to Account 101, Electric Plant in Service (Classified), this page and the next include Account 102, Electric Plant Purchased or Sold; Account 103, Experimental Electric Plant Unclassified; and Account 106, Completed Construction Not Classified-Electric.
- Include in column (c) or (d), as appropriate, corrections of additions and retirements for the current or preceding year.
- For revisions to the amount of initial asset retirement costs capitalized, included by primary plant account, increases in column (c) additions and reductions in column (e) adjustments.
- Enclose in parentheses credit adjustments of plant accounts to indicate the negative effect of such accounts.
- Classify Account 106 according to prescribed accounts, on an estimated basis if necessary, and include the entries in column (c). Also to be included in column (c) are entries for reversals of tentative distributions of prior year reported in column (b). Likewise, if the respondent has a significant amount of plant retirements which have not been classified to primary accounts at the end of the year, include in column (d) a tentative distribution of such retirements, on an estimated basis, with appropriate contra entry to the account for accumulated depreciation provision. Include also in column (d)

Line No.	Account (a)	Balance Beginning of Year (b)	Additions (c)
1	1. INTANGIBLE PLANT		
2	(301) Organization	—	—
3	(302) Franchises and Consents	—	—
4	(303) Miscellaneous Intangible Plant	21,843,027	3,819,908
5	TOTAL Intangible Plant (Enter Total of lines 2, 3, and 4)	21,843,027	3,819,908
6	2. PRODUCTION PLANT		
7	A. Steam Production Plant		
8	(310) Land and Land Rights	—	—
9	(311) Structures and Improvements	—	—
10	(312) Boiler Plant Equipment	—	—
11	(313) Engines and Engine-Driven Generators	—	—
12	(314) Turbogenerator Units	—	—
13	(315) Accessory Electric Equipment	—	—
14	(316) Misc. Power Plant Equipment	—	—
15	(317) Asset Retirement Costs for Steam Production	—	—
16	TOTAL Steam Production Plant (Enter Total of lines 8 thru 15)	—	—
17	B. Nuclear Production Plant		
18	(320) Land and Land Rights	—	—
19	(321) Structures and Improvements	—	—
20	(322) Reactor Plant Equipment	—	—
21	(323) Turbogenerator Units	—	—
22	(324) Accessory Electric Equipment	—	—
23	(325) Misc. Power Plant Equipment	—	—
24	(326) Asset Retirement Costs for Nuclear Production	—	—
25	TOTAL Nuclear Production Plant (Enter Total of Lines 18 thru 24)	—	—
26	C. Hydraulic Production Plant		
27	(330) Land and Land Rights	—	—
28	(331) Structures and Improvements	—	—
29	(332) Reservoirs, Dams, and Waterways	—	—
30	(333) Water Wheels, Turbines, and Generators	—	—
31	(334) Accessory Electric Equipment	—	—
32	(335) Misc. Power Plant Equipment	—	—
33	(336) Roads, Railroads, and Bridges	—	—
34	(337) Asset Retirement Costs for Hydraulic Production	—	—
35	TOTAL Hydraulic Production Plant (Enter Total of lines 27 thru 34)	—	—
36	D. Other Production Plant		
37	(340) Land and Land Rights	—	—
38	(341) Structures and Improvements	—	—
39	(342) Fuel Holders, Products and Accessories	—	—
40	(343) Prime Movers	—	—
41	(344) Generators	—	—
42	(345) Accessory Electric Equipment	—	—
43	(346) Misc. Power Plant Equipment	—	—
44	(347) Asset Retirement Costs for Other Production	—	—
44.1	(348) Energy Storage Equipment - Production	—	—
45	TOTAL Other Prod. Plant (Enter Total of lines 37 thru 44)	—	—
46	TOTAL Prod. Plant (Enter Total of lines 16, 25, 35, and 45)	—	—

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ELECTRIC PLANT IN SERVICE (Account 101, 102, 103 and 106) (Continued)

distributions of these tentative classifications in columns (c) and (d), including the reversals of the prior years tentative account distributions of these amounts. Careful observance of the above instructions and the texts of Accounts 101 and 106 will avoid serious omissions of the reported amount of respondent's plant actually in service at end of year.

7. Show in column (f) reclassifications or transfers within utility plant accounts. Include also in column (f) the additions or reductions of primary account classifications arising from distribution of amounts initially recorded in Account 102, include in column (e) the amounts with respect to accumulated provision for depreciation, acquisition adjustments, etc., and show in column (f) only the offset to the debits or credits distributed in column (f) to primary account classifications.
8. For Account 399, state the nature and use of plant included in this account and if substantial in amount submit a supplementary statement showing subaccount classification of such plant conforming to the requirement of these pages.
9. For each amount comprising the reported balance and changes in Account 102, state the property purchased or sold, name of vendor or purchase, and date of transaction. If proposed journal entries have been filed with the Commission as required by the Uniform System of Accounts, give also date

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)	Line No.
—	—	—	—	1
—	—	—	—	2
—	—	—	—	3
—	—	—	25,662,935	4
—	—	—	25,662,935	5
—	—	—	—	6
—	—	—	—	7
—	—	—	—	8
—	—	—	—	9
—	—	—	—	10
—	—	—	—	11
—	—	—	—	12
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—	—	—	—	16
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—	—	—	—	38
—	—	—	—	39
—	—	—	—	40
—	—	—	—	41
—	—	—	—	42
—	—	—	—	43
—	—	—	—	44
—	—	—	—	44.1
—	—	—	—	45
—	—	—	—	46

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ELECTRIC PLANT IN SERVICE (Account 101, 102, 103 and 106) (Continued)			
Line No.	Account (a)	Balance Beginning of Year (b)	Additions (c)
47	3. TRANSMISSION PLANT		
48	(350) Land and Land Rights	18,027,696	4,695,652
48.1	(351) Energy Storage Equipment - Transmission	—	—
49	(352) Structures and Improvements	28,508,660	11,365,122
50	(353) Station Equipment	275,051,863	63,342,378
51	(354) Towers and Fixtures	11,691,216	10,756,186
52	(355) Poles and Fixtures	326,632,636	58,829,651
53	(356) Overhead Conductors and Devices	134,973,416	13,968,573
54	(357) Underground Conduit	—	—
55	(358) Underground Conductors and Devices	—	—
56	(359) Roads and Trails	217,796	(216)
57	(359.1) Asset Retirement Costs for Transmission Plant	—	—
58	TOTAL Transmission Plant (Enter Total of lines 48 thru 57)	795,103,283	162,957,346
59	4. DISTRIBUTION PLANT		
60	(360) Land and Land Rights	7,390,641	223,147
61	(361) Structures and Improvements	15,335,107	1,679,767
62	(362) Station Equipment	492,729,204	92,450,298
63	(363) Storage Battery Equipment	—	—
64	(364) Poles, Towers, and Fixtures	293,785,691	34,047,706
65	(365) Overhead Conductors and Devices	260,060,407	39,486,858
66	(366) Underground Conduit	54,569,565	4,985,378
67	(367) Underground Conductors and Devices	115,344,223	12,834,771
68	(368) Line Transformers	147,477,778	10,260,361
69	(369) Services	88,902,238	5,567,097
70	(370) Meters	77,489,405	34,795,639
71	(371) Installations on Customer Premises	4,329,692	10,191
72	(372) Leased Property on Customer Premises	—	—
73	(373) Street Lighting and Signal Systems	21,412,439	1,095,756
74	(374) Asset Retirement Costs for Distribution Plant	6,320	—
75	TOTAL Distribution Plant (Enter Total of lines 60 thru 74)	1,578,832,710	237,436,969
76	5. REGIONAL TRANSMISSION AND MARKET OPERATION PLANT		
77	(380) Land and Land Rights	—	—
78	(381) Structure and Improvements	—	—
79	(382) Computer Hardware	—	—
80	(383) Computer Software	—	—
81	(384) Communication Equipment	—	—
82	(385) Miscellaneous Regional Transmission and Market Operation	—	—
83	(386) Asset Retirement Costs, Regional Transmission & Market Op	—	—
84	TOTAL Transmission & Market Op Plant (Total lines 77 thru 83)	—	—
85	6. GENERAL PLANT		
86	(389) Land and Land Rights	6,267,333	69,311
87	(390) Structures and Improvements	34,669,188	7,351,018
88	(391) Office Furniture and Equipment	7,380,161	3,382,242
89	(392) Transportation Equipment	4,878,375	77,516
90	(393) Stores Equipment	—	170,613
91	(394) Tools, Shop and Garage Equipment	15,403,897	371,715
92	(395) Laboratory Equipment	—	—
93	(396) Power Operated Equipment	1,519,891	5,004
94	(397) Communication Equipment	9,544,247	2,391,022
95	(398) Miscellaneous Equipment	329,969	—
96	SUBTOTAL (Enter Total of lines 86 thru 95)	79,993,061	13,818,441
97	(399) Other Tangible Property	—	—
98	(399.1) Asset Retirement Costs for General Plant	16,955	—
99	TOTAL General Plant (Enter Total of lines 96, 97, and 98)	80,010,016	13,818,441
100	TOTAL (Accounts 101 and 106)	2,475,789,036	418,032,664
101	(102) Electric Plant Purchased (See instr. 8)	—	—
102	(Less) (102) Electric Plant Sold (See Instr. 8)	—	—
103	(103) Experimental Plant Unclassified	—	—
104	TOTAL Electric Plant in Service (Enter Total of lines 100 thru 103)	2,475,789,036	418,032,664

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of 2022/Q4
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ELECTRIC PLANT IN SERVICE (Account 101, 102, 103 and 106) (Continued)					
Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)		Line No.
					47
—	—	(39,229)	22,684,119		48
—	—	—	—		48.1
4,419	—	—	39,869,363		49
4,070,893	—	(26,616)	334,296,732		50
57,941	—	—	22,389,461		51
993,520	(44,980)	230,295	384,654,082		52
639,176	—	—	148,302,813		53
—	—	—	—		54
—	—	—	—		55
—	—	—	217,580		56
—	—	—	—		57
5,765,949	(44,980)	164,450	952,414,150		58
—	—	—	—		59
—	—	151,153	7,764,941		60
53,948	—	(682,757)	16,278,169		61
10,637,005	—	479,078	575,021,575		62
—	—	—	—		63
2,499,470	—	17,387	325,351,314		64
1,947,386	—	(8,516)	297,591,363		65
9,851	—	20,515	59,565,607		66
479,017	—	(29,386)	127,670,591		67
1,035,971	—	—	156,702,168		68
69,541	—	—	94,399,794		69
17,246,961	—	—	95,038,083		70
29,418	—	—	4,310,465		71
—	—	—	—		72
291,696	—	—	22,216,499		73
—	—	—	6,320		74
34,300,264	—	(52,526)	1,781,916,889		75
—	—	—	—		76
—	—	—	—		77
—	—	—	—		78
—	—	—	—		79
—	—	—	—		80
—	—	—	—		81
—	—	—	—		82
—	—	—	—		83
—	—	—	—		84
—	—	—	—		85
—	—	—	6,336,644		86
1,157	—	—	42,019,049		87
568,220	—	—	10,194,183		88
37,752	—	(949,887)	3,968,252		89
—	—	—	170,613		90
85,573	—	—	15,690,039		91
—	—	—	—		92
—	—	949,887	2,474,782		93
47,754	—	—	11,887,515		94
—	—	—	329,969		95
740,456	—	—	93,071,046		96
—	—	—	—		97
—	—	—	16,955		98
740,456	—	—	93,088,001		99
40,806,669	(44,980)	111,924	2,853,081,975		100
—	—	—	—		101
—	—	—	—		102
—	—	—	—		103
40,806,669	(44,980)	111,924	2,853,081,975		104

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report 2022/Q4
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FOOTNOTE DATA

Page 207, Row 87 and 89, Column (e)

At December 31, 2022, total Electric Plant in Service excludes Property Under Capital Lease of \$15,360,508.

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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ELECTRIC PLANT HELD FOR FUTURE USE (Account 105)

1. Report separately each property held for future use at end of the year having an original cost of \$250,000 or more. Group other items of property held for future use.
2. For property having an original cost of \$250,000 or more previously used in utility operations, now held for future use, give in column (a), in addition to other required information, the date that utility use of such property was discontinued, and the date the original cost was transferred to Account 105.

Line No.	Description and Location Of Property (a)	Date Originally Included in This Account (b)	Date Expected to be used in Utility Service (c)	Balance at End of Year (d)
1	Land and Rights:			
2	Bayou Substation Site	3/31/1996	Unknown	12,736
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21	Other Property:			
22				
23				
24				
25				
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33				
34				
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36				
37				
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46				
47	Total			12,736

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of 2022/Q4
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CONSTRUCTION WORK IN PROGRESS - - ELECTRIC (Account 107)

1. Report below descriptions and balances at end of year of projects in process of construction (107)
2. Show items relating to "research, development, and demonstration" projects last, under a caption Research, Development, and Demonstrating (see Account 107 of the Uniform System of Accounts)
3. Minor projects (5% of the Balance End of the Year for Account 107 or \$1,000,000, whichever is less) may be grouped.

Line No.	Description of Project (a)	Construction work in progress - Electric (Account 107) (b)
1	001 Line Extension-Residential	4,640,208
2	002 Line Extension-Commercial	1,353,657
3	003 Reliability Projects	1,268,242
4	005 Lighting	841,515
5	006 Distribution Remove & Replace	857,601
6	007 Distribution System Improvements	670,934
7	008 Services	1,958,959
8	009 Transformers	143,069
9	020 LVE Distribution Substation	183,913
10	020 STE Distribution Substation	347,067
11	021 Hidden Lakes 2nd XFMR	497,566
12	022 Distribution Pole Changeouts	155,599
13	022 Kimball Bend Cutover	336,252
14	022 Replace Control Center Backup Solut	124,456
15	022 State Highway 36 Widen 8000ft Ph 3	149,510
16	023 Distribution Equipment Replacement	121,822
17	023 Distribution Pole Changeouts	192,268
18	023 Downtown 12F130 Upgrade Poles Wire	112,800
19	023 Rcmd 2.5mi 3rdSt toKingRd PME ElmSt	649,006
20	023 Rebuild Double Ckt 2200 2210	226,845
21	023 Regulator Replacements Installs	597,335
22	024 Airport12F271 Reconductor Along I10	690,669
23	024 Capacitor Bank Replacements Install	113,005
24	024 Mountain View Rebuild	154,479
25	024 Power Transformer Asset Mgmt	1,487,423
26	024 Recond Sect 25P1540 off of FM516	276,117
27	024 TxDOT IH45 Westward Dr to Omega Bay	769,717
28	025 Distribution Breaker Asset Mgmt	257,893
29	025 Gatesville No 1 Rebuild	365,144
30	025 TDC Hilltop Rebuild	177,958
31	026 Substation Animal Mitigation Dist	301,579
32	027 Butler Rd Sub Ckt #5	218,473
33	027 Faulkner 2nd XFMR	639,071
34	027 Mainland Sub Ckt #5	208,066
35	027 West Texas Trip Savers	122,713
36	028 Jackrabbit Substation	497,566
37	028 Krugerville XFMR Replacement 84 MVA	236,574
38	028 Saddleback 2nd XFMR	497,892
39	029 County Road T2 T3 XFMR Upgrade	995,133
40	029 Coyote Spring 2nd XFMR	497,566
41	029 Lone Oak Substation Rebuild	109,468
42	029 NORTH ALVIN SUBSTATION TRANSFORMERS	512,178
43	030 Avila Energy Storage Resource	169,609
44	030 Avilla Towne Center Princeton	504,053
45	030 Elm Street T1 XFMR Upgrade	497,566
46	030 Mainland Sub-URD Feeder Exits 4 & 5	222,388
47	031 Oil Tanking S Loop 197 N	438,910
48	031 Refresh Shared Storage (OPS & FIG)	199,510
49	033 PPM Faulkner Bitcoin Mine	3,321,459
50	033 TxDOT I35E ROW FoxAve-MillicanDr	2,181,569

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CONSTRUCTION WORK IN PROGRESS - - ELECTRIC (Account 107)

1. Report below descriptions and balances at end of year of projects in process of construction (107)
2. Show items relating to "research, development, and demonstration" projects last, under a caption Research, Development, and Demonstrating (see Account 107 of the Uniform System of Accounts)
3. Minor projects (5% of the Balance End of the Year for Account 107 or \$1,000,000, whichever is less) may be grouped.

Line No.	Description of Project (a)	Construction work in progress - Electric (Account 107) (b)
51	034 PPM Coyanosa Bitcoin Mine	1,756,486
52	034 Substation Regulator Replacement	104,420
53	037 Trans PT CT Replace in DistStations	146,851
54	040 Rodeo Ranch Energy Storage Resource	597,852
55	044 Farmersville West T-2 Addition	754,167
56	047 PPM Cottonwood Bitcoin Mine	101,732
57	052 AMS NextGen Meters	951,923
58	052 AMSNextGen2023 4G Meter Remediation	1,194,278
59	052 Palmetto Sub	492,290
60	052 Worst PerformingCircuit Remediation	110,503
61	073 Transmission PT CT Replacements	114,988
62	074 PPM Cholla Bitcoin Mine	785,921
63	074 Switch Replacements	307,682
64	076 FM524 Expansion Line S and Cap Yard	195,495
65	076 PPM Pyote Bitcoin Mine	224,742
66	077 Reconductor T1 to South 138kV Line	206,174
67	077 Substation Animal Mitigation Trans	145,034
68	078 Loop Line D into Cholla	339,265
69	079 Bitcoin and BatteryCustomerTieLines	1,055,775
70	079 Cattail to Cherokee 138kV Line	8,151,213
71	079 T-Line Clearance Improvements	522,417
72	079 White Baker Cap Bank	279,829
73	080 FreewayPark to Dickinson 3000A Path	851,612
74	081 Rebuild Old Ocean to Phillips 5	1,406,512
75	085 Rcmd Cholla-MonumentDraw Cumb ACSS	108,653
76	086 Heights-Zeya ESR 138kV Trans Line	842,163
77	087 PPM Tarbush Bitcoin Mine	1,590,368
78	088 North Pecos County SwitchingStation	565,239
79	089 AEP Creosote to CoyanosaLineRebuild	2,801,178
80	089 Westminster SH121 TxDOT Relocation	1,055,918
81	091 Rebuild Angleton to Retrieve 12 mi	647,546
82	280 EDI Transport - TNMP Upgrade	283,897
83	280 Install Historical Data Software	230,744
84	280 PLS Grid	100,232
85	281 TNMP Outage Map	586,714
86	281 TX BGP Router	129,102
87	306 Replace PilotPoint ConstructionCntr	155,433
88	340 WTX Tools & Work Equipment	133,146
89	Other Projects less than \$100,000	1,598,603
90		
91		
92		
93		
94		
95		
96		
97		
98		
99		
100	TOTAL	63,718,469

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of 2022/Q4
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ACCUMULATED PROVISION FOR DEPRECIATION OF ELECTRIC UTILITY PLANT (Account 108)

1. Explain in a footnote any important adjustments during year.
2. Explain in a footnote any difference between the amount for book cost of plant retired, Line 11, column (c), and that reported for electric plant in service, pages 204-207, column 9d), excluding retirements of non-depreciable property.
3. The provisions of Account 108 in the Uniform System of accounts require that retirements of depreciable plant be recorded when such plant is removed from service. If the respondent has a significant amount of plant retired at year end which has not been recorded and/or classified to the various reserve functional classifications, make preliminary closing entries to tentatively functionalize the book cost of the plant retired. In addition, include all costs included in retirement work in progress at year end in the appropriate functional classifications.
4. Show separately interest credits under a sinking fund or similar method of depreciation accounting.

Section A. Balances and Changes During Year

Line No.	Item (a)	Total (c+d+e) (b)	Electric Plant in Service (c)	Electric Plant Held for Future Use (d)	Electric Plant Leased to Others (e)
1	Balance Beginning of Year	618,992,128	618,992,128	—	—
2	Depreciation Provisions for Year, Charged to				
3	(403) Depreciation Expense	94,741,433	94,741,433	—	—
4	(403.1) Depreciation Expense for Asset Retirement Costs	431	431	—	—
5	(413) Exp. of Elec. Plt. Leas. to Others	—	—	—	—
6	Transportation Expenses-Clearing	403,406	403,406	—	—
7	Other Clearing Accounts	—	—	—	—
8	Other Accounts (Specify, details in footnote):	—	—	—	—
9					
10	TOTAL Deprec. Prov for Year (Enter Total of lines 3 thru 9)	95,145,270	95,145,270	—	—
11	Net Charges for Plant Retired:				
12	Book Cost of Plant Retired	40,806,669	40,806,669	—	—
13	Cost of Removal	17,389,578	17,389,578	—	—
14	Salvage (Credit)	539,631	539,631	—	—
15	TOTAL Net Chrgs. for Plant Ret. (Enter Total of lines 12 thru 14)	57,656,616	57,656,616	—	—
16	Other Debit or Cr. Items (Describe, details in footnote):	319,220	319,220	—	—
17					
18	Book Cost or Asset Retirement Costs Retired	—	—	—	—
19	Balance End of Year (Enter Totals of lines 1, 10, 15, 16, and 18)	656,800,002	656,800,002	—	—

Section B. Balances at End of Year According to Functional Classification

20	Steam Production	—	—	—	—
21	Nuclear Production	—	—	—	—
22	Hydraulic Production-Conventional	—	—	—	—
23	Hydraulic Production-Pumped Storage	—	—	—	—
24	Other Production	—	—	—	—
25	Transmission	125,530,378	125,530,378	—	—
26	Distribution	514,423,243	514,423,243	—	—
27	Regional Transmission and Market Operation	—	—	—	—
28	General	16,846,381	16,846,381	—	—
29	TOTAL (Enter Total of lines 20 thru 28)	656,800,002	656,800,002	—	—

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FOOTNOTE DATA

Page 219, Row 16, Column (c)

	December 31, 2022
Change in RWIP	\$ (72,748)
AMS Meter Deferred Depreciation	427,558
Miscellaneous Adjustments	(35,590)
	\$ 319,220

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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MATERIALS AND SUPPLIES

- For Account 154, report the amount of plant materials and operating supplies under the primary functional classifications as indicated in column (a); estimates of amounts by function are acceptable. In column (d), designate the department or departments which use the class of material.
- Give an explanation of important inventory adjustments during the year (in a footnote) showing general classes of material and supplies and the various accounts (operating expenses, clearing accounts, plant, etc.) affected debited or credited. Show separately debit or credits to stores expense/clearing, if applicable.

Line No.	Account (a)	Balance Beginning of Year (b)	Balance End of Year (c)	Department or Departments which Use Material (d)
1	Fuel Stock (Account 151)	—	—	
2	Fuel Stock Expenses Undistributed (Account 152)	—	—	
3	Residuals and Extracted Products (Account 153)	—	—	
4	Plant Materials and Operating Supplies (Account 154)	—	—	
5	Assigned to - Construction (Estimated)	6,765,449	9,792,673	
6	Assigned to - Operations and Maintenance	—	—	
7	Production Plant (Estimated)	—	—	
8	Transmission Plant (Estimated)	17,280	42,193	
9	Distribution Plant (Estimated)	313,517	1,007,905	
10	Regional Transmission and Market Operation Plant (Estimated)	—	—	
11	Assigned to - Other (provide details in footnote)	—	—	
12	TOTAL Account 154 (Enter Total of lines 5 thru 11)	7,096,246	10,842,771	
13	Merchandise (Account 155)	—	—	
14	Other Materials and Supplies (Account 156)	—	—	
15	Nuclear Materials Held for Sale (Account 157) (Not applic to Gas Util)	—	—	
16	Stores Expense Undistributed (Account 163)	23,191	—	
17				
18				
19				
20	TOTAL Materials and Supplies (Per Balance Sheet)	7,119,437	10,842,771	

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Transmission Service and Generation Interconnection Study Costs

1. Report the particulars (details) called for concerning the costs incurred and the reimbursements received for performing transmission service and generator interconnection studies.
2. List each study separately.
3. In column (a) provide the name of the study.
4. In column (b) report the cost incurred to perform the study at the end of period.
5. In column (c) report the account charged with the cost of the study.
6. In column (d) report the amounts received for reimbursement of the study costs at end of period.
7. In column (e) report the account credited with the reimbursement received for performing the study.

Line No.	Description (a)	Costs Incurred During Period (b)	Account Charged (c)	Reimbursements Received During the Period (d)	Account Credited With Reimbursement (e)
1	Transmission Studies				
2	Wickett-Wolf CCN	115,592	183	—	
3	PPoint Area TransmissionService	385,751	183	—	
4	Air Products Texas City	34,131	183	—	
5	TNMP SOUTH STRUCTURE REP	36,939	183	—	
6	TNP1-TWIN OAK DRAG LINE	15,659	183	—	
7	BELLS WHITEWRIGHT PRELIM	45,940	183	—	
8	GRAHAM-BRYSON 2022 PRELI	19,215	183	—	
9	16th STREET-AIRPORT PREL	48,382	183	—	
10	WALNUT SPRINGS-GLEN ROSE	11,092	183	—	
11	WEST COLUMBIA LOCAL-ANGL	15,536	183	—	
12	MAGNOLIA - SEMINOLE PR	42,723	183	—	
13	TEJAS-COMANCHE PRELIM E	73,933	183	—	
14	FREEWAY PARK-DICKINSON	151,158	183	—	
15	Rebuild Line G138-17 Cen	156,591	183	—	
16	Rebuild Line G138-RTR-AN	87,920	183	—	
17	CREOSOTE TO COYANOSA TLI	29,898	183	—	
18	HICO-IREDELL HEAVY LINE	77,461	183	—	
19	RANGER TO THURBER HEAVY	51,922	183	—	
20	CLEMONS TAP-CLEMONS DOME	238,088	183	—	
21	RECOND TI TO SOUTH 138KV	9,565	183	—	
22	REBUILD WC MAIN TO WC LO	21,612	183	—	
23	FM 646 TXDOT RAISE PRELI	7,067	183	—	
24	CLIMAX-FARMERSVILLE 69KV	18,214	183	—	
25	CATTAIL - AIR PRODUCTS PRELIM	1,705	183	—	
26	HDR ARCFM MODELING SUPPORT -	115,496	183	—	
27	TNMP 2022 WTX RPG Submittals	53,359	183	—	
28	Turkey Peak Reservoir Route	350	183	—	
29	QW-WALNUT SPRINGS-GLEN ROSE	30,040	183	—	
30	HICO-IREDELL #2 HEAVY LI	25,386	183	—	
31	RANGER-THURBER #2 HEAVY	15,596	183	—	
32	GRAHAM-BRYSON #3 STEEL P	39,944	183	—	
33	SANDERSON STRUCTURE REPL	2,420	183	—	
34	FARMERSVILLE T2 ADDITIO	233,160	183	—	
35	FAULKNER T2 ADDIDION	57,964	183	—	
36	APACHE-AMOCO 138KV LINE REB	86,400	183	—	
37	League City-Hidden Lakes	224,888	183	—	
38	Caddo-Apache 138kV Line Rebu	21,360	183	—	
39	ROW & EASEMENT ACQ	9,422	183	—	
40	WEST COLUMBIA MAIN-BRAZO	130,371	183	—	

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Transmission Service and Generation Interconnection Study Costs (continued)

Line No.	Description (a)	Costs Incurred During Period (b)	Account Charged (c)	Reimbursements Received During the Period (d)	Account Credited With Reimbursement (e)
Transmission Studies					
41	HIDDEN LAKES-PHR PRELIM	10,937	183	—	
42	MO-FM 524 LINE S CUT-IN P	16,876	183	—	
43	TALCO TRANSMISSION LINE	24,225	183	—	
44	TRANS T-LINE M-69-A - WI	12,597	183	—	
45	LV13803 - TI-LAKEPOINTE	6,934	183	—	
46	138-SPT-ALS - ALAMO - SO	5,707	183	—	
47	WEST COLUMBIA MAIN RE-TE	1,349	183	—	
48	MO-G138-Q WC MAIN-CNP LINE	50,070	183	—	
49	WICKETT-STAGHORN PRELIM	10,604	183	—	
50	CORYELL TO GATESVILLE #1	9,785	183	—	
51	JUPITER TIDWELL PRAIRIE	4,479	183	—	
52	SS-WINK-FISHHOOK RECONDUCTO	5,266	183	—	
53	Comanche 183 CloudGate L	341	183	—	
54	Choctaw 183 CloudGate LT	1,926	183	—	
55	CD-Texas City Main Sw Sta 1	1,707	183	—	
56	Terminal Sw Sta 183 Clou	1,633	183	—	
57	Greenbelt Sw Sta 183 Clo	85	183	—	
58	Apache Sw Sta 183 Cloud	2,003	183	—	
59	TNMP EV CHARGER SITE ASS	75,752	183	—	
60	183 Fiber Asset Manager	31,216	183	—	
61	Swoose II Pyote FIS	754	253	—	
62	BRP Tortolas BESS Study	(98)	253	—	
63	Jupiter Tidwell Prairie 2 & 3	33,224	253	—	
64	Jupiter St Gall 1 and 2 ESR FIS	19,904	253	—	
65	Golden Spread SM1 Bitcoin Study	6,019	253	—	
66	BRP Avila FIS Study	28,213	253	—	
67	BRP Zeya FIS Study	65,184	253	—	
68	Priority Power Data Center Study	7,509	253	—	
69	ESVolta Pequin FIS Study	65,182	253	—	
70	Rodeo Ranch Energy Storage Study	91,118	253	(17,940)	253
71	Pecos Verde Solar	4,275	253	—	
72	Castor Energy Storage FIS Study	72,226	253	—	
73	Momentum Dogfish FIS Study	44,261	253	—	
74	BRP Desna FIS Study	73,191	253	(65,000)	253
75	Sherbino Mesa 2 EPS Meter Relocatio	—	—	(200,000)	253
76	Hacienda Storage Ground Lease	—	—	(10,000)	253
77	BT Hacienda Storage FIS Study	94,253	253	(110,000)	253
78	Momentum Headcamp BESS FIS Study	29,066	253	(85,000)	253
79	Momentum Hopslam BESS FIS Study	43,117	253	(110,000)	253

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of 2022/Q4
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Transmission Service and Generation Interconnection Study Costs (continued)

Line No.	Description (a)	Costs Incurred During Period (b)	Account Charged (c)	Reimbursements Received During the Period (d)	Account Credited With Reimbursement (e)
	Transmission Studies				
80	BRP Pollux BESS FIS Study	70,020	253	(150,000)	253
81	BRP Mekong BESS FIS Study	90,236	253	(110,000)	253
82	Century Gas Processing Plant LLC	—		(36,000)	253
83	Percussion Petroleum Flathead	—		(36,000)	253
84	Mitchell Road FIS Study	50,113	253	(110,000)	253
85	Percussion Retail Service Study	—		(36,000)	253
86	Bynum Solar FIS	—		(110,000)	253
87	Berkman Storage FIS	—		(110,000)	253
88	Jupiter St Gall Solar LLC FIS	—		(65,000)	253
89	Chevron Flat Top Retail Service Stu	—		(36,000)	253
90	Walmart Angleton DG Study Fee	—		(4,275)	253
91	Red Egret BESS FIS Study	—		(110,000)	253
92					
93					
94					
95					
96					
97					
98	Total	3,903,516		(1,511,215)	
99	Generation Studies				
100					
101					
102					
103					
104					
105					
106					
107					
108					
109					
110					
111					
112					
113					
114					
115					
116					
117	Total	—		—	
118	Grand Total	3,903,516		(1,511,215)	

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of 2022/Q4
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OTHER REGULATORY ASSETS (Account 182.3)

- Report below the particulars (details) called for concerning other regulatory assets, including rate order docket number, if applicable.
- Minor items (5% of the Balance in Account 182.3 at end of period, or amounts less than \$100,000 which ever is less), may be grouped by classes.
- For Regulatory Assets being amortized, show period of amortization.

Line No.	Description and Purpose of Other Regulatory Assets (a)	Balance at Beginning of Current Quarter/Year (b)	Debits (c)	CREDITS		Balance at end of Current Quarter/Year (f)
				Account Charged (d)	Written off During the Period Amount (e)	
1	Income Tax Regulatory Asset	9,505,138	—	282,283	311,809	9,193,329
2						
3	Qualified Pension	17,507,389	3,568,860	Various	932,002	20,144,247
4						
5	AMS - Docket# 38306, #48401	—	—		—	—
6	Pilot Program Costs - Amortize 08/2011 - 07/2023	185,537	—	407	92,768	92,769
7	Retirement Costs	2,922,236	—	407	1,461,118	1,461,118
8						
9	Bad Debt - Retail Providers, Dockets #48401/50731	815,330	—		—	815,330
10						
11	Non-Standard Metering - Docket #41901	173,149	—	928	43,151	129,998
12	Non-Standard Metering Rate Case Expenses	28,172	—	928	7,368	20,804
13						
14	AMS Under Recovery - Docket #38306	12,507,346	—	456	6,253,673	6,253,673
15						
16	Catastrophe Reserve Under Collection Dkt#36025	2,617,350	2,300,053	924	1,006,500	3,910,903
17						
18	2G AMS Meter Retirement, Docket #48401	149,556	—	407	74,778	74,778
19						
20	Recoverable Stranded Costs-Securitization #48401	215,785	—	928	107,893	107,892
21						
22	Interim AMS Recovery - Docket #48401/52314	9,028,693	—		—	9,028,693
23						
24	Rate Case Expenses - Docket #48591	1,326,603	127,645	928	1,334,966	119,282
25						
26	Covid-19 Deferred Costs - Docket #50664	—	1,052,610		—	1,052,610
27						
28	Energy Efficiency 2021 Program Year	2,157,807	2,910,633	928	5,068,440	—
29	Energy Efficiency 2022 Program Year	71	1,929,594		—	1,929,665
30	Energy Efficiency 2023 Program Year	—	1,854		—	1,854
31	Energy Efficiency Rate Case Expenses	—	34,335	928	34,335	—
32						
33	TCRF Under Recovery	3,906,200	—	456	3,906,200	—
34						
35	Transmission Line Safety Inspections HB #4150	262,617	370,491		—	633,108
36						
37	Other Post Retirement Benefits	416,881	1,033,027	Various	36,142	1,413,766
38						
39	TNMP Load Shed Initiatives Docket #52689	—	42,312		—	42,312
40						
41	TNMP Interim AMS Carrying Charges Dkt #52314	—	1,505,946		—	1,505,946
42						
43	TNMP AMS Deferred Depreciation Docket #53436	—	427,558		—	427,558
44	TOTAL :	63,725,860	15,304,918		20,671,143	58,359,635

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of 2022/Q4
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MISCELLANEOUS DEFERRED DEBITS (Account 186)

- Report below the particulars (details) called for concerning miscellaneous deferred debits.
- For any deferred debit being amortized, show period of amortization in column (a)
- Minor item (1% of the Balance at End of Year for Account 186 or amounts less than \$100,000, whichever is less) may be grouped by classes.

Line No.	Description of Miscellaneous Deferred Debits (a)	Balance at Beginning of Year (b)	Debits (c)	CREDITS		Balance at End of Year (f)
				Account Charged (d)	Amount (e)	
1	Goodwill	226,664,902	—		—	226,664,902
2	Financing	569	1,621,637	181	1,604,000	18,206
3						
4						
5						
6						
7						
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40						
41						
42						
43						
44						
45						
46						
47	Misc. Work in Progress					
48	Deferred Regulatory Comm. Expenses (See pages 350-351)	177,844	220,350	Various	227,908	170,286
49	TOTAL	226,843,315				226,853,394

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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ACCUMULATED DEFERRED INCOME TAXES (Account 190)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes.
2. At Other (Specify), include deferrals relating to other income and deductions.

Line No.	Description and Location (a)	Balance at Beginning of Year (b)	Balance at End of Year (C)
1	Electric		
2	Employee Benefits	2,576,966	2,546,260
3	Regulatory Liability	24,754,019	21,891,047
4	Other	3,691,741	5,934,472
5			
6			
7	Other	—	—
8	TOTAL Electric (Enter Total of lines 2 thru 7)	31,022,726	30,371,779
9	Gas		
10			
11			
12			
13			
14			
15	Other	—	—
16	TOTAL Gas (Enter Total of lines 10 thru 15)	—	—
17	Other (Specify)	—	—
18	TOTAL (Acct 190) (Total of lines 8, 16 and 17)	31,022,726	30,371,779

Notes

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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CAPITAL STOCKS (Account 201 and 204)

- Report below the particulars (details) called for concerning common and preferred stock at end of year, distinguishing separate series of any general class. Show separate totals for common and preferred stock. If information to meet the stock exchange reporting requirement outlined in column (a) is available from the SEC 10-K Report Form filing, a specific reference to report form (i.e., year and company title) may be reported in column (a) provided the fiscal years for both the 10-K report and this report are compatible.
- Entries in column (b) should represent the number of shares authorized by the articles of incorporation as amended to end of year.

Line No.	Class and Series of Stock and Name of Stock Series (a)	Number of shares Authorized by Charter (b)	Par or Stated Value per share (c)	Call Price at End of Year (d)
1	Common Stock (Account 201)			
2		12,000,000	10.00	
3				
4				
5	Total	12,000,000		
6	Preferred Stock (Account 204)			
7		1,000,000	100.00	
8				
9				
10	Total	1,000,000		
11	Capital Stock (Accounts 201 and 204) - Data Conversion			
12				
13				
14				
15	Total	—		

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of 2022/Q4
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CAPITAL STOCKS (Account 201 and 204) (Continued)

3. Give particulars (details) concerning shares of any class and series of stock authorized to be issued by a regulatory commission which have not yet been issued.
4. The identification of each class of preferred stock should show the dividend rate and whether the dividends are cumulative or non-cumulative.
5. State in a footnote if any capital stock which has been nominally issued is nominally outstanding at end of year. Give particulars (details) in column (a) of any nominally issued capital stock, reacquired stock, or stock in sinking and other funds which is pledged, stating name of pledgee and purposes of pledge.

Outstanding per Bal. Sheet (Total amount outstanding without reduction for amounts held by respondent) Shares	Outstanding per Bal. Sheet (Total amount outstanding without reduction for amounts held by respondent) Amount	Held by Respondent As Reacquired Stock (Acct 217) Shares	Held by Respondent As Reacquired Stock (Acct 217) Cost	Held by Respondent In Sinking and Other Funds Shares	Held by Respondent In Sinking and Other Funds Amount	Line No.
(e)	(f)	(g)	(h)	(i)	(j)	
						1
6,358	63,569	—	—	—	—	2
						3
						4
6,358	63,569					5
						6
						7
						8
						9
—	—					10
						11
						12
						13
						14
—	—					15

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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OTHER PAID-IN CAPITAL (Accounts 208-211, inc.)

Report below the balance at the end of the year and the information specified below for the respective other paid-in capital accounts. Provide a subheading for each account and show a total for the account, as well as total of all accounts for reconciliation with balance sheet, Page 112. Add more columns for any account if deemed necessary. Explain changes made in any account during the year and give the accounting entries effecting such change.

- (a) Donations Received from Stockholders (Account 208)-State amount and give brief explanation of the origin and purpose of each donation.
- (b) Reduction in Par or Stated value of Capital Stock (Account 209): State amount and give brief explanation of the capital change which gave rise to amounts reported under this caption including identification with the class and series of stock to which related.
- (c) Gain on Resale or Cancellation of Reacquired Capital Stock (Account 210): Report balance at beginning of year, credits, debits, and balance at end of year with a designation of the nature of each credit and debit identified by the class and series of stock to which related.
- (d) Miscellaneous Paid-in Capital (Account 211)-Classify amounts included in this account according to captions which, together with brief explanations, disclose the general nature of the transactions which gave rise to the reported amounts.

Line No.	Item (a)	Amount
		(b)
1	Donations Received from Stockholders (Account 208)	
2	Beginning Balance Amount	—
3	Increases (Decreases) from Sales of Donations Received from Stockholders	—
3.1		
4	Ending Balance Amount	—
5	Reduction in Par or Stated Value of Capital Stock (Account 209)	
6	Beginning Balance Amount	—
7	Increases (Decreases) Due to Reductions in Par or Stated Value of Capital Stock	—
7.1		
8	Ending Balance Amount	—
9	Gain or Resale or Cancellation of Reacquired Capital Stock (Account 210)	
10	Beginning Balance Amount	—
11	Increases (Decreases) from Gain or Resale or Cancellation of Reacquired Capital Stock	—
11.1		
12	Ending Balance Amount	—
13	Miscellaneous Paid-In Capital (Account 211)	
14	Beginning Balance Amount	670,941,936
15	Increases (Decreases) Due to Miscellaneous Paid-In Capital	—
15.1	Equity Contributions from PNMR	68,000,000
16	Ending Balance Amount	738,941,936
17	Historical Data - Other Paid in Capital	
18	Beginning Balance Amount	—
19	Increases (Decreases) in Other Paid-In Capital	—
19.1		
20	Ending Balance Amount	—
40	TOTAL	738,941,936

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Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of 2022/Q4
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LONG-TERM DEBT (Account 221, 222, 223 and 224)

- Report by balance sheet account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other long-Term Debt.
- In column (a), for new issues, give Commission authorization numbers and dates.
- For bonds assumed by the respondent, include in column (a) the name of the issuing company as well as a description of the bonds.
- For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.
- For receivers, certificates, show in column (a) the name of the court -and date of court order under which such certificates were issued.
- In column (b) show the principal amount of bonds or other long-term debt originally issued.
- In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.
- For column (c) the total expenses should be listed first for each issuance, then the amount of premium (in parentheses) or discount. Indicate the premium or discount with a notation, such as (P) or (D). The expenses, premium or discount should not be netted.
- Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year. Also, give in a footnote the date of the Commission's authorization of treatment other than as specified by the Uniform System of Accounts.

Line No.	Rate (For new issue, give commission Authorization numbers and dates) (a)	Related Account Number (b)	Principal Amount of Debt Issued (c)	Expense, Premium or Discount (d)	Total Expense (e)	Total Premium (f)	Total Discount (g)
1	Bonds (Account 221)						
2	First Mortgage Bonds - 6.95%		93,198,000	(21,461,557)	1,787,616	(23,249,173)	—
3	First Mortgage Bonds - 4.03%		80,000,000	1,055,515	1,055,515	—	—
4	First Mortgage Bonds - 3.53%		60,000,000	820,685	820,685	—	—
5	First Mortgage Bonds - 3.22%		60,000,000	570,618	570,618	—	—
6	First Mortgage Bonds- 3.85%		60,000,000	624,534	624,534	—	—
7	First Mortgage Bonds- 3.79%		75,000,000	563,275	563,275	—	—
8	First Mortgage Bonds- 3.92%		75,000,000	563,275	563,275	—	—
9	First Mortgage Bonds- 4.06%		75,000,000	563,275	563,275	—	—
10	First Mortgage Bonds- 3.60%		80,000,000	600,827	600,827	—	—
11	First Mortgage Bonds- 2.73%		85,000,000	847,783	847,783	—	—
12	First Mortgage Bonds- 3.36%		25,000,000	249,348	249,348	—	—
13	First Mortgage Bonds- 2.93%		25,000,000	249,348	249,348	—	—
14	First Mortgage Bonds- 3.36%		50,000,000	498,696	498,696	—	—
15	First Mortgage Bonds- 2.44%		65,000,000	501,412	501,412	—	—
16	First Mortgage Bonds - 4.13%		65,000,000	440,452	440,452	—	—
17	First Mortgage Bonds - 3.81%		95,000,000	643,737	643,737	—	—
18	Subtotal		1,068,198,000	(12,668,777)	10,580,396	(23,249,173)	—
19	Reacquired Bonds (Account 222)						
20							
21							
22							
23	Subtotal		—	—	—	—	—
24	Advances from Associated Companies						
25							
26							
27							
28	Subtotal		—	—	—	—	—
29	Other Long Term Debt (Account 224)						
30							
31							
32							
33	Subtotal		—	—	—	—	—
34	TOTAL		1,068,198,000	(12,668,777)	10,580,396	(23,249,173)	—

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of 2022/Q4
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LONG-TERM DEBT (Account 221, 222, 223 and 224) (Continued)

10. Identify separate undisposed amounts applicable to issues which were redeemed in prior years.
11. Explain any debits and credits other than debited to Account 428, Amortization and Expense, or credited to Account 429, Premium on Debt - Credit.
12. In a footnote, give explanatory (details) for Accounts 223 and 224 of net changes during the year. With respect to long-term advances, show for each company: (a) principal advanced during year, (b) interest added to principal amount, and (c) principle repaid during year. Give Commission authorization numbers and dates.
13. If the respondent has pledged any of its long-term debt securities give particulars (details) in a footnote including name of pledgee and purpose of the pledge.
14. If the respondent has any long-term debt securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.
15. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest expense in column (j). Explain in a footnote any difference between the total of column (i) and the total of Account 427, interest on Long-Term Debt and Account 430, Interest on Debt to Associated Companies.
16. Give particulars (details) concerning any long-term debt authorized by a regulatory commission but not yet issued.

Nominal Date of Issue (d)	Date of Maturity (e)	AMORTIZATION PERIOD		Outstanding (Total amount outstanding without reduction for amounts held by respondent) (h)	Interest for Year Amount (i)	Line No.
		Date From (f)	Date To (g)			
						1
4/3/2013	4/1/2043	4/3/2013	3/31/2043	93,198,000	6,477,261	2
6/27/2014	6/30/2024	7/1/2014	6/30/2024	80,000,000	3,224,000	3
2/10/2016	2/10/2026	2/10/2016	2/10/2026	60,000,000	2,118,000	4
8/25/2017	8/25/2027	8/25/2017	8/25/2027	60,000,000	1,932,000	5
6/28/2018	6/28/2028	6/28/2018	6/28/2028	60,000,000	2,310,000	6
3/29/2019	3/29/2034	3/29/2019	3/29/2034	75,000,000	2,842,500	7
3/29/2019	3/29/2039	3/29/2019	3/29/2039	75,000,000	2,940,000	8
3/29/2019	3/29/2044	3/29/2019	3/29/2044	75,000,000	3,045,000	9
7/1/2019	7/1/2029	7/1/2019	7/1/2029	80,000,000	2,880,000	10
4/24/2020	4/24/2030	4/24/2020	4/24/2030	85,000,000	2,320,500	11
4/24/2020	4/24/2050	4/24/2020	4/24/2050	25,000,000	840,000	12
7/15/2020	7/15/2035	7/15/2020	7/15/2035	25,000,000	732,500	13
7/15/2020	7/15/2050	7/15/2020	7/15/2050	50,000,000	1,680,000	14
8/16/2021	8/15/2035	8/16/2021	8/15/2035	65,000,000	1,586,000	15
5/12/2022	5/12/2052	5/12/2022	5/12/2052	65,000,000	1,707,640	16
7/28/2022	7/28/2032	7/28/2022	7/28/2032	95,000,000	1,538,288	17
				1,068,198,000	38,173,689	18
						19
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						23
						24
						25
						26
						27
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						29
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						33
						34
				1,068,198,000	38,173,689	34

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report 2022/Q4
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FOOTNOTE DATA

Page 257, Row 34, Column (i)

	December 31, 2022
Interest (p. 257 ln. 34)	\$ 38,173,689
Capitalized Interest	(383,145)
Account 427 (p117, ln 62)	\$ 37,790,544

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES

1. Report the reconciliation of reported net income for the year with taxable income used in computing Federal income tax accruals and show computation of such tax accruals. Include in the reconciliation, as far as practicable, the same detail as furnished on Schedule M-1 of the tax return for the year. Submit a reconciliation even though there is no taxable income for the year. Indicate clearly the nature of each reconciling amount.
2. If the utility is a member of a group which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating, however, intercompany amounts to be eliminated in such a consolidated return. State names of group member, tax assigned to each group member, and basis of allocation, assignment, or sharing of the consolidated tax among the group members.
3. A substitute page, designed to meet a particular need of a company, may be used as long as the data is consistent and meets the requirements of the above instructions. For electronic reporting purposes complete Line 27 and provide the substitute Page in the context of a footnote.

Line No.	Particulars (Details) (a)	Amount (b)
1	Net Income for the Year (Page 117)	92,276,066
2	Reconciling Items for the Year	
3		
4	Taxable Income Not Reported on Books	
5		34,129,493
6		
7		
8		
9	Deductions Recorded on Books Not Deducted for Return	
10		30,321,808
11		
12		
13		
14	Income Recorded on Books Not Included in Return	
15		7,870,074
16		
17		
18		
19	Deductions on Return Not Charged Against Book Income	
20		83,531,646
21		
22		
23		
24		
25		
26		
27	Federal Taxable Income (Loss)	65,325,647
28	Show Computation of Tax:	
29		
30	Regular Tax @ 21.00%	13,718,386
31	R&D Credit	(13,000)
32	Accrual to Return Adjustment to Current Income Tax Expense	3,351,063
33	Other Adjustment	(1,884)
34		
35		
36	Federal Tax Payable	17,054,565
37		
38		
39		
40		
41		
42		
43		
44		

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report 2022/Q4
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FOOTNOTE DATA

Page 261, Row 5, Column (b)

	December 31, 2022
Contributions in Aid of Construction	\$ 21,134,074
Transmission Cost Recovery	12,995,419
Total	\$ 34,129,493

Page 261, Row 10, Column (b)

	December 31, 2022
Income Tax Expense	\$ 15,160,737
AMS	5,914,729
Tax Capitalized Interest	2,870,983
Non-Deductible Compensation	2,010,891
Loss on Reacquired Debt	1,298,226
Rate Case Expense	1,214,879
Over/Under Return of Excess Deferrals	512,265
Incentive Compensation	463,707
Energy Efficiency	226,359
Non-Deductible Meals	146,122
Lobbying	140,187
Other	362,723
Total	\$ 30,321,808

Page 261, Row 15, Column (b)

	December 31, 2022
AFUDC	\$ 7,842,922
Other	27,152
Total	\$ 7,870,074

Page 261, Row 20, Column (b)

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report 2022/Q4
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FOOTNOTE DATA

	December 31, 2022
Repairs Deduction	\$ 29,271,813
Depreciation	25,620,862
Loss on Asset Dispositions	20,691,080
State Income Tax	2,662,379
Catastrophe Reserve Under Collection	1,293,553
Electricity Relief Program	1,052,610
Deferred Social Security Tax	828,883
General Liability Self Insurance	483,764
Book Capitalized Interest	383,144
Transmission Line Safety Inspections	370,491
Prepaid Expenses	356,344
Pension	276,941
Other	239,782
Total	<u>\$ 83,531,646</u>

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of 2022/Q4
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TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR

Give particulars (details) of the combined prepaid and accrued tax accounts and show the total taxes charged to operations and other accounts during the year. Do not include gasoline and other sales taxes which have been charged to the accounts to which the taxed material was charged. If the actual, or estimated amounts of such taxes are known, show the amounts in a footnote and designate whether estimated or actual amounts.

Include on this page, taxes paid during the year and charged direct to final accounts, (not charged to prepaid or accrued taxes.) Enter the amounts in both columns (g) and (h). The balancing of this page is not affected by the inclusion of these taxes.

Include in column (g) taxes charged during the year, taxes charged to operations and other accounts through (a) accruals credited to taxes accrued, (b) amounts credited to proportions of prepaid taxes chargeable to current year, and (c) taxes paid and charged direct to operations or accounts other than accrued and prepaid tax accounts.

List the aggregate of each kind of tax in such manner that the total tax for each State and subdivision can readily be ascertained.

Line No.	Kind of Tax (See instruction 5) (a)	Type of Tax (b)	State (c)	Tax Year (d)	BALANCE AT BEGINNING		Taxes Charged During Year (g)	Taxes Paid During Year (h)	Adjustments (i)
					Taxes Accrued (Account 236) (e)	Prepaid Taxes (Include in Account 165) (f)			
					December 31, 2021	December 31, 2021			
1.1		Income Tax	TX	2022	3,490,963	—	17,054,565	6,838,986	(10,040)
1.2					—	—	—	—	—
2	Total Federal Tax				3,490,963	—	17,054,565	6,838,986	(10,040)
3.1		Income Tax	TX	2022	1,502,206	—	2,662,379	2,405,855	—
3.2					—	—	—	—	—
4	Total State Tax				1,502,206	—	2,662,379	2,405,855	—
5.1									
5.2									
6	Total Local Tax				—	—	—	—	—
7.1									
7.2									
8	Total Other Tax				—	—	—	—	—
9.1		Property Tax	TX	2021	19,468,112	—	(530)	19,467,582	—
9.2		Property Tax	TX	2022	—	—	22,227,507	—	—
10	Total Property Tax				19,468,112	—	22,226,977	19,467,582	—
11.1									
11.2									
12	Total Real Estate Tax				—	—	—	—	—
13.1	Federal	Unemployment Tax	TX	2021	514	—	—	514	—
13.2	Federal	Unemployment Tax	TX	2022	—	—	18,116	17,491	—
13.3	State	Unemployment Tax	TX	2021	453	—	—	453	—
13.4	State	Unemployment Tax	TX	2022	—	—	16,023	15,421	—
14	Total Unemployment				967	—	34,139	33,879	—
15.1		Sales And Use Tax	TX	2021	—	—	—	—	—
15.2		Sales And Use Tax	TX	2022	—	—	—	—	—
16	Tax				—	—	—	—	—
17.1									
17.2									
18	Total Income Tax				—	—	—	—	—
19.1									
19.2									
20	Total Excise Tax				—	—	—	—	—
21.1									
21.2									
22	Total Fuel Tax				—	—	—	—	—
23.1									
23.2									
24	Total Federal				—	—	—	—	—
25.1									
25.2									
26	Total Franchise Tax				—	—	—	—	—

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR (Continued)

If any tax (exclude Federal and State income taxes)- covers more then one year, show the required information separately for each tax year, identifying the year in column (d).
Enter all adjustments of the accrued and prepaid tax accounts in column (i) and explain each adjustment in a foot- note. Designate debit adjustments by parentheses.
Do not include on this page entries with respect to deferred income taxes or taxes collected through payroll deductions or otherwise pending transmittal of such taxes to the taxing authority.
Report in columns (l) through (o) how the taxes were distributed. Report in column (o) only the amounts charged to Accounts 408.1 and 409.1 pertaining to electric operations. Report in column (o) the amounts charged to Accounts 408.1 and 409.1 pertaining to other utility departments and amounts charged to Accounts 408.2 and 409.2. Also shown in column (o) the taxes charged to utility plant or other balance sheet accounts.
For any tax apportioned to more than one utility department or account, state in a footnote the basis (necessity) of apportioning such tax.

BALANCE AT END OF YEAR		DISTRIBUTION OF TAXES CHARGED				Line No.
(Taxes accrued Account 236) (j) December 31, 2022	Prepaid Taxes (Incl. in Account 165) (k) December 31, 2022	Electric (Account 408.1, 409.1) (l)	Extraordinary Items (Account 409.3) (m)	Adjustments to Ret. Earnings (Account 439) (n)	Other (o)	
13,696,502	—	17,054,565	—	—	—	1.1
—	—	—	—	—	—	1.2
13,696,502	—	17,054,565	—	—	—	2
1,758,730	—	2,662,379	—	—	—	3.1
—	—	—	—	—	—	3.2
1,758,730	—	2,662,379	—	—	—	4
						5.1
						5.2
—	—	—	—	—	—	6
						7.1
						7.2
—	—	—	—	—	—	8
—	—	(7,165)	—	—	6,635	9.1
22,227,507	—	22,227,507	—	—	—	9.2
22,227,507	—	22,220,342	—	—	6,635	10
						11.1
						11.2
—	—	—	—	—	—	12
—	—	—	—	—	—	13.1
625	—	8,430	—	—	9,686	13.2
—	—	—	—	—	—	13.3
602	—	7,456	—	—	8,567	13.4
1,227	—	15,886	—	—	18,253	14
—	—	(1,727)	—	—	1,727	15.1
—	—	(20,133)	—	—	20,133	15.2
—	—	(21,860)	—	—	21,860	16
						17.1
						17.2
—	—	—	—	—	—	18
						19.1
						19.2
—	—	—	—	—	—	20
						21.1
						21.2
—	—	—	—	—	—	22
						23.1
						23.2
—	—	—	—	—	—	24
						25.1
						25.2
—	—	—	—	—	—	26

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR

Give particulars (details) of the combined prepaid and accrued tax accounts and show the total taxes charged to operations and other accounts during the year. Do not include gasoline and other sales taxes which have been charged to the accounts to which the taxed material was charged. If the actual, or estimated amounts of such taxes are known, show the amounts in a footnote and designate whether estimated or actual amounts.

Include on this page, taxes paid during the year and charged direct to final accounts, (not charged to prepaid or accrued taxes.) Enter the amounts in both columns (g) and (h). The balancing of this page is not affected by the inclusion of these taxes.

Include in column (g) taxes charged during the year, taxes charged to operations and other accounts through (a) accruals credited to taxes accrued, (b) amounts credited to proportions of prepaid taxes chargeable to current year, and (c) taxes paid and charged direct to operations or accounts other than accrued and prepaid tax accounts.

List the aggregate of each kind of tax in such manner that the total tax for each State and subdivision can readily be ascertained.

Line No.	Kind of Tax (See instruction 5) (a)	Type of Tax (b)	State (c)	Tax Year (d)	BALANCE AT		Taxes Charged During Year (g)	Taxes Paid During Year (h)	Adjust- ments (i)
					Taxes Accrued (Account 236) (e)	Prep aid Taxes (Include in Account 165) (f)			
					December 31, 2021	December 31, 2021			
27.1									
27.2									
28	Total Miscellaneous Other Tax				—	—	—	—	—
29.1									
29.2									
30	Total Other Federal Tax				—	—	—	—	—
31.1									
31.2									
32	Total Other State Tax				—	—	—	—	—
33.1									
33.2									
34	Total Other Property Tax				—	—	—	—	—
35.1									
35.2									
36	Total Other Use Tax				—	—	—	—	—
37.1									
37.2									
38	Total Other Advalorem Tax				—	—	—	—	—
39.1									
39.2									
40	Total Other License and Fees				—	—	—	—	—
41.1	Social Security	Payroll Tax	TX	2021	828,883	—	—	828,883	—
41.2	Social Security	Payroll Tax	TX	2022	—	—	2,995,152	2,895,975	—
42	Total Payroll Tax				828,883	—	2,995,152	3,724,858	—
43.1									
43.2									
44	Total Advalorem Tax				—	—	—	—	—
45.1									
45.2									
46	Total Other Allocated Tax				—	—	—	—	—
47.1									
47.2									
48	Total Severance Tax				—	—	—	—	—
49.1									
49.2									
50	Total Penalty Tax				—	—	—	—	—
51.1	Street Rental	Other Taxes and Fees	TX	2021	4,236,256	—	—	4,236,256	—
51.2	Street Rental	Other Taxes and Fees	TX	2022	—	—	18,744,920	14,383,459	—
51.3	Miscellaneous	Other Taxes and Fees	TX	2022	—	—	—	—	—
52	Total Other Taxes and Fees				4,236,256	—	18,744,920	18,619,715	—
53	TOTAL				29,527,387	—	63,718,132	51,090,875	(10,040)

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of 2022/Q4
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TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR (Continued)

If any tax (exclude Federal and State income taxes)- covers more then one year, show the required information separately for each tax year, identifying the year in column (d).
Enter all adjustments of the accrued and prepaid tax accounts in column (i) and explain each adjustment in a foot- note. Designate debit adjustments by parentheses.
Do not include on this page entries with respect to deferred income taxes or taxes collected through payroll deductions or otherwise pending transmittal of such taxes to the taxing authority.
Report in columns (l) through (o) how the taxes were distributed. Report in column (o) only the amounts charged to Accounts 408.1 and 409.1 pertaining to electric operations. Report in column (o) the amounts charged to Accounts 408.1 and 409.1 pertaining to other utility departments and amounts charged to Accounts 408.2 and 409.2. Also shown in column (o) the taxes charged to utility plant or other balance sheet accounts.
For any tax apportioned to more than one utility department or account, state in a footnote the basis (necessity) of apportioning such tax.

BALANCE AT END OF YEAR		DISTRIBUTION OF TAXES CHARGED				Line No.
(Taxes accrued Account 236) (j) December 31, 2022	Prepaid Taxes (Incl. in Account 165) (k) December 31, 2022	Electric (Account 408.1, 409.1) (l)	Extraordinary Items (Account 409.3) (m)	Adjustments to Ret. Earnings (Account 439) (n)	Other (o)	
						27.1
						27.2
—	—	—	—	—	—	28
						29.1
						29.2
—	—	—	—	—	—	30
						31.1
						31.2
—	—	—	—	—	—	32
						33.1
						33.2
—	—	—	—	—	—	34
						35.1
						35.2
—	—	—	—	—	—	36
						37.1
						37.2
—	—	—	—	—	—	38
						39.1
						39.2
—	—	—	—	—	—	40
—	—	—	—	—	—	41.1
99,177	—	1,393,748	—	—	1,601,404	41.2
99,177	—	1,393,748	—	—	1,601,404	42
						43.1
						43.2
—	—	—	—	—	—	44
						45.1
						45.2
—	—	—	—	—	—	46
						47.1
						47.2
—	—	—	—	—	—	48
						49.1
						49.2
—	—	—	—	—	—	50
—	—	—	—	—	—	51.1
4,361,461	—	14,912,820	—	—	3,832,100	51.2
—	—	10	—	—	(10)	51.3
4,361,461	—	14,912,830	—	—	3,832,090	52
42,144,604	—	58,237,890	—	—	5,480,242	53

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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Page 262.1, Row 53, Column (i)

	December 31, 2022
FIN 48 Adjustment	<u>\$ (10,040)</u>

Page 263.1, Row 53, Column (o)

	December 31, 2022
Capitalized Payroll Tax:	<u>\$ 1,619,657</u>
Street Rental Fees Collected from Transmission Customers:	3,832,100
Property Tax Refund Posted to Other Balance Sheet Account:	6,635
Sales and Use Tax Posted to Other Balance Sheet Account :	21,860
Other Misc Fees Posted to Other Balance Sheet Accounts:	(10)
	<u>\$ 5,480,242</u>

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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OTHER DEFERRED CREDITS (Account 253)

1. Report below the particulars (details) called for concerning other deferred credits.
2. For any deferred credit being amortized, show the period of amortization.
3. Minor items (5% of the Balance End of Year for Account 253 or amounts less than \$100,000, whichever is greater) may be grouped by classes.

Line No.	Description and Other Deferred Credits (a)	Balance at Beginning of Year (b)	DEBITS		Credits (e)	Balance at End of Year (f)
			Contra Account (c)	Amount (d)		
1	Transmission Studies	15,272,522	Various	14,959,161	13,222,204	13,535,565
2	Distribution Studies	—			—	—
3	Legal Reserve	41,000	930.2	55,000	34,000	20,000
4	FIN 48 Liability	140,268		—	10,040	150,308
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
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39						
40						
41						
42						
43						
44						
45						
46						
47	TOTAL	15,453,790		15,014,161	13,266,244	13,705,873

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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ACCUMULATED DEFFERED INCOME TAXES - OTHER PROPERTY (Account 282)

- Report the information called for below concerning the respondent's accounting for deferred income taxes rating to property not subject to accelerated amortization
- For other (Specify), include deferrals relating to other income and deductions.

Line No.	Account (a)	Balance at Beginning of Year (b)	CHANGES DURING YEAR	
			Amounts Debited to Account 410.1 (c)	Amounts Credited to Account 411.1 (d)
1	Account 282			
2	Electric	156,731,140	16,960,861	8,465,300
3	Gas	—	—	—
4	Other (Specify)	—	—	—
5	TOTAL (Enter Total of lines 2 thru 4)	156,731,140	16,960,861	8,465,300
6				
7				
8				
9	TOTAL Account 282 (Enter Total of lines 5 thru 8)	156,731,140	16,960,861	8,465,300
10	Classification of TOTAL			
11	Federal Income Tax	156,731,140	16,960,861	8,465,300
12	State Income Tax	—	—	—
13	Local Income Tax	—	—	—

NOTES

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of 2022/Q4
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ACCUMULATED DEFERRED INCOME TAXES - OTHER PROPERTY (Account 282) (Continued)

3. Use footnotes as required.

CHANGES DURING YEAR		ADJUSTMENTS				Balance at End of Year (k)	Line No.
Amounts Debited to Account 410.2 (e)	Amounts Credited to Account 411.2 (f)	Debits		Credits			
		Account Credited (g)	Amount (h)	Account Debited (i)	Amount (j)		
							1
—	—	182.3	231,406		—	164,995,295	2
—	—		—		—	—	3
—	—		—		—	—	4
—	—		231,406		—	164,995,295	5
							6
							7
							8
—	—		231,406		—	164,995,295	9
							10
—	—	—	231,406		—	164,995,295	11
—	—		—		—	—	12
—	—		—		—	—	13

NOTES (Continued)

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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ACCUMULATED DEFERRED INCOME TAXES - OTHER (Account 283)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes relating to amounts recorded in Account 283.
2. For other (Specify), include deferrals relating to other income and deductions.

Line No.	Account (a)	Balance at Beginning of Year (b)	CHANGES DURING YEAR	
			Amounts Debited to Account 410.1 (c)	Amounts Credited to Account 411.1 (d)
1	Account 283			
2	Electric			
3		31,540,029	3,651,931	5,098,003
4				
5				
6				
7				
8				
9	TOTAL Electric (Total of lines 3 thru 8)	31,540,029	3,651,931	5,098,003
10	Gas			
11				
12				
13				
14				
15				
16				
17	TOTAL Gas (Total of lines 11 thru 16)	—	—	—
18	TOTAL Other	—	—	—
19	TOTAL (Acct 283) (Enter Total of lines 9, 17 and 18)	31,540,029	3,651,931	5,098,003
20	Classification of TOTAL			
21	Federal Income Tax	31,540,029	3,651,931	5,098,003
22	State Income Tax	—	—	—
23	Local Income Tax	—	—	—

NOTES

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of 2022/Q4
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ACCUMULATED DEFERRED INCOME TAXES - OTHER (Account 283) (Continued)

3. Provide in the space below explanations for Page 276 and 277. Include amounts relating to insignificant items listed under Other.
4. Use footnotes as required.

CHANGES DURING YEAR		ADJUSTMENTS				Balance at End of Year (k)	Line No.
Amounts Debited to Account 410.2 (e)	Amounts Credited to Account 411.2 (f)	Debits		Credits			
		Account Credited (g)	Amount (h)	Account Debited (i)	Amount (j)		
—	—	182.3	80,403		—	30,013,554	1
							2
							3
							4
							5
							6
							7
							8
—	—		80,403		—	30,013,554	9
							10
							11
							12
							13
							14
							15
							16
—	—		—		—	—	17
—	—		—		—	—	18
—	—		80,403		—	30,013,554	19
							20
—	—		80,403		—	30,013,554	21
—	—		—		—	—	22
—	—		—		—	—	23

NOTES (Continued)

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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OTHER REGULATORY LIABILITIES (Account 254)

- Report below the particulars (details) called for concerning other regulatory liabilities, including rate order docket number, if applicable.
- Minor items (5% of the Balance in Account 254 at end of period, or amounts less than \$100,000 which ever is less), may be grouped by classes.
- For Regulatory Liabilities being amortized, show period of amortization.

Line No.	Description and Purpose of Other Regulatory Liabilities (a)	Balance at Beginning of Current Quarter/Year (b)	DEBITS		Credits (e)	Balance at End of Current Quarter/Year (f)
			Account Credited (c)	Amount (d)		
1	Income Tax Regulatory Liability	107,250,314	Various	12,256,643	—	94,993,671
2						
3	Other Post Retirement Benefits	5,964,833	Various	1,608,995	5,541	4,361,379
4						
5	TCRF Over Recovery	—	456	1,962,706	11,051,925	9,089,219
6						
7	Sale of property, Docket #48401	54,304	407	27,152	—	27,152
8						
9	Excess Deferred Income Taxes	1,131,196		—	512,265	1,643,461
10	Over Recovery, Docket #48401	—				—
11						
12	Pension Non-qualified	14,334		—	4,868	19,202
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
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36						
37						
38						
39						
40						
41	TOTAL	114,414,981		15,855,496	11,574,599	110,134,084

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Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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ELECTRIC OPERATING REVENUES (Account 400)

- The following instructions generally apply to the annual version of these pages. Do not report quarterly data in columns (c), (e), (f), and (g). Unbilled revenues and MWH related to unbilled revenues need not be reported separately as required in the annual version of these pages.
- Report below operating revenues for each prescribed account, and manufactured gas revenues in total.
- Report number of customers, columns (f) and (g), on the basis of meters, in addition to the number of flat rate accounts; except that where separate meter readings are added for billing purposes, one customer should be counted for each group of meters added. The -average number of customers means the average of twelve figures at the close of each month.
- If increases or decreases from previous period (columns (c),(e), and (g)), are not derived from previously reported figures, explain any inconsistencies in a footnote.
- Disclose amounts of \$250,000 or greater in a footnote for accounts 451, 456, and 457.2.

Line No.	Title of Account (a)	Operating Revenues Year to Date Quarterly/Annual (b)	Operating Revenues Previous year (no Quarterly) (c)
1	Sales of Electricity		
2	(440) Residential Sales	187,951,028	158,795,770
3	(442) Commercial and Industrial Sales		
4	Small (or Comm.) (See Instr. 4)	154,059,477	125,536,039
5	Large (or Ind.) (See Instr. 4)	36,919,662	29,089,101
6	(444) Public Street and Highway Lighting	3,236,314	3,037,161
7	(445) Other Sales to Public Authorities	3,142,303	3,105,143
8	(446) Sales to Railroads and Railways	—	—
9	(448) Interdepartmental Sales	—	—
10	TOTAL Sales to Ultimate Consumers	385,308,784	319,563,214
11	(447) Sales for Resale	—	—
12	TOTAL Sales of Electricity	385,308,784	319,563,214
13	(Less) (449.1) Provision for Rate Refunds	—	—
14	TOTAL Revenues Net of Prov. for Refunds	385,308,784	319,563,214
15	Other Operating Revenues		
16	(450) Forfeited Discounts	—	—
17	(451) Miscellaneous Service Revenues	1,969,197	1,915,056
18	(453) Sales of Water and Water Power	—	—
19	(454) Rent from Electric Property	1,847,364	1,879,314
20	(455) Interdepartmental Rents	141,372	141,372
21	(456) Other Electric Revenues	(20,177,087)	343,680
22	(456.1) Revenues from Transmission of Electricity of Others	113,782,248	94,151,889
23	(457.1) Regional Control Service Revenues	—	—
24	(457.2) Miscellaneous Revenues	—	—
25			
26	TOTAL Other Operating Revenues	97,563,094	98,431,311
27	TOTAL Electric Operating Revenues	482,871,878	417,994,525

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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ELECTRIC OPERATING REVENUES (Account 400)

6. Commercial and industrial Sales, Account 442, may be classified according to the basis of classification (Small or Commercial, and Large or Industrial) regularly used by the respondent if such basis of classification is not generally greater than 1000 Kw of demand. (See Account 442 of the Uniform System of Accounts. Explain basis of classification in a footnote.)
7. See pages 108-109, Important Changes During Period, for important new territory added and important rate increase or decreases.
8. For Lines 2,4,5,and 6, see Page 304 for amounts relating to unbilled revenue by accounts.
9. Include unmetered sales. Provide details of such Sales in a footnote.

MEGAWATT HOURS SOLD		AVG.NO. CUSTOMERS PER MONTH		Line No.
Year to Date Quarterly/Annual (d)	Amount Previous year (no Quarterly) (e)	Current Year (no Quarterly) (f)	Previous Year (no Quarterly) (g)	
				1
3,309,347	3,027,726	224,277	220,092	2
				3
4,529,054	3,378,440	41,652	41,422	4
5,984,976	5,307,881	98	98	5
22,961	22,888	1,132	1,135	6
77,293	77,477	755	763	7
—	—	—	—	8
—	—	—	—	9
13,923,631	11,814,412	267,914	263,510	10
—	—	—	—	11
13,923,631	11,814,412	267,914	263,510	12
—	—	—	—	13
13,923,631	11,814,412	267,914	263,510	14

Line 12, column (b) includes \$5,214,000 of unbilled revenues
Line 12, column (d) includes 52,240 MWH relating to unbilled revenues

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SALES OF ELECTRICITY BY RATE SCHEDULES

- Report below for each rate schedule in effect during the year the MWh of electricity sold, revenue, average number of customer, average Kwh per customer, and average revenue per Kwh, excluding date for Sales for Resale which is reported on Pages 310-311.
- Provide a subheading and total for each prescribed operating revenue account in the sequence followed in "Electric Operating Revenues," Page 300-301. If the sales under any rate schedule are classified in more than one revenue account, List the rate schedule and sales data under each applicable revenue account subheading.
- Where the same customers are served under more than one rate schedule in the same revenue account classification (such as a general residential schedule and an off peak water heating schedule), the entries in column (d) for the special schedule should denote the duplication in number of reported customers.
- The average number of customers should be the number of bills rendered during the year divided by the number of billing periods during the year (12 if all billings are made monthly).
- For any rate schedule having a fuel adjustment clause state in a footnote the estimated additional revenue billed pursuant thereto.
- Report amount of unbilled revenue as of end of year for each applicable revenue account subheading.

Line No.	Number and Title of Rate schedule (a)	MWh Sold (b)	Revenue (c)	Average Number of Customers (d)	KWh of Sales Per Customer (e)	Revenue Per KWh Sold (f)
Residential Sales						
1	6.1.1.1 Residential Service	3,253,345	184,455,966	223,181	14,577	0.0567
2	6.1.1.2 Secondary Service < 5 KW	2,989	301,062	1,096	2,727	0.1007
3	Residential Sales Billed	3,256,334	184,757,028	224,277	14,519	0.0567
4	Residential Sales Unbilled	53,013	3,194,000			
5	Residential Sales Total	3,309,347	187,951,028	224,277	14,756	0.0568
Commercial Sales						
6	6.1.1.2 Secondary Service < 5 KW	49,680	4,841,055	14,883	3,338	0.0974
7	6.1.1.3 Secondary Service > 5 KW	2,241,142	101,254,575	22,450	99,828	0.0452
8	6.1.1.4 Primary Service	2,188,698	44,549,063	610	3,588,030	0.0204
9	6.1.1.5 Transmission Service	39,760	252,346	4	9,940,000	0.0063
10	6.1.1.6 Lighting Service	10,547	1,201,438	3,705	2,847	0.1139
11	Commercial Sales Billed	4,529,827	152,098,477	41,652	108,754	0.0336
12	Commercial Sales Unbilled	(773)	1,961,000			
13	Commercial Sales Total	4,529,054	154,059,477	41,652	108,736	0.0340
Industrial Sales						
14	6.1.1.3 Secondary Service > 5 KW	26,135	1,038,499	16	1,633,438	0.0397
15	6.1.1.4 Primary Service	60,729	1,033,816	14	4,337,786	0.0170
16	6.1.1.5 Transmission Service	5,898,112	34,824,347	68	86,736,941	0.0059
17	Industrial Sales Billed	5,984,976	36,896,662	98	61,071,184	0.0062
18	Industrial Sales Unbilled		23,000			
19	Industrial Sales Total	5,984,976	36,919,662	98	61,071,184	0.0062
Commercial and Industrial Sales						
20	6.1.1.2 Secondary Service < 5 KW	49,680	4,841,055	14,883	3,338	0.0974
21	6.1.1.3 Secondary Service > 5 KW	2,267,277	102,293,074	22,466	100,920	0.0451
22	6.1.1.4 Primary Service	2,249,427	45,582,879	624	3,604,851	0.0203
23	6.1.1.5 Transmission Service	5,937,872	35,076,693	72	82,470,444	0.0059
24	6.1.1.6 Lighting Service	10,547	1,201,438	3,705	2,847	0.1139
25	Commercial and Industrial Sales Billed	10,514,803	188,995,139	41,750	251,852	0.0180
26	Commercial and Industrial Sales Unbilled	(773)	1,984,000	—		
27	Commercial and Industrial Sales Total	10,514,030	190,979,139	41,750	251,833	0.0182
Public Street and Highway Lighting Sales						
28	6.1.1.6 Lighting Service	22,961	3,215,314	1,132	20,284	0.1400
29	Public Street and Highway Lighting Sales Billed	22,961	3,215,314	1,132	20,284	0.1400
30	Public Street and Highway Lighting Sales Unbilled		21,000			
31	Public Street and Highway Lighting Sales Total	22,961	3,236,314	1,132	20,284	0.1409

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of 2022/Q4
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SALES OF ELECTRICITY BY RATE SCHEDULES

- Report below for each rate schedule in effect during the year the MWh of electricity sold, revenue, average number of customer, average Kwh per customer, and average revenue per Kwh, excluding date for Sales for Resale which is reported on Pages 310-311.
- Provide a subheading and total for each prescribed operating revenue account in the sequence followed in "Electric Operating Revenues," Page 300-301. If the sales under any rate schedule are classified in more than one revenue account, List the rate schedule and sales data under each applicable revenue account subheading.
- Where the same customers are served under more than one rate schedule in the same revenue account classification (such as a general residential schedule and an off peak water heating schedule), the entries in column (d) for the special schedule should denote the duplication in number of reported customers.
- The average number of customers should be the number of bills rendered during the year divided by the number of billing periods during the year (12 if all billings are made monthly).
- For any rate schedule having a fuel adjustment clause state in a footnote the estimated additional revenue billed pursuant thereto.
- Report amount of unbilled revenue as of end of year for each applicable revenue account subheading.

Line No.	Number and Title of Rate schedule (a)	MWh Sold (b)	Revenue (c)	Average Number of Customers (d)	KWh of Sales Per Customer (e)	Revenue Per KWh Sold (f)
Other Sales to Public Authorities						
32	6.1.1.2 Secondary Service < 5 KW	168	22,118	106	1,585	0.1317
33	6.1.1.3 Secondary Service > 5 KW	63,916	2,819,687	643	99,403	0.0441
34	6.1.1.4 Primary Service	13,209	285,498	6	2,201,500	0.0216
35	Other Sales to Public Authorities Billed	77,293	3,127,303	755	102,375	0.0405
36	Other Sales to Public Authorities Unbilled		15,000			
37	Other Sales to Public Authorities Total	77,293	3,142,303	755	102,375	0.0407
Sales to Railroads and Railways						
38	Sales to Railroads and Railways Billed					
39	Sales to Railroads and Railways Unbilled					
40	Sales to Railroads and Railways Total					
Interdepartmental Sales						
41	Interdepartmental Sales Billed					
42	Interdepartmental Sales Unbilled					
43	Interdepartmental Sales Total					
Provision for Rate Refunds						
44	Provision for Rate Refunds Billed					
45	Provision for Rate Refunds Unbilled					
46	Provision for Rate Refunds Total					
Total Sales						
47	TOTAL Billed	13,871,391	380,094,784	267,914	51,776	0.0274
48	Total Unbilled Rev.(See Instr. 6)	52,240	5,214,000	—	—	—
49	TOTAL	13,923,631	385,308,784	267,914	51,971	0.0277

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ELECTRIC OPERATION AND MAINTENANCE EXPENSES			
If the amount for previous year is not derived from previously reported figures, explain in footnote.			
Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
1	1. POWER PRODUCTION EXPENSES		
2	A. Steam Power Generation		
3	Operation		
4	(500) Operation Supervision and Engineering	—	—
5	(501) Fuel	—	—
6	(502) Steam Expenses	—	—
7	(503) Steam from Other Sources	—	—
8	(Less) (504) Steam Transferred-Cr.	—	—
9	(505) Electric Expenses	—	—
10	(506) Miscellaneous Steam Power Expenses	—	—
11	(507) Rents	—	—
12	(509) Allowances	—	—
13	TOTAL Operation (Enter Total of Lines 4 thru 12)	—	—
14	Maintenance		
15	(510) Maintenance Supervision and Engineering	—	—
16	(511) Maintenance of Structures	—	—
17	(512) Maintenance of Boiler Plant	—	—
18	(513) Maintenance of Electric Plant	—	—
19	(514) Maintenance of Miscellaneous Steam Plant	—	—
20	TOTAL Maintenance (Enter Total of Lines 15 thru 19)	—	—
21	TOTAL Power Production Expenses-Steam Power (Entr Tot lines 13 & 20)	—	—
22	B. Nuclear Power Generation		
23	Operation		
24	(517) Operation Supervision and Engineering	—	—
25	(518) Fuel	—	—
26	(519) Coolants and Water	—	—
27	(520) Steam Expenses	—	—
28	(521) Steam from Other Sources	—	—
29	(Less) (522) Steam Transferred-Cr.	—	—
30	(523) Electric Expenses	—	—
31	(524) Miscellaneous Nuclear Power Expenses	—	—
32	(525) Rents	—	—
33	TOTAL Operation (Enter Total of lines 24 thru 32)	—	—
34	Maintenance		
35	(528) Maintenance Supervision and Engineering	—	—
36	(529) Maintenance of Structures	—	—
37	(530) Maintenance of Reactor Plant Equipment	—	—
38	(531) Maintenance of Electric Plant	—	—
39	(532) Maintenance of Miscellaneous Nuclear Plant	—	—
40	TOTAL Maintenance (Enter Total of lines 35 thru 39)	—	—
41	TOTAL Power Production Expenses-Nuc. Power (Entr tot lines 33 & 40)	—	—
42	C. Hydraulic Power Generation		
43	Operation		
44	(535) Operation Supervision and Engineering	—	—
45	(536) Water for Power	—	—
46	(537) Hydraulic Expenses	—	—
47	(538) Electric Expenses	—	—
48	(539) Miscellaneous Hydraulic Power Generation Expenses	—	—
49	(540) Rents	—	—
50	TOTAL Operation (Enter Total of Lines 44 thru 49)	—	—
51	C. Hydraulic Power Generation (Continued)		
52	Maintenance		
53	(541) Maintenance Supervision and Engineering	—	—
54	(542) Maintenance of Structures	—	—

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ELECTRIC OPERATION AND MAINTENANCE EXPENSES (Continued)			
If the amount for previous year is not derived from previously reported figures, explain in footnote.			
Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
55	(543) Maintenance of Reservoirs, Dams, and Waterways	—	—
56	(544) Maintenance of Electric Plant	—	—
57	(545) Maintenance of Miscellaneous Hydraulic Plant	—	—
58	TOTAL Maintenance (Enter Total of lines 53 thru 57)	—	—
59	TOTAL Power Production Expenses-Hydraulic Power (tot of lines 50 & 58)	—	—
60	D. Other Power Generation		
61	Operation		
62	(546) Operation Supervision and Engineering	—	—
63	(547) Fuel	—	—
64	(548) Generation Expenses	—	—
64.1	(548.1) Operation of Energy Storage Equipment	—	—
65	(549) Miscellaneous Other Power Generation Expenses	—	—
66	(550) Rents	—	—
67	TOTAL Operation (Enter Total of lines 62 thru 66)	—	—
68	Maintenance		
69	(551) Maintenance Supervision and Engineering	—	—
70	(552) Maintenance of Structures	—	—
71	(553) Maintenance of Generating and Electric Plant	—	—
71.1	(553.1) Maintenance of Energy Storage Equipment	—	—
72	(554) Maintenance of Miscellaneous Other Power Generation Plant	—	—
73	TOTAL Maintenance (Enter Total of lines 69 thru 72)	—	—
74	TOTAL Power Production Expenses-Other Power (Enter Tot of 67 & 73)	—	—
75	E. Other Power Supply Expenses		
76	(555) Purchased Power	—	—
76.1	(555.1) Power Purchased for Storage Operations	—	—
77	(556) System Control and Load Dispatching	—	—
78	(557) Other Expenses	—	—
79	TOTAL Other Power Supply Exp (Enter Total of lines 76 thru 78)	—	—
80	TOTAL Power Production Expenses (Total of lines 21, 41, 59, 74 & 79)	—	—
81	2. TRANSMISSION EXPENSES		
82	Operation		
83	(560) Operation Supervision and Engineering	547,813	680,038
84			
85	(561.1) Load Dispatch-Reliability	737,168	575,842
86	(561.2) Load Dispatch-Monitor and Operate Transmission System	—	—
87	(561.3) Load Dispatch-Transmission Service and Scheduling	—	—
88	(561.4) Scheduling, System Control and Dispatch Services	—	—
89	(561.5) Reliability, Planning and Standards Development	—	—
90	(561.6) Transmission Service Studies	—	—
91	(561.7) Generation Interconnection Studies	—	—
92	(561.8) Reliability, Planning and Standards Development Services	—	—
93	(562) Station Expenses	93,297	92,875
93.1	(562.1) Operation of Energy Storage Equipment	—	—
94	(563) Overhead Lines Expenses	251,444	58,360
95	(564) Underground Lines Expenses	—	—
96	(565) Transmission of Electricity by Others	123,820,291	112,970,927
97	(566) Miscellaneous Transmission Expenses	1,010,288	880,249
98	(567) Rents	7,964	7,852
99	TOTAL Operation (Enter Total of lines 83 thru 98)	126,468,265	115,266,143
100	Maintenance		
101	(568) Maintenance Supervision and Engineering	52,454	43,628
102	(569) Maintenance of Structures	—	—
103	(569.1) Maintenance of Computer Hardware	—	—
104	(569.2) Maintenance of Computer Software	—	—

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ELECTRIC OPERATION AND MAINTENANCE EXPENSES (Continued)			
If the amount for previous year is not derived from previously reported figures, explain in footnote.			
Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
105	(569.3) Maintenance of Communication Equipment	—	—
106	(569.4) Maintenance of Miscellaneous Regional Transmission Plant	—	—
107	(570) Maintenance of Station Equipment	319,104	266,941
107.1	(570.1) Maintenance of Energy Storage Equipment	—	—
108	(571) Maintenance of Overhead Lines	315,754	233,311
109	(572) Maintenance of Underground Lines	—	—
110	(573) Maintenance of Miscellaneous Transmission Plant	—	—
111	TOTAL Maintenance (Total of lines 101 thru 110)	687,312	543,880
112	TOTAL Transmission Expenses (Total of lines 99 and 111)	127,155,577	115,810,023
113	3. REGIONAL MARKET EXPENSES		
114	Operation		
115	(575.1) Operation Supervision	—	—
116	(575.2) Day-Ahead and Real-Time Market Facilitation	—	—
117	(575.3) Transmission Rights Market Facilitation	—	—
118	(575.4) Capacity Market Facilitation	—	—
119	(575.5) Ancillary Services Market Facilitation	—	—
120	(575.6) Market Monitoring and Compliance	—	—
121	(575.7) Market Facilitation, Monitoring and Compliance Services	—	—
122	(575.8) Rents	—	—
123	Total Operation (Lines 115 thru 122)	—	—
124	Maintenance		
125	(576.1) Maintenance of Structures and Improvements	—	—
126	(576.2) Maintenance of Computer Hardware	—	—
127	(576.3) Maintenance of Computer Software	—	—
128	(576.4) Maintenance of Communication Equipment	—	—
129	(576.5) Maintenance of Miscellaneous Market Operation Plant	—	—
130	Total Maintenance (Lines 125 thru 129)	—	—
131	TOTAL Regional Transmission and Market Op Expns (Total 123 and 130)	—	—
132	4. DISTRIBUTION EXPENSES		
133	Operation		
134	(580) Operation Supervision and Engineering	633,595	667,461
135	(581) Load Dispatching	932,632	1,076,195
136	(582) Station Expenses	963,703	820,738
137	(583) Overhead Line Expenses	1,352,371	1,131,080
138	(584) Underground Line Expenses	699,342	701,637
138.1	(584.1) Operation of Energy Storage Equipment	—	—
139	(585) Street Lighting and Signal System Expenses	40,546	34,713
140	(586) Meter Expenses	1,790,110	1,615,186
141	(587) Customer Installations Expenses	106,041	163,597
142	(588) Miscellaneous Expenses	6,117,951	5,565,032
143	(589) Rents	72,202	73,177
144	TOTAL Operation (Enter Total of lines 134 thru 143)	12,708,493	11,848,816
145	Maintenance		
146	(590) Maintenance Supervision and Engineering	256,913	304,624
147	(591) Maintenance of Structures	229,928	208,824
148	(592) Maintenance of Station Equipment	3,204,307	2,923,835
148.1	(592.2) Maintenance of Energy Storage Equipment	—	—
149	(593) Maintenance of Overhead Lines	15,336,155	12,254,347
150	(594) Maintenance of Underground Lines	1,396,237	1,068,947
151	(595) Maintenance of Line Transformers	53,984	42,587
152	(596) Maintenance of Street Lighting and Signal Systems	387,536	385,728
153	(597) Maintenance of Meters	89,354	93,551
154	(598) Maintenance of Miscellaneous Distribution Plant	33,382	576
155	TOTAL Maintenance (Total of lines 146 thru 154)	20,987,796	17,283,019

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ELECTRIC OPERATION AND MAINTENANCE EXPENSES (Continued)			
If the amount for previous year is not derived from previously reported figures, explain in footnote.			
Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
156	TOTAL Distribution Expenses (Total of lines 144 and 155)	33,696,289	29,131,835
157	5. CUSTOMER ACCOUNTS EXPENSES		
158	Operation		
159	(901) Supervision	734,570	562,815
160	(902) Meter Reading Expenses	1,561,685	1,751,538
161	(903) Customer Records and Collection Expenses	914,987	889,270
162	(904) Uncollectible Accounts	—	65,697
163	(905) Miscellaneous Customer Accounts Expenses	343,476	332,175
164	TOTAL Customer Accounts Expenses (Total of lines 159 thru 163)	3,554,718	3,601,495
165	6. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES		
166	Operation		
167	(907) Supervision	112,795	174,906
168	(908) Customer Assistance Expenses	—	—
169	(909) Informational and Instructional Expenses	107	244
170	(910) Miscellaneous Customer Service and Informational Expenses	14,307	76,445
171	TOTAL Customer Service and Information Expenses (Total 167 thru 170)	127,209	251,595
172	7. SALES EXPENSES		
173	Operation		
174	(911) Supervision	—	—
175	(912) Demonstrating and Selling Expenses	495	—
176	(913) Advertising Expenses	8,765	5,085
177	(916) Miscellaneous Sales Expenses	—	—
178	TOTAL Sales Expenses (Enter Total of lines 174 thru 177)	9,260	5,085
179	8. ADMINISTRATIVE AND GENERAL EXPENSES		
180	Operation		
181	(920) Administrative and General Salaries	18,586,899	17,324,611
182	(921) Office Supplies and Expenses	5,033,526	6,068,592
183	(Less) (922) Administrative Expenses Transferred-Credit	7,202,392	7,588,714
184	(923) Outside Services Employed	9,628,509	9,801,618
185	(924) Property Insurance	1,960,684	1,700,442
186	(925) Injuries and Damages	2,771,323	1,922,885
187	(926) Employee Pensions and Benefits	6,971,475	6,824,155
188	(927) Franchise Requirements	—	—
189	(928) Regulatory Commission Expenses	6,561,846	6,088,185
190	(929) (Less) Duplicate Charges-Cr.	—	—
191	(930.1) General Advertising Expenses	—	—
192	(930.2) Miscellaneous General Expenses	1,063,935	875,830
193	(931) Rents	185,089	163,380
194	TOTAL Operation (Enter Total of lines 181 thru 193)	45,560,894	43,180,984
195	Maintenance		
196	(935) Maintenance of General Plant	164,909	126,393
197	TOTAL Administrative & General Expenses (Total of lines 194 and 196)	45,725,803	43,307,377
198	TOTAL Elec Op and Maint Expns (Total 80,112,131,156,164,171,178,197)	210,268,856	192,107,410

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of 2022/Q4
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TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456.1)
(Including transactions referred to as 'wheeling')

1. Report all transmission of electricity, i.e., wheeling, provided for other electric utilities, cooperatives, other public authorities, qualifying facilities, non-traditional utility suppliers and ultimate customers for the quarter.
2. Use a separate line of data for each distinct type of transmission service involving the entities listed in column (a), (b) and (c).
3. Report in column (a) the company or public authority that paid for the transmission service. Report in column (b) the company or public authority that the energy was received from and in column (c) the company or public authority that the energy was delivered to. Provide the full name of each company or public authority. Do not abbreviate or truncate name or use acronyms. Explain in a footnote any ownership interest in or affiliation the respondent has with the entities listed in columns (a), (b) or (c).
4. In column (d) enter a Statistical Classification code based on the original contractual terms and conditions of the service as follows: FNO - Firm Network Service for Others, FNS - Firm Network Transmission Service for Self, LFP - "Long-Term Firm Point to Point Transmission Service, OLF - Other Long-Term Firm Transmission Service, SFP - Short-Term Firm Point to Point Transmission Reservation, NF - non-firm transmission service, OS - Other Transmission Service and AD - Out-of-Period Adjustments. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting periods. Provide an explanation in a footnote for each adjustment. See General Instruction for definitions of codes.

Line No.	Payment By (Company of Public Authority) (Footnote Affiliation) (a)	Energy Received From (Company of Public Authority) (Footnote Affiliation) (b)	Energy Delivered To (Company of Public Authority) (Footnote Affiliation) (c)	Statistical Classification (d)
1	American Electric Power Services			
2	Bandera Electric Coop			
3	Bluebonnet Electric Coop			
4	Brazos Electric Power Cooperative			
5	Centerpoint			
6	Central Texas Electric Coop			
7	City of Austin			
8	City of Bartlett			
9	City of Bastrop			
10	City of Bellville			
11	City of Boerne			
12	City of Brady			
13	City of Brenham			
14	City of Bridgeport			
15	City of Bryan			
16	City of Burnet			
17	City of Coleman			
18	City of College Station			
19	City of Cuero			
20	City of Denton			
21	City of Farmersville			
22	City of Flatonia			
23	City of Fredericksburg			
24	City of Garland			
25	City of Georgetown			
26	City of Giddings			
27	City of Goldsmith			
28	City of Goldthwaite			
29	City of Gonzales			
30	City of Hallettsville			
31	City of Hearne			
32	City of Hempstead			
33	City of Lampasas			
34	City of Lexington			
35	City of Llano			
36	City of Lockhart			
37	City of Luling			
38	City of Mason			

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456.1)(Continued)
(Including transactions referred to as 'wheeling')

5. In column (e), identify the FERC Rate Schedule or Tariff Number, On separate lines, list all FERC rate schedules or contract designations under which service, as identified in column (d), is provided.
6. Report receipt and delivery locations for all single contract path, "point to point" transmission service. In column (f), report the designation for the substation, or other appropriate identification for where energy was received as specified in the contract. In column (g) report the designation for the substation, or other appropriate identification for where energy was delivered as specified in the contract.
7. Report in column (h) the number of megawatts of billing demand that is specified in the firm transmission service contract. Demand reported in column (h) must be in megawatts. Footnote any demand not stated on a megawatts basis and explain.
8. Report in column (i) and (j) the total megawatthours received and delivered.

FERC Rate Schedule of Tariff Number (e)	Point of Receipt (Substation or Other Designation) (f)	Point of Delivery (Substation or Other Designation) (g)	Billing Demand (MW) (h)	TRANSFER OF ENERGY		Line No.
				MegaWatt Hours Received (i)	MegaWatt Hours Delivered (j)	
						1
						2
						3
						4
						5
						6
						7
						8
						9
						10
						11
						12
						13
						14
						15
						16
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Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456.1) (Continued)
(Including transactions referred to as 'wheeling')

9. In column (k) through (n), report the revenue amounts as shown on bills or vouchers. In column (k), provide revenues from demand charges related to the billing demand reported in column (h). In column (l), provide revenues from energy charges related to the amount of energy transferred. In column (m), provide the total revenues from all other charges on bills or vouchers rendered, including out of period adjustments. Explain in a footnote all components of the amount shown in column (m). Report in column (n) the total charge shown on bills rendered to the entity Listed in column (a). If no monetary settlement was made, enter zero (11011) in column (n). Provide a footnote explaining the nature of the non-monetary settlement, including the amount and type of energy or service rendered.
10. The total amounts in columns (i) and (j) must be reported as Transmission Received and Transmission Delivered for annual report purposes only on Page 401, Lines 16 and 17, respectively.
11. Footnote entries and provide explanations following all required data.

REVENUE FROM TRANSMISSION OF ELECTRICITY FOR OTHERS

Demand Charges (\$) (k)	Energy Charges (\$) (l)	(Other Charges) (\$) (m)	Total Revenues (\$) (k+l+m) (n)	Line No.
—	—	9,760,639	9,760,639	1
—	—	236,929	236,929	2
—	—	819,573	819,573	3
—	—	5,783,630	5,783,630	4
—	—	29,535,035	29,535,035	5
—	—	217,866	217,866	6
—	—	4,189,846	4,189,846	7
—	—	4,074	4,074	8
—	—	26,616	26,616	9
—	—	20,041	20,041	10
—	—	53,428	53,428	11
—	—	22,372	22,372	12
—	—	88,321	88,321	13
—	—	20,979	20,979	14
—	—	610,525	610,525	15
—	—	29,975	29,975	16
—	—	13,902	13,902	17
—	—	327,933	327,933	18
—	—	33,193	33,193	19
—	—	538,238	538,238	20
—	—	11,832	11,832	21
—	—	9,126	9,126	22
—	—	50,260	50,260	23
—	—	706,889	706,889	24
—	—	244,499	244,499	25
—	—	19,531	19,531	26
—	—	1,500	1,500	27
—	—	8,303	8,303	28
—	—	28,503	28,503	29
—	—	13,853	13,853	30
—	—	17,044	17,044	31
—	—	18,640	18,640	32
—	—	37,573	37,573	33
—	—	4,483	4,483	34
—	—	12,530	12,530	35
—	—	40,839	40,839	36
—	—	20,074	20,074	37
—	—	8,952	8,952	38

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of 2022/Q4
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TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456.1) (Including transactions referred to as 'wheeling')				
Line No.	Payment By (Company of Public Authority) (Footnote Affiliation) (a)	Energy Received From (Company of Public Authority) (Footnote Affiliation) (b)	Energy Delivered To (Company of Public Authority) (Footnote Affiliation) (c)	Statistical Classification (d)
39	City of Moulton			
40	City of Robstown Utility System			
41	City of San Marcos			
42	City of San Saba			
43	City of Sanger			
44	City of Schulenberg			
45	City of Seguin			
46	City of Seymour			
47	City of Shiner			
48	City of Smithville			
49	City of Waelder			
50	City of Weimer			
51	City of Yoakum			
52	City Public Service of San Antonio			
53	Cross Texas Transmission LLC			
54	Deep East Texas Electric Coop			
55	East Texas Electric Coop			
56	Electric Transmission Texas LLC			
57	Farmers Electric Coop			
58	Fayette Electric Coop			
59	Floresville Electric Power System			
60	Golden Spread Electric Coop			
61	Granbury			
62	Greenville Electric Utility System			
63	Guadalupe Valley Electric Coop			
64	Hamilton County Electric Coop			
65	Kerrville Public Utility Board			
66	Lagrange Utilities			
67	Lamar County Electric Coop			
68	Lighthouse Electric Coop			
69	Lower Colorado River Authority			
70	Lubbock Power & Light			
71	New Braunfels Utilities			
72	Oncor			
73	Pedernales Electric Coop			
74	Public Utility Board of Brownsville			
75	Rayburn County Electric			
76	Rio Grande Electric Coop			
77	San Bernard Electric Coop			
78	South Texas Electric Coop			
79	Tex-LA Electric Coop			
80	Weatherford			
81	Western Farmers Electric Coop			
82	Whiteboro			
83	Wind Energy Texas Transmission			
84	Wood County Cooperative			
85	Altop Energy Trading Texas LLC (QSE)			
86	Altop Energy Trading Texas LLC (SQ3)			
87	Conoco Phillips Company (QSE)			

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456.1)(Continued)
(Including transactions referred to as 'wheeling')

FERC Rate Schedule of Tariff Number (e)	Point of Receipt (Substation or Other Designation) (f)	Point of Delivery (Substation or Other Designation) (g)	Billing Demand (MW) (h)	TRANSFER OF ENERGY		Line No.
				MegaWatt Hours Received (i)	MegaWatt Hours Delivered (j)	
						39
						40
						41
						42
						43
						44
						45
						46
						47
						48
						49
						50
						51
						52
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Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456.1) (Continued) (Including transactions referred to as 'wheeling')				
REVENUE FROM TRANSMISSION OF ELECTRICITY FOR OTHERS				
Demand Charges (\$) (k)	Energy Charges (\$) (l)	(Other Charges) (\$) (m)	Total Revenues (\$) (k+l+m) (n)	Line No.
—	—	3,728	3,728	39
—	—	31,643	31,643	40
—	—	201,401	201,401	41
—	—	14,490	14,490	42
—	—	40,133	40,133	43
—	—	18,172	18,172	44
—	—	103,670	103,670	45
—	—	12,363	12,363	46
—	—	15,929	15,929	47
—	—	15,600	15,600	48
—	—	7,149	7,149	49
—	—	11,655	11,655	50
—	—	31,360	31,360	51
—	—	7,481,244	7,481,244	52
—	—	(109)	(109)	53
—	—	(352)	(352)	54
—	—	23,428	23,428	55
—	—	(10,838)	(10,838)	56
—	—	(103)	(103)	57
—	—	95,938	95,938	58
—	—	118,731	118,731	59
—	—	424,512	424,512	60
—	—	33,404	33,404	61
—	—	171,262	171,262	62
—	—	677,699	677,699	63
—	—	63,357	63,357	64
—	—	170,216	170,216	65
—	—	23,015	23,015	66
—	—	86,474	86,474	67
—	—	(226)	(226)	68
—	—	(388)	(388)	69
—	—	662,291	662,291	70
—	—	489,481	489,481	71
—	—	41,762,964	41,762,964	72
—	—	2,503,111	2,503,111	73
—	—	421,685	421,685	74
—	—	1,537,433	1,537,433	75
—	—	118,374	118,374	76
—	—	232,667	232,667	77
—	—	2,025,695	2,025,695	78
—	—	239,543	239,543	79
—	—	142,672	142,672	80
—	—	772	772	81
—	—	13,690	13,690	82
—	—	7	7	83
—	—	290	290	84
—	—	126	126	85
—	—	538	538	86
—	—	4,156	4,156	87

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of 2022/Q4
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TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456.1) (Including transactions referred to as 'wheeling')				
Line No.	Payment By (Company of Public Authority) (Footnote Affiliation) (a)	Energy Received From (Company of Public Authority) (Footnote Affiliation) (b)	Energy Delivered To (Company of Public Authority) (Footnote Affiliation) (c)	Statistical Classification (d)
88	CWP Energy Inc (QSE)			
89	Dynasty Power Inc (QSE)			
90	Dynasty Power Inc (SE)			
91	ETC Endure Energy LLC (SQ1)			
92	Guzman Energy			
93	MAG Energy Solutions Inc (QSE)			
94	MAG Energy Solutions Inc (SQ1)			
95	(QSE)			
96	(SQ1)			
97	(SQ4)			
98	LLC (QSE)			
99	TEC Energy, Inc (QSE)			
100	Tenaska Power Services Co (QSE)			
101	TransAlta Corporation			
102	Vitol Inc (QSE)			
103	Westar (SQ1)			
104				
105				
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133				
134				
135				
136	TOTAL			

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456.1)(Continued) (Including transactions referred to as 'wheeling')						
FERC Rate Schedule of Tariff Number (e)	Point of Receipt (Substation or Other Designation) (f)	Point of Delivery (Substation or Other Designation) (g)	Billing Demand (MW) (h)	TRANSFER OF ENERGY		Line No.
				MegaWatt Hours Received (i)	MegaWatt Hours Delivered (j)	
						88
						89
						90
						91
						92
						93
						94
						95
						96
						97
						98
						99
						100
						101
						102
						103
						104
						105
						106
						107
						108
						109
						110
						111
						112
						113
						114
						115
						116
						117
						118
						119
						120
						121
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						125
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						127
						128
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						130
						131
						132
						133
						134
						135
			—		—	136

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of 2022/Q4
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TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456.1) (Continued) (Including transactions referred to as 'wheeling')				
REVENUE FROM TRANSMISSION OF ELECTRICITY FOR OTHERS				
Demand Charges (\$) (k)	Energy Charges (\$) (l)	(Other Charges) (\$) (m)	Total Revenues (\$) (k+l+m) (n)	Line No.
—	—	11,702	11,702	88
—	—	11,989	11,989	89
—	—	2,315	2,315	90
—	—	6,969	6,969	91
—	—	5,473	5,473	92
—	—	14,422	14,422	93
—	—	4,098	4,098	94
—	—	67,224	67,224	95
—	—	9,874	9,874	96
—	—	3,285	3,285	97
—	—	1,409	1,409	98
—	—	265	265	99
—	—	4,801	4,801	100
—	—	1,162	1,162	101
—	—	4,396	4,396	102
—	—	25,266	25,266	103
				104
				105
				106
				107
				108
				109
				110
				111
				112
				113
				114
				115
				116
				117
				118
				119
				120
				121
				122
				123
				124
				125
				126
				127
				128
				129
				130
				131
				132
				133
				134
				135
—	—	113,782,248	113,782,248	136

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report <u>2022/Q4</u>
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FOOTNOTE DATA

Page 330, Row 1, Column (m)

Texas uses a "postage stamp" method of transmission pricing within ERCOT (Electric Reliability Council of Texas) transmission system.

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of 2022/Q4
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TRANSMISSION OF ELECTRICITY BY OTHERS (Account 565)
(Including transactions referred to as "wheeling")

1. Report all transmission, i.e. wheeling or electricity provided by other electric utilities, cooperatives, municipalities, other public authorities, qualifying facilities, and others for the quarter.
2. In column (a) report each company or public authority that provided transmission service. Provide the full name of the company, abbreviate if necessary, but do not truncate name or use acronyms. Explain in a footnote any ownership interest in or affiliation with the transmission service provider. Use additional columns as necessary to report all companies or public authorities that provided transmission service for the quarter reported.
3. In column (b) enter a Statistical Classification code based on the original contractual terms and conditions of the service as follows: FNS - Firm Network Transmission Service for Self, LFP - Long-Term Firm Point-to-Point Transmission Reservations, OLF - Other Long-Term Firm Transmission Service, SFP - Short-Term Firm Point-to-Point Transmission Reservations, NF - Non-Firm Transmission Service, and OS - Other Transmission Service. See General Instructions for definitions of statistical classifications.
4. Report in column (c) and (d) the total megawatt hours received and delivered by the provider of the transmission service.
5. Report in column (e), (f) and (g) expenses as shown on bills or vouchers rendered to the respondent. In column (e) report the demand charges and in column (f) energy charges related to the amount of energy transferred. On column (g) report the total of all other charges on bills or vouchers rendered to the respondent, including any out of period adjustments. Explain in a footnote all components of the amount shown in column (g). Report in column (h) the total charge shown on bills rendered to the respondent. If no monetary settlement was made, enter zero in column (h). Provide a footnote explaining the nature of the non-monetary settlement, including the amount and type of energy or service rendered.
6. Enter "TOTAL" in column (a) as the last line.
7. Footnote entries and provide explanations following all required data.

Line No.	Name of Company or Public Authority (Footnote Affiliations) (a)	Statistical Classification (b)	TRANSFER OF ENERGY		EXPENSES FOR TRANSMISSION OF ELECTRICITY BY OTHERS			
			Magawatt-hours Received (c)	Magawatt-hours Delivered (d)	Demand Charges (\$) (e)	Energy Charges (\$) (f)	Other Charges (\$) (g)	Total Cost of Transmission (\$) (h)
1	American Elec Power	OS			—	—	16,508,410	16,508,410
2	Bandera Electric Coop	OS			—	—	154,836	154,836
3	Brazos Electric Power	OS			—	—	3,682,550	3,682,550
4	Cherokee Co. Electric	OS			—	—	5,635	5,635
5	City of Austin	OS			—	—	2,355,451	2,355,451
6	City of Bryan	OS			—	—	996,230	996,230
7	City of College Station	OS			—	—	107,666	107,666
8	City of Cuero	OS			—	—	12,421	12,421
9	City of Denton	OS			—	—	1,630,771	1,630,771
10	City of Farmersville	OS			—	—	124	124
11	City of Garland	OS			—	—	1,770,904	1,770,904
12	City of Lampasas	OS			—	—	16,958	16,958
13	City of Llano	OS			—	—	3,315	3,315
14	City of Sanger	OS			—	—	38,494	38,494
15	City of Schulenberg	OS			—	—	712	712
16	City PS of San Antonio	OS			—	—	5,971,235	5,971,235
17	Cross Texas Trans	OS			—	—	1,923,848	1,923,848
18	Deep East Texas Elec	OS			—	—	4,050	4,050
19	East Texas Electric	OS			—	—	(3,553)	(3,553)
20	Electric Transm TX LLC	OS			—	—	9,085,733	9,085,733
21	Fannin Electric Coop	OS			—	—	62,816	62,816
22	Farmers Electric Coop	OS			—	—	19,168	19,168
23	Fayette Electric Coop	OS			—	—	27	27
24	Floresville Elec Pwr	OS			—	—	12,554	12,554
25	Golden Spread Electric	OS			—	—	68,684	68,684

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of 2022/Q4
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TRANSMISSION OF ELECTRICITY BY OTHERS (Account 565)
(Including transactions referred to as "wheeling")

- Report all transmission, i.e. wheeling or electricity provided by other electric utilities, cooperatives, municipalities, other public authorities, qualifying facilities, and others for the quarter.
- In column (a) report each company or public authority that provided transmission service. Provide the full name of the company, abbreviate if necessary, but do not truncate name or use acronyms. Explain in a footnote any ownership interest in or affiliation with the transmission service provider. Use additional columns as necessary to report all companies or public authorities that provided transmission service for the quarter reported.
- In column (b) enter a Statistical Classification code based on the original contractual terms and conditions of the service as follows: FNS - Firm Network Transmission Service for Self, LFP - Long-Term Firm Point-to-Point Transmission Reservations, OLF - Other Long-Term Firm Transmission Service, SFP - Short-Term Firm Point-to-Point Transmission Reservations, NF - Non-Firm Transmission Service, and OS - Other Transmission Service. See General Instructions for definitions of statistical classifications.
- Report in column (c) and (d) the total megawatt hours received and delivered by the provider of the transmission service.
- Report in column (e), (f) and (g) expenses as shown on bills or vouchers rendered to the respondent. In column (e) report the demand charges and in column (f) energy charges related to the amount of energy transferred. On column (g) report the total of all other charges on bills or vouchers rendered to the respondent, including any out of period adjustments. Explain in a footnote all components of the amount shown in column (g). Report in column (h) the total charge shown on bills rendered to the respondent. If no monetary settlement was made, enter zero in column (h). Provide a footnote explaining the nature of the non-monetary settlement, including the amount and type of energy or service rendered.
- Enter "TOTAL" in column (a) as the last line.
- Footnote entries and provide explanations following all required data.

Line No.	Name of Company or Public Authority (Footnote Affiliations) (a)	Statistical Classification (b)	TRANSFER OF ENERGY		EXPENSES FOR TRANSMISSION OF ELECTRICITY BY OTHERS			
			Magawatt-hours Received (c)	Magawatt-hours Delivered (d)	Demand Charges (\$) (e)	Energy Charges (\$) (f)	Other Charges (\$) (g)	Total Cost of Transmission (\$) (h)
26	Grayson-Collin Elec	OS			—	—	44,002	44,002
27	Greenbelt Electric Coop	OS			—	—	284	284
28	Greenville Elec Utility	OS			—	—	89,927	89,927
29	Houston Co Electric	OS			—	—	39,278	39,278
30	Lamar Co Elec Coop	OS			—	—	8,057	8,057
31	Lone Star Transmision	OS			—	—	2,729,980	2,729,980
32	Lower Colorado River	OS			—	—	15,532,093	15,532,093
33	Lubbock Power & Light	OS			—	—	526,949	526,949
34	Lyntegar Electric	OS			—	—	22,145	22,145
35	ONCOR	OS			—	—	39,618,661	39,618,661
36	Pedernales Electric Coop	OS			—	—	40,266	40,266
37	Pub Util Brownsville	OS			—	—	274,283	274,283
38	Rayburn Co Elec	OS			—	—	749,946	749,946
39	Reliant Energy HL&P	OS			—	—	12,577,009	12,577,009
40	Rio Grande Elec Coop	OS			—	—	24,106	24,106
41	San Bernanrd Electric Coop	OS			—	—	110,488	110,488
42	San Miguel Elec Coop	OS			—	—	39,946	39,946
43	Sharyland Utilities	OS			—	—	791,747	791,747
44	South Texas Elec	OS			—	—	2,512,730	2,512,730
45	Southwest Texas Elec	OS			—	—	1,853	1,853
46	Texas Muni Power	OS			—	—	848,517	848,517
47	Trinity Valley Elec	OS			—	—	20,874	20,874
48	Weatherford	OS			—	—	24	24
49	Whiteboro	OS			—	—	17,835	17,835
50	Wind Energy Texas Trans	OS			—	—	2,766,575	2,766,575
51	Wood County Cooperative	OS			—	—	3,677	3,677
52	TOTAL		—	—	—	—	123,820,291	123,820,291

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report <u>2022/Q4</u>
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FOOTNOTE DATA

Page 332, Row 1, Column (g)

Texas uses a "postage stamp" method of transmission pricing within ERCOT (Electric Reliability Council of Texas) transmission system.

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (ELECTRIC)		
Line No.	Description (a)	Amount (b)
1	Industry Association Dues	378,254
2	Nuclear Power Research Expenses	—
3	Other Experimental and General Research Expenses	—
4	Pub & Dist Info to Stkhldrs...expn servicing outstanding Securities	—
5	Oth Expn >=5,000 show purpose, recipient, amount. Group if < \$5,000	—
6	Business, Civic and Professional Expenditures	236,698
7	Legal Expenses	242,063
8	BOD/Annual Shareholder's Meeting	152,436
9	Various	54,484
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46	TOTAL	1,063,935

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of 2022/Q4
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DEPRECIATION AND AMORTIZATION OF ELECTRIC PLANT (Account 403, 404, 405)
(Except amortization of acquisition adjustments)

- Report in section A for the year the amounts for : (b) Depreciation Expense (Account 403); (c) Depreciation Expense for Asset Retirement Costs (Account 403.1); (d) Amortization of Limited-Term Electric Plant (Account 404); and (e) Amortization of Other Electric Plant (Account 405).
- Report in Section 8 the rates used to compute amortization charges for electric plant (Accounts 404 and 405). State the basis used to compute charges and whether any changes have been made in the basis or rates used from the preceding report year.
- Report all available information called for in Section C every fifth year beginning with report year 1971, reporting annually only changes to columns (c) through (g) from the complete report of the preceding year.
Unless composite depreciation accounting for total depreciable plant is followed, list numerically in column (a) each plant subaccount, account or functional classification, as appropriate, to which a rate is applied. Identify at the bottom of Section C the type of plant included in any sub-account used.
In column (b) report all depreciable plant balances to which rates are applied showing subtotals by functional Classifications and showing composite total. Indicate at the bottom of section C the manner in which column balances are obtained. If average balances, state the method of averaging used.
For columns (c), (d), and (e) report available information for each plant subaccount, account or functional classification Listed in column (a). If plant mortality studies are prepared to assist in estimating average service Lives, show in column (f) the type mortality curve selected as most appropriate for the account and in column (g), if available, the weighted average remaining life of surviving plant. If composite depreciation accounting is used, report available information called for in columns (b) through (g) on this basis.
- If provisions for depreciation were made during the year in addition to depreciation provided by application of reported rates, state at the bottom of section C the amounts and nature of the provisions and the plant items to which related.

A. Summary of Depreciation and Amortization Charges

Line No.	Functional Classification (a)	Depreciation Expense (Account 403) (b)	Depreciation Expense for Asset Retirement Costs (Account 403.1) (c)	Amortization of Limited Term Electric Plant (Account 404) (d)	Amortization of Other Electric Plant (Acc 405) (e)	Total (f)
1	Intangible Plant	—	—	1,339,844	—	1,339,844
2	Steam Production Plant	—	—	—	—	—
3	Nuclear Production Plant	—	—	—	—	—
4	Hydraulic Production Plant-Conventional	—	—	—	—	—
5	Hydraulic Production Plant-Pumped Storage	—	—	—	—	—
6	Other Production Plant	—	—	—	—	—
7	Transmission Plant	29,597,465	—	—	—	29,597,465
8	Distribution Plant	62,042,531	134	—	—	62,042,665
9	Regional Transmission and Market Operation	—	—	—	—	—
10	General Plant	3,101,437	297	28,287	—	3,130,021
11	Common Plant - Electric	—	—	—	—	—
12	Total	94,741,433	431	1,368,131	—	96,109,995

B. Basis for Amortization Charges

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Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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DEPRECIATION AND AMORTIZATION OF ELECTRIC PLANT (Continued)							
C. Factors Used in Estimating Depreciation Charges							
Line No.	Account No. (a)	Depreciable Plant Base (In Thousands) (b)	Estimated Avg. Service Life (c)	Net Salvage (Percent) (d)	Applied Depr. rates (Percent) (e)	Mortality Curve Type (f)	Average Remaining Life (g)
13	Transmission						
14	350 TX	8,178			— %		
15	350.1 TX	14,506	65	— %	1 %	SQ	43.03
16	352 TX	39,869	49	— %	2 %	R0.5	47.9
17	353 TX	334,297	45	(10)%	3 %	R2.5	30.69
18	354 TX	22,389	54	(15)%	4 %	R4	40.58
19	355 TX	384,654	46	(100)%	5 %	R2	40.14
20	356 TX	148,303	54	(100)%	4 %	R2.5	44.2
21	359 TX	218			2 %		
22	SUBTOTAL	952,414					
23							
24							
25	Distribution						
26	360 TX	6,512			— %		
27	360.1 TX	1,253	60	— %	1 %	SQ	52.72
28	361 TX	16,278	49	(20)%	3 %	R0.5	31.52
29	362 TX	575,022	42	(10)%	3 %	R2.5	32.33
30	364 TX	325,288	42	(100)%	5 %	R0.5	33.1
31	365 TX	297,421	44	(100)%	5 %	R0.5	32.85
32	366 TX	59,519	43	(20)%	3 %	R3	27.16
33	367 TX	127,549	40	(3)%	3 %	R2.5	27.8
34	368 TX	156,702	47	— %	2 %	R1	36.42
35	369 TX	41,962	37	(100)%	6 %	R2	20.44
36	369.1 TX	52,438	41	(100)%	6 %	S4	26.39
37	370 TX	4,531	10	(5)%	18 %	R1	5.21
38	370.1 TX	10	24	(5)%	6 %	R5	16.51
39	370.2 TX	15,248	7	— %	20 %	SQ	3.42
40	370.3 TX	35,878	10	(5)%	11 %	R1	9.63
41	370.4 TX	39,371			11 %		
42	371 TX	2,605	16	(20)%	14 %	R1.5	3.64
43	371.1 TX	1,705	13	(10)%	14 %	S0.5	3.02
44	373 TX	22,216	28	(20)%	4 %	R0.5	21.15
45	SUBTOTAL	1,781,510					
46							
47							
48	General Plant						
49	389 TX	8,477			— %		
50	390 GO	42,007			3 %	R2	46.65
51	390 TX	12			2 %	R2	46.65
52	391 TX	4,981			6 %	L2	4.4
53	391.1 TX	1,580			14 %	L4	1.13
54	391.2 TX	1,144			10 %	SQ	9.5
55	391.3 GO	361			13 %	SQ	3.38
56	391.3 TX	1,238			13 %	SQ	3.38
57	392 GO	1,858			10 %	L4	6.72
58	392.1 TX	29			8 %	R2.5	6.01
59	392.2 TX	2,077			4 %	L4	11.75
60	392.4 TX	4			50 %		0
61	393 TX	171			3 %		

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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DEPRECIATION AND AMORTIZATION OF ELECTRIC PLANT (Continued)							
C. Factors Used in Estimating Depreciation Charges							
Line No.	Account No. (a)	Depreciable Plant Base (In Thousands) (b)	Estimated Avg. Service Life (c)	Net Salvage (Percent) (d)	Applied Depr. rates (Percent) (e)	Mortality Curve Type (f)	Average Remaining Life (g)
62	394 GO	20,000			4 %	S6	19.48
63	394 TX	15,670			3 %	S6	19.48
64	396 TX	2,475			12 %	L4	9.52
65	397 TX	11,604			13 %	SQ	4.42
66	397.1 GO	7			13 %	SQ	3.04
67	397.1 TX	239			13 %	SQ	3.04
68	397.2 TX	10			8 %	SQ	0.5
69	397.3 TX	28			8 %		
70	398 TX	330			5 %	SQ	18.01
71	SUBTOTAL	94,321					
72	TOTAL	2,828,245					
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Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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REGULATORY COMMISSION EXPENSES					
1. Report particulars (details) of regulatory commission expenses incurred during the current year (or incurred in previous years, if being amortized) relating to format cases before a regulatory body, or cases in which such a body was a party.					
2. Report in columns (b) and (c), only the current year's expenses that are not deferred and the current year's amortization of amounts deferred in previous years.					
Line No.	Description (Furnish name of regulatory commission or body the docket or case number and a description of the case) (a)	Assessed by Regulatory Commission (b)	Expenses of Utility (c)	Total Expense for Current Year (b) + (c) (d)	Deferred in Account 182.3 at Beginning of Year (e)
1					
2	Docket # 41901 - Non-Standard Metering		50,519	50,519	201,321
3					
4	Dockets # 48591/50731 - Rate case expenses		1,334,966	1,334,966	1,326,603
5					
6	Docket # 48401 - CTC Securitization Costs		107,893	107,893	215,785
7					
8	Energy Efficiency		5,068,440	5,068,440	2,157,878
9					
10	Distribution Cost Recovery Factor		—	—	—
11					
12	Miscellaneous		28	28	—
13					
14					
15					
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46	TOTAL	—	6,561,846	6,561,846	3,901,587

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of 2022/Q4
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REGULATORY COMMISSION EXPENSES (Continued)							
3. Show in column (k) any expenses incurred in prior years which are being amortized. List in column (a) the period of amortization.							
4. List in column (f), (g), and (h) expenses incurred during year which were charged currently to income, plant, or other accounts.							
5. Minor items (less than \$25,000) may be grouped.							
EXPENSES INCURRED DURING YEAR				AMORTIZED DURING YEAR			
CURRENTLY CHARGED TO			Deferred to Account 182.3 (i)	Contra Account (j)	Amount (k)	Deferred in Account 182.3 End of Year (l)	Line No.
Department (f)	Account No. (g)	Amount (h)					
							1
		—	—	928	50,519	150,802	2
							3
		—	127,645	928	1,334,966	119,282	4
							5
		—	—	928	107,893	107,892	6
							7
Distribution	186	69,204	4,842,081	928	5,068,440	1,931,519	8
							9
Distribution	186	151,146	180,387		—	180,387	10
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		—	—		—	—	12
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		220,350	5,150,113		6,561,818	2,489,882	46

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of 2022/Q4
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DISTRIBUTION OF SALARIES AND WAGES				
Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing accounts to Utility Departments, Construction, Plant Removals, and Other Accounts, and enter such amounts in the appropriate lines and columns provided. In determining this segregation of salaries and wages originally charged to clearing accounts, a method of approximation giving substantially correct results may be used.				
Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll charged for Clearing Accounts (c)	Total (d)
1	Electric			
2	Operation			
3	Production	—		
4	Transmission	1,667,892		
5	Regional Market	—		
6	Distribution	6,304,490		
7	Customer Accounts	1,294,296		
8	Customer Service and Informational	342		
9	Sales	—		
10	Administrative and General	11,494,134		
11	TOTAL Operation (Enter Total of lines 3 thru 10)	20,761,154		
12	Maintenance			
13	Production	—		
14	Transmission	366,756		
15	Regional Market	—		
16	Distribution	—		
17	Administrative and General	8,749,033		
18	TOTAL Maintenance (Total of lines 13 thru 17)	9,115,789		
19	Total Operation and Maintenance			
20	Production (Enter Total of lines 3 and 13)	—		
21	Transmission (Enter Total of lines 4 and 14)	2,034,648		
22	Regional Market (Enter Total of Lines 5 and 15)	—		
23	Distribution (Enter Total of lines 6 and 16)	6,304,490		
24	Customer Accounts (Transcribe from line 7)	1,294,296		
25	Customer Service and Informational (Transcribe from line 8)	342		
26	Sales (Transcribe from line 9)	—		
27	Administrative and General (Enter Total of lines 10 and 17)	20,243,167		
28	TOTAL Oper. and Maint. (Total of lines 20 thru 27)	29,876,943	—	29,876,943
29	Gas			
30	Operation			
31	Production-Manufactured Gas	—		
32	Production-Nat. Gas (Including Expl. and Dev.)	—		
33	Other Gas Supply	—		
34	Storage, LNG Terminaling and Processing	—		
35	Transmission	—		
36	Distribution	—		
37	Customer Accounts	—		
38	Customer Service and Informational	—		
39	Sales	—		
40	Administrative and General	—		
41	TOTAL Operation (Enter Total of lines 31 thru 40)	—		
42	Maintenance			
43	Production-Manufactured Gas	—		
44	Production-Natural Gas (Including Exploration and Development)	—		
45	Other Gas Supply	—		
46	Storage, LNG Terminaling and Processing	—		
47	Transmission	—		

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of 2022/Q4
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DISTRIBUTION OF SALARIES AND WAGES (Continued)				
Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll charged for Clearing Accounts (c)	Total (d)
48	Distribution	—		
49	Administrative and General	—		
50	TOTAL Maint. (Enter Total of lines 43 thru 49)	—		
51	Total Operation and Maintenance			
52	Production-Manufactured Gas (Enter Total of lines 31 and 43)	—		
53	Production-Natural Gas (Including Expl. and Dev.) (Total lines 32 and 44)	—		
54	Other Gas Supply (Enter Total of lines 33 and 45)	—		
55	Storage, LNG Terminaling and Processing (Total of lines 31 thru 47)	—		
56	Transmission (Lines 35 and 47)	—		
57	Distribution (Lines 36 and 48)	—		
58	Customer Accounts (Line 37)	—		
59	Customer Service and Informational (Line 38)	—		
60	Sales (Line 39)	—		
61	Administrative and General (Lines 40 and 49)	—		
62	TOTAL Operation and Maint. (Total of lines 52 thru 61)	—	—	—
63	Other Utility Departments	—	—	—
64	Operation and Maintenance	—	—	—
65	TOTAL All Utility Dept. (Total of lines 28, 62, and 64)	29,876,943	—	29,876,943
66	Utility Plant			
67	Construction (By Utility Departments)			
68	Electric Plant	8,386,099	10,385,822	18,771,921
69	Gas Plant	—	—	—
70	Other (provide details in footnote):	—	—	—
71	TOTAL Construction (Total of lines 68 thru 70)	8,386,099	10,385,822	18,771,921
72	Plant Removal (By Utility Departments)			
73	Electric Plant	1,449,818	—	1,449,818
74	Gas Plant	—	—	—
75	Other (provide details in footnote):	—	—	—
76	TOTAL Plant Removal (Total of lines 73 thru 75)	1,449,818	—	1,449,818
77	Other Accounts (Specify, provide details in footnote):	559,254	—	559,254
78				
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90				
91				
92				
93				
94				
95	TOTAL Other Accounts	559,254	—	559,254
96	TOTAL SALARIES AND WAGES	40,272,114	10,385,822	50,657,936

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report <u>2022/Q4</u>
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FOOTNOTE DATA

Page 355, Row 77, Column (b)

	December 31, 2022
Energy efficiency admin	\$ 219,090
Mutual assistance work	276,450
Political, Civic, Social work	29,161
Non Standard Metering	28,507
Other Deferred Credits - Transmission Studies	6,046
	\$ 559,254

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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TRANSMISSION LINE STATISTICS

- Report information concerning transmission lines, cost of lines, and expenses for year. List each transmission line having nominal voltage of 132 kilovolts or greater. Report transmission lines below these voltages in group totals only for each voltage.
- Transmission lines include all lines covered by the definition of transmission system plant as given in the Uniform System of Accounts. Do not report substation costs and expenses on this page.
- Report data by individual lines for all voltages if so required by a State commission.
- Exclude from this page any transmission lines for which plant costs are included in Account 121, Nonutility Property.
- Indicate whether the type of supporting structure reported in column (e) is: (1) single pole wood or steel; (2) H-frame wood, or steel poles; (3) tower; or (4) underground construction. If a transmission line has more than one type of supporting structure, indicate the mileage of each type of construction by the use of brackets and extra lines. Minor portions of a transmission line of a different type of construction need not be distinguished from the remainder of the line.
- Report in columns (f) and (g) the total pole miles of each transmission line. Show in column (f) the pole miles of line on structures the cost of which is reported for the line designated; conversely, show in column (g) the pole miles of line on structures the cost of which is reported for another line. Report pole miles of line on leased or partly owned structures in column (g). In a footnote, explain the basis of such occupancy and state whether expenses with respect to such structures are included in the expenses reported for the line designated.

Line No.	DESIGNATION		VOLTAGE (KV) (Indicate where other than 60 cycle, 3 phase)		Type of Supporting Structure (e)	LENGTH (Pole miles) (In the case of underground lines report circuit miles)		Number Of Circuits (h)
	From (a)	To (b)	Operating (c)	Designed (d)		On Structure of Line Designated (f)	On Structures of Another Line (g)	
1	Central Texas							
2	TNP One	Twin Oak	345	345	Steel Tower	18.1	—	2
3	Bosque Switch	Lake Whitney	138	138	Pole	0.6	0.2	1
4	Bosque Switch	Olsen	138	138	Frame	14.6	—	1
5	Lake Whitney	Oncor Whitney	138	138	Frame	0.1	—	1
6	69 kV Transmission					219.0	0.3	29
7								
8	North Texas							
9	Talco West Tap	Talco West	138	138	Frame	1.8	—	1
10	Westminster Tap	Westminster	138	138	Pole	3.7	—	1
11	Blossom Tap	Blossom	138	138	Pole	—	—	1
12	Climax	Thistle	138	138	Pole	—	—	1
13	Thistle	Longneck	138	138	Pole	4.0	—	1
14	Thistle	Greenbriar	138	138	Pole	0.1	—	2
15	Lakepointe	Jones St Tap	138	138	Pole	0.3	—	1
16	Lakepointe	NW Carrolton	138	138	Pole	0.1	0.2	1
17	NW Carrolton	South	138	138	Pole	2.0	—	1
18	Lakepointe	TI	138	138	Pole	2.8	—	1
19	Highlands	West	138	138	Single Pole	1.6	—	1
20	TI	West	138	138	Pole	4.9	—	1
21	South	TI	138	138	Pole	0.7	2.1	1
22	69 kV Transmission					73.9	—	12
23								
24	West Texas							
25	Rio Pecos	Girvin	138	138	Pole	0.8	—	1
26	Girvin	Soaptree	138	138	Pole	2.1	—	1
27	Lynx	Soaptree	138	138	Pole	0.9	0.8	2
28	Ft Stockton	Leon Creek	138	138	Pole	0.1	—	1
29	Leon Creek	Airport	138	138	Pole	2.7	—	1
30	Leon Creek	Tarbush	138	138	Pole	19.7	—	1
31	Creosote	Trans Pecos Tap	138	138	Pole	0.5	—	1
32	Creosote	Coyanosa	138	138	Pole	0.9	—	1
33	Trans Pecos Tap	Trans Pecos	138	138	Pole	—	—	1
34	Trans Pecos Tap	Coyanosa	138	138	Pole	0.3	—	1
35	Coyanosa	Delaware Tap	138	138	Steel Single	0.2	—	1

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of 2022/Q4
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TRANSMISSION LINE STATISTICS (Continued)								
<p>7. Do not report the same transmission line structure twice. Report Lower voltage Lines and higher voltage lines as one line. Designate in a footnote if you do not include Lower voltage lines with higher voltage lines. If two or more transmission line structures support lines of the same voltage, report the pole miles of the primary structure in column (f) and the pole miles of the other line(s) in column (g)</p> <p>8. Designate any transmission line or portion thereof for which the respondent is not the sole owner. If such property is leased from another company, give name of lessor, date and terms of Lease, and amount of rent for year. For any transmission line other than a leased line, or portion thereof, for which the respondent is not the sole owner but which the respondent operates or shares in the operation of, furnish a succinct statement explaining the arrangement and giving particulars (details) of such matters as percent ownership by respondent in the line, name of co-owner, basis of sharing expenses of the Line, and how the expenses borne by the respondent are accounted for, and accounts affected. Specify whether lessor, co-owner, or other party is an associated company.</p> <p>9. Designate any transmission line leased to another company and give name of Lessee, date and terms of lease, annual rent for year, and how determined. Specify whether lessee is an associated company.</p> <p>10. Base the plant cost figures called for in columns (j) to (l) on the book cost at end of year.</p>								
Size of Conductor and Material (i)	COST OF LINE (Include in Column (j) Land, Land rights, and clearing right-of-way)			EXPENSES, EXCEPT DEPRECIATION AND TAXES				Line No.
	Land (j)	Construction and Other Costs (k)	Total Cost (l)	Operation Expenses (m)	Maintenance Expenses (n)	Rents (o)	Total Expenses (p)	
								1
2-1590 ACSR								2
795 ACSR								3
636 ACSR								4
795 ACSR								5
								6
								7
								8
477 ACSR/SD								9
795 ACSR								10
795 ACSR								11
795 ACSS								12
795 ACSS								13
1926.9 ACSS/TW								14
1033 ACSR								15
1033 ACSR								16
795 ACSR								17
795 ACSR								18
795 ACSS								19
795 ACSS								20
795 ACSR								21
								22
								23
								24
1926.9 ACSS/TW								25
1926.9 ACSS/TW								26
1926.9 ACSS/TW								27
1926.9 ACSS/TW								28
1926.9 ACSS/TW								29
1926.9 ACSS/TW								30
1926.9 ACSS/TW								31
1926.9 ACSS/TW								32
795 ACSR								33
1926.9 ACSS/TW								34
477 ACSR								35

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TRANSMISSION LINE STATISTICS

1. Report information concerning transmission lines, cost of lines, and expenses for year. List each transmission line having nominal voltage of 132 kilovolts or greater. Report transmission lines below these voltages in group totals only for each voltage.
2. Transmission lines include all lines covered by the definition of transmission system plant as given in the Uniform System of Accounts. Do not report substation costs and expenses on this page.
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4. Exclude from this page any transmission lines for which plant costs are included in Account 121, Nonutility Property.
5. Indicate whether the type of supporting structure reported in column (e) is: (1) single pole wood or steel; (2) H-frame wood, or steel poles; (3) tower; or (4) underground construction. If a transmission line has more than one type of supporting structure, indicate the mileage of each type of construction by the use of brackets and extra lines. Minor portions of a transmission line of a different type of construction need not be distinguished from the remainder of the line.
6. Report in columns (f) and (g) the total pole miles of each transmission line. Show in column (f) the pole miles of line on structures the cost of which is reported for the line designated; conversely, show in column (g) the pole miles of line on structures the cost of which is reported for another line. Report pole miles of line on leased or partly owned structures in column (g). In a footnote, explain the basis of such occupancy and state whether expenses with respect to such structures are included in the expenses reported for the line designated.

Line No.	DESIGNATION		VOLTAGE (KV) (Indicate where other than 60 cycle, 3 phase)		Type of Supporting Structure (e)	LENGTH (Pole miles) (In the case of underground lines report circuit miles)		Number Of Circuits (h)
	From (a)	To (b)	Operating (c)	Designed (d)		On Structure of Line Designated (f)	On Structures of Another Line (g)	
36	Delaware Tap	CR 101	138	138	Frame	0.2	—	1
37	Arrowhead Tap	Arrowhead	138	138	Pole	—	—	1
38	Gas Pad	Caymus	138	138	Pole	0.3	—	1
39	Wink	Oncor Wink	138	138	Pole	1.4	—	1
40	Wink	Oncor Wink	138	138	Pole	1.2	—	1
41	Airport	Lancium	138	138	Pole	0.1	—	1
42	Alamo	Airport	138	138	Pole	3.1	—	1
43	Alamo	Holiday	138	138	Pole	13.5	—	1
44	Alamo	16th Street	138	138	Pole	—	—	1
45	Holiday	Soaptree	138	138	Pole	18.6	—	1
46	Girvin	White Baker	138	138	Pole	14.7	—	1
47	Rio Pecos	Girvin	138	138	Pole	0.8	—	1
48	Foxtail	Tarbrush	138	138	Pole	2.4	—	2
49	Foxtail	Flat Top	138	138	Pole	8.8	—	1
50	Foxtail	Pig Creek	138	138	Pole	0.4	—	1
51	Foxtail	Pig Creek	138	138	Pole	0.4	—	1
52	Flat Top	Barilla Draw	138	138	Pole	5.8	—	1
53	Barilla Draw	Saddleback	138	138	Pole	6.8	—	1
54	Saddleback	Salt Draw Tap	138	138	Pole	0.5	—	1
55	Salt Draw Tap	IH20	138	138	Pole	4.4	—	1
56	IH20	Collie Tap	138	138	Pole	2.8	—	1
57	Collie Tap	Collie Meter Tap	138	138	Pole	—	—	1
58	Collie Meter Tap	Collie Cap Bank	138	138	Pole	0.1	—	1
59	Collie Tap	Birds of Prey Tap	138	138	Pole	2.3	—	1
60	Birds of Prey Tap	Harpoon Tap	138	138	Pole	3.6	—	1
61	Harpoon Tap	Worsham	138	138	Pole	2.0	—	1
62	Worsham	Reward Tap	138	138	Pole	3.3	—	1
63	Reward Tap	Sandstone	138	138	Pole	7.8	—	1
64	Sandstone	Pyote	138	138	Pole	4.3	—	1
65	Pyote	Staghorn	138	138	Pole	1.0	—	1
66	Staghorn	Wickett	138	138	Pole	12.0	—	1
67	Wickett	Wolf	138	138	Pole	5.8	—	1
68	Wickett	Wolf	138	138	Pole	6.2	—	1
69	IH20	County Road	138	138	Pole	0.2	—	1
70	IH20	Elm Street	138	138	Steel Single	—	2.0	1

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TRANSMISSION LINE STATISTICS (Continued)

7. Do not report the same transmission line structure twice. Report Lower voltage Lines and higher voltage lines as one line. Designate in a footnote if you do not include Lower voltage lines with higher voltage lines. If two or more transmission line structures support lines of the same voltage, report the pole miles of the primary structure in column (f) and the pole miles of the other line(s) in column (g)
8. Designate any transmission line or portion thereof for which the respondent is not the sole owner. If such property is leased from another company, give name of lessor, date and terms of Lease, and amount of rent for year. For any transmission line other than a leased line, or portion thereof, for which the respondent is not the sole owner but which the respondent operates or shares in the operation of, furnish a succinct statement explaining the arrangement and giving particulars (details) of such matters as percent ownership by respondent in the line, name of co-owner, basis of sharing expenses of the Line, and how the expenses borne by the respondent are accounted for, and accounts affected. Specify whether lessor, co-owner, or other party is an associated company.
9. Designate any transmission line leased to another company and give name of Lessee, date and terms of lease, annual rent for year, and how determined. Specify whether lessee is an associated company.
10. Base the plant cost figures called for in columns (j) to (l) on the book cost at end of year.

Size of Conductor and Material (i)	COST OF LINE (Include in Column (j) Land, Land rights, and clearing right-of-way)			EXPENSES, EXCEPT DEPRECIATION AND TAXES				Line No.
	Land	Construction and Other Costs	Total Cost	Operation Expenses	Maintenance Expenses (n)	Rents	Total Expenses	
	(j)	(k)	(l)	(m)	(n)	(o)	(p)	
477 ACSR								36
336 ACSR								37
795 ACSR								38
1926.9 ACSS/TW								39
959 ACSS								40
795 ACSS								41
1926.9 ACSS/TW								42
1926.9 ACSS/TW								43
1926.9 ACSS/TW								44
1926.9 ACSS/TW								45
795 ACSS								46
795 ACSS								47
1926.9 ACSR/TW								48
1926.9 ACSR/TW								49
1926.9 ACSR/TW								50
1926.9 ACSR/TW								51
1926.9 ACSR/TW								52
1926.9 ACSR/TW								53
1926.9 ACSR/TW								54
1926.9 ACSR/TW								55
1926.9 ACSR/TW								56
795 ACSR								57
795 ACSR								58
1926.9 ACSR/TW								59
1926.9 ACSR/TW								60
1926.9 ACSR/TW								61
1926.9 ACSR/TW								62
1926.9 ACSR/TW								63
1926.9 ACSR/TW								64
1926.9 ACSR/TW								65
1926.9 ACSR/TW								66
1926.9 ACSR/TW								67
1926.9 ACSS/TW								68
795 ACSR								69
1926.9 ACSR/TW								70

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	From (a)	To (b)	Operating (c)	Designed (d)		On Structure of Line Designated (f)	On Structures of Another Line (g)	
71	IH20	Pecos Main	138	138	Pole	2.3	—	1
72	Pecos Main	Elm Street	138	138	Pole	0.1	—	1
73	Pecos Main	Cedarvale	138	138	Pole	7.6	—	1
74	Pecos Main	Cedarvale	138	138	Pole	7.8	—	1
75	Cedarvale	Mi Vida	138	138	Pole	0.2	—	1
76	Cedarvale	Sand Lake	138	138	Pole	1.1	—	1
77	Cedarvale	Sand Lake	138	138	Pole	1.1	—	1
78	Mi Vida	Fishhook	138	138	Pole	12.0	—	1
79	Cholla	LoneStar	138	138	Pole	5.5	—	1
80	Fishhook	Cholla	138	138	Pole	0.2	—	1
81	Fishhook	Cholla	138	138	Pole	0.2	—	1
82	Fishhook	Tap	138	138	Pole	11.2	—	1
83	Tap	Monument Draw	138	138	Pole	0.2	—	1
84	Tap	All American Tap	138	138	Pole	1.1	—	1
85	All American Tap	All American	138	138	Pole	0.2	—	1
86	All American Tap	Wink	138	138	Pole	0.8	—	1
87	Cedarvale	Bone Springs Tap	138	138	Pole	3.9	—	1
88	Bone Springs Tap	Bone Springs	138	138	Pole	—	—	1
89	Bone Springs Tap	Fishhook	138	138	Pole	8.8	—	1
90	Fishhook	Wink	138	138	Pole	13.2	—	1
91	Pecos Main	Reeves Tap	138	138	Pole	9.9	—	1
92	Reeves Tap	Coyote Springs	138	138	Pole	0.1	—	1
93	Reeves Tap	Eagle Claw Tap	138	138	Pole	2.8	—	1
94	Eagle Claw Tap	Eagle Claw	138	138	Pole	—	—	1
95	Eagle Claw Tap	Billingslea Tap	138	138	Pole	4.3	—	1
96	Billingslea Tap	Billingslea	138	138	Pole	0.4	—	1
97	Billingslea Tap	Faulkner	138	138	Pole	9.7	—	1
98	69 kV Transmission					133.3	—	15
99								
100	Gulf Coast							
101	Comanche	Tejas	138	138	Steel Lattice	1.0	—	1
102	Greenbelt	ISP	138	138	Single Pole	4.5	—	1
103	Greenbelt	Tejas	138	138	Pole	0.7	—	1
104	Greenbelt	Cattail	138	138	Pole	2.3	—	1
105	Greenbelt	Green Power	138	138	Steel Single	0.1	—	1

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TRANSMISSION LINE STATISTICS (Continued)

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	Land	Construction and Other Costs	Total Cost	Operation Expenses	Maintenance Expenses (n)	Rents	Total Expenses	
	(j)	(k)	(l)	(m)	(n)	(o)	(p)	
1926.9 ACSR/TW								71
1926.9 ACSR/TW								72
959 ACSS								73
959 ACSS								74
959 ACSS								75
1926.9 ACSS/TW								76
1926.9 ACSS/TW								77
795 ACSR								78
1926.9 ACSS/TW								79
1926.9 ACSS/TW								80
1926.9 ACSS/TW								81
795 ACSR								82
795 ACSR								83
795 ACSR								84
795 ACSR								85
795 ACSR								86
795 ACSR								87
795 ACSR								88
795 ACSR								89
795 ACSR								90
1926.9 ACSR/TW								91
1926.9 ACSR/TW								92
1926.9 ACSR/TW								93
795 ACSR								94
1926.9 ACSR/TW								95
795 ACSR								96
1926.9 ACSR/TW								97
								98
								99
								100
2-636 ACSR								101
2-636 ACSS								102
2-795 ACSS								103
2-795 ACSS								104
2-795 ACSS								105

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Line No.	DESIGNATION		VOLTAGE (KV) (Indicate where other than 60 cycle, 3 phase)		Type of Supporting Structure (e)	LENGTH (Pole miles) (In the case of underground lines report circuit miles)		Number Of Circuits (h)
	From (a)	To (b)	Operating (c)	Designed (d)		On Structure of Line Designated (f)	On Structures of Another Line (g)	
106	Greenbelt	Green Power	138	138	Pole	0.1	—	1
107	Cattail	Air Products	138	138	Pole	0.1	—	2
108	Cattail	Air Products	138	138	Pole	0.1	0.1	2
109	Cattail	Texas City Main	138	138	Pole	0.1	—	1
110	Amoco	Apache	138	138	Frame	4.1	—	1
111	Amoco	Cherokee	138	138	Pole	0.5	—	1
112	Amoco	Comanche	138	138	Frame	1.0	—	1
113	Amoco	MPL Tank Farm	138	138	Pole	1.4	—	1
114	Comanche	Cherokee	138	138	Pole	0.5	—	1
115	Caddo	Greenbelt	138	138	Pole	0.6	—	1
116	Caddo	Heights	138	138	Pole	2.1	—	1
117	Caddo	Heights	138	138	Pole	1.0	—	1
118	Apache	Caddo	138	138	Pole	0.2	—	1
119	Freeway Park	Heights	138	138	Single Pole	3.1	—	1
120	Freeway Park	Mainland	138	138	Frame	3.7	—	1
121	Mainland	Alvin	138	138	Frame	13.6	—	1
122	Dickinson	Freeway Park	138	138	Single Pole	6.3	—	1
123	Dickinson	League City	138	138	Pole	3.2	0.5	1
124	League City	Butler Road	138	138	Pole	2.1	—	1
125	Butler Road	Magnolia	138	138	Pole	1.6	—	1
126	League City	Hidden Lakes	138	138	Frame	3.2	—	1
127	Hidden Lakes	South Shore	138	138	Pole	1.8	—	1
128	Hidden Lakes	South Shore	138	138	Frame	1.8	—	1
129	Magnolia	Seminole	138	138	Frame	3.3	—	1
130	Friendswood	Hastings	138	138	Pole	7.3	—	1
131	Friendswood	Seminole	138	138	Pole	2.9	—	1
132	North Alvin	Alvin	138	138	Pole	2.1	—	1
133	North Alvin	Hastings	138	138	Pole	2.3	—	1
134	Main	CenterPoint WC	138	138	Frame	0.2	—	1
135	Main	CenterPoint WC	138	138	Frame	0.2	—	1
136	Local	Main	138	138	Frame	0.8	—	1
137	Angleton	Retrieve	138	138	Pole	7.0	—	1
138	Brazoria	Retrieve	138	138	Frame	6.2	—	1
139	Angleton	Local	138	138	Frame	14.1	—	1
140	Brazoria	Main	138	138	Frame	9.5	—	1

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of 2022/Q4
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TRANSMISSION LINE STATISTICS (Continued)

7. Do not report the same transmission line structure twice. Report Lower voltage Lines and higher voltage lines as one line. Designate in a footnote if you do not include Lower voltage lines with higher voltage lines. If two or more transmission line structures support lines of the same voltage, report the pole miles of the primary structure in column (f) and the pole miles of the other line(s) in column (g)
8. Designate any transmission line or portion thereof for which the respondent is not the sole owner. If such property is leased from another company, give name of lessor, date and terms of Lease, and amount of rent for year. For any transmission line other than a leased line, or portion thereof, for which the respondent is not the sole owner but which the respondent operates or shares in the operation of, furnish a succinct statement explaining the arrangement and giving particulars (details) of such matters as percent ownership by respondent in the line, name of co-owner, basis of sharing expenses of the Line, and how the expenses borne by the respondent are accounted for, and accounts affected. Specify whether lessor, co-owner, or other party is an associated company.
9. Designate any transmission line leased to another company and give name of Lessee, date and terms of lease, annual rent for year, and how determined. Specify whether lessee is an associated company.
10. Base the plant cost figures called for in columns (j) to (l) on the book cost at end of year.

Size of Conductor and Material (i)	COST OF LINE (Include in Column (j) Land, Land rights, and clearing right-of-way)			EXPENSES, EXCEPT DEPRECIATION AND TAXES				Line No.
	Land	Construction and Other Costs	Total Cost	Operation Expenses	Maintenance Expenses (n)	Rents	Total Expenses	
	(j)	(k)	(l)	(m)	(n)	(o)	(p)	
2-795 ACSS								106
795 ACSS								107
795 ACSS								108
2-795 ACSS								109
2-636 ACSR								110
795 ACSS								111
2-636 ACSR								112
795 ACSS								113
795 ACSS								114
2-795 ACSS								115
2-795 ACSS								116
2-795 ACSS								117
2-636 ACSR								118
2-795 ACSS								119
636 ACSR								120
636 ACSR								121
636 ACSS								122
795 ACSS								123
795 ACSS								124
795 ACSS								125
795 ACSR								126
795 ACSS								127
795 ACSR								128
636 ACSR								129
795 ACSS								130
795 ACSS								131
795 ACSS								132
795 ACSS								133
2-795 ACSR								134
2-795 ACSR								135
636 ACSR								136
2-795 ACSS								137
795 ACSR/SD								138
795 ACSR/SD								139
795 ACSR/SD								140

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of 2022/Q4
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TRANSMISSION LINE STATISTICS

1. Report information concerning transmission lines, cost of lines, and expenses for year. List each transmission line having nominal voltage of 132 kilovolts or greater. Report transmission lines below these voltages in group totals only for each voltage.
2. Transmission lines include all lines covered by the definition of transmission system plant as given in the Uniform System of Accounts. Do not report substation costs and expenses on this page.
3. Report data by individual lines for all voltages if so required by a State commission.
4. Exclude from this page any transmission lines for which plant costs are included in Account 121, Nonutility Property.
5. Indicate whether the type of supporting structure reported in column (e) is: (1) single pole wood or steel; (2) H-frame wood, or steel poles; (3) tower; or (4) underground construction. If a transmission line has more than one type of supporting structure, indicate the mileage of each type of construction by the use of brackets and extra lines. Minor portions of a transmission line of a different type of construction need not be distinguished from the remainder of the line.
6. Report in columns (f) and (g) the total pole miles of each transmission line. Show in column (f) the pole miles of line on structures the cost of which is reported for the line designated; conversely, show in column (g) the pole miles of line on structures the cost of which is reported for another line. Report pole miles of line on leased or partly owned structures in column (g). In a footnote, explain the basis of such occupancy and state whether expenses with respect to such structures are included in the expenses reported for the line designated.

Line No.	DESIGNATION		VOLTAGE (KV) (Indicate where other than 60 cycle, 3 phase)		Type of Supporting Structure (e)	LENGTH (Pole miles) (In the case of underground lines report circuit miles)		Number Of Circuits (h)
	From (a)	To (b)	Operating (c)	Designed (d)		On Structure of Line Designated (f)	On Structures of Another Line (g)	
141	SCLP Cogen	Main	138	138	Pole	9.5	—	1
142	SCLP Cogen	Main	138	138	Pole	9.2	—	1
143	Brazoria	Sweeny	138	138	Pole	7.1	—	1
144	Sweeny	FM 524	138	138	Pole	3.7	—	1
145	FM 524	Linville	138	138	Pole	0.7	—	1
146	Linville	SCLP	138	138	Pole	0.4	0.7	1
147	PH Robinson	Attwater	138	138	Pole	5.7	—	1
148	Attwater	Freeway Park	138	138	Pole	1.7	—	1
149	PH Robinson	Attwater	138	138	Pole	5.8	—	1
150	Attwater	Heights	138	138	Pole	4.1	—	1
151	Attwater	Topaz	138	138	Pole	1.2	—	1
152	PH Robinson	ISP	138	138	Single Pole	4.4	—	1
153	PH Robinson	Hidden Lakes	138	138	Pole	3.1	—	1
154	69 kV Transmission		69	69		39.8	4.3	44
155								
156								
157					TOTAL	962.4	11.2	249
158								
159								
160								
161								
162								
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164								
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Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of 2022/Q4
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TRANSMISSION LINE STATISTICS (Continued)

7. Do not report the same transmission line structure twice. Report Lower voltage Lines and higher voltage lines as one line. Designate in a footnote if you do not include Lower voltage lines with higher voltage lines. If two or more transmission line structures support lines of the same voltage, report the pole miles of the primary structure in column (f) and the pole miles of the other line(s) in column (g)
8. Designate any transmission line or portion thereof for which the respondent is not the sole owner. If such property is leased from another company, give name of lessor, date and terms of Lease, and amount of rent for year. For any transmission line other than a leased line, or portion thereof, for which the respondent is not the sole owner but which the respondent operates or shares in the operation of, furnish a succinct statement explaining the arrangement and giving particulars (details) of such matters as percent ownership by respondent in the line, name of co-owner, basis of sharing expenses of the Line, and how the expenses borne by the respondent are accounted for, and accounts affected. Specify whether lessor, co-owner, or other party is an associated company.
9. Designate any transmission line leased to another company and give name of Lessee, date and terms of lease, annual rent for year, and how determined. Specify whether lessee is an associated company.
10. Base the plant cost figures called for in columns (j) to (l) on the book cost at end of year.

Size of Conductor and Material (i)	COST OF LINE (Include in Column (j) Land, Land rights, and clearing right-of-way)			EXPENSES, EXCEPT DEPRECIATION AND TAXES				Line No.
	Land (j)	Construction and Other Costs (k)	Total Cost (l)	Operation Expenses (m)	Maintenance Expenses (n)	Rents (o)	Total Expenses (p)	
	2-636 ACSR							
2-636 ACSR								142
795 ACSS								143
795 ACSS								144
795 ACSS								145
795 ACSS								146
2-795 ACSS								147
2-795 ACSS								148
2-795 ACSS								149
2-795 ACSS								150
2-795 ACSS								151
2-636 ACSS								152
795 ACSS								153
								154
								155
	—	—	—	—	—	—	—	157
								158
								159
								160
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								175

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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TRANSMISSION LINES ADDED DURING YEAR

1. Report below the information called for concerning Transmission lines added or altered during the year. It is not necessary to report minor revisions of lines.

2. Provide separate subheadings for overhead and under- ground construction and show each transmission line separately. If actual costs of completed construction are not readily available for reporting columns (l) to (o), it is permissible to report in these columns the

Line No.	LINE DESIGNATION		Line Length in Miles (c)	SUPPORTING STRUCTURE		CIRCUITS PER STRUCTURE	
	From	To		Type	Average Number per Miles	Present	Ultimate
	(a)	(b)		(d)	(e)	(f)	(g)
1							
2							
3							
4							
5							
6							
7							
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41							
42							
43							
44	TOTAL		—		—	—	—

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of 2022/Q4
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TRANSMISSION LINES ADDED DURING YEAR (Continued)

- costs. Designate, however, if estimated amounts are reported. Include costs of Clearing Land and Rights-of-Way, and Roads and Trails, in column (l) with appropriate footnote, and costs of Underground Conduit in column (m).
3. If design voltage differs from operating voltage, indicate such fact by footnote; also where line is other than 60 cycle, 3 phase, indicate such other characteristic.

CONDUCTORS			Voltage KV (Operating) (k)	LINE COST					Line No.
Size (h)	Specification (i)	Configuration and Spacing (j)		Land and Land Rights (l)	Poles, Towers and Fixtures (m)	Conductors and Devices (n)	Asset Retire. Costs (o)	Total (p)	
								—	1
								—	2
								—	3
								—	4
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				—	—	—	—	—	44

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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SUBSTATIONS

- Report below the information called for concerning substations of the respondent as of the end of the year.
- Substations which serve only one industrial or street railway customer should not be listed below.
- Substations with capacities of Less than 10 MVA except those serving customers with energy for resale, may be grouped according to functional character, but the number of such substations must be shown.
- Indicate in column (b) the functional character of each substation, designating whether transmission or distribution and whether attended or unattended. At the end of the page, summarize according to function the capacities reported for the individual stations in column (f).

Line No.	Name and Location of Substation (a)	Character of Substation (b)	VOLTAGE (In MVA)		
			Primary (c)	Secondary (d)	Tertiary (e)
1	Central Texas Region				
2	Bosque Co., TX -Lake Whitney Sub	Trans. (unattended)	138.00	69.00	13.80
3	Bosque Co., TX - Lake Whitney Sub	Dist. (unattended)	66.00	12.50	—
4	Coryell Co., TX - Coryell Co. Sub	Dist. (unattended)	66.00	22.00	—
5	Bosque Co., TX -Olsen Sub	Trans. (unattended)	138.00	69.00	13.80
6	Hamilton, TX - Hamilton City Sub	Dist. (unattended)	66.00	22.00	—
7	Whitney, TX - Whitney Sub	Dist. (unattended)	66.00	22.00	—
8	Glen Rose, TX - Glen Rose Sub	Dist. (unattended)	66.00	22.00	—
9	Bosque Co., TX -Walnut Springs Sub	Dist. (unattended)	69.00	22.00	—
10	Coryell Co., TX - Jonesboro Sta	Trans. (unattended)	69.00	—	—
11	Hill Co., TX - Hill County Sub	Dist. (unattended)	138.00	25.00	—
12	Valley Mills, TX - Valley Mills Sub	Dist. (unattended)	66.00	22.00	—
13	Bosque Co., TX - Handley Sub	Dist. (unattended)	66.00	22.00	—
14	Clifton, TX - Clifton #1 Sub	Dist. (unattended)	66.00	4.00	—
15	Clifton, TX - Clifton #1 Sub	Dist. (unattended)	66.00	22.00	—
16	Clifton, TX - Clifton #2 Sub	Dist. (unattended)	66.00	4.00	—
17	Clifton, TX - Clifton #2 Sub	Dist. (unattended)	66.00	22.00	—
18	Meridan, TX - Meridan Sub	Dist. (unattended)	66.00	22.00	—
19	Gatesville, TX - Sycamore Sub	Dist. (unattended)	66.00	22.00	—
20	Gatesville, TX - Gatesville #2 Sub	Dist. (unattended)	66.00	4.00	—
21	Gatesville, TX - Gatesville #2 Sub	Dist. (unattended)	66.00	22.00	—
22	Hamilton Co., TX - Hamilton County Sub	Dist. (unattended)	66.00	22.00	—
23	Thurber, TX - Thurber Sub	Dist. (unattended)	66.00	12.50	—
24	Thurber, TX - Thurber Sub	Dist. (unattended)	66.00	22.00	—
25	Hico, TX - Hico Sub	Dist. (unattended)	66.00	4.00	—
26	Somervell Co, TX - Tolar Sub	Dist. (unattended)	138.00	22.00	—
27	Coryell Co, TX - Pancake Sta	Trans. (unattended)	66.00	—	—
28	Bosque Co., TX - Buckeye Sta	Trans. (unattended)	66.00	—	—
29	Gatesville, TX - Hilltop Sta	Dist. (unattended)	66.00	4.00	—
30	Gatesville, TX - Mountain View Sta	Dist. (unattended)	22.00	4.00	—
31	Robertson Co., TX - TNP One Sta	Trans. (unattended)	345.00	—	—
32	Robertson Co., TX - Twin Oak Sta	Trans. (unattended)	345.00	—	—
33	North Texas Region				
34	Collin Co., TX - Climax Sub	Trans. (unattended)	138.00	69.00	13.80
35	Collin Co., TX - Climax Sub	Dist. (unattended)	138.00	22.00	—
36	Collin Co., TX - Farmersville West Sub	Dist. (unattended)	138.00	22.00	—
37	Princeton, Tx - Longneck Sub	Dist. (unattended)	138.00	22.00	—
38	Whitewright, TX - Whitewright Sub	Dist. (unattended)	66.00	12.50	—
39	Leonard, TX - Leonard Sub	Dist. (unattended)	66.00	12.50	—
40	Trenton, TX - Trenton Sub	Dist. (unattended)	66.00	4.00	—

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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SUBSTATIONS (Continued)

5. Show in columns (l), (j), and (k) special equipment such as rotary converters, rectifiers, condensers, etc. and auxiliary equipment for increasing capacity.
6. Designate substations or major items of equipment leased from others, jointly owned with others, or operated otherwise than by reason of sole ownership by the respondent. For any substation or equipment operated under lease, give name of lessor, date and period of lease, and annual rent. For any substation or equipment operated other than by reason of sole ownership or lease, give name of co-owner or other party, explain basis of sharing expenses or other accounting between the parties, and state amounts and accounts affected in respondent's books of account. Specify in each case whether lessor, co-owner, or other party is an associated company.

Capacity of Substation (In Service) (In MVA) (f)	Number of Transformers In Service (g)	Number of Spare Transformers (h)	CONVERSION APPARATUS AND SPECIAL EQUIPMENT			Line No.
			Type of Equipment (i)	Number of Units (j)	Total Capacity (In MVA) (k)	
						1
93	1	—				2
14	2	—				3
19	2	—				4
167	1	—				5
21	2	—				6
21	2	—				7
50	2	—				8
13	1	—	Capacitor Bank	1	5.5	9
—	—	—	Capacitor Bank	1	15.0	10
13	1	—				11
11	1	—				12
9	1	—				13
5	1	—				14
12	1	—				15
4	1	—				16
5	1	—				17
25	1	—				18
14	1	—				19
6	1	—				20
9	1	—				21
5	1	—				22
5	1	—				23
11	1	—				24
7	1	—				25
11	1	—				26
—	—	—				27
—	—	—				28
5	1	—				29
2	3	—				30
—	—	—				31
—	—	—				32
						33
140	2	—				34
44	3	1				35
25	1	—				36
125	2	—				37
21	2	—				38
18	2	—				39
5	1	—				40

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SUBSTATIONS

- Report below the information called for concerning substations of the respondent as of the end of the year.
- Substations which serve only one industrial or street railway customer should not be listed below.
- Substations with capacities of Less than 10 MVA except those serving customers with energy for resale, may be grouped according to functional character, but the number of such substations must be shown.
- Indicate in column (b) the functional character of each substation, designating whether transmission or distribution and whether attended or unattended. At the end of the page, summarize according to function the capacities reported for the individual stations in column (f).

Line No.	Name and Location of Substation (a)	Character of Substation (b)	VOLTAGE (In MVA)		
			Primary (c)	Secondary (d)	Tertiary (e)
41	Trenton, TX - Frontier Sub	Dist. (unattended)	66.00	4.00	—
42	Blue Ridge, TX - Blue Ridge Sub	Dist. (unattended)	66.00	22.00	—
43	Collin Co., TX - Westminster Tap	Trans. (unattended)	138.00	—	—
44	Collin Co., TX - Westminster Sub	Dist. (unattended)	138.00	12.50	—
45	Lewisville, TX - West Sub	Dist. (unattended)	138.00	12.50	—
46	Lewisville, TX - South Sub	Dist. (unattended)	138.00	12.50	—
47	Lewisville, TX - TI Sub	Dist. (unattended)	138.00	12.50	—
48	Lewisville, TX - TI Sub	Dist. (unattended)	138.00	26.00	—
49	Lewisville, TX - Jones St. Sub	Dist. (unattended)	138.00	12.50	—
50	Lewisville, TX - Lakepointe Sub	Dist. (unattended)	138.00	26.00	—
51	Nocona, TX - Nocona Sub	Dist. (unattended)	138.00	12.50	—
52	St. Jo, TX - St. Jo Sub	Dist. (unattended)	66.00	12.50	—
53	Petrolia, Tx - Petrolia Sub	Dist. (unattended)	66.00	12.50	—
54	Lone Oak, TX - Lone Oak Sub	Dist. (unattended)	66.00	12.50	—
55	Red River Co., TX - Red River Sub	Dist. (unattended)	66.00	22.00	—
56	Franklin Co., TX - Talco West Sub	Dist. (unattended)	138.00	12.50	—
57	Lamar Co., TX - Blossom Sub	Dist. (unattended)	138.00	22.00	—
58	Aubrey, TX - Krugerville Sub	Dist. (unattended)	138.00	26.00	—
59	Olney, TX - Olney Sub	Dist. (unattended)	66.00	12.50	—
60	Bryson, TX - Bryson Sub	Dist. (unattended)	66.00	12.50	—
61	Graham, TX - Graham Sub	Dist. (unattended)	66.00	12.50	—
62	Lewisville, TX - Highlands Sub	Trans. (unattended)	138.00	—	—
63	Olney, TX - Olney Switching Sub	Dist. (unattended)	12.50	—	—
64	Pilot Point, TX - Pilot Point Sub	Dist. (unattended)	25.00	12.50	—
65	Montague Co., TX - Ringgold Sub	Dist. (unattended)	69.00	25.00	—
66	Talco, TX - Talco City Sub	Dist. (unattended)	22.00	12.50	—
67	Collin Co., TX - Thistle Sub	Dist. (unattended)	138.00	—	—
68	Franklin Co., TX - Talco West Sub	Dist. (unattended)	12.50	22.00	—
69	Gulf Coast Region				
70	Texas City, TX-Amoco Sw. Station	Trans. (unattended)	138.00	69.00	13.80
71	Texas City, TX-Apache Sw. Station	Trans. (unattended)	138.00	—	—
72	Texas City, TX-Caddo Sw. Station	Trans. (unattended)	138.00	—	—
73	Texas City, TX-Cherokee Sw. Station	Trans. (unattended)	138.00	—	—
74	Texas City, TX-Comanche Sw. Station	Trans. (unattended)	138.00	—	—
75	Texas City, TX-Greenbelt Sw. Station	Trans. (unattended)	138.00	—	—
76	Texas City, TX-ISP Sw. Station	Trans. (unattended)	138.00	—	—
77	Texas City, TX-Freeway Park Sub.	Trans. (unattended)	138.00	—	—
78	Texas City, TX-Freeway Park Sub.	Dist. (unattended)	138.00	12.50	—
79	Texas City, TX-Heights Sub.	Trans. (unattended)	138.00	69.00	13.80
80	Texas City, TX-Heights Sub.	Dist. (unattended)	138.00	12.50	—

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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SUBSTATIONS (Continued)

5. Show in columns (l), (j), and (k) special equipment such as rotary converters, rectifiers, condensers, etc. and auxiliary equipment for increasing capacity.
6. Designate substations or major items of equipment leased from others, jointly owned with others, or operated otherwise than by reason of sole ownership by the respondent. For any substation or equipment operated under lease, give name of lessor, date and period of lease, and annual rent. For any substation or equipment operated other than by reason of sole ownership or lease, give name of co-owner or other party, explain basis of sharing expenses or other accounting between the parties, and state amounts and accounts affected in respondent's books of account. Specify in each case whether lessor, co-owner, or other party is an associated company.

Capacity of Substation (In Service) (In MVA) (f)	Number of Transformers In Service (g)	Number of Spare Transformers (h)	CONVERSION APPARATUS AND SPECIAL EQUIPMENT			Line No.
			Type of Equipment (i)	Number of Units (j)	Total Capacity (In MVA) (k)	
5	1	—				41
5	1	—				42
—	—	—				43
11	1	—				44
141	3	—				45
92	2	—				46
92	2	—				47
168	2	—				48
84	2	—				49
168	2	—				50
50	2	—				51
14	2	—				52
11	1	1				53
7	1	—				54
25	1	1				55
28	2	—				56
20	1	—				57
83	1	—				58
50	2	—				59
9	1	—				60
9	1	—				61
—	—	—				62
—	—	—				63
12	2	—				64
25	1	—				65
6	1	—				66
—	—	—				67
6	1	—				68
—	—	—				69
400	2	—				70
—	—	—				71
—	—	—				72
—	—	—				73
—	—	—	Capacitor Bank	1	30.0	74
—	—	—				75
—	—	—				76
—	—	—				77
94	2	—	Capacitor Bank	2	9.6	78
400	2	1	Capacitor Bank	1	27.8	79
100	2	—	Capacitor Bank	2	9.6	80

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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SUBSTATIONS

- Report below the information called for concerning substations of the respondent as of the end of the year.
- Substations which serve only one industrial or street railway customer should not be listed below.
- Substations with capacities of Less than 10 MVa except those serving customers with energy for resale, may be grouped according to functional character, but the number of such substations must be shown.
- Indicate in column (b) the functional character of each substation, designating whether transmission or distribution and whether attended or unattended. At the end of the page, summarize according to function the capacities reported for the individual stations in column (f).

Line No.	Name and Location of Substation (a)	Character of Substation (b)	VOLTAGE (In MVa)		
			Primary (c)	Secondary (d)	Tertiary (e)
81	Texas City, TX-Northside Sub.	Dist. (unattended)	69.00	12.50	—
82	Texas City, TX-Tejas Sub.	Dist. (unattended)	138.00	12.50	—
83	Texas City, TX- Texas City Main	Trans. (unattended)	138.00	69.00	12.50
84	Texas City, Tx- Grant. Ave	Trans. (unattended)	69.00	—	—
85	Texas City, Tx- TC Water	Dist. (unattended)	69.00	4.00	—
86	Texas City, Tx- Intercity	Trans. (unattended)	69.00	—	—
87	Texas City, TX-Linde	Trans. (unattended)	69.00	4.16	—
88	Texas City, Tx-Genesis	Trans. (unattended)	69.00	—	—
89	Texas City, Tx- Marathon Pipeline	Trans. (unattended)	69.00	4.16	—
90	Texas City, Tx-Choctaw	Trans. (unattended)	69.00	—	—
91	Texas City, Tx- Bayview	Trans. (unattended)	69.00	—	—
92	La Marque, TX-LaMarque Sub.	Dist. (unattended)	69.00	12.50	—
93	Dickinson, TX-Dickinson Sub.	Dist. (unattended)	138.00	12.50	—
94	League City, TX-League City Sub.	Trans. (unattended)	138.00	—	—
95	League City, TX-League City Sub.	Dist. (unattended)	138.00	12.50	—
96	League City, TX-Butler Road Sub.	Dist. (unattended)	138.00	12.50	—
97	League City, TX-Magnolia Sub.	Dist. (unattended)	138.00	12.50	—
98	League City, TX-South Shore Sub.	Dist. (unattended)	138.00	12.50	—
99	League City, TX-Hidden Lakes Sub.	Dist. (unattended)	138.00	12.50	—
100	League City, TX Seminole Sub.	Dist. (unattended)	138.00	12.50	—
101	Friendswood, TX-Friendswood Sub.	Dist. (unattended)	138.00	12.50	—
102	Brazoria Co., TX-Hastings Sta.	Trans. (unattended)	138.00	—	—
103	Alvin, TX-Alvin Sub.	Dist. (unattended)	138.00	12.50	—
104	La Marque, TX-Mainland Sub.	Dist. (unattended)	138.00	12.50	—
105	Brazoria Co., Tx- North Alvin Sw Sta	Trans. (unattended)	138.00	—	—
106	Angleton, TX-Angleton Sub.	Dist. (unattended)	138.00	12.50	—
107	Brazoria Co., TX-West Col. Main Sub.	Trans. (unattended)	138.00	—	—
108	West Columbia, TX-West Col. Local Sub.	Dist. (unattended)	138.00	12.50	—
109	Brazoria, TX-Brazoria Sub.	Trans. (unattended)	138.00	69.00	13.80
110	Brazoria, TX-Brazoria Sub.	Dist. (unattended)	138.00	12.50	—
111	Brazoria Co., Tx-Clemons Dome Sub	Dist. (unattended)	69.00	12.50	—
112	Brazoria Co., TX-Clemons Cavern Sta	Trans. (unattended)	69.00	—	—
113	Sweeny, TX-Sweeny Sub.	Dist. (unattended)	138.00	12.50	—
114	Brazoria Co., TX-FM 524 Sub	Trans. (unattended)	138.00	69.00	12.50
115	Brazoria Co., TX-Linville Sta	Trans. (unattended)	138.00	—	—
116	Brazoria Co., TX-Old Ocean Sub.	Dist. (unattended)	69.00	12.50	—
117	Brazoria Co., TX-Phillips 5 Sta	Trans. (unattended)	69.00	—	—
118	Galveston Co., TX-Attwater Sta	Trans. (unattended)	138.00	—	—
119	Galveston Co., TX-Cattail Sta	Trans. (unattended)	138.00	—	—
120	Galveston Co., TX-Terminal Sta	Trans. (unattended)	69.00	—	—

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of 2022/Q4
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SUBSTATIONS (Continued)

5. Show in columns (l), (j), and (k) special equipment such as rotary converters, rectifiers, condensers, etc. and auxiliary equipment for increasing capacity.
6. Designate substations or major items of equipment leased from others, jointly owned with others, or operated otherwise than by reason of sole ownership by the respondent. For any substation or equipment operated under lease, give name of lessor, date and period of lease, and annual rent. For any substation or equipment operated other than by reason of sole ownership or lease, give name of co-owner or other party, explain basis of sharing expenses or other accounting between the parties, and state amounts and accounts affected in respondent's books of account. Specify in each case whether lessor, co-owner, or other party is an associated company.

Capacity of Substation (In Service) (In MVA) (f)	Number of Transformers In Service (g)	Number of Spare Transformers (h)	CONVERSION APPARATUS AND SPECIAL EQUIPMENT			Line No.
			Type of Equipment (i)	Number of Units (j)	Total Capacity (In MVA) (k)	
100	2	—	Capacitor Bank	2	9.6	81
97	2	—	Capacitor Bank	2	9.6	82
200	1	—	Capacitor Bank	1	27.8	83
—	—	—				84
7	1	1				85
—	—	—				86
5	1	—				87
—	—	—				88
7	1	—				89
—	—	—				90
—	—	—				91
50	2	—				92
97	2	—	Capacitor Bank	2	9.6	93
—	—	—	Capacitor Bank	1	30.0	94
141	3	—	Capacitor Bank	2	9.6	95
97	2	—				96
100	2	1	Capacitor Bank	2	9.6	97
94	2	—	Capacitor Bank	2	9.6	98
50	1	—				99
97	2	—				100
100	2	—	Capacitor Bank	2	9.6	101
—	—	—				102
141	3	1	Capacitor Bank	3	14.4	103
150	3	1				104
—	—	—				105
147	3	—	Capacitor Bank	3	14.4	106
—	—	—				107
50	2	1				108
93	1	—				109
70	2	—				110
9	1	1				111
—	—	—				112
45	2	—				113
167	1	—				114
—	—	—				115
22	1	—				116
—	—	—				117
—	—	—				118
—	—	—				119
—	—	—				120

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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SUBSTATIONS

- Report below the information called for concerning substations of the respondent as of the end of the year.
- Substations which serve only one industrial or street railway customer should not be listed below.
- Substations with capacities of Less than 10 MVA except those serving customers with energy for resale, may be grouped according to functional character, but the number of such substations must be shown.
- Indicate in column (b) the functional character of each substation, designating whether transmission or distribution and whether attended or unattended. At the end of the page, summarize according to function the capacities reported for the individual stations in column (f).

Line No.	Name and Location of Substation (a)	Character of Substation (b)	VOLTAGE (In MVA)		
			Primary (c)	Secondary (d)	Tertiary (e)
121	West Texas Region				
122	Winkler Co., TX - Wink Sub	Trans. (unattended)	138.00	69.00	13.80
123	Winkler Co., TX - Winkler Co No. 6 Sub	Dist. (unattended)	66.00	25.00	—
124	Winkler Co., Tx - California	Dist. (unattended)	66.00	12.50	—
125	Kermit, TX -Kermit#1	Dist. (unattended)	66.00	4.00	—
126	Kermit, TX -Kermit#2	Dist. (unattended)	66.00	4.00	—
127	Kermit, TX -Kermit#2	Dist. (unattended)	66.00	12.50	—
128	Winkler Co., TX -Keystone	Dist. (unattended)	69.00	12.50	—
129	Ward Co., Tx-Wickett	Trans. (unattended)	138.00	69.00	12.50
130	Ward Co., Tx-Wickett	Dist. (unattended)	66.00	12.50	—
131	Ward Co., Tx-Pyote	Dist. (unattended)	138.00	25.00	—
132	Ward Co., Tx-Sandstone	Trans. (unattended)	138.00	—	—
133	Reeves Co., Tx-Reward Sta.	Trans. (unattended)	138.00	—	—
134	Reeves Co., Tx-Worsham Sub	Dist. (unattended)	138.00	12.50	—
135	Reeves Co., Tx-Harpoon Sta.	Trans. (unattended)	138.00	—	—
136	Reeves Co., Tx-Birds of Prey Sta	Trans. (unattended)	138.00	—	—
137	Reeves Co., TX-Collie Tap Sta	Trans. (unattended)	138.00	—	—
138	Reeves Co., TX-Collie Cap Bank Sta	Trans. (unattended)	138.00	—	—
139	Ward Co., TX-Bone Springs Sta	Trans. (unattended)	138.00	—	—
140	Ward Co., Tx-Cedarvale Sta 138 kV	Trans. (unattended)	138.00	—	—
141	Ward Co., Tx-Cedarvale Sta 25 kV	Dist (unattended)	138.00	25.00	—
142	Ward Co., Tx-Cedarvale Sta 12.5 kV	Dist (unattended)	138.00	12.50	—
143	Ward Co., Tx-Cholla Sta	Dist. (unattended)	138.00	138.00	25.00
144	Ward Co., Tx-Lone Star	Dist. (unattended)	138.00	25.00	—
145	Ward Co., Tx-Mi Vida Sta	Trans. (unattended)	138.00	—	—
146	Winkler Co., Tx-Monument Draw Sta	Trans. (unattended)	138.00	—	—
147	Winkler Co., Tx-All Amercian PL	Trans. (unattended)	138.00	—	—
148	Pecos, TX - Pecos Main Sub	Trans. (unattended)	138.00	—	—
149	Pecos, TX - IH 20 Sub	Trans. (unattended)	138.00	—	—
150	Pecos, TX - IH 20 STATCOM Sta	Trans. (unattended)	138.00	31.00	—
151	Pecos, TX - County Road Sub	Dist. (unattended)	138.00	12.50	—
152	Reeves Co., TX - Salt Draw Sta.	Trans. (unattended)	138.00	—	—
153	Reeves Co., TX - Saddleback Sub.	Dist. (unattended)	138.00	25.00	—
154	Reeves Co., TX - Barilla Draw Sub	Trans. (unattended)	138.00	—	—
155	Reeves Co., Tx - Flat Top	Dist. (unattended)	138.00	25.00	—
156	Pecos Co., TX - Tarbush Sub.	Dist. (unattended)	138.00	25.00	—
157	Reeves Co., Tx - Elm Street Sub	Dist. (unattended)	138.00	12.50	—
158	Reeves Co., Tx - Coyote Spring Sub.	Dist. (unattended)	138.00	12.50	—
159	Reeves Co., Tx - Eagle Claw Sta.	Trans. (unattended)	138.00	—	—
160	Reeves Co., Tx - Billingslea Sta.	Trans. (unattended)	138.00	—	—

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SUBSTATIONS (Continued)

5. Show in columns (l), (j), and (k) special equipment such as rotary converters, rectifiers, condensers, etc. and auxiliary equipment for increasing capacity.

6. Designate substations or major items of equipment leased from others, jointly owned with others, or operated otherwise than by reason of sole ownership by the respondent. For any substation or equipment operated under lease, give name of lessor, date and period of lease, and annual rent. For any substation or equipment operated other than by reason of sole ownership or lease, give name of co-owner or other party, explain basis of sharing expenses or other accounting between the parties, and state amounts and accounts affected in respondent's books of account. Specify in each case whether lessor, co-owner, or other party is an associated company.

Capacity of Substation (In Service) (In MVA) (f)	Number of Transformers In Service (g)	Number of Spare Transformers (h)	CONVERSION APPARATUS AND SPECIAL EQUIPMENT			Line No.
			Type of Equipment (i)	Number of Units (j)	Total Capacity (In MVA) (k)	
						121
260	2	1				122
25	1	—				123
11	1	—				124
13	1	—				125
11	1	—				126
25	1	—				127
11	1	—	Capacitor Bank	1	10.0	128
167	1	—				129
3	1	—				130
75	2	—				131
—	—	—				132
—	—	—				133
75	2	—				134
—	—	—				135
—	—	—				136
—	—	—				137
—	—	—	Capacitor Bank	6	120.0	138
—	—	—				139
—	—	—	Capacitor Bank	5	120.0	140
25	1	—				141
25	1	—				142
50	1	—				143
100	2	—	Capacitor Bank	5	100.0	144
—	—	—				145
—	—	—				146
—	—	—				147
—	—	1	Capacitor Bank	4	80.0	148
—	—	—				149
190	2	—	STATCOM	1	190.0	150
103	3	—				151
—	—	—				152
50	1	—				153
—	—	—	Capacitor Bank	1	30.0	154
50	2	—				155
75	2	—				156
106	3	—				157
50	1	—				158
—	—	—				159
—	—	—				160

Name of Respondent Texas-New Mexico Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03/31/2023	Year/Period of Report End of <u>2022/Q4</u>
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- Substations which serve only one industrial or street railway customer should not be listed below.
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- Indicate in column (b) the functional character of each substation, designating whether transmission or distribution and whether attended or unattended. At the end of the page, summarize according to function the capacities reported for the individual stations in column (f).

Line No.	Name and Location of Substation (a)	Character of Substation (b)	VOLTAGE (In MVA)		
			Primary (c)	Secondary (d)	Tertiary (e)
161	Reeves Co., Tx - Faulkner	Dist. (unattended)	138.00	12.50	—
162	Reeves Co., TX - County Road 101 Sta	Trans. (unattended)	138.00	—	—
163	Reeves Co., TX - Trans Pecos Sta.	Trans. (unattended)	138.00	—	—
164	Reeves Co., TX - Delaware Sta.	Trans. (unattended)	138.00	—	—
165	Reeves Co., TX - Wolf Bone Ranch Sta	Trans. (unattended)	138.00	—	—
166	Reeves Co., TX - Utah Sta	Trans. (unattended)	138.00	—	—
167	Reeves Co., TX - Caymus Sta	Trans. (unattended)	138.00	—	—
168	Reeves Co., TX - Arrowhead Sta	Trans. (unattended)	138.00	—	—
169	Winkler Co., TX - Gembok Sta	Trans. (unattended)	138.00	—	—
170	Winkler Co., TX - Rattlesnake Sub	Dist. (unattended)	138.00	25.00	—
171	Reeves Co., TX - Scimitar Sta	Trans. (unattended)	138.00	—	—
172	Reeves Co., TX - Sand Lake Sub	Dist. (unattended)	138.00	25.00	—
173	Reeves Co., TX - Grisham Sta	Trans. (unattended)	138.00	—	—
174	Reeves Co., TX - Cottonwood Sub	Dist. (unattended)	138.00	25.00	—
175	Fort Stockton, TX -16th Street Sub	Trans. (unattended)	138.00	69.00	13.80
176	Fort Stockton, TX - Airport Sub	Dist. (unattended)	138.00	12.50	—
177	Fort Stockton, TX -Downtown Sub	Dist. (unattended)	66.00	12.50	—
178	Fort Stockton, TX -Leon Creek Sw Station	Trans. (unattended)	138.00	—	—
179	Pecos Co., TX - Soaptree Sw Station	Trans. (unattended)	138.00	—	—
180	Pecos Co., TX - White Baker Sw Station	Trans. (unattended)	138.00	69.00	13.80
181	Pecos Co., TX - Northern Natural Sub	Trans. (unattended)	69.00	—	—
182	Pecos Co., TX - Northern Natural Sub	Dist. (unattended)	66.00	4.00	—
183	Pecos Co., TX - Pucket	Dist. (unattended)	66.00	25.00	—
184	Pecos Co., TX - Gomez	Dist. (unattended)	66.00	25.00	—
185	Pecos Co., TX - Belding	Dist. (unattended)	66.00	12.50	—
186	Pecos Co., TX - Armadillo	Dist. (unattended)	66.00	12.50	—
187	Sanderson, Tx - Sanderson	Dist. (unattended)	66.00	4.00	—
188	Pecos Co., Tx - Ocotillo Sta	Trans. (unattended)	69.00	—	—
189	Fort Stockton, TX - Alamo Street Sub	Dist. (unattended)	138.00	12.50	—
190	Pecos Co., TX - CC Mitchell Sub	Dist. (unattended)	69.00	12.50	—
191	Reeves Co., TX - Coyonosa Sub	Dist. (unattended)	138.00	25.00	—
192	Reeves Co., TX - Downie Sub	Dist. (unattended)	69.00	12.50	—
193	Pecos Co., TX - Harrell Sub	Dist. (unattended)	69.00	4.00	—
194	Pecos Co., TX - N.M. Mitchell Sub	Dist. (unattended)	69.00	12.50	—
195	Ward Co., TX-Fishhook Sta	Trans. (unattended)	138.00	—	—
196	Pecos Co., TX-Foxtail Sta	Trans. (unattended)	138.00	—	—
197	Pecos Co., TX-Girvin Sta	Trans. (unattended)	138.00	—	—
198	Pecos Co., TX-Holiday Sta	Trans. (unattended)	138.00	—	—
199	Ward Co., TX-Staghorn Sta	Trans. (unattended)	138.00	—	—
200	TOTAL Transmission Substations				
201	TOTAL Distribution Substations				
202	TOTAL Generation Substations				
203	TOTAL				

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SUBSTATIONS (Continued)

5. Show in columns (l), (j), and (k) special equipment such as rotary converters, rectifiers, condensers, etc. and auxiliary equipment for increasing capacity.
6. Designate substations or major items of equipment leased from others, jointly owned with others, or operated otherwise than by reason of sole ownership by the respondent. For any substation or equipment operated under lease, give name of lessor, date and period of lease, and annual rent. For any substation or equipment operated other than by reason of sole ownership or lease, give name of co-owner or other party, explain basis of sharing expenses or other accounting between the parties, and state amounts and accounts affected in respondent's books of account. Specify in each case whether lessor, co-owner, or other party is an associated company.

Capacity of Substation (In Service) (In MVA) (f)	Number of Transformers In Service (g)	Number of Spare Transformers (h)	CONVERSION APPARATUS AND SPECIAL EQUIPMENT			Line No.
			Type of Equipment (i)	Number of Units (j)	Total Capacity (In MVA) (k)	
50	1	—				161
—	—	—				162
—	—	—	Capacitor Bank	3	60.0	163
—	—	—				164
—	—	—				165
—	—	—				166
—	—	—	Capacitor Bank	3	60.0	167
—	—	—				168
—	—	—				169
25	1	—				170
—	—	—				171
25	1	—				172
—	—	—				173
100	2	—	capacitor Bank	6	120.0	174
70	1	—				175
75	2	—	Capacitor Bank	4	160.0	176
25	1	1				177
—	—	—				178
—	—	—				179
70	1	—	Capacitor Bank	4	160.0	180
—	—	—	Capacitor Bank	1	2.4	181
14	2	—				182
5	1	—				183
25	1	—				184
11	1	1				185
1	1	—				186
4	1	—				187
—	—	—				188
100	2	—				189
—	1	—				190
50	1	—				191
1	1	—				192
1	1	—				193
—	1	—				194
—	—	—				195
—	—	—				196
—	—	—				197
—	—	—				198
—	—	—				199
					826.0	200
					638.0	201
					—	202
					1,464.0	203

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TRANSACTIONS WITH ASSOCIATED (AFFILIATED) COMPANIES

1. Report below the information called for concerning all non-power goods or services received from or provided to associated (affiliated) companies.
2. The reporting threshold for reporting purposes is \$250,000. The threshold applies to the annual amount billed to the respondent or billed to an associated/affiliated company for non-power goods and services. The good or service must be specific in nature. Respondents should not attempt to include or aggregate amounts in a nonspecific category such as "general".
3. Where amounts billed to or received from the associated (affiliated) company are based on an allocation process, explain in a footnote.

Line No.	Description of the Non-Power Good or Service (a)	Name of Associated/Affiliated Company (b)	Account Charged or Credited (c)	Amount Charged or Credited (d)
1	Non-power Goods or Services Provided by Affiliated			
2	Service billings	PNM Resources Inc.	182,922	42,292,960
3	Interest payments	PNM Resources Inc.	430	166,395
4	Call center	Public Service Company of New Mexico	901	350,120
5	Dispatch Services	Public Service Company of New Mexico	903	61,191
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20	Non-power Goods or Services Provided for Affiliate			
21	Intercompany rent	TNP Enterprises, Inc.	455	141,372
22				
23				
24				
25				
26				
27				
28				
29				
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