

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

<b>Exact Legal Name of Respondent (Company)</b>	<b>Year/Period of Report</b>
Texas-New Mexico Power Company	End of <b>2021/Q4</b>

## 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).

**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 2021/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, Including Area Code  (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)  04/04/2022
ANNUAL CORPORATE OFFICER CERTIFICATION		
The undersigned officer certifies that:  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.		
01 Name Henry E. Monroy	03 Signature 	04 Date Signed (Mo, Da, Yr)  04/04/2022
02 Title VP, Corporate Controller		
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.		

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) 04/04/2022	Year/Period of Report End of 2021/Q4
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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 Progress-Electric	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	230	None
25	Unrecovered Plant and Regulatory Study Costs	230	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 Expense	254	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		

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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) 04/04/2022	Year/Period of Report End of <u>2021/Q4</u>
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**CORPORATIONS CONTROLLED BY RESPONDENT**

1. 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.
2. 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.
3. If control was held jointly with one or more other interests, state the fact in a footnote and name the other interests.

**Definitions**

1. See the Uniform System of Accounts for a definition of control.
2. Direct control is that which is exercised without interposition of an intermediary.
3. Indirect control is that which is exercised by the interposition of an intermediary which exercises direct control.
4. 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**

- 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.
- 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	Chief Executive Officer	Patricia K. Collawn	957,981
2			
3	Senior Vice President, General Council and Secretary	Patrick V. Apodaca	375,648
4			
5	Executive Vice President, Corporate Development and Finance	Charles N. Eldred	522,690
6			
7	Senior Vice President, Chief Financial Officer	Joseph D. Tarry	409,231
8			
9	Vice President, Corporate Controller	Henry E. Monroy	249,589
10			
11	President, Texas Operations	James N. Walker	250,719
12			
13	Vice President, Regulatory Affairs	Stacy R. Whitehurst	189,735
14			
15	Vice President, Operations	Evans Spanos	195,164
16			
17	Vice President, Engineering and Technical Services	Keith C. Nix	209,472
18			
19	Vice President, Treasurer (eff 2/1/21)		
20	Vice President, Chief Information Officer (until 1/31/21)	Elisabeth A. Eden	317,154
21			
22	Vice President, Human Resources	Rebecca R. Teague	260,021
23			
24	Senior Vice President, Utility Operations	Chris M. Olson	335,838
25			
26	Vice President, Chief Information Officer (eff 2/1/21)		
27	Vice President, Treasurer (until 1/31/21)	Mike M. Mertz	317,154
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FOOTNOTE DATA
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**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 and Chief Executive Officer	414 Silver S.W.
3		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	414 Silver S.W.
11		Albuquerque, NM 87102-3289
12		
13	James N. Walker	Texas-New Mexico Power Company
14	President	557 North Garden Ridge Blvd.
15		Lewisville, TX 75067
16		
17	Chris M Olson	PNM Resources
18	Senior Vice President, Utility Operations	414 Silver S.W.
19		Albuquerque, NM 87102-3289
20		
21	Joseph D. Tarry	PNM Resources
22	Senior Vice President, Chief Financial Officer	414 Silver S.W.
23		Albuquerque, NM 87102-3289
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26	Note: Texas-New Mexico Power Company does not have	
27	an Executive Committee	
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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) 04/04/2022	Year/Period of Report 2021/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 123.112.

**Item 3** - None

**Item 4** - Refer to Footnote 8 on page 123.35 for information regarding leases.

**Item 5** - None

**Item 6** - TNMP has a revolving credit financing capacity of \$75.0 million under the TNMP Revolving Credit Facility. The facility was amended on March 11, 2022 to extend its current maturity of September 23, 2022 to September 23, 2024. The amended agreement has two one-year extension options, subject to approval by a majority of the lenders. The facility contains a financial covenant that requires the maintenance of debt-to-capital ratio of less than or equal to 65%.

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.

See Note 7 to the Consolidated Financial Statements on page 123.26.

**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 19, 2022, and the average award was 3.41% of base salary.

**Item 9** - See notes 16 and 17 to the Consolidated Financial Statements on pages 123.68 and 123.82.

**Item 10** - None

**Item 11** - (Reserved.)

**Item 12** - No annual report is issued.

**Item 13** - None

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) 04/04/2022	Year/Period of Report 2021/Q4
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IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued)

**Item 14 - Not Applicable**

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) 04/04/2022	Year/Period of Report End of <u>2021/Q4</u>
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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)
<b>1</b>	<b>UTILITY PLANT</b>			
2	Utility Plant (101-106, 114)	200-201	2,492,367,679	2,211,513,704
3	Construction Work in Progress (107)	200-201	53,319,125	61,308,348
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		2,545,686,804	2,272,822,052
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 110, 111, 115)	200-201	636,012,981	597,303,090
6	Net Utility Plant (Enter Total of line 4 less 5)		1,909,673,823	1,675,518,962
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)		1,909,673,823	1,675,518,962
15	Utility Plant Adjustments (116)		—	—
16	Gas Stored Underground - Noncurrent (117)		—	—
<b>17</b>	<b>OTHER PROPERTY AND INVESTMENTS</b>			
18	Nonutility Property (121)		2,239,733	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)		135,915	163,686
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)		5,355,842	953,764
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)		7,731,490	3,357,183
<b>33</b>	<b>CURRENT AND ACCRUED ASSETS</b>			
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)		—	14,800,000
39	Notes Receivable (141)		—	—
40	Customer Accounts Receivable (142)		25,141,289	25,171,195
41	Other Accounts Receivable (143)		4,107,673	3,703,002
42	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)		—	—
43	Notes Receivable from Associated Companies (145)		—	—
44	Accounts Receivable from Assoc. Companies (146)		—	—
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	7,096,246	5,944,535
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) 04/04/2022	Year/Period of Report End of <u>2021/Q4</u>
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COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)(continued)				
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)
53	(Less) Noncurrent Portion of Allowances		—	—
54	Stores Expenses Undistributed (163)	227	23,191	—
55	Gas Stored Underground - Current (164.1)		—	—
56	Liquefied Natural Gas Stored and Held for Processing (164.2-164.3)		—	—
57	Prepayments (165)		1,995,641	1,606,577
58	Advances for Gas (166-167)		—	—
59	Interest and Dividends Receivable (171)		—	287
60	Rents Receivable (172)		—	—
61	Accrued Utility Revenues (173)		12,977,000	11,780,000
62	Miscellaneous Current and Accrued Assets (174)		—	—
63	Derivative Instrument Assets (175)		—	—
64	(Less) Long-Term Portion of Derivative Instrument Assets (175)		—	—
65	Derivative Instrument Assets - Hedges (176)		—	—
66	(Less) Long-Term Portion of Derivative Instrument Assets - Hedges (176)		—	—
67	Total Current and Accrued Assets (Lines 34 thru 66)		51,346,040	63,010,596
68	<b>DEFERRED DEBITS</b>			
69	Unamortized Debt Expenses (181)		6,698,549	6,963,927
70	Extraordinary Property Losses (182.1)	230a	—	—
71	Unrecovered Plant and Regulatory Study Costs (182.2)	230b	—	—
72	Other Regulatory Assets (182.3)	232	63,725,860	71,124,364
73	Prelim. Survey and Investigation Charges (Electric) (183)		3,417,872	2,692,948
74	Preliminary Natural Gas Survey and Investigation Charges 183.1)		—	—
75	Other Preliminary Survey and Investigation Charges (183.2)		—	—
76	Clearing Accounts (184)		(11,468)	126,245
77	Temporary Facilities (185)		—	—
78	Miscellaneous Deferred Debits (186)	233	226,843,315	226,807,233
79	Def. Losses from Disposition of Utility Plt. (187)		—	—
80	Research, Devel. and Demonstration Expend. (188)	352-353	—	—
81	Unamortized Loss on Reacquired Debt (189)		27,615,437	28,913,663
82	Accumulated Deferred Income Taxes (190)	234	31,022,726	34,822,391
83	Unrecovered Purchased Gas Costs (191)		—	—
84	Total Deferred Debits (lines 69 thru 83)		359,312,291	371,450,771
85	TOTAL ASSETS (lines 14-16, 32, 67, and 84)		2,328,063,644	2,113,337,512

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) 04/04/2022	Year/Period of Report End of <u>2021/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)
<b>1</b>	<b>PROPRIETARY CAPITAL</b>			
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	670,941,936	618,941,936
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	204,369,697	140,489,952
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)		941,599,719	825,719,974
<b>17</b>	<b>LONG-TERM DEBT</b>			
18	Bonds (221)	256-257	908,198,000	843,198,000
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)		16,468,164	17,243,136
23	(Less) Unamortized Discount on Long-Term Debt-Debit (226)		—	—
24	Total Long-Term Debt (lines 18 through 23)		924,666,164	860,441,136
<b>25</b>	<b>OTHER NONCURRENT LIABILITIES</b>			
26	Obligations Under Capital Leases - Noncurrent (227)		11,428,499	13,447,428
27	Accumulated Provision for Property Insurance (228.1)		—	—
28	Accumulated Provision for Injuries and Damages (228.2)		1,415,447	1,343,341
29	Accumulated Provision for Pensions and Benefits (228.3)		338,880	1,827,412
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)		763,273	703,477
35	Total Other Noncurrent Liabilities (lines 26 through 34)		13,946,099	17,321,658
<b>36</b>	<b>CURRENT AND ACCRUED LIABILITIES</b>			
37	Notes Payable (231)		400,000	—
38	Accounts Payable (232)		43,088,759	33,620,480
39	Notes Payable to Associated Companies (233)		—	—
40	Accounts Payable to Associated Companies (234)		6,568,438	5,882,671
41	Customer Deposits (235)		—	—
42	Taxes Accrued (236)	262-263	29,527,387	31,881,917
43	Interest Accrued (237)		10,477,670	9,655,843
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	417,994,525	383,318,965		—
3	Operating Expenses					
4	Operating Expenses (401)	320-323	174,100,625	159,248,678		—
5	Maintenance Expenses (402)	320-323	18,006,785	16,015,980		—
6	Depreciation Expense (403)	336-337	87,073,281	77,411,278		—
7	Depreciation Expense for Asset Retirement Costs (403.1)	336-337	431	634		—
8	Amort. & Depl. Of Utility Plant (404-405)	336-337	829,300	918,116		—
9	Amort. of Utility Plant Acq. Adj. (406)	336-337	—	—		—
10	Amort. Property Losses, Unrecov Plant and Regulatory Study Costs (407)		1,628,664	8,596,620		—
11	Amort. of Conversion Expenses (407)		—	—		—
12	Regulatory Debits (407.3)		498,103	561,111		—
13	(Less) Regulatory Credits (407.4)		23,333	2,176		—
14	Taxes Other Than Income Taxes (408.1)	262-263	34,919,349	31,631,035		—
15	Income Taxes - Federal (409.1)	262-263	5,472,544	11,167,110		—
16	- Other (409.1)	262-263	2,356,903	1,987,667		—
17	Provision for Deferred Income Taxes (410.1)	234, 272-277	24,092,650	23,132,004		—
18	(Less) Provision for Deferred Income Taxes-Cr. (411.1)	234, 272-277	24,346,089	30,939,474		—
19	Investment Tax Credit Adj. - Net (411.4)	266	—	—		—
20	(Less) Gains from Disp. Of Utility Plant (411.6)		—	55,838		—
21	Losses from Disp. Of Utility Plant (411.7)		—	515		—
22	(Less) Gains from Disposition of Allowances (411.8)		—	—		—
23	Losses from Disposition of Allowances (411.9)		—	—		—
24	Accretion Expense (411.10)		59,796	74,502		—
25	TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 24)		324,669,009	299,747,762	—	—
26	Net Util Oper Inc (Enter Tot Line 2 less 25), Carry to Pg117, line 27		93,325,516	83,571,203	—	—



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) 04/04/2022	Year/Period of Report End of <u>2021/Q4</u>
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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)		93,325,516	83,571,203	—	—
28	Other Income and Deductions					
29	Other Income					
30	Nonutility Operating Income					
31	Revenues From Merchandising, Jobbing and Contract Work (415)		1,297,141	1,231,184		—
32	(Less) Costs and Exp. Of Merchandising, Job. & Contract Work (416)		1,295,109	1,322,013		—
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)		4,098	50,202		—
38	Allowance for Other Funds Used During Construction (419.1)		3,312,372	4,295,633		—
39	Miscellaneous Nonoperating Income (421)		2,140,855	2,569,509		—
40	Gain on Disposition of Property (421.1)		64,328	12		—
41	TOTAL Other Income (Enter Total of lines 31 thru 40)		5,523,685	6,824,527	—	—
42	Other Income Deductions					
43	Loss on Disposition of Property (421.2)		19,794	1,696		—
44	Miscellaneous Amortization (425)		—	—		—
45	Donations (426.1)		98,667	102,105		—
46	Life Insurance (426.2)		27,771	14,242		—
47	Penalties (426.3)		48,933	86,750		—
48	Exp for Certain Civic, Political & Related Activities (426.4)		258,577	164,833		—
49	Other Deductions (426.5)		477,866	95,303		—
50	TOTAL Other Income Deductions (Total of lines 43 thru 49)		931,608	464,929	—	—
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	298,518	881,490		—
54	Income Taxes - Other (409.2)	262-263	37,552	44,854		—
55	Provision for Deferred Income Taxes (410.2)	234, 272-277	—	34,829		—
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)		336,070	961,173	—	—
60	Net Other Income and Deductions (Total of lines 41, 50, 59)		4,256,007	5,398,425	—	—
61	Interest Charges					
62	Interest on Long-Term Debt (427)		33,570,174	30,215,513		—
63	Amort. of Debt Disc. and Expense (428)		729,075	601,660		—
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	—		—
66	(Less) Amortization of Gain on Reacquired Debt-Credit (429.1)		—	—		—
67	Interest on Debt to Assoc. Companies (430)		268	2,696		—
68	Other Interest Expense (431)		504,107	371,671		—
69	(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)		1,625,100	2,136,367		—
70	Net Interest Charges (Total of lines 62 thru 69)		33,701,778	30,353,399	—	—
71	Income Before Extraordinary Items (Total of Lines 27, 60 and 70)		63,879,745	58,616,229	—	—
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)		63,879,745	58,616,229	—	—

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) 04/04/2022	Year/Period of Report End of 2021/Q4
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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		140,489,952	140,407,674
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		—	58,533,951
11				—
12				—
13				—
14				—
15	TOTAL Debits to Retained Earnings (Acct. 439)		—	58,533,951
16	Balance Transferred from Income (Account 433 less Account 418.1)		63,879,745	58,616,229
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)		204,369,697	140,489,952
	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) 04/04/2022	Year/Period of Report End of <u>2021/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)
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)		204,369,697	140,489,952
	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) 04/04/2022	Year/Period of Report End of <u>2021/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)	63,879,745	58,616,229
3	Noncash Charges (Credits) to Income:		
4	Depreciation and Depletion	—	—
4.1	Depreciation Expense (A/C 403)	87,073,281	77,411,278
4.2	Depreciation Expense for Asset Retirement Costs (A/C 403.1)	431	634
4.3	Accretion Expense (A/C 411.10)	59,796	74,502
4.4	Amortization & Depletion of Utility Plant (A/C 404, 405)	829,300	918,116
5	Amortization of Debt Expense & Loss on Reacquired Debt	1,290,043	1,238,209
6	Amortization of Regulatory Assets & Liabilities	2,081,163	9,130,578
7		—	—
8	Deferred Income Taxes (Net)	(253,439)	(7,772,641)
9	Investment Tax Credit Adjustment (Net)	—	—
10	Net (Increase) Decrease in Receivables	(1,167,094)	(695,016)
11	Net (Increase) Decrease in Inventory	(1,174,902)	(240,595)
12	Net (Increase) Decrease in Allowances Inventory	—	—
13	Net Increase (Decrease) in Payables and Accrued Expenses	791,032	1,214,199
14	Net (Increase) Decrease in Other Regulatory Assets	1,254,160	7,980,853
15	Net Increase (Decrease) in Other Regulatory Liabilities	(1,518,340)	1,906,727
16	(Less) Allowance for Other Funds Used During Construction	3,312,372	4,295,633
17	(Less) Undistributed Earnings from Subsidiary Companies	—	—
18	Other: Net (Increase) Decrease in Current Assets	(106,384)	(1,797,491)
19	Other: Net (Increase) Decrease in Deferred Debits	976,691	1,358,039
20	Other: Net Increase (Decrease) in Deferred Credits	4,961,458	3,155,955
21	Regulatory Disallowances	—	—
22	Net Cash Provided by (Used in) Operating Activities (Total 2 thru 21)	155,664,569	148,203,943
23		—	—
24	Cash Flows from Investment Activities:	—	—
25	Construction and Acquisition of Plant (including land):	—	—
26	Gross Additions to Utility Plant (less nuclear fuel)	(308,739,131)	(317,796,132)
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	3,312,372	4,295,633
31	Capitalized interest	(370,742)	(43,680)
32		—	—
33		—	—
34	Cash Outflows for Plant (Total of lines 26 thru 33)	(312,422,245)	(322,135,445)
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) 04/04/2022	Year/Period of Report End of 2021/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)	(312,422,245)	(322,135,445)
58			
59	Cash Flows from Financing Activities:		
60	Proceeds from Issuance of:		
61	Long-Term Debt (b)	65,000,000	185,000,000
62	Preferred Stock	—	—
63	Common Stock	—	—
64	Other (provide details in footnote):	—	—
65	Equity Contributions from Parent	52,000,000	71,000,000
66	Net Increase in Short-Term Debt (c)	400,000	—
67	Other (provide details in footnote):	—	—
67.1	Transmission Interconnection Arrangements	32,700,000	7,402,000
68	Net (Decrease) Increase in Affiliated Short-Term Debt	—	—
69		—	—
70	Cash Provided by Outside Sources (Total 61 thru 69)	150,100,000	263,402,000
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	(840,324)	(2,136,547)
76.2	Refunds Paid Under Transmission Interconnection Arrangements	(7,302,000)	—
77			—
78	Net Decrease in Short-Term Debt (c)	—	(15,000,000)
79			—
80	Dividends on Preferred Stock	—	—
81	Dividends on Common Stock	—	(58,533,951)
82	Net Cash Provided by (Used in) Financing Activities		
83	(Total of lines 70 thru 81)	141,957,676	187,731,502
84			—
85	Net Increase (Decrease) in Cash and Cash Equivalents		
86	(Total of lines 22,57 and 83)	(14,800,000)	13,800,000
87			
88	Cash and Cash Equivalents at Beginning of Period	14,800,000	1,000,000
89			
90	Cash and Cash Equivalents at End of period	—	14,800,000

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) 04/04/2022	Year/Period of Report 2021/Q4
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FOOTNOTE DATA

Page 121, Row 90, Column (b)

	December-31 2021	December-31 2020
Temporary Cash Investments (Account 136)	\$ —	\$ 14,800,000
	\$ —	\$ 14,800,000

Supplemental Cash Flow disclosures:

Interest paid, net of capitalized interest	\$ 31,598,689	\$ 28,114,274
Income taxes paid (refunded), net	\$ 13,734,680	\$ 16,789,589

Supplemental Noncash Investing and Financing Activities:

(Increase) decrease in accrued plant additions	\$ (9,130,710)	\$ (11,415,449)
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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) 04/04/2022	Year/Period of Report End of <u>2021/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) 04/04/2022	Year/Period of Report 2021/Q4
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NOTES TO FINANCIAL STATEMENTS (Continued)

**GLOSSARY**

**Definitions:**

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 .....	Corners
ARO .....	Asset Retirement Obligation
ARP .....	Alternative Revenue Program
Avangrid .....	Avangrid, Inc., a New York corporation
BART .....	Best Available Retrofit Technology
BDT .....	Balanced Draft 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
CCN .....	Certificate of Convenience and Necessity
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 <sub>2</sub> .....	Carbon Dioxide
COVID-19 .....	Novel coronavirus global pandemic
CSA .....	Coal Supply Agreement
CTC .....	Competition Transition Charge
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
EIM .....	Western Energy Imbalance Market developed and operated by CAISO

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NOTES TO FINANCIAL STATEMENTS (Continued)

ELG .....	Effluent Limitation Guidelines
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
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
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
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
KWh .....	Kilowatt Hour

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NOTES TO FINANCIAL STATEMENTS (Continued)

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 Capital .....	New Mexico PPA Corporation
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 2017 New Mexico Credit Facility .....	PNM's \$40.0 Million Unsecured Revolving Credit Facility
PNM 2017 Term Loan ..	PNM's \$200.0 Million Unsecured Term Loan
PNM 2019 \$40.0 Million Term Loan .....	PNM's \$40.0 Million Unsecured Term Loan
PNM 2019 \$250.0 Million Term Loan .....	PNM's \$250.0 Million Unsecured Term Loan
PNM 2020 Fixed Rate PCRBs .....	PNM's \$302.5 million PCRBs remarketed on July 22, 2020
PNM 2020 Note Purchase Agreement .....	PNM's Agreement for the sale of PNM 2020 SUNs
PNM 2020 SUNs .....	PNM's \$200.0 million Senior Unsecured Notes issued on April 30, 2020
PNM 2020 Term Loan ..	PNM's \$250.0 million Unsecured Term Loan issued on April 15, 2020, of which \$100.0 million was repaid on April 30, 2020
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 matures on December 18, 2022
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

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NOTES TO FINANCIAL STATEMENTS (Continued)

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 matures on January 31, 2022
PNMR 2020 Delayed- Draw Term Loan .....	PNMR's \$300.0 million Unsecured Delayed-Draw Term Loan that matures on January 31, 2022
PNMR 2021 Delayed- Draw Term Loan .....	PNMR's \$1.0 Billion Unsecured Delayed-Draw Term Loan that matures on May 18, 2023
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 matures on January 31, 2022
PNMR Revolving Credit Facility .....	PNMR's \$300.0 Million Unsecured Revolving Credit Facility
PPA .....	Power Purchase Agreement
PSD .....	Prevention of Significant Deterioration
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
RMC .....	Risk Management Committee
ROE .....	Return on Equity
RPS .....	Renewable Energy Portfolio Standard

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NOTES TO FINANCIAL STATEMENTS (Continued)

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
SO <sub>2</sub>	Sulfur Dioxide
SRP	Salt River Project
SUNs	Senior Unsecured Notes
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 2018 Rate Case	TNMP's General Rate Case Application Filed May 30, 2018
TNMP 2018 Term Loan	TNMP's \$35.0 Million Unsecured Term Loan
TNMP 2019 Bonds	TNMP's First Mortgage Bonds to be issued under the TNMP 2019 Bond Purchase Agreement
TNMP 2019 Bond Purchase Agreement	TNMP's Agreement to Issue an Aggregate of \$305.0 Million in First Mortgage Bonds in 2019
TNMP 2020 Bonds	TNMP's First Mortgage Bonds issued on April 24, 2020 under the TNMP 2020 Bond Purchase Agreement
TNMP 2020 Bond Purchase Agreement	TNMP's Agreement for the sale of TNMP's 2020 First Mortgage Bonds
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 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.
TSA	Transmission Service Agreements
Tucson	Tucson Electric Power Company

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NOTES TO FINANCIAL STATEMENTS (Continued)

UAMPS .....	Utah Associated Municipal Power Systems
U.S. ....	The Unites 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	2,529,120,897
Operating leases	5,264,060
Financing leases*	11,301,847
Total Utility Plant	<u>2,545,686,804</u>

Obligations under operating leases	3,155,437
Obligations under financing leases	8,273,062
Total non-current lease obligations	<u>11,428,499</u>

Obligations under operating leases	1,881,601
Obligations under financing leases	2,993,981
Total current lease obligations	<u>4,875,582</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 123.35 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, 2021 is as follows:

	Earnings <u>(in thousands)</u>
Form 1 Earnings	63,880
Impacts of converting leases from FERC to GAAP	<u>(1)</u>
GAAP Earnings	63,879

The following Notes to Consolidated Financial Statements (see pages 123.10 – 123.113) 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 2020 and 2019 Consolidated Financial Statements and Notes thereto have been reclassified to conform to the 2021 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 as required by GAAP.

**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 several 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.

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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 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, 2021 and 2020 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:

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	Year ended December 31,		
	2021	2020	2019
PNM			
Electric plant	2.48 %	2.47 %	2.47 %
Common, intangible, and general plant	7.91 %	7.65 %	7.91 %
TNMP	3.88 %	3.95 %	4.04 %

### Allowance for Funds Used During Construction

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, 2021, 2020, and 2019, PNM recorded \$3.4 million, \$3.0 million, and \$5.0 million of debt AFUDC at annual rates of 1.70%, 2.40%, and 2.99% and \$9.9 million, \$7.0 million, and \$6.7 million of equity AFUDC at annual rates of 4.94%, 3.42%, and 3.95%. For the years ended December 31, 2021, 2020, and 2019, TNMP recorded \$1.6 million, \$2.1 million, and \$2.4 million of debt AFUDC at rates of 1.80%, 2.20%, and 3.23% and \$3.3 million, \$4.3 million, and \$2.8 million of equity AFUDC at rates of 3.67%, 4.42%, and 3.78%.

### 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. Periodic aerial surveys are performed on the coal piles and adjustments are made. Average cost is equal to net realizable value under the ratemaking process.

Inventories consisted of the following at December 31:

	PNMR		PNM		TNMP	
	2021	2020	2021	2020	2021	2020
	(In thousands)					
Coal	\$ 2,973	\$ 12,012	\$ 2,973	\$ 12,012	\$ —	\$ —
Materials and supplies	62,088	54,405	54,969	48,460	7,119	5,945
	<u>\$ 65,061</u>	<u>\$ 66,417</u>	<u>\$ 57,942</u>	<u>\$ 60,472</u>	<u>\$ 7,119</u>	<u>\$ 5,945</u>

### Investments

PNM holds investment securities in the NDT for the purpose of funding its share of the decommissioning costs of PVNGS and trusts for PNM's share of final reclamation costs related to the coal mines serving SJGS and Four Corners (Note 16). Investments (both equity and available-for-sale debt securities) are measured at fair market 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, PNM records a realized loss as an impairment for any available-for-sale debt security that has a market value which is less than cost at the end of each quarter. For the years ended December 31, 2021, 2020 and 2019, PNM recorded impairment losses on the available-for-sale debt securities of \$(0.7) million, \$3.2 million and \$5.7 million. No gains or losses are deferred as regulatory assets or liabilities. See Notes 3 and 9. All investments

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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.

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.

### 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.

### 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. See Note 16.

### 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.

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NOTES TO FINANCIAL STATEMENTS (Continued)

### 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. See Note 17 for information concerning the treatment of nuclear decommissioning costs for certain purchased and leased portions of PVNGS in the NMPRC's order in PNM's NM 2015 Rate Case and the NM Supreme Court's decision on PNM's appeal of that order.

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 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, 2021, 2020, and 2019, as well as the amounts of environmental liabilities at December 31, 2021 and 2020 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

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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.

### (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. 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, NM Capital, and the equity method investment in NMRD are also included in Corporate and Other. Eliminations of intercompany income and expense 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.

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) 04/04/2022	Year/Period of Report 2021/Q4
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NOTES TO FINANCIAL STATEMENTS (Continued)

2021	PNM	TNMP	Corporate and Other	PNMR Consolidated
	(In thousands)			
<b>Electric operating revenues</b>	\$ 1,362,020	\$ 417,853	\$ —	\$ 1,779,873
Cost of energy	531,786	113,067	—	644,853
<b>Utility margin</b>	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
<b>Operating income (loss)</b>	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)
<b>Segment earnings (loss) before income taxes</b>	198,551	71,791	(25,913)	244,429
Income taxes (benefit)	26,992	7,912	(2,322)	32,582
<b>Segment earnings (loss)</b>	171,559	63,879	(23,591)	211,847
Valencia non-controlling interest	(15,490)	—	—	(15,490)
Subsidiary preferred stock dividends	(528)	—	—	(528)
<b>Segment earnings (loss) attributable to PNMR</b>	<u>\$ 155,541</u>	<u>\$ 63,879</u>	<u>\$ (23,591)</u>	<u>\$ 195,829</u>

**At December 31, 2021:**

<b>Total Assets</b>	\$ 6,060,133	\$ 2,364,772	\$ 241,980	\$ 8,666,885
<b>Goodwill</b>	\$ 51,632	\$ 226,665	\$ —	\$ 278,297

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NOTES TO FINANCIAL STATEMENTS (Continued)

2020	PNM	TNMP	Corporate and Other	PNMR Consolidated
	(In thousands)			
<b>Electric operating revenues</b>	\$ 1,139,834	\$ 383,178	\$ —	\$ 1,523,012
Cost of energy	345,167	102,074	—	447,241
<b>Utility margin</b>	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
<b>Operating income</b>	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)
<b>Segment earnings (loss) before income taxes</b>	181,871	64,893	(38,812)	207,952
Income taxes (benefit)	21,857	6,308	(7,529)	20,636
<b>Segment earnings (loss)</b>	160,014	58,585	(31,283)	187,316
Valencia non-controlling interest	(14,013)	—	—	(14,013)
Subsidiary preferred stock dividends	(528)	—	—	(528)
<b>Segment earnings (loss) attributable to PNMR</b>	<u>\$ 145,473</u>	<u>\$ 58,585</u>	<u>\$ (31,283)</u>	<u>\$ 172,775</u>

**At December 31, 2020:**

<b>Total Assets</b>	\$ 5,581,033	\$ 2,132,580	\$ 226,241	\$ 7,939,854
<b>Goodwill</b>	\$ 51,632	\$ 226,665	\$ —	\$ 278,297

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NOTES TO FINANCIAL STATEMENTS (Continued)

2019	PNM	TNMP	Corporate and Other	PNMR Consolidated
	(In thousands)			
<b>Electric operating revenues:</b>	\$ 1,093,822	\$ 363,781	\$ —	\$ 1,457,603
Cost of energy	317,725	95,087	—	412,812
<b>Utility margin</b>	<b>776,097</b>	<b>268,694</b>	<b>—</b>	<b>1,044,791</b>
Other operating expenses	554,661	98,621	(20,499)	632,783
Depreciation and amortization	160,368	84,259	23,181	267,808
<b>Operating income (loss)</b>	<b>61,068</b>	<b>85,814</b>	<b>(2,682)</b>	<b>144,200</b>
Interest income (loss)	14,303	—	(281)	14,022
Other income (deductions)	26,989	4,131	(1,477)	29,643
Interest charges	(72,900)	(29,100)	(19,016)	(121,016)
<b>Segment earnings (loss) before income taxes</b>	<b>29,460</b>	<b>60,845</b>	<b>(23,456)</b>	<b>66,849</b>
Income taxes (benefit)	(25,962)	5,046	(4,366)	(25,282)
<b>Segment earnings (loss)</b>	<b>55,422</b>	<b>55,799</b>	<b>(19,090)</b>	<b>92,131</b>
Valencia non-controlling interest	(14,241)	—	—	(14,241)
Subsidiary preferred stock dividends	(528)	—	—	(528)
<b>Segment earnings (loss) attributable to PNMR</b>	<b>\$ 40,653</b>	<b>\$ 55,799</b>	<b>\$ (19,090)</b>	<b>\$ 77,362</b>

**At December 31, 2019:**

<b>Total Assets</b>	\$ 5,242,991	\$ 1,860,439	\$ 195,344	\$ 7,298,774
<b>Goodwill</b>	\$ 51,632	\$ 226,665	\$ —	\$ 278,297

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 customers through TNMP's transmission cost recovery factor. Utility margin is not a financial measure required to be presented under GAAP and is considered a non-GAAP measure.

**Major Customers**

No individual customer accounted for more than 10% of the electric operating revenues of PNMR or PNM during the years ended December 31, 2021, 2020 or 2019. Three REPs accounted for more than 10% of the electric operating revenues of TNMP, as follows:

	Year Ended December 31,		
	2021	2020	2019
REP A	23 %	21 %	22 %
REP B	19 %	18 %	17 %
REP C	10 %	11 %	12 %

**(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:

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NOTES TO FINANCIAL STATEMENTS (Continued)

	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)				
<b>Balance at December 31, 2018</b>	\$ 1,939	\$ (112,361)	\$(110,422)	\$ 1,738	\$(108,684)
Amounts reclassified from AOCI (pre-tax)	(14,063)	7,404	(6,659)	733	(5,926)
Income tax impact of amounts reclassified	3,572	(1,880)	1,692	(186)	1,506
Other OCI changes (pre-tax)	25,724	(3,829)	21,895	(3,495)	18,400
Income tax impact of other OCI changes	(6,534)	973	(5,561)	888	(4,673)
Net after-tax change	8,699	2,668	11,367	(2,060)	9,307
<b>Balance at December 31, 2019</b>	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
<b>Balance at December 31, 2020</b>	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
<b>Balance at December 31, 2021</b>	\$ 11,715	\$ (83,651)	\$(71,936)	\$ —	\$(71,936)

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

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NOTES TO FINANCIAL STATEMENTS (Continued)

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.

As a result of the economic conditions resulting from the COVID-19 pandemic, PNM updated its allowance for accounts receivable balances and recorded incremental credit losses of \$(1.1) million and \$6.8 million in the years ended December 31, 2021 and 2020. 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, 2021 and 2020, PNM recorded \$1.0 million and zero 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. 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 delivery of electricity in its service territory and did not experience significant outages on its system outside of the ERCOT directed curtailments. 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, 2021 and will seek recovery in a general rate case.

### Revenue Recognition

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 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, 2021, 2020, and 2019 none of the joint owners in its collaborative arrangements were customers under Topic 606. The Company will continue to

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NOTES TO FINANCIAL STATEMENTS (Continued)

evaluate transactions between collaborative arrangement participants in future periods under the revenue requirements.

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.

Revenue from contracts with customers is recorded based upon the total authorized tariff 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.

*Miscellaneous* – Beginning on January 1, 2018, PNM acquired a 65 MW interest in SJGS Unit 4, which is held as merchant plant as ordered by the NMPRC. PNM sells power from 36 MW of this capacity to a third party at a fixed price that is recorded as revenue from contracts with customers. PNM is obligated to deliver power under this arrangement only when SJGS Unit 4 is operating. Other market sales from this 65 MW interest are recorded in other electric operating revenues.

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

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NOTES TO FINANCIAL STATEMENTS (Continued)

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. As discussed in Note 17, 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 sales for resale meeting the definition of a derivative. Derivatives are not considered revenue from contracts with customers. PNM engages in activities meeting the definition of derivatives 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 also 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 in a future general rate case and to pass the benefits of participating in EIM to customers through the FPPAC. See Note 17.

**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.

	PNM	TNMP	PNMR Consolidated
<b>Year Ended December 31, 2021</b>	(In thousands)		
<b>Electric Operating Revenues:</b>			
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
Miscellaneous	13,626	3,794	17,420
Total revenues from contracts with customers	1,151,896	417,509	1,569,405
Alternative revenue programs	(4,108)	344	(3,764)
Other electric operating revenues	214,232	—	214,232
<b>Total Electric Operating Revenues</b>	<b>\$ 1,362,020</b>	<b>\$ 417,853</b>	<b>\$ 1,779,873</b>

**Year Ended December 31, 2020**

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NOTES TO FINANCIAL STATEMENTS (Continued)

**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
Miscellaneous	13,311	3,738	17,049
Total revenues from contracts with customers	1,078,158	391,641	1,469,799
Alternative revenue programs	(3,531)	(8,463)	(11,994)
Other electric operating revenues	65,207	—	65,207
<b>Total Electric Operating Revenues</b>	<b>\$ 1,139,834</b>	<b>\$ 383,178</b>	<b>\$ 1,523,012</b>

Year Ended December 31, 2019

PNM

TNMP

Consolidated

(In thousands)

**Electric Operating Revenues:**

Contracts with customers:

Retail electric revenue

Residential	\$ 427,883	\$ 150,742	\$ 578,625
Commercial	396,987	116,953	513,940
Industrial	69,601	22,405	92,006
Public authority	20,322	5,694	26,016
Economy energy service	25,757	—	25,757
Transmission	57,214	66,948	124,162
Miscellaneous	13,134	3,568	16,702
Total revenues from contracts with customers	1,010,898	366,310	1,377,208
Alternative revenue programs	1,987	(2,529)	(542)
Other electric operating revenues	80,937	—	80,937
<b>Total Electric Operating Revenues</b>	<b>\$ 1,093,822</b>	<b>\$ 363,781</b>	<b>\$ 1,457,603</b>

**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 ARP programs. For PNM, accounts receivable reflected on the Consolidated Balance Sheets, net of allowance for credit losses, includes \$86.8 million and \$86.2 million at December 31, 2021 and 2020 resulting from contracts with customers. All of TNMP's accounts receivable results from contracts with customers.

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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 example, the entity's future performance). Upon the completion of the Western Spirit Line (Note 17), 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. As of December 31, 2021, the balance of the contract asset is \$0.6 million and is presented in Other deferred charges on the Consolidated Balance Sheet. The Company had no contract assets as of December 31, 2020.

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 insignificant for all 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:

	<b>Year Ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
	(In thousands, except per share amounts)		
<b>Net Earnings Attributable to PNMR</b>	<b>\$ 195,829</b>	<b>\$ 172,775</b>	<b>\$ 77,362</b>
<b>Average Number of Common Shares:</b>			
Outstanding during year	85,835	79,941	79,654
Vested awards of restricted stock	235	216	277
<b>Average Shares – Basic</b>	<b>86,070</b>	<b>80,157</b>	<b>79,931</b>
<b>Dilutive Effect of Common Stock Equivalents:</b>			
PNMR 2020 Forward Equity Sale Agreements	—	106	—
Stock options and restricted stock	41	40	59
<b>Average Shares – Diluted</b>	<b>86,111</b>	<b>80,303</b>	<b>79,990</b>
<b>Net Earnings Attributable to PNMR Per Share of Common Stock:</b>			
Basic	\$ 2.28	\$ 2.16	\$ 0.97
Diluted	\$ 2.27	\$ 2.15	\$ 0.97
<b>Dividends Declared per Common Share</b>	<b>\$ 1.3300</b>	<b>\$ 1.2500</b>	<b>\$ 1.1775</b>

#### (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

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NOTES TO FINANCIAL STATEMENTS (Continued)

subject to future settlement under the PNMR 2020 Forward Equity Sale Agreements. See Note 7. PNMR, PNM, and TNMP did not issue any common stock during the year ended December 31, 2021. Neither PNM nor TNMP issued any common stock during the years ended December 31, 2020 and 2019. PNMR did not issue any common stock during the year ended December 31, 2019.

PNMR funded \$53.0 million, \$230.0 million, and zero of cash equity contributions to PNM in 2021, 2020, and 2019, respectively. PNMR also funded \$52.0 million, \$71.0 million, and \$80.0 million of cash equity contributions to TNMP in 2021, 2020, and 2019, 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 \$60.0 million, \$40.7 million, and zero in 2021, 2020, and 2019. TNMP declared and paid cash dividends to PNMR of zero, \$58.5 million, and \$55.3 million in 2021, 2020, and 2019.

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, without prior NMPRC approval, 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, including that dividends cannot be paid from paid-in capital. 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, 2021, 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 \$404.7 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.

### 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.

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.

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NOTES TO FINANCIAL STATEMENTS (Continued)

## (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 January 1, 2018, PNMR had outstanding letters of credit arrangements with JPMorgan Chase Bank N.A. (the "JPM LOC Facility") under which letters of credit aggregating \$30.3 million were issued to facilitate the posting of reclamation bonds, which SJCC was required to post in connection with permits relating to the operation of the San Juan mine. On March 15, 2019, WSJ LLC acquired the assets of SJCC following the bankruptcy of Westmoreland. WSJ LLC assumed all obligations of SJCC, including those under the letter of credit support agreements. See Note 16. In May 2020, JPMorgan Chase Bank N.A. gave notice that it would not extend the letters of credit beyond their October 21, 2020 expiration. In August 2020, PNMR entered into replacement letter of credit arrangements with Wells Fargo Bank, N.A. (the "WFB LOC Facility") to replace the JPM LOC Facility. Letters of credit were issued under the WFB LOC Facility and exchanged for the letters of credit outstanding under the JPM LOC Facility prior to the expiration of the JPM LOC Facility. On October 21, 2020, the JPM LOC Facility expired according to its terms.

On December 31, 2019, PNMR had \$50.0 million in borrowings under the PNMR 2018 Two-Year Term Loan. On December 21, 2020, the PNMR 2018 Two-Year Term Loan was repaid and terminated in accordance with its terms.

On January 7, 2020, PNMR entered into forward sale agreements with each of Citibank N.A., and Bank of America N.A., as forward purchasers and an underwriting agreement with Citigroup Global Markets Inc., and BofA Securities, Inc. as representatives of the underwriters named therein, relating to an aggregate of approximately 6.2 million shares of PNMR common stock (including 0.8 million shares of PNMR common stock pursuant to the underwriters' option to purchase additional shares) (the "PNMR 2020 Forward Equity Sale Agreements"). On January 8, 2020, the underwriters exercised in full their option to purchase the additional 0.8 million shares of PNMR common stock and PNMR entered into separate forward sales agreements with respect to the additional shares. The initial forward sale price of \$47.21 per share is subject to adjustments based on a net interest rate factor and by expected future dividends paid on PNMR common stock as specified in the forward sale agreements. PNMR did not initially receive any proceeds upon the execution of these agreements and, except in certain specified circumstances, had the option to elect physical, cash, or net share settlement on or before the date that is 12 months from their effective dates.

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. The PNMR 2020 Forward Equity Sale Agreements meet the derivative scope exception requirements for contracts involving an entity's own equity. Until settlement of the forward sale agreements, PNMR's EPS dilution resulting from the agreements, if any, was determined using the treasury stock method, which resulted in dilution during periods when the average

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market price of PNMR stock during the reporting period was higher than the applicable forward sales price as of the end of that period. See Note 5.

On 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.

On 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.

On December 31, 2020, PNMR had \$150.0 million outstanding under the PNMR 2019 Term Loan that was set to mature on June 11, 2021. 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. The PNMR 2020 Term Loan was set to mature on January 31, 2022. 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. Draws on the PNMR 2020 Delayed-Draw Term Loan were set to mature on January 31, 2022. 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. Draws on the PNMR 2021 Delayed-Draw Term Loan bear interest at a variable rate, which was 0.95% at December 31, 2021, and mature on May 18, 2023. On January 24, 2022, PNMR drew the remaining \$100.0 million available under the PNMR 2021 Delayed-Draw Term Loan.

PNMR had an automatic shelf registration that provides for the issuance of various types of debt and equity securities that expired in March 2021.

*PNM*

At January 1, 2019, PNM had a \$200.0 million term loan agreement (the “PNM 2017 Term Loan”) between PNM and JPMorgan Chase Bank, N.A., as lender and administrative agent, and U.S. Bank National Association, as lender. The PNM 2017 Term Loan was repaid on January 18, 2019.

In 2018, PNMR Development deposited \$68.2 million with PNM related to potential transmission network interconnections. PNM used the deposit to repay intercompany borrowings. PNM was required to pay interest to PNMR Development to the extent work under the interconnections has not been performed. The entire deposit of \$68.2 million and accrued interest of \$5.7 million was refunded in November 2019. The interconnection deposit and related refund is presented in financing activities and the interest payment is presented in operating activities on PNM’s Consolidated Statements of Cash Flows for the year ended December 31, 2019. During the year ended December 31, 2019 PNM recognized \$3.3 million of interest expense under the agreement. All

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intercompany transactions related to this deposit have been eliminated on PNMR's Consolidated Financial Statements.

On January 18, 2019, PNM entered into a \$250.0 million term loan agreement (the "PNM 2019 \$250.0 million Term Loan") among PNM, the lenders party thereto, and U.S. Bank N.A., as administrative agent. PNM used the proceeds of the PNM 2019 \$250.0 million Term Loan to repay the PNM 2017 Term Loan, to reduce short-term borrowings under the PNM Revolving Credit Facility, and for general corporate purposes. The PNM 2019 \$250.0 million Term Loan was prepaid in April 2020 without penalty.

On December 18, 2019, PNM entered into a \$40.0 million 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. PNM used the proceeds of the PNM 2019 \$40.0 million Term Loan to reduce short-term borrowings under the PNM Revolving Credit Facility and for general corporate purposes. On June 18, 2021, the \$40.0 million PNM 2019 Term Loan was repaid using proceeds from the PNM 2021 Term Loan.

On April 15, 2020, PNM entered into a \$250.0 million term loan agreement (the "PNM 2020 Term Loan"), between PNM, the lenders party thereto, and U.S. Bank N.A., as administrative agent. Proceeds from the PNM 2020 Term Loan were used to prepay the PNM 2019 \$250.0 million Term Loan due July 2020, without penalty. As discussed below, on April 30, 2020, PNM used \$100.0 million of proceeds from the PNM 2020 SUNs to prepay without penalty an equal amount of the PNM 2020 Term Loan. On December 21, 2020, PNM prepaid without penalty, the remaining \$150.0 million balance of the PNM 2020 Term Loan.

On April 30, 2020, PNM entered into an agreement (the "PNM 2020 Note Purchase Agreement") with institutional investors for the sale of \$200.0 million aggregate principal amount of senior unsecured notes offered in private placement transactions. Under the agreement, PNM issued \$150.0 million aggregate principal amount of its 3.21% senior unsecured notes, Series A, due April 30, 2030, and \$50.0 million of its aggregate principal amount of its 3.57% senior unsecured notes, Series B, due April 29, 2039 (the "PNM 2020 SUNs"). The PNM 2020 SUNs were issued on April 30, 2020. PNM used \$100.0 million of proceeds from the PNM 2020 SUNs to prepay, without penalty, an equal amount of the PNM 2020 Term Loan. The remaining \$100.0 million of the PNM 2020 SUNs were used to repay borrowings on the PNM Revolving Credit Facility and for other corporate purposes. The PNM 2020 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 2020 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 2020 Note Purchase Agreement, are not triggered by the closing of the Merger. PNM has the right to redeem any or all of the PNM 2020 SUNs prior to their maturities, subject to payment of a customary make-whole premium.

At December 31, 2019, PNM had three series of outstanding PCRBs aggregating \$100.3 million, that were subject to mandatory tender on June 1, 2020. One series of \$40.0 million had a final maturity of June 1, 2040 and two series of \$39.3 million and \$21.0 million had a final maturity of June 1, 2043. On June 1, 2020, PNM purchased these PCRBs utilizing borrowings under the PNM Revolving Credit Facility and converted the PCRBs to the weekly mode. PNM held these PCRBs (without legally canceling them) until July 1, 2020, when they were remarketed in the weekly mode (the "PNM Floating Rate PCRBs") and PNM used the remarketing proceeds to repay the revolver borrowings. 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, 2019, PNM had PCRBs outstanding of \$36.0 million at 6.25% issued by the Maricopa County, Arizona Pollution Control Corporation as well as \$255.0 million at 5.90% and \$11.5 million at 6.25% issued by the City of Farmington, New Mexico. The \$36.0 million PCRBs became callable at 101% of par on January 1, 2020 and the remaining \$266.5 million PCRBs became callable at par on June 1, 2020. On June 22, 2020, PNM provided notice to the bondholders that it was calling the PCRBs aggregating \$302.5 million. On July 22, 2020, PNM purchased the PCRBs in lieu of redemption and remarketed them to new investors (the "PNM 2020 Fixed Rate PCRBs").

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On June 18, 2021, PNM entered into a \$75.0 million 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. The PNM 2021 Term Loan bears interest at a variable rate, which was 0.93% at December 31, 2021 and matures on December 18, 2022.

On July 14, 2021, PNM entered into the PNM 2021 Note Purchase Agreement with institutional investors for the sale and issuance of \$160.0 million aggregate principal amount of the PNM 2021 SUNs offered in private placement transactions. The PNM 2021 SUNs were issued on July 14, 2021. PNM issued \$80.0 million of the PNM 2021 SUNs at 2.59%, due July 15, 2033, and another \$80.0 million at 3.14%, due July 15, 2041. 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.

On September 23, 2021, PNM entered into the PNM September 2021 Note Purchase Agreement with institutional investors for the sale and issuance of \$150.0 million aggregate principal amount of the PNM September 2021 SUNs offered in private placement transactions. On December 2, 2021, PNM issued \$50.0 million of the PNM September 2021 SUNs at 2.29%, due December 30, 2031, and another \$100.0 million at 2.97%, due December 30, 2041. Proceeds from the PNM September 2021 SUNs were used for funding of capital expenditures, including the purchase of the Western Spirit 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.

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.

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 25, 2018, TNMP entered into a \$20.0 million term loan agreement. On December 17, 2018, the TNMP 2018 Term Loan agreement was amended to provide additional funding of \$15.0 million, which resulted in a total committed amount of \$35.0 million under the agreement (the “TNMP 2018 Term Loan”). TNMP used the proceeds from these issuances to repay short-term borrowings and for TNMP’s general corporate purposes. The TNMP 2018 Term Loan was repaid on December 30, 2019.

On February 26, 2019, TNMP entered into an agreement (the “TNMP 2019 Bond Purchase Agreement”) with institutional investors for the sale of \$305.0 million aggregate principal amount of four series of TNMP first mortgage bonds (the “TNMP 2019 Bonds”) offered in private placement transactions. TNMP issued \$225.0 million of TNMP 2019 Bonds on March 29, 2019 and used the proceeds to repay TNMP’s \$172.3 million 9.50% first mortgage bonds at their maturity on April 1, 2019, as well as to repay borrowings under the TNMP Revolving Credit Facility and for general corporate purposes. TNMP issued the remaining \$80.0 million of TNMP 2019 Bonds on July 1, 2019 and used the proceeds to repay borrowings under the TNMP Revolving Credit Facility and for general corporate purposes. The terms of the indenture governing the TNMP 2019 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 2019 Bonds at par. TNMP has the right to redeem any or all of the TNMP 2019 Bonds prior to their respective maturities, subject to payment of a customary make-whole premium.

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On April 24, 2020, TNMP entered into an agreement (the “TNMP 2020 Bond Purchase Agreement”) with institutional investors for the sale of \$185.0 million aggregate principal amount of four series of TNMP first mortgage bonds (the “TNMP 2020 Bonds”) offered in private placement transactions. TNMP issued \$110.0 million of TNMP 2020 Bonds on April 24, 2020 and used the proceeds to repay borrowings under the TNMP Revolving Credit Facility and for other corporate purposes. TNMP issued the remaining \$75.0 million of TNMP 2020 Bonds on July 15, 2020 and used the proceeds from that issuance to repay borrowings under the TNMP Revolving Credit facility and for other corporate purposes. The TNMP 2020 Bonds are subject to continuing compliance with the representations, warranties and covenants set forth in the indenture governing the TNMP 2020 Bonds. The terms of the indenture governing the TNMP 2020 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 2020 Bonds at par. TNMP has the right to redeem any or all of the TNMP 2020 Bonds prior to their respective maturities, subject to payment of a customary make-whole premium.

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.

*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, and TNMP 2021 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. As discussed above, the supplemental indenture that governs the TNMP 2021 Bonds excludes the Merger from the definition of Change of Control.

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

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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 hedge agreements were accounted for as cash flow hedges and had fair values of \$0.9 million that were included in other current liabilities on the Consolidated Balance Sheets at December 31, 2020. 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, including using forward LIBOR curves under the mid-market convention to discount cash flows over the remaining term of the agreement. On March 23, 2021, the 1.926% fixed interest rate hedge agreement expired according to its terms and the remaining agreements expired on May 23, 2021.

**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, 2021 and 2020. At February 18, 2022, PNM had no borrowings and TNMP had \$45.5 million of borrowings from PNMR. PNMR Development had zero and \$0.3 million in short-term borrowings outstanding from PNMR at December 31, 2021 and 2020 and none at February 18, 2022. PNMR had \$6.4 million and zero in short-term borrowings outstanding from PNMR Development at December 31, 2021 and 2020 and \$6.3 million at February 18, 2022.

**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. Both facilities currently expire on October 31, 2023 and contain options to be extended through October 2024, subject to approval by a majority of the lenders. PNM also has the \$40.0 million PNM 2017 New Mexico Credit Facility that expires on December 12, 2022. The TNMP Revolving Credit Facility is a \$75.0 million revolving credit facility secured by \$75.0 million aggregate principal amount of TNMP first mortgage bonds and matures on September 23, 2022 and contains two one-year extension options, subject to approval by a majority of the lenders. PNMR Development had a \$40.0 million revolving credit facility that was set to expire on January 31, 2022. On May 18, 2021, the PNMR Development Revolving Credit Facility was terminated. Variable interest rates under these facilities are based on LIBOR but contain provisions which allow for the replacement of LIBOR with other widely accepted interest rates.

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Short-term debt outstanding consists of

Short-term Debt	December 31,	
	2021	2020
	(In thousands)	
PNM:		
PNM Revolving Credit Facility	\$ 7,400	\$ —
PNM 2017 New Mexico Credit Facility	—	10,000
	7,400	10,000
TNMP Revolving Credit Facility	400	—
PNMR:		
PNMR Revolving Credit Facility	54,900	12,000
PNMR Development Revolving Credit Facility	—	10,000
	<u>\$ 62,700</u>	<u>\$ 32,000</u>

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, 2021 that reduce the available capacity under their respective revolving credit facilities. In addition, PNMR had \$30.3 million of letters of credit outstanding under the WFB LOC Facility. At December 31, 2021, interest rates on outstanding borrowings were 1.61% for the PNMR Revolving Credit Facility, 1.35% for the PNM Revolving Credit Facility, and 0.85% for the TNMP Revolving Credit Facility. There were no borrowings outstanding under the PNM 2017 New Mexico Credit Facility at December 31, 2021.

At February 18, 2022, PNMR, PNM, and TNMP had \$296.6 million, \$400.0 million, and \$63.2 million of availability under their respective revolving credit facilities, including reductions of availability due to outstanding letters of credit. PNM had \$40.0 million of availability under the PNM 2017 New Mexico Credit Facility. Total availability at February 18, 2022, on a consolidated basis, was \$799.8 million for PNMR. At February 18, 2022, PNMR, PNM, and TNMP had invested cash of \$0.9 million, \$1.0 million, and zero.

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NOTES TO FINANCIAL STATEMENTS (Continued)

### Long-Term Debt

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

	December 31, 2021		December 31, 2020	
	Principal	Unamortized Discounts, (Premiums), and Issuance Costs, net	Principal	Unamortized Discounts, (Premiums), and Issuance Costs, net
	(In thousands)			
<b>PNM Debt</b>				
Senior Unsecured Notes, Pollution Control Revenue Bonds:				
1.875% due April 2033, mandatory tender - October 1, 2021	\$ —	\$ —	\$ 146,000	\$ 301
2.15% due April 2033	146,000	1,003	—	—
2.125% due June 2040, mandatory tender - June 1, 2022	37,000	45	37,000	135
2.45% due September 2042, mandatory tender-June 1, 2022	20,000	17	20,000	50
Floating rate, weekly-mode	—	—	100,345	798
0.875% due October 2026	100,345	697	—	—
1.05% due January 2038, mandatory tender - June 1, 2022	36,000	75	36,000	226
1.20% due June 2040, mandatory tender - June 1, 2022	11,500	24	11,500	72
1.10% due June 2040, mandatory tender June 1, 2023	130,000	535	130,000	892
1.15% due June 2040, mandatory tender - June 1, 2024	125,000	639	125,000	894
Senior Unsecured Notes:				
5.35% due October 2021	—	—	160,000	129
3.15% due May 2023	55,000	106	55,000	184
3.45% due May 2025	104,000	353	104,000	457
3.85% due August 2025	250,000	1,075	250,000	1,375
3.68% due May 2028	88,000	395	88,000	457
3.78% due August 2028	15,000	69	15,000	80
3.93% due May 2033	38,000	203	38,000	221
4.22% due May 2038	45,000	259	45,000	275
4.50% due May 2048	20,000	124	20,000	128
4.60% due August 2048	85,000	530	85,000	550
3.21% due April 2030	150,000	1,331	150,000	1,490
3.57% due April 2039	50,000	482	50,000	511
2.59% due July 2033	80,000	443	—	—
3.14% due July 2041	80,000	450	—	—
2.29% due December 2031	50,000	293	—	—
2.97% due December 2041	100,000	587	—	—
PNM 2019 \$40.0 Million Term Loan due June 2021	—	—	40,000	—
PNM 2021 \$75.0 Million Term Loan due December 2022	75,000	—	—	—
	1,890,845	9,735	1,705,845	9,225
Less current maturities	179,500	161	346,000	430
	1,711,345	9,574	1,359,845	8,795

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	December 31, 2021		December 31, 2020	
	Principal	Unamortized Discounts, (Premiums), and Issuance Costs, net	Principal	Unamortized Discounts, (Premiums), and Issuance Costs, net
	(In thousands)			
<b>TNMP Debt</b>				
First Mortgage Bonds:				
6.95% due April 2043	\$ 93,198	\$ (15,202)	\$ 93,198	\$ (15,917)
4.03% due July 2024	80,000	264	80,000	369
3.53% due February 2026	60,000	338	60,000	420
3.22% due August 2027	60,000	324	60,000	380
3.85% due June 2028	60,000	406	60,000	469
3.79% due March 2034	75,000	460	75,000	497
3.92% due March 2039	75,000	486	75,000	514
4.06% due March 2044	75,000	501	75,000	524
3.60% due July 2029	80,000	451	80,000	511
2.73% due April 2030	85,000	699	85,000	784
3.36% due April 2050	25,000	235	25,000	243
2.93% due July 2035	25,000	224	25,000	241
3.36% due July 2050	50,000	473	50,000	490
2.44% due August 2035	65,000	489	—	—
	908,198	(9,852)	843,198	(10,475)
Less current maturities	—	—	—	—
	908,198	(9,852)	843,198	(10,475)
<b>PNMR Debt</b>				
PNMR 2021 Delayed-Draw Term Loan due May 2023	900,000	241	—	—
PNMR 3.25% 2018 SUNs due March 2021	—	—	300,000	137
PNMR Development Term Loan due January 2022	—	—	65,000	—
PNMR 2019 Term Loan due June 2021	—	—	150,000	6
PNMR 2020 Term Loan due January 2022	—	—	150,000	—
PNMR 2020 Delayed-Draw Term Loan due January 2022	—	—	80,000	—
	900,000	241	745,000	143
Less current maturities	—	—	230,000	52
	900,000	241	515,000	91
<b>Total Consolidated PNMR Debt</b>	3,699,043	124	3,294,043	(1,107)
Less current maturities	179,500	161	576,000	482
	<u>\$3,519,543</u>	<u>\$ (37)</u>	<u>\$2,718,043</u>	<u>\$ (1,589)</u>

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NOTES TO FINANCIAL STATEMENTS (Continued)

Reflecting mandatory tender dates, long-term debt maturities as of December 31, 2021 are follows:

	PNMR	PNM	TNMP	PNMR Consolidated
	(In thousands)			
2022	\$ —	\$ 179,500	\$ —	\$ 179,500
2023	900,000	185,000	—	1,085,000
2024	—	125,000	80,000	205,000
2025	—	354,000	—	354,000
2026	—	100,345	60,000	160,345
Thereafter	—	947,000	768,198	1,715,198
<b>Total</b>	<b>\$ 900,000</b>	<b>\$ 1,890,845</b>	<b>\$ 908,198</b>	<b>\$ 3,699,043</b>

### (8) Lease Commitments

The Company enters into various lease agreements to meet its business needs and to satisfy the needs of its customers. Historically, the Company's leases were classified as operating leases and included leases for generating capacity from PVNGS Units 1 and 2, certain rights-of-way agreements for transmission lines and facilities, vehicles and equipment necessary to construct and maintain the Company's assets and building and office equipment. In February 2016, the FASB issued ASU 2016-02 – *Leases (Topic 842)* to provide guidance on the recognition, measurement, presentation, and disclosure of leases. Among other things, ASU 2016-02 requires that all leases be recorded on the Consolidated Balance Sheets by recognizing a present value liability for future cash flows of the lease agreement and a corresponding right-of-use asset. The Company adopted Topic 842 on January 1, 2019, its required effective date. The Company elected to use many of the practical expedients available upon adoption of the standard. As a result, the Company will continue to classify its leases existing as of December 31, 2018 as operating leases until they expire or are modified. In addition, the Company elected the practical expedient to not reevaluate the accounting for land easements and rights-of-way agreements existing at December 31, 2018. The Company also elected the use of the practical expedient to apply the requirements of the new standard on its effective date and has not restated prior periods to conform to the new guidance. Adoption of the lease standard has a material impact on the Company's Consolidated Balance Sheets but does not have a material impact on the Consolidated Statements of Earnings or the Consolidated Statements of Cash Flows.

Effective January 1, 2019, 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 Units 1 and 2 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.

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NOTES TO FINANCIAL STATEMENTS (Continued)

*PVNGS*

PNM leases interests in Units 1 and 2 of PVNGS. The PVNGS leases were entered into in 1985 and 1986 and initially were scheduled to expire on January 15, 2015 for the four Unit 1 leases and January 15, 2016 for the 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 now expire on January 15, 2023 and the one Unit 2 lease now expires on January 15, 2024. The annual lease payments during the renewal periods aggregate \$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 is depreciating 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.

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 proposed 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. See Notes 16 and 17 for information on other PVNGS matters including the PVNGS Leased Interest Abandonment Application which included PNM's request to create regulatory assets for the associated remaining undepreciated investments.

PNM is exposed to loss under the 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, 2021, amounts due to the lessors under the circumstances described above would be up to \$148.4 million, payable on January 15, 2022 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 2021 payment for the amount due under the Navajo Nation right-of-way lease was \$7.3 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, 2021 and 2020, the unamortized balance of these rights-of-ways was \$53.4 million and \$55.8 million. During the years ended December 31, 2021, 2020, and 2019, PNM recognized amortization expense associated with these agreements of \$3.7 million, \$4.4 million, and \$3.7 million.

*Fleet Vehicles and Equipment*

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NOTES TO FINANCIAL STATEMENTS (Continued)

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, 2021, residual value guarantees on fleet vehicle and equipment leases are \$0.9 million, \$1.4 million, and \$2.3 million for PNM, TNMP, and PNMR.

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

	December 31, 2021			December 31, 2020		
	PNM	TNMP	PNMR Consolidated	PNM	TNMP	PNMR Consolidated
	(In thousands)					
Operating leases:						
Operating lease assets, net of amortization	\$ 73,903	\$ 5,264	\$ 79,511	\$ 97,461	\$ 7,206	\$ 105,133
Current portion of operating lease liabilities	25,278	1,882	27,218	25,130	2,193	27,460
Long-term portion of operating lease liabilities	52,552	3,155	55,993	75,941	4,779	81,065

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:

	December 31, 2021			December 31, 2020		
	PNM	TNMP	PNMR Consolidated	PNM	TNMP	PNMR Consolidated
	(In thousands)					
Financing leases:						
Non-utility property	\$ 15,171	\$ 16,181	\$ 31,695	\$ 11,453	\$ 13,299	\$ 25,055
Accumulated depreciation	(4,550)	(4,923)	(9,660)	(2,044)	(2,241)	(4,383)
Non-utility property, net	\$ 10,621	\$ 11,258	\$ 22,035	\$ 9,409	\$ 11,058	\$ 20,672
Other current liabilities	\$ 2,731	\$ 2,994	\$ 5,813	\$ 1,993	\$ 2,397	\$ 4,470
Other deferred credits	7,732	8,273	16,075	7,176	8,669	15,972

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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, 2021			December 31, 2020		
	PNM	TNMP	PNMR Consolidated	PNM	TNMP	PNMR Consolidated
Weighted average remaining lease term (years):						
Operating leases	5.60	2.90	5.44	6.23	3.46	6.04
Financing leases	4.30	4.14	4.20	4.78	4.84	4.79
Weighted average discount rate:						
Operating leases	3.99 %	3.98 %	3.99 %	3.93 %	4.06 %	3.94 %
Financing leases	2.60 %	2.71 %	2.65 %	2.76 %	2.84 %	2.80 %

Information for the components of lease expense is as follows:

	Year Ended December 31, 2021		
	PNM	TNMP	PNMR 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 (1)	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. For additional information on the SJGS Unit 1 outage see Note 17.

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	Year Ended December 31, 2020		
	PNM	TNMP	PNMR Consolidated
	(In thousands)		
Operating lease cost	\$ 27,302	\$ 2,870	\$ 30,418
Amounts capitalized	(1,020)	(2,375)	(3,395)
Total operating lease expense	26,282	495	27,023
Financing lease cost:			
Amortization of right-of-use assets	1,563	1,775	3,412
Interest on lease liabilities	221	285	511
Amounts capitalized	(1,056)	(1,754)	(2,810)
Total financing lease expense	728	306	1,113
Variable lease expense	221	—	221
Short-term lease expense	288	5	295
Total lease expense for the period	\$ 27,519	\$ 806	\$ 28,652

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

	Year Ended December 31, 2021			Year Ended December 31, 2020		
	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	\$ 25,655	\$ 323	\$ 26,129	\$ 26,007	\$ 596	\$ 27,121
Operating cash flows from financing leases	90	34	128	82	48	136
Financing cash flows from financing leases	870	339	1,296	557	307	936
Non-cash information related to right-of-use assets obtained in exchange for lease obligations:						
Operating leases	\$ —	\$ 317	\$ 317	\$ —	\$ —	\$ —
Financing leases	3,792	3,126	6,958	6,588	8,985	15,614

Capitalized lease costs are reflected as investing activities on the Company's Consolidated Statements of Cash Flows for the twelve months ended December 31, 2021 and 2020.

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Future expected lease payments are shown below:

	As of December 31, 2021					
	PNM		TNMP		PNMR Consolidated	
	Financing	Operating	Financing	Operating	Financing	Operating
	(In thousands)					
2022	\$ 2,962	\$ 26,266	\$ 3,253	\$ 1,888	\$ 6,307	\$ 28,365
2023	2,841	17,735	3,017	1,480	5,912	19,395
2024	2,159	7,908	2,546	1,030	4,719	8,987
2025	1,345	6,946	1,638	525	2,985	7,509
2026	1,022	6,880	834	449	1,857	7,367
Later years	724	20,640	613	—	1,336	20,823
Total minimum lease payments	11,053	86,375	11,901	5,372	23,116	92,446
Less: Imputed interest	590	8,545	634	335	1,228	9,235
Lease liabilities as of December 31, 2021	<u>\$ 10,463</u>	<u>\$ 77,830</u>	<u>\$ 11,267</u>	<u>\$ 5,037</u>	<u>\$ 21,888</u>	<u>\$ 83,211</u>

The above table includes \$11.3 million, \$14.5 million, and \$25.8 million for PNM, TNMP, and PNMR at December 31, 2021 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 is 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, are not considered derivatives because there are 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 meets the definition of an economic hedge described below and has been accounted for accordingly.

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NOTES TO FINANCIAL STATEMENTS (Continued)

Beginning January 1, 2018, PNM is exposed to market risk for its 65 MW interest in SJGS Unit 4, which is held as merchant plant as ordered by the NMPRC. PNM has 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 May 31, 2022, subject to certain conditions. Under these agreements, PNM is obligated to deliver 36 MW of power only when SJGS Unit 4 is operating. These agreements are not considered derivatives because there is no notional amount due to the unit-contingent nature of the transactions.

PNM and Tri-State have a hazard sharing agreement that expires in May 2022. Under this agreement, each party sells the other party 100 MW of capacity and energy from a designated generation resource on a unit contingent basis, subject to certain performance guarantees. Both the purchases and sales are made at the same market index price. This agreement serves to reduce the magnitude of each party's single largest generating hazard and assists in enhancing the reliability and efficiency of their respective operations. PNM passes 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, 2021, 2020, and 2019, 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 economic hedges under an NMPRC approved hedging plan to manage fuel and purchased power costs related to 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.

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### 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:

	<b>Economic Hedges</b>	
	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
	(In thousands)	
Other current assets	\$ 684	\$ 1,096
Other deferred charges		455
	<u>684</u>	<u>1,551</u>
Other current liabilities	(2,275)	(1,096)
Other deferred credits		(455)
	<u>(2,275)</u>	<u>(1,551)</u>
<b>Net</b>	<b>\$ (1,591)</b>	<b>\$ —</b>

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 \$0.5 million at December 31, 2021 and all \$1.6 million at December 31, 2020 resulting from PNM's hazard sharing arrangements with Tri-State. The hazard sharing arrangements are net-settled upon delivery.

As discussed above, PNM has a NMPRC-approved hedging plan to manage fuel and purchased power costs related to customers covered by its FPPAC. The table above includes less than \$0.2 million in current assets and \$1.8 million of current liabilities related to this plan at December 31, 2021. There were no amounts hedged under this plan as of December 31, 2020.

At December 31, 2021 and 2020, PNM had no amounts recognized for the legal right to reclaim cash collateral. However, at both December 31, 2021 and 2020, amounts posted as cash collateral under margin arrangements were \$0.5 million, which is included in other current assets on the Consolidated Balance Sheets. At both December 31, 2021 and 2020, obligations to return cash collateral were \$0.9 million. Cash collateral amounts are included on the Consolidated Balance Sheets in other current liabilities at December 31, 2021 and other deferred credits at December 31, 2020.

The effects of mark-to-market commodity derivative instruments on PNM's revenues and cost of energy during the years ended December 31, 2021 and 2020 were less than \$0.1 million. Commodity derivatives had no impact on OCI for the periods presented.

PNM's net buy (sell) volume positions for energy were 122,400 MWh and zero MWh at December 31, 2021 and 2020. PNM had no open gas commodity volume positions at December 31, 2021 and 2020.

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 request collateral to provide it with "adequate assurance" that PNM will perform; and others have no provision for collateral. At December 31, 2021 and 2020, PNM had no such contracts in a net liability position.

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NOTES TO FINANCIAL STATEMENTS (Continued)

**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 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, 2021 and 2020, the fair value of investment securities included \$394.5 million and \$379.2 million for the NDT and \$68.6 million and \$60.9 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:

	<b>Year Ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
	(In thousands)		
Equity securities:			
Net gains from equity securities sold	\$ 8,738	\$ 5,861	\$ 5,698
Net gains (losses) from equity securities still held	(442)	17,707	18,319
Total net gains on equity securities	<u>8,296</u>	<u>23,568</u>	<u>24,017</u>
Available-for-sale debt securities:			
Net gains (losses) on debt securities	<u>8,554</u>	<u>(1,969)</u>	<u>5,572</u>
Net gains on investment securities	<u>\$ 16,850</u>	<u>\$ 21,599</u>	<u>\$ 29,589</u>

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. Gross realized losses shown below exclude the (increase)/decrease in realized impairment losses of \$0.7 million, \$(3.2) million, and \$3.0 million for the years ended December 31, 2021, 2020 and 2019.

	<b>Year Ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
	(In thousands)		
Proceeds from sales	\$ 459,867	\$ 590,998	\$ 494,528
Gross realized gains	\$ 39,408	\$ 35,904	\$ 25,760
Gross realized (losses)	\$ (22,815)	\$ (28,817)	\$ (17,453)

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At December 31, 2021, the available-for-sale debt securities held by PNM, had the following final maturities:

	<b>Fair Value</b>
	(In thousands)
Within 1 year	\$ 29,680
After 1 year through 5 years	77,278
After 5 years through 10 years	93,302
After 10 years through 15 years	20,893
After 15 years through 20 years	12,933
After 20 years	39,120
	<u>\$ 273,206</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, 2021 and 2020.

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.

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NOTES TO FINANCIAL STATEMENTS (Continued)

	<b>GAAP Fair Value Hierarchy</b>			<b>Unrealized Gains</b>
	<b>Total</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	
(In thousands)				
<b>December 31, 2021</b>				
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>
<b>December 31, 2020</b>				
Cash and cash equivalents	\$ 6,107	\$ 6,107	\$ —	
Equity securities:				
Corporate stocks, common	85,271	85,271	—	
Corporate stocks, preferred	9,910	3,608	6,302	
Mutual funds and other	58,817	58,762	55	
Available-for-sale debt securities:				
U.S. government	55,839	29,579	26,260	\$ 950
International government	16,032	—	16,032	2,537
Municipals	50,139	—	50,139	2,779
Corporate and other	158,000	3	157,997	21,121
	<u>\$ 440,115</u>	<u>\$ 183,330</u>	<u>\$ 256,785</u>	<u>\$ 27,387</u>

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NOTES TO FINANCIAL STATEMENTS (Continued)

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:

	<b>Carrying Amount</b>	<b>Fair Value</b>
<b>December 31, 2021</b>	(In thousands)	
PNMR	\$ 3,698,919	\$ 3,915,010
PNM	\$ 1,881,110	\$ 1,975,987
TNMP	\$ 918,050	\$ 1,039,023
<b>December 31, 2020</b>		
PNMR	\$ 3,295,150	\$ 3,571,382
PNM	\$ 1,696,620	\$ 1,818,169
TNMP	\$ 853,673	\$ 1,006,722

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 2021 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 2021 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, 2021 or 2020.

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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)
<b>December 31, 2021</b>			
<b>PNM Pension Plan</b>			
Participation in PNMR Master Trust Investments:			
Investments categorized within fair value hierarchy	\$ 527,873	\$ 235,605	\$ 292,268
Uncategorized investments	49,432		
<b>Total Master Trust Investments</b>	<b>\$ 577,305</b>		
<b>TNMP Pension Plan</b>			
Participation in PNMR Master Trust Investments:			
Investments categorized within fair value hierarchy	\$ 58,623	\$ 21,390	\$ 37,233
Uncategorized investments	3,962		
<b>Total Master Trust Investments</b>	<b>\$ 62,585</b>		
<b>PNM OPEB Plan</b>			
Cash and cash equivalents	\$ 1,578	\$ 1,578	\$ —
Equity securities:			
Mutual funds	94,549	58,383	36,166
	<b>\$ 96,127</b>	<b>\$ 59,961</b>	<b>\$ 36,166</b>
<b>TNMP OPEB Plan</b>			
Cash and cash equivalents	\$ 381	\$ 381	\$ —
Equity securities:			
Mutual funds	12,249	11,575	674
	<b>\$ 12,630</b>	<b>\$ 11,956</b>	<b>\$ 674</b>

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	<b>GAAP Fair Value Hierarchy</b>		
	<b>Total</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>
<b>December 31, 2020</b>			
<b>PNM Pension Plan</b>			
Participation in PNMR Master Trust Investments:			
Investments categorized within fair value hierarchy	\$ 498,907	\$ 241,445	\$ 257,462
Uncategorized investments	88,984		
<b>Total Master Trust Investments</b>	<b>\$ 587,891</b>		
<b>TNMP Pension Plan</b>			
Participation in PNMR Master Trust Investments:			
Investments categorized within fair value hierarchy	\$ 56,966	\$ 28,732	\$ 28,234
Uncategorized investments	9,230		
<b>Total Master Trust Investments</b>	<b>\$ 66,196</b>		
<b>PNM OPEB Plan</b>			
Cash and cash equivalents	\$ 1,310	\$ 1,310	\$ —
Equity securities:			
Mutual funds	92,400	52,284	40,116
	<b>\$ 93,710</b>	<b>\$ 53,594</b>	<b>\$ 40,116</b>
<b>TNMP OPEB Plan</b>			
Cash and cash equivalents	\$ 18	\$ 18	\$ —
Equity securities:			
Mutual funds	12,843	10,806	2,037
	<b>\$ 12,861</b>	<b>\$ 10,824</b>	<b>\$ 2,037</b>

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

	<u>Total</u>	<u>GAAP Fair Value Hierarchy</u>	
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
<b>December 31, 2021</b>			
<b>PNMR Master Trust</b>			
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>		

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	Total	GAAP Fair Value Hierarchy	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<b>December 31, 2020</b>			
<b>PNMR Master Trust</b>			
Cash and cash equivalents	\$ 20,812	\$ 20,812	\$ —
Equity securities:			
Corporate stocks, common	114,983	114,983	—
Corporate stocks, preferred	1,187	135	1,052
Mutual funds and other	173,931	47,418	126,513
Fixed income securities:			
U.S. government	97,460	86,829	10,631
International government	6,202	—	6,202
Municipals	6,277	—	6,277
Corporate and other	135,021	—	135,021
Total investments categorized within fair value hierarchy	<u>555,873</u>	<u>\$ 270,177</u>	<u>\$ 285,696</u>
Uncategorized investments:			
Private equity funds	12,552		
Hedge funds	52,285		
Real estate funds	33,377		
	<u>\$ 654,087</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.

#### 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, 2021, 2020, and 2019, PNM paid \$19.8 million, \$20.0 million, and \$19.9 million for fixed charges and \$1.9 million, \$1.4 million, and \$1.2 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

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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 set forth below are immaterial to PNM and, therefore, 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**

	<b>Year Ended December 31</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
	(In thousands)		
Operating revenues	\$ 21,624	\$ 21,297	\$ 21,073
Operating expenses	6,134	7,284	6,832
Earnings attributable to non-controlling interest	<u>\$ 15,490</u>	<u>\$ 14,013</u>	<u>\$ 14,241</u>

**Financial Position**

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
	(In thousands)	
Current assets	\$ 3,042	\$ 3,911
Net property, plant and equipment	52,908	55,744
Total assets	55,950	59,655
Current liabilities	545	646
Owners' equity – non-controlling interest	<u>\$ 55,405</u>	<u>\$ 59,009</u>

**Westmoreland San Juan Mining, LLC**

As discussed in the subheading Coal Supply in Note 16, PNM purchases coal for SJGS under a coal supply agreement ("SJGS CSA"). That section includes information on the acquisition of SJCC by WSJ, a subsidiary of Westmoreland Coal Company ("Westmoreland"), as well as the announcement that 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 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 WSJ 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 all reclamation costs are reimbursable under the SJGS CSA. Also, much of the mine reclamation activities will not be performed until after the expiration of the SJGS CSA. In addition, each of the SJGS participants has established and actively fund trusts to meet future reclamation obligations.

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WSJ LLC is considered a VIE. PNMR's analysis of its arrangements with WSJ LLC concluded that WSJ LLC has the ability to direct its mining operations, which is the factor that most significantly impacts the economic performance of WSJ LLC. Other than PNM being able to ensure that coal is supplied in adequate quantities and of sufficient quality to provide the fuel necessary to operate SJGS in a normal manner, the mining operations are solely under the control of WSJ LLC, including developing mining plans, hiring of personnel, and incurring operating and maintenance expenses. Neither PNMR nor PNM has any ability to direct or influence the mining operation. PNM's involvement through the SJGS CSA is a protective right rather than a participating right and WSJ LLC has the power to direct the activities that most significantly impact the economic performance of WSJ LLC. The SJGS CSA requires WSJ LLC to deliver coal required to fuel SJGS in exchange for payment of a set price per ton, which is escalated over time for inflation. If WSJ LLC is able to mine more efficiently than anticipated, its economic performance will be improved. Conversely, if WSJ LLC cannot mine as efficiently as anticipated, its economic performance will 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 constitute PNMR's maximum exposure to loss from the VIE at December 31, 2021.

### (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.

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 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

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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:

	<b>PNM</b>		<b>TNMP</b>	
	<b>Year Ended December 31,</b>		<b>Year Ended December 31,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	(In thousands)			
PBO at beginning of year	\$ 630,904	\$ 605,745	\$ 67,390	\$ 65,574
Service cost	—	—	—	—
Interest cost	16,143	19,941	1,741	2,177
Actuarial (gain) loss	(19,372)	47,567	(3,306)	4,459
Benefits paid	(43,614)	(42,349)	(3,678)	(4,820)
Settlements	—	—	(2,538)	—
PBO at end of year	584,061	630,904	59,609	67,390
Fair value of plan assets at beginning of year	587,530	531,467	66,149	59,367
Actual return on plan assets	32,791	98,412	3,009	11,602
Employer contributions	—	—	—	—
Benefits paid	(43,614)	(42,349)	(3,678)	(4,820)
Settlements	—	—	(2,538)	—
Fair value of plan assets at end of year	576,707	587,530	62,942	66,149
Funded status – asset (liability) for pension benefits	<u>\$ (7,354)</u>	<u>\$ (43,374)</u>	<u>\$ 3,333</u>	<u>\$ (1,241)</u>

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Actuarial (gain) loss results from changes in:

	PNM		TNMP	
	Year Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
	(In thousands)			
Discount rates	\$ (19,989)	\$ 44,960	\$ (2,017)	\$ 4,756
Demographic experience	617	2,607	(1,403)	(54)
Mortality rate	—	—	—	—
Other assumptions and experience	—	—	114	(243)
	<u>\$ (19,372)</u>	<u>\$ 47,567</u>	<u>\$ (3,306)</u>	<u>\$ 4,459</u>

The following table presents pre-tax information about net actuarial (gain) loss in AOCI as of December 31, 2021.

	PNM	TNMP
	(In thousands)	
Amounts in AOCI not yet recognized in net periodic benefit cost (income) at beginning of year	\$ 132,078	\$ —
Experience (gain) loss	(23,632)	3,133
Regulatory asset (liability) adjustment	11,797	(3,133)
Amortization recognized in net periodic benefit (income)	(8,181)	—
Amounts in AOCI not yet recognized in net periodic benefit cost at end of year	<u>\$ 112,062</u>	<u>\$ —</u>

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

	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
<b>PNM</b>			
Service cost	\$ —	\$ —	\$ —
Interest cost	16,143	19,941	25,175
Expected return on plan assets	(28,531)	(29,453)	(34,103)
Amortization of net loss	18,166	17,860	15,518
Amortization of prior service cost	—	(554)	(965)
Net periodic benefit cost	<u>\$ 5,778</u>	<u>\$ 7,794</u>	<u>\$ 5,625</u>
<b>TNMP</b>			
Service cost	\$ —	\$ —	\$ —
Interest cost	1,741	2,177	2,686
Expected return on plan assets	(3,181)	(3,284)	(3,868)
Amortization of net loss	1,247	1,258	941
Amortization of prior service cost	—	—	—
Settlement loss	746	—	—
Net periodic benefit cost (income)	<u>\$ 553</u>	<u>\$ 151</u>	<u>\$ (241)</u>

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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.

PNM	Year Ended December 31,		
	2021	2020	2019
Discount rate for determining December 31 PBO	3.00 %	2.66 %	3.42 %
Discount rate for determining net periodic benefit cost (income)	2.66 %	3.42 %	4.65 %
Expected return on plan assets	5.50 %	5.90 %	6.86 %
Rate of compensation increase	N/A	N/A	N/A
<b>TNMP</b>			
Discount rate for determining December 31 PBO	3.01 %	2.69 %	3.46 %
Discount rate for determining net periodic benefit cost (income)	2.69 %	3.46 %	4.63 %
Expected return on plan assets	5.50 %	5.90 %	6.90 %
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 2022 net periodic benefit cost to increase \$5.2 million and \$0.6 million (analogous changes would result from a 1% increase). The actual rate of return for the PNM and TNMP pension plans was 5.80% and 4.68% for the year ended December 31, 2021.

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 hedge funds and 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 pursue various absolute return strategies such as relative value, long-short equity, and event driven. Private equity fund strategies include mezzanine financing, buy-outs, and venture capital. 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.

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The following pension benefit payments are expected to be paid:

	PNM	TNMP
	(In thousands)	
2022	\$ 45,957	\$ 4,928
2023	44,632	4,689
2024	43,427	4,459
2025	42,158	4,386
2026	40,424	4,260
2027 - 2031	183,548	18,130

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 2022. PNM and TNMP do not expect to make any cash contributions in 2023 through 2026. The funding assumptions were developed using discount a rate of 2.9%. 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,	
	2021	2020	2021	2020
	(In thousands)			
APBO at beginning of year	\$ 75,196	\$ 75,121	\$ 11,938	\$ 11,235
Service cost	23	38	45	46
Interest cost	1,907	2,453	308	373
Participant contributions	1,617	1,714	135	243
Actuarial (gain) loss	(5,053)	3,261	(1,141)	747
Benefits paid	(6,706)	(7,391)	(715)	(706)
APBO at end of year	66,984	75,196	10,570	11,938
Fair value of plan assets at beginning of year	93,402	86,400	12,885	10,844
Actual return on plan assets	4,783	9,423	288	2,505
Employer contributions	2,709	3,256	—	—
Participant contributions	1,617	1,714	135	243
Benefits paid	(6,706)	(7,391)	(715)	(707)
Fair value of plan assets at end of year	95,805	93,402	12,593	12,885
Funded status – asset	\$ 28,821	\$ 18,206	\$ 2,023	\$ 947

As of December 31, 2021, 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,	
	2021	2020	2021	2020
	(In thousands)			
Discount rates	\$ (2,042)	\$ 4,959	\$ (423)	\$ 1,008
Claims, contributions, and demographic experience	(2,893)	(1,698)	(718)	(261)
Assumed participation rate	—	—	—	—
Mortality rate	—	—	—	—
Dental trend assumption	(118)	—	—	—
	<u>\$ (5,053)</u>	<u>\$ 3,261</u>	<u>\$ (1,141)</u>	<u>\$ 747</u>

In the year ended December 31, 2021, actuarial gains of \$5.7 million were recorded as adjustments to regulatory assets for the PNM OPEB plan. For the TNMP OPEB plan, actuarial gains of \$1.0 million were recorded as adjustments to regulatory liabilities.

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

	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
<b>PNM</b>			
Service cost	\$ 23	\$ 38	\$ 53
Interest cost	1,907	2,453	3,316
Expected return on plan assets	(4,167)	(5,548)	(5,278)
Amortization of net loss	—	348	675
Amortization of prior service credit	—	—	(397)
Net periodic benefit (income)	<u>\$ (2,237)</u>	<u>\$ (2,709)</u>	<u>\$ (1,631)</u>
<b>TNMP</b>			
Service cost	\$ 45	\$ 46	\$ 50
Interest cost	308	373	451
Expected return on plan assets	(407)	(538)	(517)
Amortization of net (gain)	(322)	(323)	(444)
Amortization of prior service cost	—	—	—
Net periodic benefit (income)	<u>\$ (376)</u>	<u>\$ (442)</u>	<u>\$ (460)</u>

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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.

PNM	Year Ended December 31,		
	2021	2020	2019
Discount rate for determining December 31 APBO	2.99 %	2.65 %	3.42 %
Discount rate for determining net periodic benefit cost	2.65 %	3.42 %	4.63 %
Expected return on plan assets	4.75 %	7.00 %	7.20 %
Rate of compensation increase	N/A	N/A	N/A
<b>TNMP</b>			
Discount rate for determining December 31 APBO	2.99 %	2.65 %	3.42 %
Discount rate for determining net periodic benefit cost	2.65 %	3.42 %	4.63 %
Expected return on plan assets	3.80 %	5.60 %	5.80 %
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 2022 net periodic benefit cost to increase \$0.9 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 5.2% and 2.3% for the year ended December 31, 2021.

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

	PNM	
	December 31,	
	2021	2020
Health care cost trend rate assumed for next year	6.00 %	6.25 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.75 %	5.00 %
Year that the rate reaches the ultimate trend rate	2027	2026

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.

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The following OPEB payments, which reflect expected future service and are net of participant contributions, are expected to be paid:

	PNM	TNMP
	(In thousands)	
2022	\$ 5,924	\$ 613
2023	5,772	638
2024	5,577	657
2025	5,229	661
2026	5,006	669
2027 - 2031	20,815	3,113

PNM and TNMP made no cash contributions to the OPEB trusts in 2021 or 2020 and PNM and TNMP do not expect to make cash contributions to the OPEB trusts in 2022-2026. 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 \$3.2 million in 2022 and \$11.9 million in 2023-2026.

**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,	
	2021	2020	2021	2020
	(In thousands)			
PBO at beginning of year	\$ 14,222	\$ 14,994	\$ 678	\$ 692
Service cost	—	—	—	—
Interest cost	363	491	17	22
Actuarial (gain) loss	(657)	78	(211)	58
Benefits paid	(1,316)	(1,341)	(78)	(94)
PBO at end of year – funded status	12,612	14,222	406	678
Less current liability	1,248	1,323	67	91
Non-current liability	\$ 11,364	\$ 12,899	\$ 339	\$ 587

The following table presents pre-tax information about net actuarial loss in AOCI as of December 31, 2021.

	December 31, 2021	
	PNM	TNMP
	(In thousands)	
Amount in AOCI not yet recognized in net periodic benefit cost at beginning of year	\$ 2,259	\$ —
Experience (gain)	(657)	(211)
Regulatory asset adjustment	381	211
Amortization recognized in net periodic benefit (income)	(167)	—
Amount in AOCI not yet recognized in net periodic benefit cost at end of year	\$ 1,816	\$ —

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

	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
<b>PNM</b>			
Service cost	\$ —	\$ —	\$ —
Interest cost	363	491	651
Amortization of net loss	395	403	318
Amortization of prior service cost	—	—	—
Net periodic benefit cost	<u>\$ 758</u>	<u>\$ 894</u>	<u>\$ 969</u>
<b>TNMP</b>			
Service cost	\$ —	\$ —	\$ —
Interest cost	17	22	30
Amortization of net loss	33	24	15
Amortization of prior service cost	—	—	—
Net periodic benefit cost	<u>\$ 50</u>	<u>\$ 46</u>	<u>\$ 45</u>

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,		
	2021	2020	2019
<b>PNM</b>			
Discount rate for determining December 31 PBO	3.02 %	2.68 %	3.44 %
Discount rate for determining net periodic benefit cost	2.68 %	3.44 %	4.66 %
Long-term rate of return on plan assets	N/A	N/A	N/A
Rate of compensation increase	N/A	N/A	N/A
<b>TNMP</b>			
Discount rate for determining December 31 PBO	3.01 %	2.69 %	3.46 %
Discount rate for determining net periodic benefit cost	2.69 %	3.46 %	4.63 %
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.

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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, 2021 and \$1.4 million and \$0.1 million for the year ended December 31, 2020. The following executive retirement plan payments, which reflect expected future service, are expected:

	PNM	TNMP
	(In thousands)	
2022	\$ 1,267	\$ 68
2023	1,228	62
2024	1,183	56
2025	1,133	50
2026	1,077	44
2027 - 2031	4,455	135

**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.

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

	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
<b>PNMR</b>			
401(k) plan	\$ 16,648	\$ 16,247	\$ 16,097
Non-qualified plan	\$ 3,594	\$ 2,090	\$ 4,551
<b>PNM</b>			
401(k) plan	\$ 11,826	\$ 11,676	\$ 11,587
Non-qualified plan	\$ 2,622	\$ 1,544	\$ 3,384
<b>TNMP</b>			
401(k) plan	\$ 4,823	\$ 4,572	\$ 4,511
Non-qualified plan	\$ 972	\$ 547	\$ 1,167

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## (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.

### 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.

Total compensation expense for stock-based payment arrangements recognized by PNMR for the years ended December 31, 2021, 2020, and 2019 was \$9.4 million, \$8.1 million, and \$6.4 million. Stock compensation expense of \$6.4 million, \$5.5 million, and \$4.2 million was charged to PNM and \$3.0 million, \$2.6 million, and \$2.2 million was charged to TNMP. At December 31, 2021, PNMR had unrecognized compensation expense related to stock awards of \$4.4 million, which is expected to be recognized over an average of 1.50 years.

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PNMR receives a tax deduction for certain stock option exercises during the period the options are exercised, generally for the excess of the price at which the options are sold over the exercise prices of the options, and a tax deduction for the value of restricted stock at the vesting date. 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	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
PNM	\$ 564	\$ 279	\$ 559
TNMP	224	112	236
PNMR	788	391	795

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,		
	2021	2020	2019
Expected quarterly dividends per share	\$ 0.3275	\$ 0.3075	\$ 0.2900
Risk-free interest rate	0.32 %	0.72 %	2.47 %
<b>Market-Based Shares</b>			
Dividend yield	2.76 %	2.51 %	2.59 %
Expected volatility	33.69 %	19.41 %	19.55 %
Risk-free interest rate	0.29 %	0.72 %	2.51 %

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

	<b>Restricted Stock</b>	
	<b>Shares</b>	<b>Weighted-Average Grant Date Fair Value</b>
<b>Outstanding at December 31, 2020</b>	168,061	\$ 40.77
Granted	213,515	43.48
Released	(211,587)	40.73
Forfeited	(2,719)	43.81
<b>Outstanding at December 31, 2021</b>	<u>167,270</u>	<u>\$ 43.71</u>

PNMR's current stock-based compensation program provides for performance and market targets through 2023. Included as granted and released in the table above are 124,941 previously awarded shares that were earned for the 2018 - 2020 performance measurement period and ratified by the Board in February 2021 (based upon achieving market targets at below "maximum" levels). Excluded from the above table 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 above "target", below "maximum" levels). Also excluded from the table above are 142,047 and 152,414 shares for the three-year performance periods ending in 2022 and 2023 that will be awarded if all performance and 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:

<b>Restricted Stock</b>	<b>Year Ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Weighted-average grant date fair value	\$ 43.48	\$ 36.73	\$ 37.92
Total fair value of restricted shares that vested (in thousands)	\$ 8,617	\$ 8,299	\$ 6,246
<b>Stock Options</b>			
Total intrinsic value of options exercised (in thousands)	\$ —	\$ 84	\$ 2,617

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,	
	2021	2020	2021	2020
(In thousands)				
<b>Assets:</b>				
Current:				
FPPAC	\$ 7,130	\$ —	\$ —	\$ —
Transmission cost recovery factor	—	—	3,906	—
Energy efficiency costs	—	—	2,158	202
Other	1,591	—	—	—
	<u>8,721</u>	<u>—</u>	<u>6,064</u>	<u>202</u>
Non-Current:				
Coal mine reclamation costs <sup>(1)</sup>	\$ 9,942	\$ 9,980	\$ —	\$ —
Deferred income taxes	68,687	65,564	9,505	9,817
Loss on reacquired debt	17,249	19,748	27,615	28,914
Pension and OPEB <sup>(2)</sup>	165,006	190,147	17,924	22,863
Shutdown of SJGS Units 2 and 3	100,954	107,231	—	—
AMS surcharge	—	—	12,507	18,761
AMS retirement and other costs	—	—	12,286	13,915
Deferred cost under the ETA	42,656	42,703	—	—
Deferred COVID-19 costs	6,896	8,761	—	676
SJGS replacement resources	8,269	8,282	—	—
EIM	7,028	2,209	—	—
Other	2,294	3,328	5,440	4,891
	<u>428,981</u>	<u>457,953</u>	<u>85,277</u>	<u>99,837</u>
Total regulatory assets	\$ 437,702	\$ 457,953	\$ 91,341	\$ 100,039
<b>Liabilities:</b>				
Current:				
FPPAC	\$ —	\$ (2,274)	\$ —	\$ —
Renewable energy rider	(5,989)	(2,044)	—	—
Energy efficiency costs	(2,327)	(1,101)	—	—
Transmission cost recovery factor	—	—	—	(2,052)
	<u>(8,316)</u>	<u>(5,419)</u>	<u>—</u>	<u>(2,052)</u>
Non-Current:				
Cost of removal	(294,193)	(284,695)	(73,029)	(59,613)
Deferred income taxes	(321,976)	(343,844)	(107,250)	(119,695)
PVNGS ARO	(1,215)	(5,394)	—	—
Renewable energy tax benefits	(16,756)	(17,912)	—	—
Accelerated depreciation SNCRs <sup>(3)</sup>	(16,331)	(12,045)	—	—
Pension and OPEB	(2,376)	—	(6,099)	(5,535)
COVID-19 cost savings	(900)	(900)	—	—
Other	(83)	(83)	(1,185)	(512)
	<u>(653,830)</u>	<u>(664,873)</u>	<u>(187,563)</u>	<u>(185,355)</u>
Total regulatory liabilities	\$ (662,146)	\$ (670,292)	\$ (187,563)	\$ (187,407)

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NOTES TO FINANCIAL STATEMENTS (Continued)

- (1) Includes \$9.3 million in coal mine reclamation costs related to PNM's planned retirement of SJGS in 2022 and recoverable under the ETA as described in Note 16  
(2) Includes \$2.2 million for certain PNM pension costs as described in Note 11  
(3) Amounts to be included under the ETA

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): coal mine reclamation costs (through 2020); deferred income taxes (over the remaining life of the taxable item, up to the remaining life of utility plant); pension and OPEB costs (through 2033); PVNGS ARO (to be determined in a future regulatory proceeding); costs recoverable under the ETA (over the securitization period); deferred COVID-19 costs (to be determined in a future regulatory proceeding); and SJGS replacement resources (to be determined in a future regulatory proceeding).

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 several jointly-owned power plant projects. The participation agreement for SJGS, was set to expire on June 30, 2022, but was extended, subject to FERC's acceptance of the extension, through September 30, 2022. See Note 17. 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 \$602.2 million in 2021, 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 \$311.9 million during 2021. On a consolidated basis, PNMR's expenditures for additions to utility plant were \$935.0 million in 2021.

#### 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, 2021, PNM's interests and investments in jointly-owned generating facilities are:

<u>Station (Fuel Type)</u>	<u>Plant in Service</u>	<u>Accumulated Depreciation<sup>(1)</sup></u>	<u>Construction Work in Progress</u>	<u>Composite Interest</u>
(In thousands)				
SJGS (Coal)	\$ 815,361	\$ 455,159	\$ 10	66.35 %
PVNGS (Nuclear) <sup>(2)</sup>	\$ 869,363	\$ 403,764	\$ 38,770	10.20 %
Four Corners Units 4 and 5 (Coal)	\$ 316,033	\$ 100,156	\$ 6,294	13.00 %
Luna (Gas)	\$ 80,159	\$ 31,244	\$ 46	33.33 %

<sup>(1)</sup> Includes cost of removal.

<sup>(2)</sup> Includes interest in PVNGS Unit 3, interest in common facilities for all PVNGS units, and owned interests in PVNGS Units 1 and 2, including improvements.

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*San Juan Generating Station*

PNM operates and jointly owns SJGS. Effective January 1, 2018, SJGS Unit 1 is owned 50% by PNM and 50% by Tucson and SJGS Unit 4 is owned 77.297% by PNM, including a 12.8% interest held as merchant plant, 8.475% by Farmington, 7.2% by Los Alamos, and 7.028% by UAMPS. See Notes 16 and 17 for additional information about SJGS, including the shutdown of SJGS Units 2 and 3 in December 2017 and the restructuring of SJGS ownership as well as information on PNM's SJGS Abandonment Application.

*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 has a 10.2% undivided interest in PVNGS, with portions of its interests in Units 1 and 2 held under leases. See Note 8 for additional information concerning the PVNGS leases, including PNM's purchase of the assets underlying certain of the leases in January 2016, PNM's option to purchase or return certain lease interests that have been extended through 2023 and 2024, and Note 17 for the outcome of PNM's appeal to the NM Supreme Court regarding the NMPRC's treatment of those purchases and lease extensions in the NM 2015 Rate Case.

Operation of each of the three PVNGS units requires an operating license from the NRC. The NRC issued full power operating licenses for Unit 1 in June 1985, Unit 2 in April 1986, and Unit 3 in November 1987. The full power operating licenses were originally for a period of 40 years and authorize APS, as operating agent for PVNGS, to operate the three PVNGS units. In April 2011, the NRC approved extensions in 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 Note 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 62% 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:

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	PNMR	PNM	TNMP
	(In thousands)		
<b>Liability at December 31, 2018</b>	\$ 158,674	\$ 157,814	\$ 860
Liabilities incurred	—	—	—
Liabilities settled	(987)	(935)	(52)
Accretion expense	12,635	12,562	73
Revisions to estimated cash flows	11,640	11,640	—
<b>Liability at December 31, 2019</b>	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 <sup>(1)</sup>	(8,407)	(8,407)	—
<b>Liability at December 31, 2020</b>	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 <sup>(2)</sup>	39,778	39,778	—
<b>Liability at December 31, 2021</b>	<b>\$ 234,146</b>	<b>\$ 233,383</b>	<b>\$ 763</b>

<sup>(1)</sup> 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.

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

## (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, and commitments will have a material effect on its financial condition, results of operations, or cash flows.

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### ***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 lease 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, 2021, 2020 and 2019 into the qualified trust funds. The market value of the trusts at December 31, 2021 and 2020 was \$394.5 million and \$379.2 million. See Note 17 for additional discussion of the NM Supreme Court's decisions in PNM's appeal of the NMPRC's decisions in the NM 2015 Rate Case and discussion in 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 establishes a process for the payment of claims for costs incurred through December 31, 2019. In July 2020, APS accepted the DOE's extension of the settlement agreement for recovery of costs incurred through December 31, 2022. 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.

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, 2021 and 2020, PNM had a liability for interim storage costs of \$13.0 million and \$12.8 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 amends the REA and 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 amends sections of the REA to allow 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

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ensure compliance with the RPS. The ETA also directs the New Mexico Environmental Improvement Board to adopt standards of performance that limit CO<sub>2</sub> 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 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 will have a significant impact on PNM’s future generation portfolio, including PNM’s planned retirement of SJGS in 2022 and the planned Four Corners exit in 2024. PNM 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.

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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 will retire its share of SJGS in 2022. On February 7, 2022, numerous environmental groups sent EPA a notice of intent to sue over the EPA's failure to issue a finding that 39 states, including New Mexico, failed to submit regional haze SIPs for the second planning period. Most states have not yet submitted their SIPs but are in the various stages of development. The notice of intent alleges that as of January 31, 2022, EPA is in violation of its nondiscretionary duty to issue a finding that these states failed to submit the required SIPs. NMED's current timeline indicates the proposed SIP will be submitted between July 2022 and January 2023.

*Carbon Dioxide Emissions*

On August 3, 2015, EPA established standards to limit CO<sub>2</sub> 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, the Trump Administration asked that the case be held in abeyance while the rule was being re-evaluated, which was granted.

On June 19, 2019, EPA repealed the Clean Power Plan, promulgated the ACE Rule, and revised the implementing regulations for all emission guidelines. EPA set the Best System of Emissions Reduction ("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. On September 17, 2019, 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 reductions 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 its 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. EPA has commenced the rulemaking process under section 111 to establish new emission guidelines for CO<sub>2</sub> emissions from existing power plants. The agency indicates that they plan to publish the draft rule in the summer of 2022 with a final rule in summer of 2023.

Four petitions for writ of certiorari were filed in the US Supreme Court seeking review of the DC Circuit's January opinion vacating the ACE Rule and the repeal of the Clean Power Plan. The petitioners include (1) West Virginia and 18 other states that had intervened to defend the ACE Rule, (2) North American Coal Corporation, (3) North Dakota (separately from the other states), and (4) Westmoreland Mining Holdings LLC. On October 29,

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2021, the US Supreme Court granted the four petitions for writs of certiorari. Oral arguments in the US Supreme Court were held on February 28, 2022. A decision is expected in June 2022.

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.

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.

*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<sub>x</sub>, SO<sub>2</sub>, ozone, and particulate matter.

*NO<sub>x</sub> Standard* – On April 18, 2018, EPA published the final rule to retain the current primary health-based NO<sub>x</sub> standards of which NO<sub>2</sub> is the constituent of greatest concern and is the indicator for the primary NAAQS. EPA concluded that the current 1-hour and annual primary NO<sub>2</sub> standards are requisite to protect public health with an adequate margin of safety. The rule became effective on May 18, 2018. PNM maintains compliance with the current NO<sub>x</sub> NAAQS standards.

*SO<sub>2</sub> Standard* – On February 25, 2019, EPA announced its final decision to retain, without changes, the primary health-based NAAQS for SO<sub>2</sub>. Specifically, EPA will retain the current 1-hour standard for SO<sub>2</sub>, which is 75 parts per billion, based on the 3-year average of the 99th percentile of daily maximum 1-hour SO<sub>2</sub> concentrations. PNM maintains compliance with the current SO<sub>2</sub> NAAQS standards.

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 SO<sub>2</sub> Primary NAAQS. This is EPA's fourth and final set of actions to designate areas of the U.S. for the 2010 SO<sub>2</sub> NAAQS. All areas of New Mexico have been designated attainment/unclassifiable through four rounds of designations by EPA.

*Ozone Standard* – On October 1, 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<sub>x</sub> 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, and the Biden Administration has included the decision in its list of actions that may be reconsidered.

On November 10, 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

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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 SJGS and Four Corners are 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 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 NOx 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").

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.

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 standard. EPA expects to complete this by the end of 2023.

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, 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 "Final PA"). The final assessment was prepared as part of the review of the primary and secondary PM NAAQS. In the assessment, 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 Final PA. EPA accepted comments on the proposed rule through June 29, 2020. On December 7, 2020, EPA announced it will retain, without revision, the existing primary (health-based) and secondary (welfare-based) NAAQS for PM, 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. On February 9, 2021, 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 policy assessment (the "Draft PA"). Like the Final PA, the Draft PA states 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 Clean Air Act. EPA anticipates issuing a proposed rule in summer 2022 and a final rule in spring 2023. PNM maintains compliance with the current PM NAAQS standards and cannot predict the impacts of the outcome of future rulemaking.

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### 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 SJGS and Four Corners, seven options for meeting Best Technology Available (“BTA”) standards for reducing impingement. SJGS has a closed-cycle recirculating cooling system, which is a listed BTA and may also qualify for the “*de minimis* rate of impingement” based on the design of the intake structure. 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.

The rule is not clear as to how it applies and what the compliance timelines are for facilities like SJGS that have a cooling water intake structure and only a multi-sector general stormwater permit. However, EPA has indicated that it is contemplating a December 31, 2023 compliance deadline. PNM is working with EPA regarding this issue and does not expect material changes as a result of any requirements that may be imposed upon SJGS, particularly given the planned retirement of SJGS in 2022.

On May 23, 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 on June 12, 2018. 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. On July 16, 2018, 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. On December 19, 2018, 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 on September 30, 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. PNM cannot predict whether there will be further appeals of this matter or whether the outcome of any such appeal will have a material impact on PNM’s financial position, results of operations, or cash flows.

### Effluent Limitation Guidelines

On June 7, 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 on September 30, 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.

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The Steam Electric ELG rule was challenged in the U.S. Court of Appeals for the Fifth Circuit by numerous parties. On April 12, 2017, EPA signed a notice indicating its intent to reconsider portions of the rule, and on August 22, 2017, 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. On April 12, 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.

On September 18, 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. On November 22, 2019, EPA published a proposed rule revising the original ELG while maintaining the compliance dates. Comments were due January 21, 2020. 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 will require 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 2020 Reconsideration Rule. As part of this process, EPA will determine whether more stringent limitations and standards are appropriate. EPA intends to publish a proposed rule in the fall of 2022.

Because SJGS is zero discharge for wastewater and is not required to hold a NPDES permit, it is expected that minimal to no requirements will be imposed. Reeves Station discharges cooling tower blowdown to a publicly owned treatment plant and holds an NPDES permit. It is expected that minimal to no requirements will be imposed at Reeves Station.

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 December 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 March 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 in October 2019. 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.

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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 are expected to be completed by the end of 2022.

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 on October 19, 2015, included a non-hazardous waste determination for coal ash and sets minimum criteria for existing and new CCR landfills and surface impoundments. On December 16, 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 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.

On July 30, 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.

On August 14, 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 several times. Most recently, on March 12, 2021, EPA reopened the comment period on its prior notice that announced the availability of new information and data pertaining to the Phase Two proposed rule. EPA extended the comment period for an additional 60 days, until May 11, 2021. 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. On December 2, 2019, EPA promulgated its proposed Holistic Approach to Closure Part A ("Part

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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 on August 28, 2020, 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. On November 12, 2020, EPA issued the final Part B rule, which became effective 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. These proposed rules and final rules are expected in 2022.

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. The final rule is expected in October 2022. 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 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 are supplied by WSJ LLC. In addition to coal delivered to meet the current needs of SJGS, PNM has prepaid the current San Juan mine owner and operator, WSJ LLC, for certain coal mined but not yet delivered to the plant site. At December 31, 2021 and 2020, prepayments for coal, which are included in prepaid assets, amounted to \$20.4 million and \$26.3 million.

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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 is 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 PNM's coal costs are passed through the FPPAC. In November 2018, PNM provided notice to Westmoreland that PNM does not intend to extend the term of the SJGS CSA or to negotiate a new coal supply agreement for SJGS, which would have resulted in the current agreement expiring on its own terms on June 30, 2022. On February 17, 2022, PNM and WSJ LLC entered into an amendment to extend the SJGS CSA through September 30, 2022, subject to FERC's acceptance of the amended participation agreement. The amendment provides for a fixed price increase of \$5.00 per ton, beginning April 1, 2022, which would pass through the FPPAC. See additional discussion of PNM's SJGS Abandonment Application in Note 17.

WSJ LLC notified PNM in July 2021 that it had encountered unfavorable geologic conditions that were impeding longwall progress in the San Juan Mine. On August 17, 2021, WSJ LLC issued a formal notice of non-normal conditions due to WSJ LLC's inability to maintain a reserve of coal at required levels. WSJ LLC also notified PNM that these geologic complications constituted a force majeure event that was preventing WSJ LLC from satisfying its obligation to maintain required coal inventory levels. Geologic conditions have subsequently improved, and on December 9, 2021, Westmoreland gave official notice that they were terminating the potential force majeure conditions. PNM expects the mine to operate under normal conditions with no significant impact on full load operations through the remainder of the SJ 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. As discussed in Note 10, on March 15, 2019, the assets owned by SJCC were sold to WSJ LLC, a subsidiary of Westmoreland Mining Holdings, LLC. Under the sale agreement, WSJ LLC assumed the rights and obligations of SJCC including obligations to PNMR under the outstanding letters of credit.

*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.

NTEC has contracted with Bisti Fuels Company, LLC, a subsidiary of The North American Coal Corporation, for management and operation of the mine. Under the CSA, NTEC has 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 is 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.

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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 December 2017 shutdown of SJGS Units 2 and 3, 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 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. The study resulted in a net increase in PNM's share of the coal mine reclamation obligation of \$0.8 million, which was primarily driven by lower overhead costs offset by an increase driven by a reduction in the discount rate used by PNM to measure the liability during the year ended December 31, 2019. 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 Sheet 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 \$74.1 million for the surface mines at both SJGS and Four Corners and \$34.9 million for the underground mine at SJGS as of December 31, 2021. At December 31, 2021 and 2020, liabilities, in current dollars, of \$67.4 million and \$71.7 million for surface mine reclamation and \$27.9 million and \$26.1 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. As part of the restructuring of SJGS ownership (see SJGS Ownership Restructuring Matters above), the SJGS owners negotiated the terms of an amended agreement to fund post-term reclamation obligations under the CSA. 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. As part of the restructuring of SJGS ownership discussed above, the SJGS participants agreed to adjusted interim trust funding levels. PNM funded \$5.2 million in 2021, \$3.2 million in 2020, and \$5.5 million in 2019. Based on PNM's reclamation trust fund balance at December 31, 2021, the current funding curves indicate PNM's required contributions to its reclamation trust fund would be \$5.6 million in 2022, zero in 2023, and zero in 2024.

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 \$2.2 million in 2021, \$2.0 million in 2020, and \$2.3 million in

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2019 and anticipates providing additional funding of \$2.1 million in each of the years from 2022 through 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.

**San Juan County Decommissioning Ordinance**

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 requires the SJGS owners to submit a proposed demolition and remediation plan no later than three months after SJGS is retired. 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 is required to make an initial funding of \$14.7 million by December 31, 2022. The amount and timing of additional trust funding is subject to revised decommissioning cost studies, a decision by the current owners to permanently retire SJGS 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.

**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 \$13.5 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 \$13.1 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, 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, 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 for each retrospective premium assessment declared by NEIL's Board of Directors due to losses. The insurance coverages discussed in this and the previous paragraph are subject to certain policy conditions, sublimits, and exclusions.

**San Juan River Adjudication**

In 1975, the State of New Mexico filed an action in NM District Court to adjudicate all water rights in the San Juan River Stream System, including water used at Four Corners and SJGS. PNM was made a defendant in the litigation in 1976. In March 2009, then President Obama signed legislation confirming a 2005 settlement with the

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Navajo Nation. Under the terms of the settlement agreement, the Navajo Nation's water rights would be settled and finally determined by entry by the court of two proposed adjudication decrees. The court issued an order in August 2013 finding that no evidentiary hearing was warranted in the Navajo Nation proceeding, and on November 1, 2013, issued a Partial Final Judgment and Decree of the Water Rights of the Navajo Nation approving the proposed settlement with the Navajo Nation. A number of parties subsequently appealed to the New Mexico Court of Appeals. PNM entered its appearance in the appellate case and supported the settlement agreement in the NM District Court. On April 3, 2018, the New Mexico Court of Appeals issued an order affirming the decision of the NM District Court. Several parties filed motions requesting a rehearing with the New Mexico Court of Appeals seeking clarification of the order, which were denied. The State of New Mexico and various other appellants filed a *writ of certiorari* with the NM Supreme Court. The NM Supreme Court granted the State of New Mexico's petition and denied the other parties' requests. The issues regarding the Navajo Nation settlement have been briefed and are awaiting a decision by the NM Supreme Court. Adjudication of non-Indian water rights is ongoing.

PNM is participating in this proceeding since PNM's water rights in the San Juan Basin may be affected by the rights recognized in the settlement agreement and adjudicated to the Navajo Nation, which comprise a significant portion of water available from sources on the San Juan River and in the San Juan Basin and which have priority in times of shortages. PNM is unable to predict the ultimate outcome of this matter or estimate the amount or range of potential loss and cannot determine the effect, if any, of any water rights adjudication on the present arrangements for water at SJGS and Four Corners. Final resolution of the case cannot be expected for several years. An agreement reached with the Navajo Nation in 1985, however, provides that if Four Corners loses a portion of its rights in the adjudication, the Navajo Nation will provide, for an agreed upon cost, sufficient water from its allocation to offset the loss.

### Navajo Nation Allottee Matters

In September 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 April 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. On January 22, 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. On July 13, 2015, PNM filed a condemnation action in the NM District Court regarding the approximately 15.49 acres of land at issue. On September 18, 2015, 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. On March 31, 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. On May 26, 2017, the Tenth Circuit affirmed the district court. On July 8, 2017, 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. On November 20, 2017, 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. On March 27, 2019, several individual allottees filed a motion for partial summary judgment on the issue of trespass. The Court held a hearing on the motion on June 18, 2019 and took the motion under advisement. PNM, the allottees and the United States have agreed to a framework for settlement. The parties are preparing the settlement agreement and the stipulated court order. PNM cannot predict the outcome of these matters.

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### Merger-Related Litigation

Six purported shareholders of PNMR filed lawsuits against PNMR and the members of the Board challenging the proposed Merger with Avangrid. The lawsuits all challenged the adequacy of the disclosures in the definitive proxy statement filed by PNMR with the SEC on January 5, 2021, and sought, among other things, to enjoin the Merger or, if the Merger has been consummated, to rescind the Merger or an award of damages, and an award of attorneys' and experts' fees and expenses. Five of the lawsuits were filed in the United States District Court for the Southern District of New York and one was filed in the United States District Court for the Eastern District of New York. The lawsuits pending in the Southern District of New York were consolidated in the case captioned *In re PNM Resources, Inc. Shareholder Litigation, Consolidated Civil Action No. 1:20-CV-10874*. The five plaintiffs in the consolidated action in the Southern District of New York filed notices of voluntary dismissal, and on April 9, 2021, the Court ordered the Clerk of Court to close the consolidated action and all member cases. All five cases filed in the Southern District of New York have been closed. The case pending in the Eastern District of New York, captioned *Durlacher v. PNM Resources, Inc., et al., Case No. 1:21-cv-0024*, was not served on the defendants and the plaintiff filed a notice of voluntary dismissal on February 15, 2021. These matters are now concluded.

### 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, including TNMP. 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 raised. TNMP has deferred bad debt expense from defaulting REPs to a regulatory asset totaling \$0.8 million at 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. Five federal agencies and the PUCT have completed their reviews and approved the Merger, leaving the NMPRC as the only remaining approval necessary for the merger. The original application before the NMPRC was filed in November 2020. For additional information on the Merger regulatory proceedings see Note 22.

#### PNM

##### *New Mexico General Rate Cases*

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*New Mexico 2015 General Rate Case ("NM 2015 Rate Case")*

In 2015, PNM filed an application with the NMPRC for a general increase in retail electric rates. The application proposed a revenue increase of \$123.5 million, including base non-fuel revenues of \$121.7 million. The NMPRC ordered PNM to file additional testimony regarding PNM's interests in PVNGS, including the 64.1 MW of PVNGS Unit 2 that PNM repurchased in January 2016 pursuant to the terms of the initial sales-leaseback transactions.

In August 2016, the hearing examiner in the case issued a recommended decision (the "August 2016 RD"). The August 2016 RD, among other things, recommended that the NMPRC find PNM was imprudent in the actions taken to purchase the previously leased 64.1 MW of capacity in PVNGS Unit 2, extending the leases for 114.6 MW of capacity of PVNGS Units 1 and 2, and installing the BDT equipment on SJGS Units 1 and 4. As a result, the August 2016 RD recommended the NMPRC disallow recovery of the entire \$163.3 million purchase price for the January 15, 2016 purchases of the assets underlying three leases aggregating 64.1 MW of PVNGS Unit 2, the undepreciated capital improvements made during the period the 64.1 MW of purchased capacity was leased, rent expense aggregating \$18.1 million annually for leases aggregating 114.6 MW of capacity that were extended through January 2023 and 2024 (Note 8), and recovery of the costs of converting SJGS Units 1 and 4 to BDT.

On September 28, 2016, the NMPRC issued an order that authorized PNM to implement an increase in non-fuel rates of \$61.2 million, effective for bills sent to customers after September 30, 2016. The order generally approved the August 2016 RD, but with certain significant modifications. The modifications to the August 2016 RD included:

- Inclusion of the January 2016 purchase of the assets underlying three leases of capacity, aggregating 64.1 MW, of PVNGS Unit 2 at an initial rate base value of \$83.7 million; and disallowance of the recovery of the undepreciated costs of capitalized improvements made during the period the 64.1 MW was being leased by PNM, which aggregated \$43.8 million when the order was issued
- Recovery of annual rent expenses associated with the 114.6 MW of capacity under the extended leases
- Disallowance of the recovery of any future contributions for PVNGS decommissioning costs related to the 64.1 MW of capacity purchased in January 2016 and the 114.6 MW of capacity under the extended leases

On September 30, 2016, PNM filed a notice of appeal with the NM Supreme Court regarding the order in the NM 2015 Rate Case. Specifically, PNM appealed the NMPRC's determination that PNM was imprudent in certain matters in the case, including the NMPRC's disallowance of the full purchase price of the 64.1 MW of capacity in PVNGS Unit 2, the undepreciated costs of capitalized improvements made during the period the 64.1 MW of capacity was leased by PNM, the cost of converting SJGS Units 1 and 4 to BDT, and future contributions for PVNGS decommissioning attributable to the 64.1 MW of purchased capacity and the 114.6 MW of capacity under the extended leases. NEE, NM AREA, and ABCWUA filed notices of cross-appeal to PNM's appeal. The issues appealed by the various cross-appellants included, among other things, the NMPRC allowing PNM to recover any of the costs of the lease extensions for the 114.6 MW of PVNGS Units 1 and 2 and the purchase price for the 64.1 MW in PVNGS Unit 2, the costs incurred under the Four Corners CSA, and the inclusion of the "prepaid pension asset" in rate base.

During the pendency of the appeal, PNM evaluated the consequences of the order in the NM 2015 Rate Case and the related appeals to the NM Supreme Court. These evaluations indicated that it was reasonably possible that PNM would be successful on the issues it was appealing but would not be provided capital costs recovery until the NMPRC acted on a decision of the NM Supreme Court. PNM also evaluated the accounting consequences of the issues being appealed by the cross-appellants and concluded that the issues raised in the cross-appeals did not have substantial merit.

On May 16, 2019, the NM Supreme Court issued its decision on the matters that had been appealed in the NM 2015 Rate Case. The NM Supreme Court rejected the matters appealed by the cross-appellants and affirmed the NMPRC's disallowance of a portion of the purchase price of the 64.1 MW of capacity in PVNGS Unit 2; the undepreciated costs of capital improvements made during the time the 64.1 MW capacity was leased by PNM; and the costs to install BDT at SJGS Units 1 and 4. The NM Supreme Court also ruled that the NMPRC's decision to permanently disallow recovery of future decommissioning costs related to the 64.1 MW of PVNGS Unit 2 and the 114.6 MW of PVNGS Units 1 and 2 deprived PNM of its rights to due process of law and remanded the

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case to the NMPRC for further proceedings consistent with the court's findings. On July 17, 2019, the NMPRC heard oral argument from parties in the case on how to best proceed with the NM Supreme Court's remand. At oral argument, parties presented various positions ranging from re-litigating the value of PVNGS resources determined by the NMPRC and affirmed by the NM Supreme Court to re-affirming the NMPRC's final order with a single modification to address recovery of future PVNGS decommissioning costs in a future case. On January 8, 2020, the NMPRC issued its order on remand, which reaffirmed its September 2016 order except for the decision to permanently disallow recovery of certain future decommissioning costs related to PVNGS Units 1 and 2. The NMPRC indicated that PNM's ability to recover these costs will be addressed in a future proceeding and closed the NM 2015 Rate Case docket.

As a result of the NM Supreme Court's ruling, during the year ended December 31, 2019, PNM recorded pre-tax impairments of \$150.6 million, which includes \$73.2 million for a portion of the purchase price for 64.1 MW in PVNGS Unit 2, \$39.7 million of undepreciated capitalized improvements made during the period the 64.1 MW was being leased by PNM, and \$37.7 million for BDT on SJGS Units 1 and 4 and is reflected as regulatory disallowances and restructuring costs in the Consolidated Statements of Earnings. The impairment was offset by tax impacts of \$45.7 million, which are reflected as income taxes on the Consolidated Statements of Earnings.

*New Mexico 2016 General Rate Case ("NM 2016 Rate Case")*

In 2016, PNM filed an application with the NMPRC for a general increase in retail electric rates. PNM's application used a FTY beginning January 1, 2018 and requested an increase in base non-fuel revenues of \$99.2 million based on a ROE of 10.125%. The primary drivers of PNM's revenue deficiency included implementation of modifications to PNM's resource portfolio, which were approved by the NMPRC in December 2015 as part of the SJGS regional haze compliance plan, infrastructure investments, including environmental upgrades at Four Corners, declines in forecasted energy sales due to successful energy efficiency programs and other economic factors, and updates to FERC/retail jurisdictional allocations.

After extensive settlement negotiations and public proceedings, the NMPRC issued a Revised Order Partially Adopting Certification of Stipulation dated January 10, 2018 (the "Revised Order"). The key terms of the Revised Order include:

- An increase in base non-fuel revenues totaling \$10.3 million, which includes a reduction to reflect the impact of the decrease in the federal corporate income tax rate and updates to PNM's cost of debt (aggregating an estimated \$47.6 million annually)
- A ROE of 9.575%
- Returning to customers over a three-year period the benefit of the reduction in the New Mexico corporate income tax rate to the extent attributable to PNM's retail operations (Note 18)
- Disallowing PNM's ability to collect an equity return on certain investments aggregating \$148.1 million at Four Corners, but allowing recovery with a debt-only return
- An agreement to not implement non-fuel base rate changes, other than changes related to PNM's rate riders, with an effective date prior to January 1, 2020
- A requirement to consider the prudence of PNM's decision to continue its participation in Four Corners in PNM's next general rate case filing

In accordance with the settlement agreement and the NMPRC's final order, PNM implemented 50% of the approved increase for service rendered beginning February 1, 2018 and implemented the rest of the increase for service rendered beginning January 1, 2019.

On December 29, 2020, Sierra Club filed a motion asking the NMPRC to re-open the NM 2016 Rate Case for the limited purpose of conducting a prudence review of certain Four Corners investments that were deferred at the conclusion of the case. In the alternative, Sierra Club requested that the NMPRC order that the deferred prudence review be conducted in the Four Corners Abandonment Application, filed on January 8, 2021. On February 10, 2021, the NMPRC rejected Sierra Club's motion to re-open the NM 2016 Rate Case and stated that issues on whether the terms of the ETA provide an opportunity for consideration of prudence for Four Corners undepreciated investments included in a financing order or what effects the rates approved in the NM 2016 Rate Case may have on determining energy transition cost should be considered in the Four Corners Abandonment Application. See discussion regarding PNM's Four Corners Abandonment Application discussed below.

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*Renewable Energy Portfolio Standard*

As discussed in Note 16, the ETA, enacted on June 14, 2019 amends the REA including removal of diversity requirements and certain customer caps and exemptions relating to the application of the RPS under the REA.

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 per 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 201.2 MW at December 31, 2021, owned by customers or third parties from whom PNM purchases any net excess output and RECs

On June 3, 2019, PNM filed its 2020 renewable energy procurement plan. The plan requested approval of a 20-year PPA to purchase 140 MW of renewable energy and RECs from La Joya Wind II. PNM's 2020 renewable energy procurement plan requested a variance from the RPS for 2020 and proposed the shortfall be met with excess RECs available under the La Joya Wind II PPA in 2021. PNM also submitted proposed adjustments to the current FPPAC methodology for non-renewable fuel allocations to reflect the ETA's removal of certain customer cost caps associated with the RPS and requested that the fuel clause year be reset to correspond to the January 1 reset date under the renewable energy rider. On December 2, 2019, the hearing examiner issued a recommended decision in the case recommending approval of PNM's 2020 renewable energy procurement plan including La Joya Wind II. On January 29, 2020, the NMPRC accepted the hearing examiner's recommended decision and approved PNM's 2020 renewable energy procurement plan, effective February 1, 2020.

On June 1, 2020, PNM filed its 2021 renewable energy procurement plan. In the plan, PNM proposed to collect a revenue requirement of approximately \$67.8 million through the renewable energy rider, including recovery of a regulatory asset of \$2.3 million for costs of administering PNM's Sky Blue voluntary renewable energy program that PNM has not been able to collect from Sky Blue participants. The Sky Blue regulatory asset of \$2.3 million included carrying charges of 8.64% totaling approximately \$0.7 million. PNM did not propose any new procurements in the plan. On November 18, 2020 the NMPRC issued a final order approving the 2021 renewable energy procurement plan and recovery of \$65.5 million through the rider in 2021, which reflected the NMPRC's rejection of PNM's request to recover the \$2.3 million Sky Blue regulatory asset in 2021, effective January 1, 2021. The NMPRC denied PNM's request to recover the regulatory asset, in part, because PNM did not adequately account for the renewable energy certificates associated with the regulatory asset. The NMPRC indicated that it will initiate a separate proceeding on the subject of whether the Sky Blue program should continue in its current form, be modified, or be terminated. The NMPRC also placed conditions on PNM's ability to recover the Sky Blue regulatory asset from all customers, rather than from program participants, in a future proceeding, including that the carrying charge associated with the regulatory asset be reduced from 8.64% to 4% and that PNM be prohibited from collecting carrying charges from the date of the final order. However, PNM is permitted to seek recovery of carrying charges for the full 8.64% through the current Sky Blue program.

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

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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.

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

Year Ended	Annual Revenues (In millions)
2019	\$52.0
2020	56.4
2021	61.7

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 did not exceed such limitation in 2020 and does not expect to 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.

*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.

In 2019, PNM submitted a filing to address incentives to be earned in 2020. PNM's proposed incentive mechanism was similar to that approved for 2018 and 2019 with minor modifications to reflect input from interested parties. The proposed incentive mechanism includes a base incentive of 7.1% of program costs, or approximately \$1.8 million, based on savings of 59 GWh in 2020 with a sliding scale that provides for additional incentive if savings exceed 68 GWh. No hearings were considered necessary and PNM's 2020 energy efficiency rider reflecting the 2020 incentive became effective beginning December 30, 2019. On April 15, 2021, PNM filed its 2020 Energy Efficiency Annual Report which reconciles the actual 2020 profit incentive collections with the profit incentive authorized by the NMPRC resulting in an additional \$0.8 million incentive collected during the remainder of 2021. The additional incentive was authorized for 2020 because annual energy savings for the year exceeded 87 GWh and was the maximum level of profit incentive allowed under the approved mechanism. PNM began collecting the additional incentive effective May 27, 2021.

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 80 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

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equipment with AMI. PNM did not recommend the AMI pilot program due to the limited benefits that are cost-effective 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.

*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. PNM proposed to record the difference between the annual revenue per customer derived from the cost of service approved in the NM 2015 Rate Case and the annual revenue per customer actually recovered from the rate classes beginning on January 1, 2021. If approved, PNM would collect the difference from customers if the revenue per customer from the NM 2015 Rate Case exceeds the actual revenue recovered, or return the difference to customers if the actual revenue per customer recovered exceeds the revenue per customer from the NM 2015 Rate Case. 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 allege that PNM's proposed rate adjustment mechanism is inconsistent with the EUEA. Responses to the motions to dismiss were filed on August 7, 2020. On September 16, 2020, ABCWUA, Bernalillo County, CCAE, the City of Albuquerque, NEE, NMAG, NMPRC Staff ("Staff"), and WRA filed testimony. CCAE and WRA supported PNM's petition, but recommended that the rate adjustment mechanism not take effect until new rates are approved in PNM's next general rate case. The other parties filing testimony opposed PNM's petition. 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. Initial briefs were filed on June 7, 2021 and response briefs were filed on June 28, 2021. Oral arguments were made on July 15, 2021. 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 January 27, 2022, PNM filed exceptions to the recommended decision and response exceptions were filed on February 4, 2022. 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.

*2020 IRP*

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NMPRC rules required PNM to file its 2020 IRP in July 2020. On March 16, 2020, PNM filed a motion to extend the deadline to file its 2020 IRP to six months after the NMPRC issues a final order approving a replacement resource portfolio and closes the docket in the bifurcated SJGS Abandonment Application and replacement resource proceedings. On April 8, 2020, the NMPRC approved PNM's motion to extend the deadline to file its 2020 IRP as requested. On January 29, 2021, PNM filed its 2020 IRP addressing the 20-year planning period, from 2020 through 2040. The plan focuses on a carbon-free electricity portfolio by 2040 that would eliminate coal at the end of 2024. This includes replacing the power from San Juan with a mix of approved carbon-free resources and the plan to exit Four Corners at the end of 2024. The plan highlights the need for additional investments in a diverse set of resources, including renewables to supply carbon-free power, energy storage to balance supply and demand, and efficiency and other demand-side resources to mitigate load growth. On May 24, 2021, the hearing examiner issued a procedural schedule and required PNM, upon request, to provide modeling data and assumptions to parties within two weeks. Additionally, PNM was required upon request, to run modeling or provide reasonable access to PNM virtual machines at PNM's expense. The alternative modeling deadline concluded on August 30, 2021 and Staff's recommendation was filed on November 12, 2021. The recommendation found that PNM has met the requirements of the IRP rule, but not the requirements of the NM 2016 Rate Case.

*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. The ETA also 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 the qualifying utility.

*SJGS Abandonment Application*

On January 30, 2019, the NMPRC issued an order initiating a proceeding and requiring PNM to submit an application for the abandonment of PNM's share of SJGS by March 1, 2019. 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. The NMPRC indicated that PNM's July 1, 2019 filing is responsive to the January 30, 2019 order. 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 examiner 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

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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. The NM Supreme Court granted motions to intervene filed by PNM, WRA, CCAE, and the Sierra Club. On May 8, 2020, CFRE and NEE filed a joint statement of issues with the NM Supreme Court which asserts that the NMPRC improperly applied the ETA and that the ETA violates the New Mexico Constitution. On June 19, 2020, WRA filed a motion to dismiss CFRE and NEE’s constitutional challenges to the ETA on the ground that the New Mexico Constitution provides that only New Mexico district courts have original jurisdiction over the claims. On July 24, 2020, the NM Supreme Court issued an order denying WRA’s motion to dismiss. On August 17, 2020, the appellants filed a Brief in Chief and on October 5, 2020, PNM, WRA, CCAE, and Sierra Club filed Answer Briefs. 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. 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.

PNM evaluated the consequences of the NMPRC’s April 1, 2020 orders approving the abandonment of SJGS and the related issuance of Securitized Bonds. This evaluation indicated that it is probable that PNM will be required to fund severances for PNM employees at the facility upon its retirement in 2022 and for PNMR shared services employees providing administrative and other support services to SJGS. In addition, the evaluation indicated that it is probable PNM will be obligated to fund severances and other costs for the WSJ LLC employees and to fund certain state agencies for economic development and workforce training upon the issuance of the Securitized Bonds. As a result, 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 upon the issuance of the Securitized Bonds. The total amount recorded for these estimates of \$38.1 million and \$36.8 million is reflected in other deferred credits and as a corresponding deferred regulatory asset on PNMR’s and PNM’s Consolidated Balance Sheets at December 31, 2020. PNM revised its estimates in 2021 and \$36.9 million and \$36.0 million is reflected in other current liabilities and as a corresponding deferred regulatory asset on PNMR’s and PNM’s Consolidated Balance Sheets at December 31, 2021. These estimates may be adjusted in future periods as the Company refines its expectations.

On June 24, 2020, the hearing examiners issued a recommended decision on PNM’s request for approval of replacement resources that addressed the entire portfolio of replacement resources, which superseded a previous partial recommended decision issued on March 27, 2020. The hearing examiners concluded that the ultimate selection of a portfolio of replacement resources involves policy considerations that are the province of the NMPRC and stated that they did not intend to make that decision for the NMPRC. 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. The order also granted in part PNM’s request for an extension of time for PNM to file the application to implement the replacement resource portfolio. PNM had 60 days from the date of the order to file an application in a separate docket seeking approval of the proposed final executed contracts, for any replacement resources not in evidence that had been approved by the NMPRC.

On September 28, 2020, PNM filed its application for approval of the final executed contracts for the replacement resources. In addition, PNM provided updated costs estimates of \$8.1 million for the SJGS replacement resources, based on the NMPRC authorization to create regulatory assets granted in the abandonment order, which it plans to seek recovery of in a future general rate case. On November 13, 2020, the hearing examiner issued a recommended decision recommending approval of a 200 MW solar PPA combined with a 100 MW battery storage agreement and the 100 MW solar PPA combined with a 30 MW battery storage

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agreement. On December 2, 2020 the NMPRC issued an order adopting the recommended decision in its entirety.

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 have notified PNM that completion of the projects will 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 present a risk that PNM will have insufficient operational resources to meet the 2022 summer peak to reliably serve its customers if PNM is 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 system reserve margin ranging from 0.9% to (3.4%) 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 will provide 327 MW of capacity and improve PNM's projected system reserve margin ranging from approximately 17.4% to 9.8%. 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 and 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, the amended SJGS participation agreement was filed with FERC. PNM cannot predict the outcome of this matter.

*Four Corners Abandonment Application*

On November 1, 2020, PNM entered into the Four Corners Purchase and Sale Agreement with NTEC, pursuant to which PNM will sell its 13% ownership interest (other than certain transmission assets) in Four Corners to NTEC. The sale is contingent upon NMPRC approval and 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 will 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 was recorded in other deferred charges and other current assets on the Consolidated Balance Sheets as of December 31, 2021 and 2020.

On January 8, 2021, PNM filed the Four Corners Abandonment Application, which seeks NMPRC approval to exit PNM's share of Four Corners as of December 31, 2024, and issuance of approximately \$300 million of energy transition 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 in economic development. PNM intends to submit a separate application for NMPRC approval of a replacement resource portfolio following NMPRC action on this application.

On January 26, 2021, Sierra Club filed a motion in the Four Corners Abandonment Application requesting that the NMPRC order PNM to file supplemental testimony addressing the prudence of Four Corners investments or alternatively that the NMPRC dismiss the Four Corners Abandonment Application and permit PNM to refile after the prudence issue is resolved. In addition, on January 28, 2021, NEE and CFRE filed a motion requesting that the NMPRC dismiss the application, stating that approval of the abandonment would be contrary to the provision of the REA that prevents the sale of carbon dioxide emitting electricity-generating resources as a means of complying with the RPS, and that the Four Corners Abandonment Application does not demonstrate that the sale of 200 MW to NTEC will not result in a net detriment to public interest. Parties filed positions on the sufficiency of PNM's application on February 11, 2021. On February 18, 2021, PNM filed a consolidated response to the motions and the positions on the sufficiency of the application which defended the legal sufficiency of PNM's application and addressed potential amendments to the application and testimonies. On February 26, 2021, the

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hearing examiner issued an order on the sufficiency of the Four Corners Application finding that the application was deficient on its face and fails to adequately support whether or not the sale and transfer of PNM's interest in Four Corners to NTEC is in the public interest. However, given the NMPRC's preference to address Four Corners issues in the case, as well as PNM's concession on filing an amended application, the hearing examiner did not recommend that the case be dismissed. The order required PNM to file an amended application by March 15, 2021; established that the nine-month period for review of the amended application shall start on the date of PNM's filing of the amended application and run through December 15, 2021; required PNM to file supplemental testimony addressing the prudence of its investment in Four Corners; required PNM to more explicitly address the statutory standards for approval of the proposed transfer to NTEC; and required PNM to file a motion to withdraw the January 8, 2021 Four Corners Application. 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 May 17, 2021 NEE and CFRE ("Joint Movants") again filed motions to dismiss the case, providing reasons which include; PNM's failure to disclose the reason for the divestiture in the plant is the Merger; the application is deficient because PNM has failed to produce the seasonal operation agreement with the other Four Corners owners; and reiterated their prior view that PNM's amended application is contrary to the REA. Also on May 17, 2021, CCAE filed a motion to dismiss the case stating that PNM's application is devoid of any discussion of the assumption of liabilities by NTEC pertaining to PNM's share of Four Corners. On May 18, 2021, San Juan Citizens Alliance/Dine Care and the Native American Voters Alliance Education Project ("NAVAEP") filed a joinder supporting CCAE's motion. On June 1, 2021, PNM filed responses to the Joint Movants' and CCAE motions to dismiss and filed a motion to strike portions of the Joint Movants' and CCAE's motions to dismiss. PNM's motion states that the Joint Movants and CCAE rely upon materials beyond the pleadings in the case and within the record in other proceedings to support their motions. On June 14, 2021, the hearing examiner issued an order denying the motions to dismiss from NEE, CFRE and CCAE.

A hearing began August 31, 2021, briefs were filed October 1, 2021 and response briefs were filed October 13, 2021. 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 examiners 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 October 30, 2020, NEE filed a formal complaint with the NMPRC seeking an investigation into the reasonableness and lawfulness of PNM's continued reliance on "climate-altering and uneconomic coal" at Four Corners. NEE explained that they withdrew their NM Supreme Court appeal of the NM 2016 Rate Case under the notion that PNM would be filing a rate case in 2019 and they would be able to challenge the Four Corners expenditures in that case. NEE explained that because PNM has delayed its rate case several times, Four Corners has remained "imprudently" in rates. NEE asked that PNM be required to demonstrate that PNM's investment in Four Corners was prudent. NEE stated if the NMPRC deems PNM's investment as imprudent, ratepayers will be held harmless and all costs including carrying charges, effective October 30, 2020, and going forward, be denied. On February 10, 2021, the NMPRC denied NEE's complaint and stated that issues related to Four Corners prudence should be addressed in the Four Corners Abandonment Application. On February 22, 2021, NEE filed a Motion for Reconsideration of the NMPRC's February 10, 2021 order, which was denied on March 10, 2021. On April 9, 2021, NEE filed a Notice of Appeal with the NM Supreme Court regarding their formal complaint on Four Corners. On July 6, 2021, NEE filed a motion to withdraw its Notice of Appeal with the NM Supreme Court. On September 21, 2021, the NM Supreme Court issued its order granting NEE's motion to

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withdraw its appeal; the court also issued a mandate to the NMPRC to take further action as might be needed consistent with the order.

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, 2021, 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 are 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 an application with the NMPRC requesting approval for the decertification and abandonment of 114 MW of leased PVNGS capacity, sale and transfer of related assets, and approval to procure new resources ("PVNGS Leased Interest Abandonment Application"). As discussed in Note 8, PNM currently controls leased capacity in PVNGS Unit 1 and Unit 2 under five separate leases ("Leased Interest") 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 terminate on January 15, 2023, while the remaining lease for 10 MW of Leased Interest terminates on January 15, 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 has 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 these Leased Interest with new resources. In the application, PNM is requesting 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 is also seeking 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 is seeking 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 is also requesting 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 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 14, 2021 and June 25, 2021, PNM filed supplemental testimony responding to questions provided by the hearing examiner. 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,

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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.

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.

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. PNM cannot predict the outcome of this matter.

*Cost Recovery Related to Joining the EIM*

The CAISO developed the EIM as a real-time wholesale energy trading market that enables participating electric utilities to buy and sell energy. The EIM aggregates the variability of electricity generation and load for multiple balancing authority areas and utility jurisdictions. In addition, the EIM facilitates greater integration of renewable resources through the aggregation of flexible resources by capturing diversity benefits from the expanded geographic footprint and the expanded potential uses for those resources.

PNM completed a cost-benefit analysis of participating in the EIM. PNM's analysis indicated participation in the EIM would provide substantial benefits to retail customers. In 2018, PNM filed an application with the NMPRC requesting, among other things, to recover an estimated \$20.9 million of initial capital investments and authorization to establish a regulatory asset to recover an estimated \$7.4 million of other expenses that would be incurred in order to join the EIM. PNM's application proposed the regulatory asset be adjusted to provide for full recovery of such costs, including carrying charges, until the effective date of new rates in PNM's next general rate case. PNM's application also proposed the benefits of participating in the EIM be credited to retail customers through PNM's existing FPPAC and that PNM would seek recovery of its costs in a future proceeding. On December 19, 2018, the NMPRC issued an order approving the establishment of a regulatory asset to recover PNM's cost of joining the EIM, which was subsequently challenged by several parties. On February 6, 2019, the NMPRC issued an order granting rehearing and vacating the December 19, 2018 order. On March 18, 2019, the hearing examiner issued an updated recommended decision recommending approval of the establishment of a regulatory asset but deferring certain rate making issues, including but not limited to issues related to implementation and ongoing EIM costs and savings, the prudence and reasonableness of costs to be included in the regulatory asset, and the period over which costs would be charged to customers until PNM's next general rate case filing, which was approved by the NMPRC. PNM and other parties filed a joint motion requesting the NMPRC clarify that the quarterly benefits reports prepared by CAISO be used to determine the benefits of participating in the EIM, as well as to support the prudence of costs incurred to join the EIM. On April 24, 2019, the NMPRC issued an order granting the joint motion for clarification and indicating the CAISO quarterly benefits reports may be used in a future rate case. PNM joined and began participating in the EIM in April 2021.

*Meta Platforms, Inc. Data Center Project*

PNM has a special service contract to provide service to Meta, Inc. for a data center in PNM's service area. Meta's service requirements include the acquisition by PNM of a sufficient amount of new renewable energy resources and RECs to match the energy and capacity requirements of the data center. The cost of renewable energy procured is passed through to Meta under a rate rider. A special service rate is applied to Meta's energy consumption in those hours of the month when their consumption exceeds the energy production

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from the renewable resources. As of December 31, 2021, PNM is procuring energy from 130 MW of solar-PV capacity from NMRD, a 50% equity method investee of PNMR Development. See additional discussion of NMRD in Note 21.

PNM has NMPRC approval for additional 25-year PPAs to purchase renewable energy and RECs to supply renewable energy to the data center. These PPAs include the purchase of the power and RECs from:

- Casa Mesa Wind, LLC, a subsidiary of NextEra Energy Resources, LLC, which is located near House, New Mexico, has a total capacity of 50 MW, and became operational in November 2018
- 166 MW from La Joya Wind I, owned by Avangrid Renewables, LLC, which is located near Estancia, New Mexico and began commercial operational in February 2021
- Route 66 Solar Energy Center, LLC, a subsidiary of NextEra Energy Resources, LLC, which is expected to be located west of Albuquerque, New Mexico, have a total capacity of 50 MW, and is expected to be operational in 2022
- Two PPAs to purchase renewable energy and RECs from an aggregate of approximately 100 MW of capacity from two solar-PV facilities to be owned and operated by NMRD. The first 50 MW of these facilities began commercial operation in December 2019 and the remaining capacity began commercial operation in July 2020.

On February 8, 2021, PNM filed an application with the NMPRC for approval to service the data center for an additional 190 MW of solar PPA combined with 100 MW of battery storage and a 50 MW solar PPA expected to be operational in 2023. On June 16, 2021, a hearing was held by the NMPRC with closing statements filed on June 21, 2021. On June 23, 2021, the NMPRC issued an Order for Continuance, stating concerns with the proposed addendum to the special service contract and its methodology for calculating a credit to Meta for the capacity supplied by the 100 MW battery storage agreement. On July 28, 2021, the NMPRC approved the solar PPAs for 190 MW and 50 MW; approved only 50 MW of the requested 100 MW battery storage; and rejected the proposed addendum to the special service contract and its methodology for calculating a credit to Meta for the capacity supplied by the battery storage. On October 1, 2021, in compliance with the final order, PNM filed a Notice of Filing Amendments recognizing that the battery storage is 50 MW instead of 100 MW and PPA and battery storage requirements for approval of the addendum to the special service contract is waived. This matter is now concluded.

*PNM Solar Direct*

On May 31, 2019, PNM filed an application with the NMPRC for approval of a program under which qualified governmental and large commercial customers could participate in a voluntary renewable energy procurement program. PNM proposed to recover costs of the program directly from subscribing customers through a rate rider. Under the rider, PNM would procure renewable energy from 50 MW of solar-PV facilities under a 15-year PPA. PNM had fully subscribed the entire output of the 50 MW facilities at the time of the filing. Hearings on the application concluded on January 9, 2020. On March 11, 2020, the hearing examiner issued a recommended decision recommending approval of PNM's application. The hearing examiner's recommended decision was approved by the NMPRC on March 25, 2020. These facilities are expected to begin commercial operations in 2022. This matter is now concluded.

*Western Spirit Line*

On May 1, 2019, PNM, the New Mexico Renewable Energy Transmission Authority ("RETA"), a New Mexico state authority, and Western Spirit Transmission LLC ("Western Spirit"), an affiliate of Pattern Energy Group, Inc., entered into agreements for the construction of a transmission line to transmit power generated from wind facilities to be owned by Pattern Wind. As a part of the arrangement, the parties executed a Build Transfer Agreement that would allow PNM to purchase the Western Spirit Line.

On May 10, 2019, PNM filed an application with the NMPRC requesting that the NMPRC determine that it is not unlawful or inconsistent with the public interest for PNM to purchase the Western Spirit Line. On September 11, 2019, the hearing examiner issued a recommended decision that would allow PNM to purchase the Western Spirit Line, and indicating that PNM's proposal satisfies the NMPRC's acquisition standards and that no CCN is required until such time that PNM seeks recovery for costs associated with the line from retail rate payers. On October 2, 2019, the NMPRC approved the recommended decision with limited modifications.

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PNM also has entered into TSAs with Pattern Wind for firm transmission service. The TSAs use an incremental rate based on the construction and other ongoing costs of the Western Spirit Line, including adjustments for construction costs that Pattern Wind has chosen to self-fund under the agreement. FERC approved PNM's TSAs with Pattern Wind effective July 9, 2019. On August 8, 2019, FERC approved PNM's request to purchase the Western Spirit Line.

In December 2021, PNM completed the purchase of the Western Spirit Line, an approximately 150-mile 345-kV transmission line and related facilities, and service under TSAs was initiated. The total cost of the Western Spirit Line was approximately \$360 million, which includes the cost of certain PNM built facilities and does not include customer self-funding of \$75.0 million provided by the Western Spirit and Pattern Wind affiliates. The net cost is presented as cash flows from investing activities on the Consolidated Statement of Cash Flows for the twelve months ending December 31, 2021.

*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.

*COVID-19 Regulatory Matters*

In March 2020, PNM and other utilities voluntarily implemented a temporary suspension of disconnections and late payment fees for non-payment of utility bills in response to the impacts of COVID-19. On March 18, 2020, the NMPRC conducted an emergency open meeting for the purpose of adopting emergency amendments to its rules governing service to residential customers. The NMPRC's emergency order was applicable during the duration of the Governor of New Mexico's emergency executive order and allowed for the closure of payment centers, prohibits the discontinuance of a residential customer's service for non-payment, and suspends the expiration of medical certificates for certain customers. On April 27, 2020, PNM, El Paso Electric Company, New Mexico Gas Company, and Southwestern Public Service Company filed a joint motion with the NMPRC requesting authorization to track costs resulting from each utility's response to the COVID-19 outbreak. The utilities proposed these incremental costs and uncollected customer accounts receivable resulting from COVID-19 during the period March 11, 2020 through December 31, 2020 be recorded as a regulatory asset. 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 had deferred costs related to COVID-19 of \$8.8 million in regulatory assets on the Consolidated Balance Sheet at December 31, 2020. PNM still intends to seek recovery of the increased bad debt expense resulting from COVID-19 through a regulatory asset in a future general rate proceeding. As a result, PNM has deferred bad debt expense related to COVID-19 of \$6.9 million in regulatory assets on the Consolidated Balance Sheet at December 31, 2021. PNM no longer intends to seek recovery of the other incremental costs in a future rate proceeding as a regulatory asset 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 Sheet at both December 31, 2021 and December 31, 2020.

On February 3, 2021, the NMPRC issued an order finding that the temporary mandatory moratorium on disconnections of residential utility customers would be in effect from the date of the order for 100 days, which ended May 14, 2021. At the end of the moratorium, the 90-day transition period began, which continued the temporary moratorium on disconnections to provide the utilities additional time to assist residential customers with

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arrearrages to enter into installment agreements. On July 14, 2021, the NMPRC issued an order clarifying previous orders that the mandatory requirements of the NMPRC's previous order prohibiting residential disconnects should be voluntarily complied with by investor-owned utilities until August 12, 2021. PNM began disconnections at the end of the transition period.

*Transportation Electrification Program*

On December 18, 2020, in compliance with New Mexico Statute, PNM filed its PNM 2022-2023 TEP for approval with the NMPRC. PNM's requested TEP included a budget of approximately \$8.4 million with flexibility of 25%. As proposed, up to 25% of the program budget will be dedicated to low and moderate income customers and is based on a model with no company ownership of charging facilities. PNM's proposed TEP provides incentives through rebates to both residential and non-residential customers towards the purchase of chargers and/or behind-the-meter infrastructure. PNM's TEP includes a request for a modified rate to add an electric vehicle pilot with a time-of-use option, a new non-residential electric vehicle time-of-use rate pilot without demand charges and implementation of a new rider to collect the actual costs of the TEP. PNM's application requested NMPRC approval by the end of August 2021 and authority to file a new TEP by the end of June 2023. On August 30, 2021, the hearing examiner issued a recommended decision approving, among other things, PNM's budget flexibility proposal, PNM's proposed pilot time-of-use rate and PNM's TEP Rider. On November 10, 2021, the NMPRC issued a final order approving PNM's TEP.

*Unexecuted Transmission Service Agreements (TSAs) with Leeward Renewable Energy*

On March 12, 2021, PNM filed four unexecuted TSAs with FERC totaling 145 MW with Leeward. The unexecuted TSAs provide long-term firm, point-to-point transmission service on PNM's transmission system. The unexecuted TSAs are based on the pro-forma transmission service agreements with certain non-conforming provisions under Attachment A of PNM's OATT and include PNM's OATT rate. PNM is filing the unexecuted TSAs at the request of Leeward because the parties have been unable to reach an agreement on the terms and conditions for transmission service. In particular, Leeward believes the rate under the unexecuted TSAs should be an incremental rate while PNM believes the appropriate rate is its OATT rate.

On April 2, 2021, Leeward and Pattern Wind separately protested PNM's March 12, 2021 filing of four unexecuted TSAs with Leeward. The parties are requesting that FERC direct PNM to apply the same rate to the unexecuted TSAs as the incremental rate assessed to the Western Spirit transmission facilities, inclusive of Leeward's network upgrades and requested service, or, in the alternative, initiate hearing and settlement judge procedures to address the unjust and unreasonable application of the FERC's "higher of" policy. On April 19, 2021, PNM filed a motion for leave to answer and contested the arguments made by Leeward and Pattern Wind. In its response, PNM stated that it disagrees with the parties' pricing scheme because doing so would not recognize all the transmission facilities necessary to provide Leeward service, does not hold PNM's other transmission customers harmless, and is inconsistent with FERC pricing policy and precedent. PNM further explained that the proposal to include its FERC approved embedded rate in the unexecuted TSAs is just and reasonable and should be accepted by FERC. On May 11, 2021, FERC issued an order accepting PNM's four unexecuted TSAs. In the order, FERC stated that it agreed with PNM's pricing scheme and agreed that PNM's proposal to use the OATT rate will ensure that the benefit of Leeward's addition to the system will be spread among other existing system users, rather than simply transferred to Pattern Wind. On June 10, 2021, Pattern Wind and Leeward both filed a request for rehearing of the FERC Order. On September 10, 2021, Leeward filed a petition in the United States District Court for the District of Columbia for review of FERC's order accepting PNM's four unexecuted TSAs. On November 15, 2021, FERC issued an order denying the rehearing. On December 3, 2021, Leeward filed an Unopposed Motion for Voluntary Dismissal with the United States District Court for the District of Columbia of its petition for review. PNM is unable to predict the outcome of this matter.

*FERC Compliance*

PNM is conducting 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. PNM anticipates it will pursue any applicable waivers with FERC upon completion of PNM's internal review. PNM is unable to predict the outcome of this matter.

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*The Community Solar Act*

On June 18, 2021, Senate Bill 84, known as the Community Solar Act, became effective. The Community Solar Act establishes 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. PNM cannot predict the full impact of the Community Solar Act or the outcome of the NMPRC's rulemaking.

*San Juan Generating Station Unit 1 Outage*

On June 30, 2021, a cooling tower used for SJGS Unit 1 failed resulting in a unit outage. SJGS Unit 1 was brought back online on July 25, 2021. PNM anticipates the damages to the facility will be reimbursed under an existing property insurance policy that covers SJGS, subject to a deductible of \$2.0 million. PNM's share of the deductible of \$1.0 million, reflects PNM's 50% ownership interest in SJGS Unit 1. On July 14, 2021, the NMPRC issued an order opening a formal docket and inquiry into the cooling tower incident. PNM has responded to a number of NMPRC questions in the inquiry, including questions about the cause of the cooling tower failure, cost and progress of the cleanup and remediation, whether customers experienced loss of service, how PNM provided power during the outage, safety practices and procedures at SJGS, and the history of inspections on the cooling towers. PNM cannot predict the outcome of this matter.

**TNMP**

*TNMP 2018 Rate Case*

On May 30, 2018, TNMP filed a general rate proceeding with the PUCT (the "TNMP 2018 Rate Case") requesting an annual increase to base rates of \$25.9 million based on a ROE of 10.5%, a cost of debt of 7.2%, and a capital structure comprised of 50% debt and 50% equity. TNMP's application included a request to establish new rate riders to recover Hurricane Harvey restoration, rate case, and additional vegetation management costs. The application also included the integration of revenues previously recorded under the AMS rider and collection of other unrecovered AMS investments into base rates. The TNMP 2018 Rate Case application also proposed to return the regulatory liability recorded at December 31, 2017 related to federal tax reform to customers and to reduce the federal corporate income tax rate to 21%.

On December 20, 2018, the PUCT approved an unopposed settlement agreement in the case. The PUCT's final order results in a \$10.0 million annual increase to base rates. The key elements of the approved settlement include a ROE of 9.65%, and a capital structure comprised of 55% debt and 45% equity. As stated by the settlement agreement, the PUCT's final order excludes certain items from rate base that were requested in TNMP's original filing, including approximately \$10.6 million of transmission investments that TNMP included in its January 2019 transmission cost of service filing, which was approved by the PUCT in March 2019. In addition, the PUCT's final order requires TNMP to reflect the lower federal income tax rate of 21% in rates and refund approximately \$37.8 million of a regulatory liability recorded at December 31, 2017 related to federal tax reform to customers over a period of five years and the remaining amount over the estimated useful lives of plant in service as of December 31, 2017; approves TNMP's request to integrate revenues historically recorded under TNMP's AMS rider, as well as other unrecovered AMS investments, into base rates; approves TNMP's request for new depreciation rates; and approves a new rider to recover Hurricane Harvey restoration costs, net of amounts to be refunded to customers resulting from the reduction in the federal income tax rate in 2018. See Notes 13 and 18. The new rider was charged to customers over a period of approximately three years beginning on the effective

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date of new base rates. New rates under the TNMP 2018 Rate Case were effective beginning on January 1, 2019.

*Recovery of TNMP Rate Case Costs*

Recovery of the cost of TNMP's rate case was moved into a separate proceeding to begin after the conclusion of TNMP 2018 Rate Case. TNMP sought recovery of costs incurred through August 2019 in the amount of \$3.8 million and proposed these costs be collected from customers over a three-year period. In October 2019, TNMP and other parties to the proceedings filed an unopposed settlement stipulation that reduced TNMP's cost recovery to \$3.3 million and provide for recovery over a period not to exceed three years beginning on March 1, 2020. On January 16, 2020, the PUCT approved the settlement. As a result of the PUCT's order, TNMP recorded a pre-tax write-off of \$0.5 million in December 2019, which is reflected as regulatory disallowances on TNMP's Consolidated Statements of Earnings.

*Advanced Meter System Deployment*

In July 2011, the PUCT approved a settlement and authorized an AMS deployment plan that permits TNMP to collect \$113.4 million in deployment costs through a surcharge over a 12-year period. TNMP began collecting the surcharge in August 2011 and deployment of advanced meters began in September 2011. TNMP completed its mass deployment in 2016 and has installed more than 242,000 advanced meters. The TNMP 2018 Rate Case and associated approved settlement discussed above included a reconciliation of AMS costs and integrate TNMP's AMS recovery into base rates beginning on January 1, 2019.

TNMP was notified by its largest AMS service provider that its existing communication platform would be decommissioned in February 2022. TNMP evaluated technological alternatives for its AMS and on October 2, 2020, filed an application with the PUCT for authorization to implement necessary upgrades of approximately \$46 million by November 2022. On January 14, 2021, the PUCT approved TNMP's application. TNMP will seek recovery of the investment associated with the upgrade in a future general rate proceeding or DCOS filing.

*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.

*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, 2019	\$ 5.6	\$ 0.8
March 1, 2020	5.9	0.8
March 1, 2021	5.9	1.0

On May 27, 2021, TNMP filed its request to adjust the EECRF to reflect changes in costs for 2022. The total amount requested was \$7.2 million, which includes a performance bonus of \$2.3 million based on TNMP's energy efficiency achievements in the 2020 plan year. On July 28, 2021, a unanimous stipulation and settlement

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was filed with the PUCT to recover its requested costs in 2022, including the performance bonus of \$2.3 million. On October 7, 2021, the PUCT approved TNMP's energy efficiency application.

*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 21, 2019	\$ 111.8	\$ 14.3
September 19, 2019	21.9	3.3
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

On January 26, 2022, TNMP filed an application to further update its transmission rates, which would increase revenues by \$14.2 million annually, based on an increase in rate base of \$95.6 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 6, 2020, TNMP filed its 2020 DCOS that requested an increase in TNMP's annual distribution revenue requirement of \$14.7 million based on net capital incremental rate base of \$149.2 million. On June 26, 2020, the parties filed a unanimous settlement for a \$14.3 million annual distribution revenue requirement with rates effective September 1, 2020. On August 13, 2020, the PUCT approved the unanimous settlement. 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. Subsequently, the ALJ issued an order on July 9, 2021 approving interim rates effective September 1, 2021, and remanded the case to the PUCT for approval. On September 23, 2021, the PUCT approved substantially all costs in the unanimous settlement.

*COVID-19 Electricity Relief Program*

On March 26, 2020, the PUCT issued an order establishing an electricity relief program for electric utilities, REPs, and customers impacted by COVID-19. The program allowed providers to implement a rider to collect unpaid residential retail customer bills and to ensure these customers continued to have electric service. In addition, the program provided transmission and distribution providers access to zero-interest loans from ERCOT. Collectively, ERCOT's loans could not exceed \$15 million. The program had a term of six months unless

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extended by the PUCT. In a separate order, the PUCT authorized electric utilities to establish a regulatory asset for costs related to COVID-19. These costs included but were not limited to costs related to unpaid accounts.

TNMP filed its rider on March 30, 2020. The rider was effective immediately and established a charge of \$0.33 per MWh in accordance with the PUCT's order. Final collections under the rider exceeded unpaid residential retail customer bills and were presented net as a regulatory liability of \$0.1 million on the Consolidated Balance Sheet as of December 31, 2020. TNMP is refunding the net regulatory liability through its transmission cost recovery factor. Other COVID-19 related costs of \$0.7 million were also recorded as a regulatory asset on the Consolidated Balance Sheet as of December 31, 2020. TNMP no longer intends to seek recovery of the other incremental costs in a future rate proceeding as a regulatory asset and therefore, reversed the regulatory asset in 2021. On April 14, 2020, TNMP executed an interest-free loan agreement to borrow \$0.5 million from ERCOT, and on October 30, 2020, the balance of the loan was repaid.

On August 27, 2020, the PUCT issued an order determining that new enrollments in the program should end on August 31, 2020 and benefits under the program should end on September 30, 2020 to allow eligible customers a minimum of one month of benefits from the program. All requests for reimbursement were made by November 30, 2020. On December 4, 2020, TNMP filed to end collections under the tariff. Final collections under the rider were made on December 11, 2020. On January 14, 2021, TNMP made a final compliance filing for the electricity relief program.

## (18) Income Taxes

### Federal Income Tax Reform

In December 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 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 reflects 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. 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. PNM, PNM, and TNMP amortized federal and state excess deferred income taxes of \$24.5 million, \$15.2 million, and \$9.3 million in 2021. See additional discussion of PNM's NM 2016 Rate Case and TNMP's 2018 Rate Case in Note 17.

As discussed in Note 17, the NM Supreme Court issued a decision in May 2019 on the appeal of the NM 2015 Rate Case resulting in pre-tax impairments of \$150.6 million in the year ending December 31, 2019. The impairments were recognized as discrete items within regulatory disallowances and restructuring costs resulting in tax benefits of \$45.7 million, which are reflected in income taxes on the Company's Consolidated Statements of Earnings for the year ended December 31, 2019.

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**PNMR**

PNMR's income taxes (benefits) consist of the following components:

	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
Current federal income tax	\$ —	\$ —	\$ 60
Current state income tax	1,835	231	43
Deferred federal income tax (benefit)	20,679	17,574	(20,372)
Deferred state income tax (benefit)	11,315	3,721	(4,491)
Amortization of accumulated investment tax credits	(1,247)	(890)	(522)
Total income taxes (benefits)	<u>\$ 32,582</u>	<u>\$ 20,636</u>	<u>\$ (25,282)</u>

PNMR's provision for income taxes (benefits) 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,		
	2021	2020	2019
	(In thousands)		
Federal income tax at statutory rates	\$ 51,330	\$ 43,670	\$ 14,038
Amortization of accumulated investment tax credits	(1,247)	(890)	(522)
Amortization of excess deferred income tax (Note 17)	(24,484)	(30,723)	(37,799)
Flow-through of depreciation items	798	1,368	1,136
Earnings attributable to non-controlling interest in Valencia	(3,253)	(2,943)	(2,991)
State income tax, net of federal (benefit)	9,660	6,961	298
Allowance for equity funds used during construction	(2,776)	(2,363)	(1,990)
Regulatory recovery of prior year impairments of state net operating loss carryforward, including amortization	—	1,367	1,367
Tax benefit related to stock compensation awards	(788)	(392)	(795)
Non-deductible compensation	899	2,630	1,156
Transaction costs	848	—	—
Other	1,595	1,951	820
Total income taxes (benefits)	<u>\$ 32,582</u>	<u>\$ 20,636</u>	<u>\$ (25,282)</u>
Effective tax rate	13.33 %	9.92 %	(37.82)%

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

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
	(In thousands)	
Deferred tax assets:		
Net operating loss	\$ 32,441	\$ 41,419
Regulatory liabilities related to income taxes	120,651	148,961
Federal tax credit carryforwards	122,436	121,354
Regulatory disallowances	38,835	38,531
Other	34,812	42,885
Total deferred tax assets	<u>349,175</u>	<u>393,150</u>
Deferred tax liabilities:		
Depreciation and plant related	(787,295)	(738,342)
Investment tax credit	(97,409)	(98,669)
Regulatory assets related to income taxes	(78,211)	(61,330)
Pension	(40,828)	(37,099)
Regulatory asset for shutdown of SJGS Units 2 and 3	(25,643)	(27,237)
Other	(84,639)	(124,985)
Total deferred tax liabilities	<u>(1,114,025)</u>	<u>(1,087,662)</u>
Net accumulated deferred income tax liabilities	<u>\$ (764,850)</u>	<u>\$ (694,512)</u>

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

	<b>Year Ended</b>
	<b>December 31, 2021</b>
	(In thousands)
Net change in deferred income tax liability per above table	\$ 70,338
Change in tax effects of income tax related regulatory assets and liabilities	(12,424)
Amortization of excess deferred income tax	(24,484)
Tax effect of mark-to-market adjustments	2,729
Tax effect of excess pension liability	(5,196)
Adjustment for uncertain income tax positions	562
Reclassification of unrecognized tax benefits	(562)
Other	(216)
Deferred income taxes	<u>\$ 30,747</u>

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NOTES TO FINANCIAL STATEMENTS (Continued)

**PNM**

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

	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
Current federal income tax (benefit)	\$ —	\$ —	\$ (6,266)
Current state income tax (benefit)	(128)	(585)	449
Deferred federal income tax (benefit)	18,774	20,125	(12,308)
Deferred state income tax (benefit)	8,583	2,560	(7,590)
Amortization of accumulated investment tax credits	(237)	(243)	(247)
Total income taxes (benefit)	<u>\$ 26,992</u>	<u>\$ 21,857</u>	<u>\$ (25,962)</u>

PNM's provision for income taxes (benefit) 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,		
	2021	2020	2019
	(In thousands)		
Federal income tax at statutory rates	\$ 41,696	\$ 38,193	\$ 6,187
Amortization of accumulated investment tax credits	(237)	(243)	(247)
Amortization of excess deferred income tax (Note 17)	(15,158)	(21,609)	(28,923)
Flow-through of depreciation items	689	1,279	1,077
Earnings attributable to non-controlling interest in Valencia	(3,253)	(2,943)	(2,991)
State income tax, net of federal benefit	7,609	7,111	92
Allowance for equity funds used during construction	(2,080)	(1,461)	(1,398)
Regulatory recovery of prior year impairment of state net operating loss carryforward, net of amortization	—	1,367	1,367
Allocation of tax benefit related to stock compensation awards	(563)	(279)	(559)
Non-deductible compensation	547	1,554	683
Transaction costs	22	—	—
Other	(2,280)	(1,112)	(1,250)
Total income taxes (benefits)	<u>\$ 26,992</u>	<u>\$ 21,857</u>	<u>\$ (25,962)</u>
Effective tax rate	13.59 %	12.02 %	(88.13)%

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

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
	(In thousands)	
Deferred tax assets:		
Net operating loss	\$ 1,854	\$ —
Regulatory liabilities related to income taxes	96,161	121,569
Federal tax credit carryforwards	86,811	84,719
Regulatory disallowance	38,835	38,531
Other	36,599	46,444
Total deferred tax assets	<u>260,260</u>	<u>291,263</u>
Deferred tax liabilities:		
Depreciation and plant related	(616,567)	(576,079)
Investment tax credit	(74,187)	(74,424)
Regulatory assets related to income taxes	(68,687)	(51,493)
Pension	(36,283)	(32,413)
Regulatory asset for shutdown of SJGS Units 2 and 3	(25,643)	(27,237)
Other	(69,575)	(108,767)
Total deferred tax liabilities	<u>(890,942)</u>	<u>(870,413)</u>
Net accumulated deferred income tax liabilities	<u>\$ (630,682)</u>	<u>\$ (579,150)</u>

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

	<b>Year Ended</b>
	<b>December 31, 2021</b>
	(In thousands)
Net change in deferred income tax liability per above table	\$ 51,532
Change in tax effects of income tax related regulatory assets and liabilities	(9,834)
Amortization of excess deferred income tax	(15,158)
Tax effect of mark-to-market adjustments	2,957
Tax effect of excess pension liability	(5,196)
Adjustment for uncertain income tax positions	541
Reclassification of unrecognized tax benefits	2,278
Deferred income taxes	<u>\$ 27,120</u>

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**TNMP**

TNMP's income taxes consist of the following components:

	<b>Year Ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
	(In thousands)		
Current federal income tax	\$ 5,770	\$ 12,048	\$ 10,792
Current state income tax	2,395	2,033	1,904
Deferred federal income tax (benefit)	(224)	(7,744)	(7,621)
Deferred state income tax (benefit)	(29)	(29)	(29)
Total income taxes	<u>\$ 7,912</u>	<u>\$ 6,308</u>	<u>\$ 5,046</u>

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:

	<b>Year Ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
	(In thousands)		
Federal income tax at statutory rates	\$ 15,076	\$ 13,628	\$ 12,778
Amortization of excess deferred income tax	(9,326)	(9,113)	(8,876)
State income tax, net of federal (benefit)	1,763	1,625	1,532
Allocation of tax benefit related to stock compensation awards	(224)	(112)	(236)
Non-deductible compensation	351	1,071	471
Transaction costs	(4)	—	—
Other	276	(791)	(623)
Total income taxes	<u>\$ 7,912</u>	<u>\$ 6,308</u>	<u>\$ 5,046</u>
Effective tax rate	11.02 %	9.71 %	8.29 %

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The components of TNMP's net accumulated deferred income tax liability at December 31, were:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
	(In thousands)	
Deferred tax assets:		
Regulatory liabilities related to income taxes	\$ 24,490	\$ 27,392
Other	3,648	4,548
Total deferred tax assets	<u>28,138</u>	<u>31,940</u>
Deferred tax liabilities:		
Depreciation and plant related	(157,649)	(148,279)
Regulatory assets related to income taxes	(9,525)	(9,836)
Loss on reacquired debt	(5,799)	(6,072)
Pension	(4,545)	(4,685)
AMS	(5,249)	(6,915)
Other	(2,619)	(1,522)
Total deferred tax liabilities	<u>(185,386)</u>	<u>(177,309)</u>
Net accumulated deferred income tax liabilities	<u>\$ (157,248)</u>	<u>\$ (145,369)</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:

	<b>Year Ended</b>	
	<b>December 31, 2021</b>	
	(In thousands)	
Net change in deferred income tax liability per above table	\$	11,879
Change in tax effects of income tax related regulatory assets and liabilities		(2,591)
Amortization of excess deferred income tax (benefit)		(9,326)
Other		(215)
Deferred income tax (benefits)	<u>\$</u>	<u>(253)</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, 2018	\$ 10,194	\$ 7,288	\$ 103
Additions based on tax positions related to 2019	329	329	—
Additions for tax positions of prior years	170	159	11
Settlement payments	—	—	—
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	<u>\$ 13,714</u>	<u>\$ 10,771</u>	<u>\$ 141</u>

Included in the balance of unrecognized tax benefits at December 31, 2021 are \$11.6 million, \$8.6 million, and \$0.1 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 2022.

PNMR, PNM, and TNMP had no estimated interest income or expense related to income taxes for the years ended December 31, 2021, 2020, and 2019. There was no accumulated accrued interest receivable or payable related to income taxes as of December 31, 2021 and 2020.

The Company files a federal consolidated and several consolidated and separate state income tax returns. The tax years prior to 2018 are closed to examination by either federal or state taxing authorities other than Arizona. The tax years prior to 2017 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, 2021, the Company has \$196.2 million of federal net operating loss carryforwards that expire beginning in 2033 and \$122.4 million of federal tax credit carryforwards that expire beginning in 2024. State net operating losses expire beginning in 2033 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

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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.

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.

The impairments after reflecting the expiration of carryforwards under applicable tax laws, net of federal tax benefit, for 2019 through 2021 are as follows:

	PNMR	PNM	TNMP
	(In thousands)		
<b>December 31, 2021:</b>			
Federal tax credit carryforwards	\$ 1,029	\$ —	\$ —
Compensation expense	\$ 119	\$ 84	\$ 35
<b>December 31, 2020:</b>			
State tax credit carryforwards	\$ (425)	\$ —	\$ —
Compensation expense	\$ 96	\$ 61	\$ 35
<b>December 31, 2019:</b>			
State tax credit carryforwards	\$ 425	\$ —	\$ —
Compensation expense	\$ (99)	\$ (100)	\$ 2

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, 2021 and 2020 are as follows:

	PNMR	PNM	TNMP
	(In thousands)		
<b>December 31, 2021:</b>			
Federal tax credit carryforwards	\$ 1,029	\$ —	\$ —
Compensation expense	\$ 526	\$ 343	\$ 182
<b>December 31, 2020:</b>			
Compensation expense	\$ 407	\$ 259	\$ 148

## (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

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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 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, 2019, PNMR performed qualitative analyses 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, as well as the quantitative analysis performed for TNMP at April 1, 2016 and the previous qualitative analyses through April 1, 2018. This analysis considered Company specific events such as the potential impacts of legal and regulatory matters discussed in Note 16 and Note 17, including potential outcomes in PNM's SJGS Abandonment Application, the impacts of the NM Supreme Court's decision in the appeal of the NM 2015 Rate Case, and other potential impacts of changes in PNM's resource needs based on PNM's 2017 IRP. Based on an evaluation of these and other factors, the Company determined it was not more likely than not that the April 1, 2019 carrying values of PNM or TNMP exceeded their fair values.

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. 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,

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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 and the previous qualitative analyses through April 1, 2020 performed for PNM, as well as the quantitative analysis performed for TNMP at April 1, 2020. This analysis considered Company specific events such as the Merger, potential impacts of legal and regulatory matters discussed in Note 16 and Note 17, including potential outcomes in PNM's Four Corners 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, 2021 carrying values of PNM and TNMP exceeded their fair value. Since the April 1, 2021 annual evaluation, there have been no events, including the Merger (Note 22), 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.

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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,		
	2021	2020	2019
	(In thousands)		
Services billings:			
PNMR to PNM	\$ 107,747	\$ 100,872	\$ 96,327
PNMR to TNMP	41,798	39,053	36,554
PNM to TNMP	404	383	375
TNMP to PNMR	141	141	141
TNMP to PNM	—	—	—
PNMR to NMRD	221	260	238
Renewable energy purchases:			
PNM from NMRD	11,879	9,638	3,124
Interconnection and facility study billings:			
PNM to NMRD	225	350	650
PNM to PNMR	—	—	—
PNMR to PNM	—	—	68,820
NMRD to PNM	1,276	—	—
Interest billings:			
PNMR to PNM	31	6	3,365
PNM to PNMR	144	255	299
PNMR to TNMP	—	2	42
Income tax sharing payments:			
PNMR to TNMP	—	—	—
PNMR to PNM	19,492	—	—
PNM to PNMR	—	—	—
TNMP to PNMR	12,842	15,820	12,996

## (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, 2021, 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 2021, 2020, and 2019 PNMR Development and AEP OnSite Partners each made cash contributions of zero, \$23.3 million, and \$38.3 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

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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,		
	2021	2020	2019
	(In thousands)		
Operating revenues	\$ 12,738	\$ 10,366	\$ 3,662
Operating expenses	9,733	7,476	2,971
Net earnings	<u>\$ 3,005</u>	<u>\$ 2,890</u>	<u>\$ 691</u>

	Financial Position	
	December 31,	
	2021	2020
	(In thousands)	
Current assets	\$ 10,729	\$ 8,046
Net property, plant, and equipment	166,495	172,585
Non-current assets	2,289	1,900
Total assets	179,513	182,531
Current liabilities	824	841
Non-current liabilities	373	380
Owners' equity	<u>\$ 178,316</u>	<u>\$ 181,310</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. The proposed Merger has been unanimously approved by the Boards of Directors of PNMR, Avangrid and Merger Sub and was approved by PNMR shareholders at the Special Meeting of Shareholders held on February 12, 2021.

Pursuant to the Merger Agreement, each issued and outstanding share of the common stock of PNMR (other than (i) the issued shares of PNMR common stock that are owned by Avangrid, Merger Sub, PNMR or any wholly-owned subsidiary of Avangrid or PNMR, which will be automatically cancelled at the Effective Time and (ii) shares of PNMR common stock outstanding immediately prior to the Effective Time and held by a holder who has not voted in favor of, or consented in writing to, the Merger who is entitled to, and who has demanded, payment for fair value of such shares) at the Effective Time will be converted into the right to receive \$50.30 in cash.

The Merger Agreement provided that it may be terminated if the Effective Time shall not have occurred by the 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. On December 8, 2021, the NMPRC issued an order rejecting the stipulation agreement relating to the Merger and the approval of the Merger from the NMPRC has not yet been obtained.

In light of the NMPRC December 8, 2021 ruling, on January 3, 2022, PNMR, Avangrid and Merger Sub entered into an Amendment to the Merger Agreement pursuant to which PNMR and Avangrid each agreed to extend the End Date to April 20, 2023. The parties acknowledge in the Amendment that the required regulatory approval from the NMPRC has not been obtained and that the parties have reasonably determined that such outstanding approval will not be obtained by April 20, 2022. As amended, the Merger Agreement may be

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terminated by each of PNMR and Avangrid under certain circumstances, including if the Merger is not consummated by April 20, 2023.

With respect to the NMPRC proceedings, on April 20, 2021, the Joint Applicants, the NMAG, WRA, the International Brotherhood of Electrical Workers Local 611, Dine, Nava Education Project, the San Juan Citizens Alliance and To Nizhoni Ani, had entered into a stipulation and agreement in the Joint Application for approval of Merger pending before the NMPRC. Subsequently, CCAE, Onward Energy Holdings LLC, Walmart Inc., Interwest Energy Alliance, M-S-R Power and the Incorporated County of Los Alamos joined an amended stipulation. 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.

With respect to other regulatory proceedings related to the Merger, in January 2021, the FTC notified PNMR and Avangrid that early termination of the waiting period under the HSR Act in connection with the Merger was granted. In February 2021, CFIUS completed its review of the Merger and concluded that there are no unresolved national security concerns with respect to the Merger. In March 2021, PNMR and Avangrid received FCC approval of the transfer of operating licenses related to the Merger. In April 2021, FERC issued an order authorizing the Merger. In May 2021, the PUCT issued an order authorizing the Merger and the NRC approved the Merger. As a result of the delay in closing of the Merger due to the need to obtain NMPRC approval, PNMR and Avangrid are required to make a new filing under the HSR Act and request extensions of previously received approvals from with the FCC and NRC. On February 9, 2022, the request for extension was filed with the NRC. On February 24, 2022, the requests for a 180-day extension were granted by the FCC. No additional filings will be required with 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 approvals, 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 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)	2,421,773,876	2,421,773,876
4	Property Under Capital Leases	16,565,907	16,565,907
5	Plant Purchased or Sold		
6	Completed Construction not Classified	54,015,160	54,015,160
7	Experimental Plant Unclassified		
8	Total (3 thru 7)	2,492,354,943	2,492,354,943
9	Leased to Others		
10	Held for Future Use	12,736	12,736
11	Construction Work in Progress	53,319,125	53,319,125
12	Acquisition Adjustments		
13	Total Utility Plant (8 thru 12)	2,545,686,804	2,545,686,804
14	Accum Prov for Depr, Amort, & Depl	636,012,981	636,012,981
15	Net Utility Plant (13 less 14)	1,909,673,823	1,909,673,823
16	Detail of Accum Prov for Depr, Amort & Depl		
17	In Service:		
18	Depreciation	618,992,128	618,992,128
19	Amort & Depl of Producing Nat Gas Land/Land Right		
20	Amort of Underground Storage Land/Land Rights		
21	Amort of Other Utility Plant	17,020,853	17,020,853
22	Total In Service (18 thru 21)	636,012,981	636,012,981
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)	636,012,981	636,012,981

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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)			
<p>1. Report below the original cost of electric plant in service according to the prescribed accounts.</p> <p>2. 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.</p> <p>3. Include in column (c) or (d), as appropriate, corrections of additions and retirements for the current or preceding year.</p> <p>4. 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.</p> <p>5. Enclose in parentheses credit adjustments of plant accounts to indicate the negative effect of such accounts.</p> <p>6. 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)</p>			
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	18,227,907	3,615,120
5	TOTAL Intangible Plant (Enter Total of lines 2, 3, and 4)	18,227,907	3,615,120
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
			21,843,027	4
—	—	—	21,843,027	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
			—	34
—	—	—	—	35
				36
			—	37
			—	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	17,800,617	227,079
48.1	(351) Energy Storage Equipment - Transmission	—	
49	(352) Structures and Improvements	22,921,377	5,920,538
50	(353) Station Equipment	262,643,877	13,444,660
51	(354 ) Towers and Fixtures	13,942,771	(2,245,899)
52	(355) Poles and Fixtures	248,519,031	83,052,702
53	(356) Overhead Conductors and Devices	108,962,736	27,285,912
54	(357) Underground Conduit	—	
55	(358) Underground Conductors and Devices	—	
56	(359) Roads and Trails	—	217,796
57	(359.1) Asset Retirement Costs for Transmission Plant	—	
58	TOTAL Transmission Plant (Enter Total of lines 48 thru 57)	674,790,409	127,902,788
59	4. DISTRIBUTION PLANT		
60	(360) Land and Land Rights	7,198,536	327,338
61	(361) Structures and Improvements	15,858,696	2,585,517
62	(362) Station Equipment	428,172,058	68,488,708
63	(363) Storage Battery Equipment	—	
64	(364) Poles, Towers, and Fixtures	263,316,233	32,029,228
65	(365) Overhead Conductors and Devices	238,064,824	24,072,422
66	(366) Underground Conduit	50,586,361	4,008,790
67	(367) Underground Conductors and Devices	104,127,778	11,611,126
68	(368) Line Transformers	139,282,853	8,729,741
69	(369) Services	87,995,215	933,660
70	(370) Meters	71,522,415	10,784,050
71	(371) Installations on Customer Premises	4,398,909	(5,106)
72	(372) Leased Property on Customer Premises	—	
73	(373) Street Lighting and Signal Systems	20,249,772	1,480,133
74	(374) Asset Retirement Costs for Distribution Plant	14,518	
75	TOTAL Distribution Plant (Enter Total of lines 60 thru 74)	1,430,788,168	165,045,607
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	5,045,517	1,221,816
87	(390) Structures and Improvements	33,886,114	967,038
88	(391) Office Furniture and Equipment	7,203,744	1,120,112
89	(392) Transportation Equipment	23,265,523	(135,971)
90	(393) Stores Equipment	—	
91	(394) Tools, Shop and Garage Equipment	14,315,890	1,272,652
92	(395) Laboratory Equipment	—	
93	(396) Power Operated Equipment	1,360,570	169,557
94	(397) Communication Equipment	2,263,607	7,502,257
95	(398) Miscellaneous Equipment	336,564	(6,595)
96	SUBTOTAL (Enter Total of lines 86 thru 95)	87,677,529	12,110,866
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)	87,694,484	12,110,866
100	TOTAL (Accounts 101 and 106)	2,211,500,968	308,674,381
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)	2,211,500,968	308,674,381

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) 04/04/2022	Year/Period of Report End of 2021/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
			18,027,696		48
			—		48.1
5,117		(328,138)	28,508,660		49
1,410,913		374,239	275,051,863		50
5,656			11,691,216		51
4,438,644	(454,690)	(45,763)	326,632,636		52
1,275,232			134,973,416		53
			—		54
			—		55
			217,796		56
			—		57
7,135,562	(454,690)	338	795,103,283		58
					59
		(135,233)	7,390,641		60
229,284		(2,879,822)	15,335,107		61
6,905,085		2,973,523	492,729,204		62
			—		63
2,156,543		596,773	293,785,691		64
1,516,439	(9,390)	(551,010)	260,060,407		65
25,586			54,569,565		66
394,681			115,344,223		67
534,816			147,477,778		68
26,637			88,902,238		69
4,817,060			77,489,405		70
64,111			4,329,692		71
			—		72
317,466			21,412,439		73
8,198			6,320		74
16,995,906	(9,390)	4,231	1,578,832,710		75
					76
			—		77
			—		78
			—		79
			—		80
			—		81
			—		82
			—		83
—	—	—	—		84
					85
			6,267,333		86
110,467	(68,928)	(4,569)	34,669,188		87
943,695			7,380,161		88
13,558	(18,237,619)		4,878,375		89
			—		90
184,645			15,403,897		91
			—		92
10,236			1,519,891		93
221,617			9,544,247		94
			329,969		95
1,484,218	(18,306,547)	(4,569)	79,993,061		96
			—		97
			16,955		98
1,484,218	(18,306,547)	(4,569)	80,010,016		99
25,615,686	(18,770,627)	—	2,475,789,036		100
			—		101
			—		102
			—		103
25,615,686	(18,770,627)	—	2,475,789,036		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) 04/04/2022	Year/Period of Report 2021/Q4
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FOOTNOTE DATA
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**Page 207, Row 87 and 89, Column (e)**

For 2021 TNMP refined its methodology for reporting leases and will no longer include lease activity on page 204-207, but will disclose balances in a footnote. To reconcile ending balances, the beginning lease balances have been reported as negative adjustments in column (e).

	Adjustments (e)
Line 87, FERC account 390 Beginning Balance Lease Adjustment	\$ (68,928)
Line 89, FERC account 392 Beginning Balance Lease Adjustment	<u>(18,237,619)</u>
Total Beginning Balance lease adjustments	\$ (18,306,547)

As of December 31, 2021, total Electric Plant in Service excludes Property Under Capital Lease of \$16,565,907.

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) 04/04/2022	Year/Period of Report End of 2021/Q4
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**ELECTRIC PLANT HELD FOR FUTURE USE (Account 105)**

- 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.
- 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				
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
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42				
43				
44				
45				
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) 04/04/2022	Year/Period of Report End of 2021/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	1,489,916
2	002 Line Extension-Commercial	1,775,278
3	003 Reliability Projects	315,105
4	005 Lighting	150,257
5	007 Distribution System Improvements	280,092
6	008 Services	3,072,185
7	020 LVE Distribution Substation	146,897
8	023 Distribution Pole Changeouts	264,375
9	024 I-45 Widening FM 518 to FM 517	5,355,894
10	025 Construct Alpine Field Substation	264,589
11	033 Refresh Workstations	188,417
12	033 Replace Domain Controller Servers	117,626
13	035 REFRESH SIEM APPLIANCES	248,367
14	040 TNMP Distribution Easements	280,112
15	071 NTE Misc Transmission	223,444
16	071 WTX Misc Transmission	291,281
17	089 Westminster SH121 TxDOT Relocation	715,312
18	287 AMS Managed Services Migration	671,250
19	092 Rebuild FreewayPark to PHR (Line 6)	494,047
20	295 AMS NextGen Network	111,926
21	024 Power Transformer Asset Mgmt	4,112,527
22	038 Recond 4Miles from Reeves on 12P921	416,685
23	086 Ringgold Transmission Line	710,032
24	024 Airport 2nd XFMR	161,295
25	053 Tortollas - Energy Storage Resource	259,098
26	280 WATT Net PLUS	1,438,929
27	092 Construct Alpine Field 138kV Line	590,643
28	022 Replace Control Center Backup Solut	354,124
29	021 URD Cable Termination Replace Dist	734,379
30	031 Refresh Shared Storage (OPS & FIG)	190,254
31	052 AMS NextGen Meters	518,031
32	026 Substation Animal Mitigation Dist	240,819
33	095 REBUILD ALVIN TO FREEWAY PARK	321,504
34	021 Seminole Ckt #4 Reconduct 10k ft	296,490
35	079 TC Main Sub Cattail Terminal	1,828,258
36	076 Greenbelt Sub Cattail Terminal	1,719,869
37	025 New 16th Street 3000A Bus	1,561,214
38	028 Krugerville XFMR Replacement 84 MVA	1,330,828
39	078 Cattail Substation	1,299,543
40	078 Greenbelt to Cattail 138kV Line	1,257,975
41	023 Mainland Sub - 2nd XFMR	1,084,117
42	025 Distribution Breaker Asset Mgmt	1,040,073
43	TOTAL	53,319,125

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**CONSTRUCTION WORK IN PROGRESS - - ELECTRIC (Account 107)**

- Report below descriptions and balances at end of year of projects in process of construction (107)
- 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)
- 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	023 Worsham 2nd XFMR	1,033,145
2	296 AMS NextGen Software	951,795
3	023 Distribution Equipment Replacement	882,602
4	052 Freeway Park Reconfiguration	871,314
5	027 Rebuild Meridian Substation	765,933
6	072 Convert 69Gto138kV & ExtendtoOncorW	522,713
7	077 Trans Line Thermal ClearanceImprove	519,446
8	076 Climax 2nd Source	505,855
9	021 RattlesnakeCktTie to LonestarNewCkt	502,691
10	023 Meridian 4kV Cutover	461,951
11	079 Cattail to Cherokee 138kV Line	445,297
12	025 Cholla Sub Get-A-Way	413,272
13	342 Gulf Coast LMR Replacement	370,167
14	042 Hunt Consolidated Faulkner DGR	326,694
15	306 Replace PilotPoint ConstructionCntr	321,193
16	026 Butler Rd Sub Ckt #4	299,566
17	083 Climax-Farmersville 69kV HeavyMaint	279,142
18	082 Line 1BB Re-termination atGreenbelt	274,973
19	280 Banner TX Tech Stck Upgrade	272,482
20	024 Zeya Energy Storage Resource	255,127
21	074 Phillips 5 Bus Relaying Replacement	224,941
22	023 Rebuild Double Ckt 2200 2210	204,806
23	023 Inst Rcdntr 16k' to 795AAC 2nd St	186,810
24	341 OT Network Quality Assurance System	172,379
25	077 Cherokee Sub Cattail Terminal	155,104
26	089 Pavo-Energy Storage Resource	143,138
27	031 LaMarque 1205 Reconduct	119,968
28	085 Rebuild Wink to Kermit #1 10 miles	114,599
29	035 Climax-Farmersville Distrib Rework	112,051
30	081 Texas City 69kV Steel Poles	103,426
31	045 Hunt Consolidated Cedarville DGR	102,377
32	Other Projects less than \$100,000	3,481,111
33		
34		
35		
36		
37		
38		
39		
40		
41		
42		
43	TOTAL	53,319,125

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) 04/04/2022	Year/Period of Report End of 2021/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	581,111,535	581,111,535		
2	Depreciation Provisions for Year, Charged to				
3	(403) Depreciation Expense	87,073,281	87,073,281		
4	(403.1) Depreciation Expense for Asset Retirement Costs	431	431		
5	(413) Exp. of Elec. Plt. Leas. to Others	—			
6	Transportation Expenses-Clearing	386,425	386,425		
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)	87,460,137	87,460,137	—	—
11	Net Charges for Plant Retired:				
12	Book Cost of Plant Retired	25,615,686	25,615,686		
13	Cost of Removal	23,256,534	23,256,534		
14	Salvage (Credit)	446,029	446,029		
15	TOTAL Net Chrgs. for Plant Ret. (Enter Total of lines 12 thru 14)	48,426,191	48,426,191	—	—
16	Other Debit or Cr. Items (Describe, details in footnote):	(1,153,353)	(1,153,353)		
17					
18	Book Cost or Asset Retirement Costs Retired	—			
19	Balance End of Year (Enter Totals of lines 1, 10, 15, 16, and 18)	618,992,128	618,992,128	—	—

**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	105,853,885	105,853,885		
26	Distribution	498,922,592	498,922,592		
27	Regional Transmission and Market Operation	—			
28	General	14,215,651	14,215,651		
29	TOTAL (Enter Total of lines 20 thru 28)	618,992,128	618,992,128	—	—

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FOOTNOTE DATA
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Page 219, Row 16, Column (c)

Change in RWIP	\$ (698,663)
Miscellaneous Adjustments	<u>(454,690)</u>
	\$ (1,153,353)

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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)	5,612,148	6,765,449	
6	Assigned to - Operations and Maintenance	—		
7	Production Plant (Estimated)	—		
8	Transmission Plant (Estimated)	37,121	17,280	
9	Distribution Plant (Estimated)	295,266	313,517	
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)	5,944,535	7,096,246	
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)	5,944,535	7,119,437	

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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)
<b>1</b>	<b>Transmission Studies</b>				
2	Westminster SH121 Line Relocate	167,211	183		
3	Wickett-Wolf CCN	286,351	183		
4	Jupiter Swoose II ESR Pyote	20,757	183		
5	Jupiter Flower Valley ESR Flat Top	17,236	183		
6	PPoint Area Transmission Service	96,555	183		
7	ProEnergy Generation Topaz Plant	75,145	183		
8	Air Products Texas City	1,178,558	183		
9	Gambit ESR Angleton	2,382	183		
10	TG-16th STr to Soaptree	92,334	183		
11	TG-138A Rebuild	5,891	183		
12	TG-Line D Reconductor	9,271	183		
13	TG-Line E Reconductor	12,236	183		
14	TG-Line 69A Rebuild	5,803	183		
15	TG-Tarbush-Airport Rebuild	65,103	183		
16	TG-St Jo-Nocona Rebuild	21,186	183		
17	TG-Cedarvale-Oncor Sand Lake	35,351	183		
18	QW-Glen Rose-Walnut Spring	7,847	183		
19	NH-Petrolia #2 Structure Rebuild	35,312	183		
20	TG-Graham-Bryson	60,769	183		
21	TG-Climax-Farmersville	160,387	183		
22	CG-Wink Sub-Kermit #2 Sub	77,485	183		
23	QW-Rebuild Alvin to Freeway	339,871	183		
24	CG-Leon Creek Switching Station	42,286	183		
25	CG-Reconductor Lewisville	2,131	183		
26	TG-TNMP South Structure	157,256	183		
27	CG-BRP Pavo ESR Interconnection	184,133	183		
28	MO-TNP1-Twin Oak Drag Line	37,856	183		
29	TG-Bells Whitewright	54,792	183		
30	TG-Graham-Bryson	23,352	183		
31	TG-Sanderson Pole	26,389	183		
32	TG-16th Street-Airport	163,018	183		
33	TG-Walnut Springs-Glen Rose	43,203	183		
34	MO-West Columbia Local-Angl	212,076	183		
35	MO-Magnolia-Seminole	97,397	183		
36	MO-Tejas-Comanche	50,162	183		
37	MO-Freeway Park-Dickinson	139,344	183		
38	MO-Rebuild Line G138-RTR	53,378	183		
39	MO-Creosote to Coyanosa	152,731	183		
40	CG-Tiin G69-W Rebuild	56	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)
<b>Transmission Studies</b>					
41	MO-Hico-Iredell Heavy Line	17,875	183		
42	MO-Ranger to Thurber Heavy Line	15,715	183		
43	MO-Recond TI to South 138KV	2,942	183		
44	MO-Rebuild SC Main to WC Loc	65,650	183		
45	QW-FM646 TXDOT Raise	40,807	183		
46	JL-Climax-Farmersville	7,200	183		
47	TC Main-Cattail TLine	34,811	183		
48	Cattail-Air Products TLine	14,864	183		
49	MO-Pancake-Ryan Energy TLine	56	183		
50	MO-HDR ARCFM Modeling	2,744	183		
51	Byrd Ranch	1,960	253		
52	Sixty Six Solar FIS	4,110	253		
53	Flower Valley Flat Top FIS	61,362	253		
54	Swoose II Pyote FIS	33,797	253		
55	Jupiter Swoose II ESR	50,587	253		
56	Jupiter Flower Valley II ESR	50,587	253		
57	Tidwell Prairie FIS	62,897	253		
58	BRP Tortolas BESS Study	105,337	253		
59	BRP Pavo BESS Study	70,119	253		
60	BT Dileo Solar FIS Study	75,236	253		
61	Infinium Projects Study	33,013	253	(23,650)	253
62	Glidepath Power Solutions Study			(34,275)	253
63	Topaz ESR FIS Study	91,152	253	(67,500)	253
64	Jupiter Tidwell Prairie 2 & 3	38,927	253	(65,000)	253
65	Jupiter St Gall 1 and 2 ESR FIS	58,113	253	(65,000)	253
66	Golden Spread SM1 Bitcoin Study	20,043	253		
67	BRP Avila FIS Study	44,059	253	(65,000)	253
68	BRP Zeya FIS Study	5,086	253	(65,000)	253
69	Priority Power Data Center Study	64,088	253	(144,865)	253
70	Lancium Data Center RSS	9,986	253	(18,000)	253
71	LCC Wink Service Study	18,000	253	(18,000)	253
72	LCC Cedarvale Service Study	4,460	253	(18,000)	253
73	LCC Leon Creek Service Study	9,169	253	(18,000)	253
74	Patriot Floybox Bitcoin Mine Study	333	253	(18,000)	253
75	ESVolta Pequin FIS Study			(65,000)	253
76	PPM Coyanosa Data Center			(700,000)	253
77	PPM Tarbush Data Center			(950,000)	253
78	PPM Pyote Data Center			(950,000)	253
79	PPM Lonestar Data Center			(1,000,000)	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) 04/04/2022	Year/Period of Report End of 2021/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)
	<b>Transmission Studies</b>				
80	PPM Cholla Data Center			(450,000)	253
81	PPM Faulkner Data Center			(700,000)	253
82	PPM Lonestar Data Center Trans			(3,500,000)	253
83	Jetta Collie RSS			(18,000)	253
84	Rodeo Ranch Energy Storage Study			(65,000)	253
85	Pecos Verde Solar			(4,275)	253
86	Castor Energy Storage FIS Study			(65,000)	253
87	Momentum Dogfish FIS Study			(65,000)	253
88					
89					
90					
91					
92					
93					
94					
95					
96					
97					
98	Total	5,327,686		(9,152,565)	
99	<b>Generation Studies</b>				
100					
101					
102					
103					
104					
105					
106					
107					
108					
109					
110					
111					
112					
113					
114					
115					
116					
117	Total	—		—	
118	Grand Total	5,327,686		(9,152,565)	

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) 04/04/2022	Year/Period of Report End of <u>2021/Q4</u>
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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)
				Written off During the Quarter/Year  (d)	Written off During the Period Amount  (e)	
1	Income Tax Regulatory Asset	9,816,947		282,283	311,809	9,505,138
2		—				—
3	Qualified Pension	22,633,544		Various	5,126,155	17,507,389
4		—				—
5	AMS - Docket# 38306, #48401	—				—
6	Pilot Program Costs - Amortize 08/2011 - 07/2023	278,305		407	92,768	185,537
7	Retirement Costs	4,383,354		407	1,461,118	2,922,236
8		—				—
9	Bad Debt - Retail Providers, Dockets #48401/50731	44,316	815,330	904	44,316	815,330
10		—				—
11	Pension Non-Qualified	229,501		Various	229,501	—
12		—				—
13	Non-Standard Metering - Docket #41901	218,432		928	45,283	173,149
14	Non-Standard Metering Rate Case Expenses	35,540		928	7,368	28,172
15		—				—
16	AMS Under Recovery - Docket #38306	18,761,020		456	6,253,674	12,507,346
17		—				—
18	Catastrophe Reserve Under Collection	1,281,868	2,341,982	924	1,006,500	2,617,350
19	Docket #36025	—				—
20		—				—
21	2G AMS Meter Retirement, Docket #48401	224,334		407	74,778	149,556
22		—				—
23	Hurricane Harvey - Docket #48401	479,653		Various	479,653	—
24		—				—
25	Recoverable Stranded Costs - Securitization	323,677		928	107,892	215,785
26	Docket #48401	—				—
27		—				—
28	Interim AMS Recovery - Docket #48401/52314	9,028,693				9,028,693
29		—				—
30	Rate Case Expenses - Docket #48591	2,507,964		928	1,181,361	1,326,603
31		—				—
32	Covid-19 Deferred Costs - Docket #50664	675,697	282,932	Various	958,629	—
33		—				—
34	Energy Efficiency 2020 Program Year	184,147		928	184,147	—
35	Energy Efficiency 2021 Program Year	17,372	6,649,401	928	4,508,966	2,157,807
36	Energy Efficiency 2022 Program Year	—	71			71
37	Energy Efficiency Rate Case Expenses	—	53,102	928	53,102	—
38		—				—
39	TCRF Under Recovery	—	6,000,688	456	2,094,488	3,906,200
40		—				—
41	Transmission Line Safety Inspections HB #4150	—	262,617			262,617
42		—				—
43	Other Post Retirement Benefits	—	416,881			416,881
44	<b>TOTAL :</b>	<b>71,124,364</b>	<b>16,823,004</b>		<b>24,221,508</b>	<b>63,725,860</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) 04/04/2022	Year/Period of Report End of 2021/Q4
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MISCELLANEOUS DEFFERED 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	74,303	526,559	181	600,293	569
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		—				—
34		—				—
35		—				—
36		—				—
37		—				—
38		—				—
39		—				—
40		—				—
41		—				—
42		—				—
43		—				—
44		—				—
45		—				—
46		—				—
47	Misc. Work in Progress	—				—
48	Deferred Regulatory Comm. Expenses (See pages 350-351)	68,028	189,876	Various	80,060	177,844
49	TOTAL	226,807,233				226,843,315

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) 04/04/2022	Year/Period of Report End of <u>2021/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	2,206,894	2,576,966
3	Regulatory Liability	27,656,448	24,754,019
4	Other	4,959,049	3,691,741
5		—	
6		—	
7	Other	—	
8	TOTAL Electric (Enter Total of lines 2 thru 7)	34,822,391	31,022,726
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)	34,822,391	31,022,726

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) 04/04/2022	Year/Period of Report End of 2021/Q4
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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) 04/04/2022	Year/Period of Report End of 2021/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) 04/04/2022	Year/Period of Report End of 2021/Q4
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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	<b>Donations Received from Stockholders (Account 208)</b>	
2	Beginning Balance Amount	
3	Increases (Decreases) from Sales of Donations Received from Stockholders	
3.1		
4	Ending Balance Amount	
5	<b>Reduction in Par or Stated Value of Capital Stock (Account 209)</b>	
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	<b>Gain or Resale or Cancellation of Reacquired Capital Stock (Account 210)</b>	
10	Beginning Balance Amount	
11	Increases (Decreases) from Gain or Resale or Cancellation of Reacquired Capital Stock	
11.1		
12	Ending Balance Amount	
13	<b>Miscellaneous Paid-In Capital (Account 211)</b>	
14	Beginning Balance Amount	618,941,936
15	Increases (Decreases) Due to Miscellaneous Paid-In Capital	
15.1	Equity Contributions from PNMR	52,000,000
16	Ending Balance Amount	670,941,936
17	<b>Historical Data - Other Paid in Capital</b>	
18	Beginning Balance Amount	
19	Increases (Decreases) in Other Paid-In Capital	
19.1		
20	Ending Balance Amount	
40	TOTAL	670,941,936

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) 04/04/2022	Year/Period of Report End of 2021/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							
17							
18	Subtotal		908,198,000	(13,752,966)	9,496,207	(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		908,198,000	(13,752,966)	9,496,207	(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) 04/04/2022	Year/Period of Report End of 2021/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	599,156	15
						16
						17
				908,198,000	33,940,917	18
						19
						20
						21
						22
						23
						24
						25
						26
						27
						28
						29
						30
						31
						32
						33
				908,198,000	33,940,917	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) 04/04/2022	Year/Period of Report 2021/Q4
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FOOTNOTE DATA
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Page 257, Row 34, Column (i)

Interest (p. 257 ln. 34)	\$ 33,940,917
Capitalized Interest	<u>(370,743)</u>
Account 427 (p117, ln 62)	\$ 33,570,174

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) 04/04/2022	Year/Period of Report End of 2021/Q4
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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)	63,879,745
2	Reconciling Items for the Year	
3		
4	Taxable Income Not Reported on Books	
5		16,976,868
6		
7		
8		
9	Deductions Recorded on Books Not Deducted for Return	
10		26,119,605
11		
12		
13		
14	Income Recorded on Books Not Included in Return	
15		14,280,002
16		
17		
18		
19	Deductions on Return Not Charged Against Book Income	
20		75,928,357
21		
22		
23		
24		
25		
26		
27	Federal Taxable Income (Loss)	16,767,859
28	Show Computation of Tax:	
29		
30	Regular Tax @ 21.00%	3,521,250
31	R&D Credit	(19,500)
32	Accrual to Return Adjustment to Current Income Tax Expense	2,269,599
33	Other Adjustment	(287)
34		
35		
36	Federal Tax Payable	5,771,062
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) 04/04/2022	Year/Period of Report 2021/Q4
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FOOTNOTE DATA

**Page 261, Row 5, Column (b)**

Contributions in Aid of Construction	\$ 16,949,097
Other	27,771
Total	\$ 16,976,868

**Page 261, Row 10, Column (b)**

AMS	\$ 7,934,989
Income Tax Expense	7,912,079
Tax Capitalized Interest	2,843,894
Non-Deductible Compensation	1,672,244
Loss on Reacquired Debt	1,298,226
Rate Case Expense	1,071,545
Incentive Compensation	964,818
Over/Under Return of Excess Deferrals	700,158
Electricity Relief Program	675,697
Hurricane Harvey	479,652
Other	566,303
Total	\$ 26,119,605

**Page 261, Row 15, Column (b)**

TCRF Regulatory Asset/Liability	\$ 5,958,291
AFUDC	4,937,472
Energy Efficiency Reg Asset/Liability	1,956,360
Catastrophe Reserve	1,335,482
Other	92,397
Total	\$ 14,280,002

**Page 261, Row 20, Column (b)**

Repairs Deduction	\$ 38,610,129
Loss on Asset Dispositions	25,385,211
Depreciation	6,180,990
State Income Tax	2,394,455
Deferred Social Security Tax	828,883
Rep Bad Debts	771,014
Prepaid Expenses	389,063
Book Capitalized Interest	370,742
Other	997,870
Total	\$ 75,928,357

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) 04/04/2022	Year/Period of Report End of 2021/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, 2020	December 31, 2020			
1.1		Income Tax	TX	2020	9,521,346	—	5,771,062	11,779,698	(21,747)
1.2					—	—	—	—	—
2	Total Federal Tax				9,521,346	—	5,771,062	11,779,698	(21,747)
3.1		Income Tax	TX	2020	1,062,732	—	2,394,455	1,954,981	—
3.2					—	—	—	—	—
4	Total State Tax				1,062,732	—	2,394,455	1,954,981	—
5.1					—	—	—	—	—
5.2					—	—	—	—	—
6	Total Local Tax				—	—	—	—	—
7.1					—	—	—	—	—
7.2					—	—	—	—	—
8	Total Other Tax				—	—	—	—	—
9.1		Property Tax	TX	2020	16,249,671	—	1,394	16,251,065	—
9.2		Property Tax	TX	2021	—	—	19,468,112	—	—
10	Total Property Tax				16,249,671	—	19,469,506	16,251,065	—
11.1					—	—	—	—	—
11.2					—	—	—	—	—
12	Total Real Estate Tax				—	—	—	—	—
13.1	Federal	Unemployment Tax	TX	2020	490	—	—	490	—
13.2	Federal	Unemployment Tax	TX	2021	—	—	8,781	8,267	—
13.3	State	Unemployment Tax	TX	2020	624	—	—	624	—
13.4	State	Unemployment Tax	TX	2021	—	—	7,718	7,265	—
14	Total Unemployment				1,114	—	16,499	16,646	—
15.1		Sales And Use Tax	TX	2020	—	—	(672)	(672)	—
15.2		Sales And Use Tax	TX	2021	—	—	(12,863)	(12,863)	—
16	Tax				—	—	(13,535)	(13,535)	—
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) 04/04/2022	Year/Period of Report End of 2021/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, 2021	Prepaid Taxes (Incl. in Account 165) (k) December 31, 2021	Electric (Account 408.1, 409.1) (l)	Extraordinary Items (Account 409.3) (m)	Adjustments to Ret. Earnings (Account 439) (n)	Other (o)	
3,490,963	—	5,472,544	—	—	298,518	1.1
—	—	—	—	—	—	1.2
3,490,963	—	5,472,544	—	—	298,518	2
1,502,206	—	2,356,903	—	—	37,552	3.1
—	—	—	—	—	—	3.2
1,502,206	—	2,356,903	—	—	37,552	4
—	—	—	—	—	—	5.1
—	—	—	—	—	—	5.2
—	—	—	—	—	—	6
—	—	—	—	—	—	7.1
—	—	—	—	—	—	7.2
—	—	—	—	—	—	8
—	—	1,394	—	—	—	9.1
19,468,112	—	19,468,112	—	—	—	9.2
19,468,112	—	19,469,506	—	—	—	10
—	—	—	—	—	—	11.1
—	—	—	—	—	—	11.2
—	—	—	—	—	—	12
—	—	—	—	—	—	13.1
514	—	17,528	—	—	(8,747)	13.2
—	—	—	—	—	—	13.3
453	—	15,405	—	—	(7,687)	13.4
967	—	32,933	—	—	(16,434)	14
—	—	(672)	—	—	—	15.1
—	—	(12,863)	—	—	—	15.2
—	—	(13,535)	—	—	—	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) 04/04/2022	Year/Period of Report End of 2021/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		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, 2020	December 31, 2020			
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	2020	849,891	—	—	21,008	—
41.2	Social Security	Payroll Tax	TX	2021	—	—	1,456,842	1,456,842	—
42	Total Payroll Tax				849,891	—	1,456,842	1,477,850	—
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	2020	4,197,163	—	—	4,197,163	—
51.2	Street Rental	Other Taxes and Fees	TX	2021	—	—	13,990,026	13,419,768	3,665,998
51.3	Miscellaneous	Other Taxes and Fees	TX	2020	—	—	11	11	—
52	Total Other Taxes and Fees				4,197,163	—	13,990,037	17,616,942	3,665,998
53	TOTAL				31,881,917	—	43,084,866	49,083,647	3,644,251

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) 04/04/2022	Year/Period of Report End of 2021/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, 2021	Prepaid Taxes (Incl. in Account 165) (k) December 31, 2021	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
828,883	—	—	—	—	(1,451,116)	41.1
—	—	2,907,958	—	—	—	41.2
828,883	—	2,907,958	—	—	(1,451,116)	42
—	—	—	—	—	—	43.1
—	—	—	—	—	—	43.2
—	—	—	—	—	—	44
—	—	—	—	—	—	45.1
—	—	—	—	—	—	45.2
—	—	—	—	—	—	46
—	—	—	—	—	—	47.1
—	—	—	—	—	—	47.2
—	—	—	—	—	—	48
—	—	—	—	—	—	49.1
—	—	—	—	—	—	49.2
—	—	—	—	—	—	50
—	—	13,990,026	—	—	—	51.1
4,236,256	—	—	—	—	—	51.2
—	—	11	—	—	—	51.3
4,236,256	—	13,990,037	—	—	—	52
29,527,387	—	44,216,346	—	—	(1,131,480)	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) 04/04/2022	Year/Period of Report End of <u>2021/Q4</u>
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**Page 263.1, Row 53, Column (o)**

Capitalized Payroll Tax	\$ (1,467,550)
Other Federal Income Tax Adjustments	298,518
Other State Income Tax Adjustments	<u>37,552</u>
	\$ (1,131,480)

**Page 262.1, Row 53, Column (i)**

FIN 48 Adjustment	\$ (21,747)
Street Rental Fees Collection from Transmission Customers	<u>3,665,998</u>
	\$ 3,644,251

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) 04/04/2022	Year/Period of Report End of <u>2021/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	5,720,501	Various	2,918,391	12,470,412	15,272,522
2	Distribution Studies	—				—
3	Legal Reserve	134,000	930.2	93,000		41,000
4	FIN 48 Liability	118,521			21,747	140,268
5	Deferred Social Security Tax 2020	828,883	236	828,883		—
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		—				—
34		—				—
35		—				—
36		—				—
37		—				—
38		—				—
39		—				—
40		—				—
41		—				—
42		—				—
43		—				—
44		—				—
45		—				—
46		—				—
47	TOTAL	6,801,905		3,840,274	12,492,159	15,453,790

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) 04/04/2022	Year/Period of Report End of 2021/Q4
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**ACCUMULATED DEFERRED INCOME TAXES - OTHER PROPERTY (Account 282)**

- Report the information called for below concerning the respondent's accounting for deferred income taxes relating 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	148,030,428	17,641,139	8,709,019
3	Gas	—	—	—
4	Other (Specify)	—		
5	TOTAL (Enter Total of lines 2 thru 4)	148,030,428	17,641,139	8,709,019
6		—		
7		—		
8		—		
9	TOTAL Account 282 (Enter Total of lines 5 thru 8)	148,030,428	17,641,139	8,709,019
10	Classification of TOTAL			
11	Federal Income Tax	148,030,428	17,641,139	8,709,019
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) 04/04/2022	Year/Period of Report End of 2021/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	231,408		—	156,731,140	2
—	—	—	—	—	—	—	3
						—	4
—	—		231,408		—	156,731,140	5
						—	6
						—	7
						—	8
—	—		231,408		—	156,731,140	9
							10
—	—	—	231,408	—	—	156,731,140	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) 04/04/2022	Year/Period of Report End of <u>2021/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		32,161,119	3,966,631	4,507,319
4		—		
5		—		
6		—		
7		—		
8		—		
9	TOTAL Electric (Total of lines 3 thru 8)	32,161,119	3,966,631	4,507,319
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)	32,161,119	3,966,631	4,507,319
20	Classification of TOTAL			
21	Federal Income Tax	32,161,119	3,966,631	4,507,319
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) 04/04/2022	Year/Period of Report End of 2021/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)		
							1
							2
—	—	182.3	80,402		—	31,540,029	3
						—	4
						—	5
						—	6
						—	7
						—	8
—	—		80,402		—	31,540,029	9
							10
						—	11
						—	12
						—	13
						—	14
						—	15
						—	16
—	—		—		—	—	17
						—	18
—	—		80,402		—	31,540,029	19
							20
—	—		80,402	—	—	31,540,029	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) 04/04/2022	Year/Period of Report End of 2021/Q4
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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	119,694,848	Various	12,444,534		107,250,314
2		—				—
3	Other Post Retirement Benefits	5,438,106	Various	1,067,660	1,594,387	5,964,833
4		—				—
5	TCRF Over Recovery	2,052,091	456	2,052,091		—
6		—				—
7	Sale of property, Docket #48401	81,458	407	27,154		54,304
8		—				—
9	Excess Deferred Income Taxes	431,038			700,158	1,131,196
10	Over Recovery, Docket #48401	—				—
11		—				—
12	Pension Non-qualified	—			14,334	14,334
13		—				—
14		—				—
15		—				—
16		—				—
17		—				—
18		—				—
19		—				—
20		—				—
21		—				—
22		—				—
23		—				—
24		—				—
25		—				—
26		—				—
27		—				—
28		—				—
29		—				—
30		—				—
31		—				—
32		—				—
33		—				—
34		—				—
35		—				—
36		—				—
37		—				—
38		—				—
39		—				—
40		—				—
41	<b>TOTAL</b>	<b>127,697,541</b>		<b>15,591,439</b>	<b>2,308,879</b>	<b>114,414,981</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) 04/04/2022	Year/Period of Report End of 2021/Q4
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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	158,795,770	158,066,141
3	(442) Commercial and Industrial Sales		
4	Small (or Comm.) (See Instr. 4)	125,536,039	118,243,282
5	Large (or Ind.) (See Instr. 4)	29,089,101	27,366,641
6	(444) Public Street and Highway Lighting	3,037,161	2,847,453
7	(445) Other Sales to Public Authorities	3,105,143	3,005,931
8	(446) Sales to Railroads and Railways		—
9	(448) Interdepartmental Sales		—
10	TOTAL Sales to Ultimate Consumers	319,563,214	309,529,448
11	(447) Sales for Resale		—
12	TOTAL Sales of Electricity	319,563,214	309,529,448
13	(Less) (449.1) Provision for Rate Refunds		—
14	TOTAL Revenues Net of Prov. for Refunds	319,563,214	309,529,448
15	Other Operating Revenues		
16	(450) Forfeited Discounts		—
17	(451) Miscellaneous Service Revenues	1,915,056	1,854,855
18	(453) Sales of Water and Water Power		—
19	(454) Rent from Electric Property	1,879,314	1,883,282
20	(455) Interdepartmental Rents	141,372	141,372
21	(456) Other Electric Revenues	343,680	(8,463,837)
22	(456.1) Revenues from Transmission of Electricity of Others	94,151,889	78,373,845
23	(457.1) Regional Control Service Revenues		—
24	(457.2) Miscellaneous Revenues		—
25			—
26	TOTAL Other Operating Revenues	98,431,311	73,789,517
27	TOTAL Electric Operating Revenues	417,994,525	383,318,965

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) 04/04/2022	Year/Period of Report End of 2021/Q4
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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
3,027,726	3,090,482	220,092	215,649	2
				3
3,378,440	3,302,589	41,422	41,150	4
5,307,881	4,952,121	98	97	5
22,888	23,145	1,135	1,132	6
77,477	75,630	763	766	7
	—		—	8
	—		—	9
11,814,412	11,443,967	263,510	258,794	10
	—		—	11
11,814,412	11,443,967	263,510	258,794	12
	—		—	13
11,814,412	11,443,967	263,510	258,794	14

Line 12, column (b) includes \$1,197,000 of unbilled revenues  
Line 12, column (d) includes 4,767 MWH relating to unbilled revenues

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) 04/04/2022	Year/Period of Report End of 2021/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)
<b>Residential Sales</b>						
1	6.1.1.1 Residential Service	3,023,194	158,099,075	218,934	13,809	0.0523
2	6.1.1.2 Secondary Service < 5 KW	2,118	219,695	1,158	1,829	0.1037
3	Residential Sales Billed	3,025,312	158,318,770	220,092	13,746	0.0523
4	Residential Sales Unbilled	2,414	477,000			
5	Residential Sales Total	3,027,726	158,795,770	220,092	13,757	0.0524
<b>Commercial Sales</b>						
6	6.1.1.2 Secondary Service < 5 KW	37,362	3,566,747	12,982	2,878	0.0955
7	6.1.1.3 Secondary Service > 5 KW	2,143,380	93,536,521	24,021	89,229	0.0436
8	6.1.1.4 Primary Service	1,162,154	26,407,408	568	2,046,046	0.0227
9	6.1.1.5 Transmission Service	22,197	140,694	3	7,399,000	0.0063
10	6.1.1.6 Lighting Service	10,994	1,166,669	3,848	2,857	0.1061
11	Commercial Sales Billed	3,376,087	124,818,039	41,422	81,505	0.0370
12	Commercial Sales Unbilled	2,353	718,000			
13	Commercial Sales Total	3,378,440	125,536,039	41,422	81,561	0.0372
<b>Industrial Sales</b>						
14	6.1.1.3 Secondary Service > 5 KW	11,902	422,423	17	700,118	0.0355
15	6.1.1.4 Primary Service	78,254	1,640,828	16	4,890,875	0.0210
16	6.1.1.5 Transmission Service	5,217,725	27,040,850	65	80,272,692	0.0052
17	Industrial Sales Billed	5,307,881	29,104,101	98	54,162,051	0.0055
18	Industrial Sales Unbilled		(15,000)			
19	Industrial Sales Total	5,307,881	29,089,101	98	54,162,051	0.0055
<b>Commercial and Industrial Sales</b>						
20	6.1.1.2 Secondary Service < 5 KW	37,362	3,566,747	12,982	2,878	0.0955
21	6.1.1.3 Secondary Service > 5 KW	2,155,282	93,958,944	24,038	89,661	0.0436
22	6.1.1.4 Primary Service	1,240,408	28,048,236	584	2,123,986	0.0226
23	6.1.1.5 Transmission Service	5,239,922	27,181,544	68	77,057,676	0.0052
24	6.1.1.6 Lighting Service	10,994	1,166,669	3,848	2,857	0.1061
25	Commercial and Industrial Sales Billed	8,683,968	153,922,140	41,520	209,151	0.0177
26	Commercial and Industrial Sales Unbilled	2,353	703,000	—		
27	Commercial and Industrial Sales Total	8,686,321	154,625,140	41,520	209,208	0.0178
<b>Public Street and Highway Lighting Sales</b>						
28	6.1.1.6 Lighting Service	22,888	3,035,161	1,135	20,166	0.1326
29	Public Street and Highway Lighting Sales Billed	22,888	3,035,161	1,135	20,166	0.1326
30	Public Street and Highway Lighting Sales Unbilled		2,000			
31	Public Street and Highway Lighting Sales Total	22,888	3,037,161	1,135	20,166	0.1327

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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)
<b>Other Sales to Public Authorities</b>						
32	6.1.1.2 Secondary Service < 5 KW	199	22,823	111	1,793	0.1147
33	6.1.1.3 Secondary Service > 5 KW	63,960	2,755,669	645	99,163	0.0431
34	6.1.1.4 Primary Service	13,318	311,651	7	1,902,571	0.0234
35	Other Sales to Public Authorities Billed	77,477	3,090,143	763	101,543	0.0399
36	Other Sales to Public Authorities Unbilled		15,000			
37	Other Sales to Public Authorities Total	77,477	3,105,143	763	101,543	0.0401
<b>Sales to Railroads and Railways</b>						
38	Sales to Railroads and Railways Billed					
39	Sales to Railroads and Railways Unbilled					
40	Sales to Railroads and Railways Total					
<b>Interdepartmental Sales</b>						
41	Interdepartmental Sales Billed					
42	Interdepartmental Sales Unbilled					
43	Interdepartmental Sales Total					
<b>Provision for Rate Refunds</b>						
44	Provision for Rate Refunds Billed					
45	Provision for Rate Refunds Unbilled					
46	Provision for Rate Refunds Total					
<b>Total Sales</b>						
47	TOTAL Billed	11,809,645	318,366,214	263,510	44,817	0.0270
48	Total Unbilled Rev.(See Instr. 6)	4,767	1,197,000	—	—	—
49	TOTAL	11,814,412	319,563,214	263,510	44,835	0.0270

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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	—	—
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)	—	—

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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)
60	D. Other Power Generation		
61	Operation		
62	(546) Operation Supervision and Engineering	—	—
63	(547) Fuel	—	—
64	(548) Generation Expenses	—	—
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	—	—
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	—	—
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	680,038	575,763
84			
85	(561.1) Load Dispatch-Reliability	575,842	627,754
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	92,875	36,365
94	(563) Overhead Lines Expenses	58,360	90,271
95	(564) Underground Lines Expenses	—	—
96	(565) Transmission of Electricity by Others	112,970,927	101,988,786
97	(566) Miscellaneous Transmission Expenses	880,249	749,792
98	(567) Rents	7,852	7,273
99	TOTAL Operation (Enter Total of lines 83 thru 98)	115,266,143	104,076,004
100	Maintenance		
101	(568) Maintenance Supervision and Engineering	43,628	42,912
102	(569) Maintenance of Structures	—	—
103	(569.1) Maintenance of Computer Hardware	—	—
104	(569.2) Maintenance of Computer Software	—	—
105	(569.3) Maintenance of Communication Equipment	—	—
106	(569.4) Maintenance of Miscellaneous Regional Transmission Plant	—	—
107	(570) Maintenance of Station Equipment	266,941	184,052
108	(571) Maintenance of Overhead Lines	233,311	803,707
109	(572) Maintenance of Underground Lines	—	—
110	(573) Maintenance of Miscellaneous Transmission Plant	—	—
111	TOTAL Maintenance (Total of lines 101 thru 110)	543,880	1,030,671
112	TOTAL Transmission Expenses (Total of lines 99 and 111)	115,810,023	105,106,675

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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)
113	<b>3. REGIONAL MARKET EXPENSES</b>		
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 Exps (Total 123 and 130)	—	—
132	<b>4. DISTRIBUTION EXPENSES</b>		
133	Operation		
134	(580) Operation Supervision and Engineering	667,461	697,024
135	(581) Load Dispatching	1,076,195	1,079,287
136	(582) Station Expenses	820,738	692,005
137	(583) Overhead Line Expenses	1,131,080	797,396
138	(584) Underground Line Expenses	701,637	669,220
139	(585) Street Lighting and Signal System Expenses	34,713	48,121
140	(586) Meter Expenses	1,615,186	1,748,531
141	(587) Customer Installations Expenses	163,597	209,575
142	(588) Miscellaneous Expenses	5,565,032	4,767,978
143	(589) Rents	73,177	74,796
144	TOTAL Operation (Enter Total of lines 134 thru 143)	11,848,816	10,783,933
145	Maintenance		
146	(590) Maintenance Supervision and Engineering	304,624	284,101
147	(591) Maintenance of Structures	208,824	223,708
148	(592) Maintenance of Station Equipment	2,923,835	2,339,371
149	(593) Maintenance of Overhead Lines	12,254,347	10,709,375
150	(594) Maintenance of Underground Lines	1,068,947	902,775
151	(595) Maintenance of Line Transformers	42,587	50,329
152	(596) Maintenance of Street Lighting and Signal Systems	385,728	246,013
153	(597) Maintenance of Meters	93,551	97,179
154	(598) Maintenance of Miscellaneous Distribution Plant	576	456
155	TOTAL Maintenance (Total of lines 146 thru 154)	17,283,019	14,853,307
156	TOTAL Distribution Expenses (Total of lines 144 and 155)	29,131,835	25,637,240
157	<b>5. CUSTOMER ACCOUNTS EXPENSES</b>		
158	Operation		
159	(901) Supervision	562,815	588,563
160	(902) Meter Reading Expenses	1,751,538	1,831,689
161	(903) Customer Records and Collection Expenses	889,270	1,000,106
162	(904) Uncollectible Accounts	65,697	45,005
163	(905) Miscellaneous Customer Accounts Expenses	332,175	312,950
164	TOTAL Customer Accounts Expenses (Total of lines 159 thru 163)	3,601,495	3,778,313



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) 04/04/2022	Year/Period of Report End of 2021/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			
	<b>TOTAL</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) 04/04/2022	Year/Period of Report End of <u>2021/Q4</u>
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TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456)(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
						17
						18
						19
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						21
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						31
						32
						33
						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) 04/04/2022	Year/Period of Report End of 2021/Q4
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TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456) (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.
		8,376,950	8,376,950	1
		203,140	203,140	2
		676,655	676,655	3
		4,673,267	4,673,267	4
		24,615,777	24,615,777	5
		196,786	196,786	6
		3,559,488	3,559,488	7
		3,652	3,652	8
		22,205	22,205	9
		17,556	17,556	10
		44,590	44,590	11
		19,439	19,439	12
		76,838	76,838	13
		16,170	16,170	14
		498,634	498,634	15
		25,918	25,918	16
		11,875	11,875	17
		276,069	276,069	18
		29,138	29,138	19
		420,293	420,293	20
		9,295	9,295	21
		8,136	8,136	22
		43,152	43,152	23
		566,532	566,532	24
		207,584	207,584	25
		17,305	17,305	26
		1,529	1,529	27
		7,206	7,206	28
		24,229	24,229	29
		12,489	12,489	30
		14,728	14,728	31
		16,693	16,693	32
		33,149	33,149	33
		3,870	3,870	34
—	—	<b>94,151,889</b>	<b>94,151,889</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) 04/04/2022	Year/Period of Report End of 2021/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	City of Llano			
2	City of Lockhart			
3	City of Luling			
4	City of Mason			
5	City of Moulton			
6	City of Robstown Utility System			
7	City of San Marcos			
8	City of San Saba			
9	City of Sanger			
10	City of Schulenberg			
11	City of Seguin			
12	City of Seymour			
13	City of Shiner			
14	City of Smithville			
15	City of Waelder			
16	City of Weimer			
17	City of Yoakum			
18	City Public Service of San Antonio			
19	East Texas Electric Coop			
20	Fayette Electric Coop			
21	Floresville Electric Power System			
22	Golden Spread Electric Coop			
23	Granbury			
24	Greenville Electric Utility System			
25	Guadalupe Valley Electric Coop			
26	Hamilton County Electric Coop			
27	Kerrville Public Utility Board			
28	Lagrange Utilities			
29	Lamar County Electric Coop			
30	Lubbock Power & Light			
31	New Braunfels Utilities			
32	Oncor			
33	Pedernales Electric Coop			
34	Public Utility Board of Brownsville			
	<b>TOTAL</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) 04/04/2022	Year/Period of Report End of 2021/Q4
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TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456)(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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						31
						32
						33
						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) 04/04/2022	Year/Period of Report End of <u>2021/Q4</u>
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TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456) (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.
		14,062	14,062	1
		35,515	35,515	2
		17,526	17,526	3
		7,928	7,928	4
		3,184	3,184	5
		28,257	28,257	6
		167,879	167,879	7
		12,739	12,739	8
		17,313	17,313	9
		18,103	18,103	10
		84,292	84,292	11
		9,117	9,117	12
		13,507	13,507	13
		13,451	13,451	14
		6,318	6,318	15
		10,313	10,313	16
		26,762	26,762	17
		6,291,380	6,291,380	18
		40,277	40,277	19
		81,610	81,610	20
		112,413	112,413	21
		361,290	361,290	22
		29,147	29,147	23
		134,343	134,343	24
		586,036	586,036	25
		55,350	55,350	26
		145,188	145,188	27
		20,766	20,766	28
		59,692	59,692	29
		349,902	349,902	30
		399,937	399,937	31
		34,017,301	34,017,301	32
		2,125,528	2,125,528	33
		364,621	364,621	34
—	—	<b>94,151,889</b>	<b>94,151,889</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) 04/04/2022	Year/Period of Report End of 2021/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	Rayburn County Electric			
2	Rio Grande Electric Coop			
3	San Bernard Electric Coop			
4	South Texas Electric Coop			
5	Tex-LA Electric Coop			
6	Weatherford			
7	Western Farmers Electric Coop			
8	Whiteboro			
9	Wood County Cooperative			
10	Conoco Phillips Company (QSE)			
11	CWP Energy Inc			
12	Dynasty Power Inc (QSE)			
13	Dynasty Power Inc (SE)			
14	Enel - North America			
15	ETC Endure Energy LLC			
16	Guzman Energy			
17	MacQuarie Energy LLC LS1 (SQ1)			
18	Mag Energy Solutions Inc			
19	Rainbow Energy Marketing (QSE)			
20	Rainbow Energy Marketing (SQ1)			
21	Rainbow Energy Marketing (SQ4)			
22	Sempra Gas & Power Marketing LLC			
23	Shell Energy North America (US)			
24	Tenaska Power Services Co			
25	TransAlta Corporation			
26	Twin Eagle Reosource Mgmt LLC			
27	Vitol Inc			
28	Westar			
29				
30				
31				
32				
33				
34				
	<b>TOTAL</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) 04/04/2022	Year/Period of Report End of 2021/Q4
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TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456)(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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						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) 04/04/2022	Year/Period of Report End of 2021/Q4
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TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456) (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.
		1,212,624	1,212,624	1
		78,284	78,284	2
		203,807	203,807	3
		1,880,408	1,880,408	4
		161,764	161,764	5
		119,023	119,023	6
		931	931	7
		10,824	10,824	8
		(2,183)	(2,183)	9
		7,313	7,313	10
		2,591	2,591	11
		5,611	5,611	12
		2,493	2,493	13
		271	271	14
		6,528	6,528	15
		4,224	4,224	16
		1,407	1,407	17
		661	661	18
		29,098	29,098	19
		3,385	3,385	20
		1,046	1,046	21
		1,262	1,262	22
		3	3	23
		9,129	9,129	24
		209	209	25
		3,738	3,738	26
		1,101	1,101	27
		14,953	14,953	28
			—	29
			—	30
			—	31
			—	32
			—	33
			—	34
—	—	<b>94,151,889</b>	<b>94,151,889</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) 04/04/2022	Year/Period of Report <u>2021/Q4</u>
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FOOTNOTE DATA
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**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) 04/04/2022	Year/Period of Report End of <u>2021/Q4</u>
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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)
1	American Elec Power	OS					14,603,186	14,603,186
2	Bandera Electric Coop	OS					150,870	150,870
3	Brazos Electric Power	OS					3,588,200	3,588,200
4	Cherokee Co. Electric	OS					5,825	5,825
5	City of Austin	OS					2,254,003	2,254,003
6	City of Bryan	OS					958,138	958,138
7	City of College Station	OS					104,908	104,908
8	City of Denton	OS					1,468,580	1,468,580
9	City of Garland	OS					1,686,383	1,686,383
10	City PS of San Antonio	OS					5,820,942	5,820,942
11	Cross Texas Trans	OS					1,924,518	1,924,518
12	Deep East Texas Elec	OS					3,888	3,888
13	East Texas Electric	OS					(16,215)	(16,215)
14	Electric Transm TX LLC	OS					8,665,488	8,665,488
15	Fannin Electric Coop	OS					4,162	4,162
16	Farmers Electric Coop	OS					18,798	18,798
	<b>TOTAL</b>		—	—	—	—	<b>112,970,927</b>	<b>112,970,927</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) 04/04/2022	Year/Period of Report End of 2021/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	Fayette Electric Coop	OS					880	880
2	Floresville Elec Pwr	OS					13,987	13,987
3	Golden Spread Electric	OS					66,924	66,924
4	Grayson-Collin Elec	OS					43,151	43,151
5	Greenville Elec Utility	OS					78,937	78,937
6	Houston Co Electric	OS					37,359	37,359
7	Lamar Co Elec Coop	OS					8,544	8,544
8	Lone Star Transmision	OS					2,487,395	2,487,395
9	Lower Colorado River	OS					14,389,083	14,389,083
10	Lubbock Power & Light	OS					260,955	260,955
11	Lyntegar Electric	OS					21,577	21,577
12	ONCOR	OS					36,444,424	36,444,424
13	Pub Util Brownsville	OS					184,161	184,161
14	Rayburn Co Elec	OS					434,215	434,215
15	Reliant Energy HL&P	OS					10,428,303	10,428,303
16	Rio Grande Elec Coop	OS					13,362	13,362
	<b>TOTAL</b>		—	—	—	—	<b>112,970,927</b>	<b>112,970,927</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) 04/04/2022	Year/Period of Report End of <u>2021/Q4</u>
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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)
1	San Bernanrd Electric Coop	OS					108,351	108,351
2	San Miguel Elec Coop	OS					38,922	38,922
3	Sharyland Utilities	OS					757,294	757,294
4	South Texas Elec	OS					2,345,748	2,345,748
5	Southwest Texas Elec	OS					1,806	1,806
6	Texas Muni Power	OS					826,776	826,776
7	Trinity Valley Elec	OS					20,339	20,339
8	Whiteboro	OS					(221,117)	(221,117)
9	Wind Energy Texas Trans	OS					2,933,894	2,933,894
10	Wood County Cooperative	OS					3,983	3,983
11								
12								
13								
14								
15								
16								
	<b>TOTAL</b>		—	—	—	—	<b>112,970,927</b>	<b>112,970,927</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) 04/04/2022	Year/Period of Report <u>2021/Q4</u>
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FOOTNOTE DATA
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**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) 04/04/2022	Year/Period of Report End of <u>2021/Q4</u>
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MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (ELECTRIC)		
Line No.	Description (a)	Amount (b)
1	Industry Association Dues	337,412
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	197,065
7	Legal Expenses	128,938
8	BOD/Annual Shareholder's Meeting	57,411
9	Various	155,004
10		
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46	TOTAL	875,830

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) 04/04/2022	Year/Period of Report End of <u>2021/Q4</u>
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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			815,332		815,332
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	24,783,470				24,783,470
8	Distribution Plant	60,216,387	134			60,216,521
9	Regional Transmission and Market Operation					—
10	General Plant	2,073,424	297	13,968		2,087,689
11	Common Plant - Electric					—
12	Total	87,073,281	431	829,300	—	87,903,012

B. Basis for Amortization Charges

Content for Section B is blank in the image						
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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) 04/04/2022	Year/Period of Report End of <u>2021/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)
12	Distribution						
13	360 TX	6,267			— %		
14	360.1 TX	1,123	60	— %	1 %	SQ	52.72
15	361 TX	15,335	49	(20)%	3 %	R0.5	31.52
16	362 TX	492,729	42	(10)%	3 %	R2.5	32.33
17	364 TX	293,741	42	(100)%	5 %	R0.5	33.1
18	365 TX	260,006	44	(100)%	5 %	R0.5	32.85
19	366 TX	54,579	43	(20)%	3 %	R3	27.16
20	367 TX	115,178	40	3 %	3 %	R2.5	27.8
21	368 TX	147,478	47	— %	2 %	R1	36.42
22	369 TX	40,676	37	(100)%	6 %	R2	20.44
23	369.1 TX	48,227	41	(100)%	6 %	S4	26.39
24	370 TX	4,462	10	(5)%	18 %	R1	5.21
25	370.1 TX	10	24	(5)%	6 %	R5	16.51
26	370.2 TX	32,398	7	— %	20 %	SQ	3.42
27	370.3 TX	33,288	10	(5)%	11 %	R1	9.63
28	370.4 TX	7,332			11 %		
29	371 TX	2,628	16	(20)%	14 %	R1.5	3.64
30	371.1 TX	1,701	13	(10)%	14 %	S0.5	3.02
31	373 TX	21,408	28	(20)%	4 %	R0.5	21.15
32	SUBTOTAL	1,578,566					
36							
37	Transmission						
38	350 TX	5,934	65	— %	— %		
39	350.1 TX	12,093	65	— %	1 %	SQ	43.03
40	352 TX	28,509	49	— %	2 %	R0.5	47.9
41	353 TX	275,052	45	(10)%	3 %	R2.5	30.69
42	354 TX	11,691	54	(15)%	4 %	R4	40.58
43	355 TX	326,633	46	(100)%	5 %	R2	40.14
44	356 TX	134,973	54	(100)%	4 %	R2.5	44.2
45	359 TX	218			2 %		
46	SUBTOTAL	795,103					
47							

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) 04/04/2022	Year/Period of Report End of 2021/Q4
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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)
48							
49	General Plant						
50	389 TX	8,520			— %		
51	390 GO	34,609			3 %	R2	46.65
52	390 TX	60			2 %	R2	46.65
53	391 TX	3,129			6 %	L2	4.4
54	391.1 TX	1,084			14 %	L4	1.13
55	391.2 TX	198			10 %	SQ	9.5
56	391.3 GO	361			13 %	SQ	3.38
57	391.3 TX	1,718			13 %	SQ	3.38
58	392 GO	2,306			10 %	L4	6.72
59	392.1 TX	29			8 %	R2.5	6.01
60	392.2 TX	2,539			4 %	L4	11.75
61	392.4 TX	4			50 %		
62	394 GO	41			4 %	S6	19.48
63	394 TX	15,363			3 %	S6	19.48
64	396 TX	1,520			12 %	L4	9.52
65	397 TX	9,288			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	398 TX	330			5 %	SQ	18.01
	SUBTOTAL	81,355					
	Total	2,455,025,000					

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) 04/04/2022	Year/Period of Report End of <u>2021/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		52,651	52,651	253,972
3				—	
4	Dockets # 48591/50731 - Rate case expenses		1,181,361	1,181,361	2,507,964
5				—	
6	Docket # 48401 - CTC Securitization Costs		107,892	107,892	323,677
7				—	
8	Energy Efficiency		4,746,215	4,746,215	201,519
9				—	
10	Distribution Cost Recovery Factor		—	—	
11				—	
12	Miscellaneous		66	66	
13				—	
14				—	
15				—	
16				—	
17				—	
18				—	
19				—	
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46	TOTAL	—	6,088,185	6,088,185	3,287,132

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) 04/04/2022	Year/Period of Report End of 2021/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	52,651	201,321	2
							3
				928	1,181,361	1,326,603	4
							5
				928	107,892	215,785	6
							7
Distribution	186	46,368	6,702,574	928	4,746,215	2,157,878	8
							9
Distribution	186	143,508					10
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		189,876	6,702,574		6,088,119	3,901,587	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) 04/04/2022	Year/Period of Report End of <u>2021/Q4</u>
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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	1,482,603		
5	Regional Market			
6	Distribution	6,313,505		
7	Customer Accounts	1,427,628		
8	Customer Service and Informational	155,350		
9	Sales			
10	Administrative and General	10,387,330		
11	TOTAL Operation (Enter Total of lines 3 thru 10)	19,766,416		
12	Maintenance			
13	Production			
14	Transmission	358,322		
15	Regional Market			
16	Distribution	8,513,748		
17	Administrative and General			
18	TOTAL Maintenance (Total of lines 13 thru 17)	8,872,070		
19	Total Operation and Maintenance			
20	Production (Enter Total of lines 3 and 13)	—		
21	Transmission (Enter Total of lines 4 and 14)	1,840,925		
22	Regional Market (Enter Total of Lines 5 and 15)	—		
23	Distribution (Enter Total of lines 6 and 16)	14,827,253		
24	Customer Accounts (Transcribe from line 7)	1,427,628		
25	Customer Service and Informational (Transcribe from line 8)	155,350		
26	Sales (Transcribe from line 9)	—		
27	Administrative and General (Enter Total of lines 10 and 17)	10,387,330		
28	TOTAL Oper. and Maint. (Total of lines 20 thru 27)	28,638,486		28,638,486
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) 04/04/2022	Year/Period of Report End of 2021/Q4
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DISTRIBUTION OF SALARIES AND WAGES (Continued)				
Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll charged for (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 Terminating 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)	28,638,486	—	28,638,486
66	Utility Plant			
67	Construction (By Utility Departments)			
68	Electric Plant	7,667,398	9,917,448	17,584,846
69	Gas Plant			
70	Other (provide details in footnote):			
71	TOTAL Construction (Total of lines 68 thru 70)	7,667,398	9,917,448	17,584,846
72	Plant Removal (By Utility Departments)			
73	Electric Plant	1,411,434		1,411,434
74	Gas Plant			
75	Other (provide details in footnote):			
76	TOTAL Plant Removal (Total of lines 73 thru 75)	1,411,434	—	1,411,434
77	Other Accounts (Specify, provide details in footnote):	773,207		773,207
78				
79				
80				
81				
82				
83				
84				
85				
86				
87				
88				
89				
90				
91				
92				
93				
94				
95	TOTAL Other Accounts	773,207	—	773,207
96	TOTAL SALARIES AND WAGES	38,490,525	9,917,448	48,407,973

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) 04/04/2022	Year/Period of Report <u>2021/Q4</u>
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FOOTNOTE DATA
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**Page 355, Row 77, Column (b)**

Energy efficiency admin	\$	216,853
Mutual assistance work		442,018
Political, Civic, Social work		87,539
Non Standard Metering		5,617
Other Deferred Credits - Transmission Studies		21,180
	\$	<u>773,207</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) 04/04/2022	Year/Period of Report End of <u>2021/Q4</u>
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TRANSMISSION LINE STATISTICS								
<p>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.</p> <p>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.</p> <p>3. Report data by individual lines for all voltages if so required by a State commission.</p> <p>4. Exclude from this page any transmission lines for which plant costs are included in Account 121, Nonutility Property.</p> <p>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.</p> <p>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.</p>								
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	<b>Central Texas</b>							
2	TNP One	Twin Oak	345	345	Steel Tower	18.1	0	2.0
3	Bosque Switch	Lake Whitney	138	138	Pole	0.6	0.2	1.0
4	Bosque Switch	Olsen	138	138	Frame	14.6	0	1.0
5	Lake Whitney	Oncor Whitney	138	138	Frame	0.1	0	1.0
6	69 kV Transmission					218.9	0.3	27.0
7								
8	<b>North Texas</b>							
9	Talco West Tap	Talco West	138	138	Frame	1.8	0	1.0
10	Westminster Tap	Westminster	138	138	Pole	3.7	0	1.0
11	Blossom Tap	Blossom	138	138	Pole	0	0	1.0
12	Climax	Longneck	138	138	Pole	4.1	0	1.0
13	Lakepointe	Jones St Tap	138	138	Pole	0.3	0	1.0
14	Lakepointe	NW Carrollton	138	138	Pole	0.1	0.2	1.0
15	NW Carrollton	South	138	138	Pole	2	0	1.0
16	Lakepointe	TI	138	138	Pole	2.8	0	1.0
17	Highlands	West	138	138	Single Pole	1.6	0	1.0
18	TI	West	138	138	Pole	4.9	0	1.0
19	South	TI	138	138	Pole	0.7	2.1	1.0
20	69 kV Transmission					70.5	0	11.0
21								
22	<b>West Texas</b>							
23	Rio Pecos	Soaptree	138	138	Pole	2	0	1.0
24	Lynx	Soaptree	138	138	Pole	0.9	0.8	2.0
25	Ft Stockton	Leon Creek	138	138	Pole	0.1	0	1.0
26	Leon Creek	Airport	138	138	Pole	2.7	0	1.0
27	Leon Creek	Tarbush	138	138	Pole	19.7	0	1.0
28	CR 101 Tap	Trans Pecos Tap	138	138	Frame	0.5	0	1.0
29	Trans Pecos Tap	Trans Pecos	138	138	Pole	0.9	0	1.0
30	Trans Pecos Tap	Delaware Tap	138	138	Frame	0.6	0	1.0
31	Delaware Tap	CR 101	138	138	Frame	0.2	0	1.0
32	Arrowhead Tap	Arrowhead	138	138	Pole	0	0	1.0
33	Gas Pad	Caymus	138	138	Pole	0.3	0	1.0
34	Wink	Oncor Wink	138	138	Pole	1.4	0	1.0
35	Wink	Oncor Wink	138	138	Steel Single Pole	1.2	0	1.0
					TOTAL	953.1	11.1	217

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) 04/04/2022	Year/Period of Report End of <u>2021/Q4</u>
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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)	
								1
ACSR								2
795 ACSR								3
636 ACSR								4
795 ACSR								5
								6
								7
								8
SD								9
795 ACSR								10
795 ACSR								11
795 ACSS								12
1033 ACSR								13
1033 ACSR								14
795 ACSR								15
795 ACSR								16
795 ACSS								17
795 ACSS								18
795 ACSR								19
								20
								21
								22
ACSS/TW								23
ACSS/TW								24
ACSS/TW								25
ACSS/TW								26
ACSS/TW								27
477 ACSR								28
795 ACSR								29
477 ACSR								30
477 ACSR								31
336 ACSR								32
795 ACSR								33
ACSS/TW								34
959 ACSS								35
	—	—	—	—	—	—	—	

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) 04/04/2022	Year/Period of Report End of 2021/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)	
36	16th Street	Airport	138	138	Single Pole	2.8	0	1.0
37	16th Street	Soaptree	138	138	Pole	32.6	0	1.0
38	Rio Pecos	White Baker	138	138	Frame	14.5	0	1.0
39	Pig Creek Tap	Tarbrush	138	138	Pole	2.3	0	1.0
40	Pig Creek	Flat Top	138	138	Pole	9	0	1.0
41	Flat Top	Barilla Draw	138	138	Pole	5.8	0	1.0
42	Barilla Draw	Saddleback	138	138	Pole	6.8	0	1.0
43	Saddleback	Salt Draw Tap	138	138	Pole	0.5	0	1.0
44	Salt Draw Tap	IH20	138	138	Pole	4.4	0	1.0
45	IH20	Collie Tap	138	138	Pole	2.8	0	1.0
46	Collie Tap	Collie Meter Tap	138	138	Pole	0	0	1.0
47	Collie Meter Tap	Collie Cap Bank	138	138	Pole	0.1	0	1.0
48	Collie Tap	Birds of Prey Tap	138	138	Pole	2.3	0	1.0
49	Birds of Prey Tap	Harpoon Tap	138	138	Pole	3.6	0	1.0
50	Harpoon Tap	Worsham	138	138	Pole	2	0	1.0
51	Worsham	Reward Tap	138	138	Pole	3.3	0	1.0
52	Reward Tap	Sandstone	138	138	Pole	7.8	0	1.0
53	Sandstone	Pyote	138	138	Pole	4.3	0	1.0
54	Pyote	Wickett	138	138	Pole	12.9	0	1.0
55	Wickett	Wolf	138	138	Pole	5.8	0	1.0
56	IH20	County Road	138	138	Pole	0.2	0	1.0
57	IH20	Elm Street	138	138	Pole	0	2	1.0
58	IH20	Pecos Main	138	138	Pole	2.3	0	1.0
59	Pecos Main	Elm Street	138	138	Pole	0.1	0	1.0
60	Pecos Main	Cedarvale	138	138	Pole	7.6	0	1.0
61	Pecos Main	Cedarvale	138	138	Pole	7.8	0	1.0
62	Cedarvale	Mi Vida	138	138	Pole	0.2	0	1.0
63	Mi Vida	Cholla	138	138	Pole	12	0	1.0
64	Cholla	LoneStar	138	138	Pole	5.5	0	1.0
65	Cholla	Tap	138	138	Pole	11.2	0	1.0
66	Tap	Monument Draw	138	138	Pole	0.2	0	1.0
67	Tap	All American Tap	138	138	Pole	1.1	0	1.0
68	All American Tap	All American	138	138	Pole	0.2	0	1.0
69	All American Tap	Wink	138	138	Pole	0.8	0	1.0
70	Cedarvale	Bone Springs Tap	138	138	Steel Single	3.9	0	1.0
					TOTAL	953.1	11.1	217

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) 04/04/2022	Year/Period of Report End of 2021/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)	
	477 ACSR							
ACSS/TW								37
795 ACSS								38
ACSR/TW								39
ACSR/TW								40
ACSR/TW								41
ACSR/TW								42
ACSR/TW								43
ACSR/TW								44
ACSR/TW								45
795 ACSR								46
795 ACSR								47
ACSR/TW								48
ACSR/TW								49
ACSR/TW								50
ACSR/TW								51
ACSR/TW								52
ACSR/TW								53
ACSR/TW								54
ACSR/TW								55
795 ACSR								56
ACSR/TW								57
ACSR/TW								58
ACSR/TW								59
795 ACSR								60
795 ACSR								61
795 ACSR								62
795 ACSR								63
795 ACSR								64
795 ACSR								65
795 ACSR								66
795 ACSR								67
795 ACSR								68
795 ACSR								69
795 ACSR								70
	—	—	—	—	—	—	—	





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) 04/04/2022	Year/Period of Report End of 2021/Q4
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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)	
106	Friendswood	Hastings	138	138	Pole	7.3	0	1.0
107	Friendswood	Seminole	138	138	Pole	2.9	0	1.0
108	North Alvin	Alvin	138	138	Pole	2.1	0	1.0
109	North Alvin	Hastings	138	138	Pole	2.3	0	1.0
110	Main	CenterPoint WC	138	138	Frame	0.2	0	1.0
111	Main	CenterPoint WC	138	138	Frame	0.2	0	1.0
112	Local	Main	138	138	Frame	0.8	0	1.0
113	Angleton	Retrieve	138	138	Frame	7	0	1.0
114	Brazoria	Retrieve	138	138	Frame	6.2	0	1.0
115	Angleton	Local	138	138	Frame	14.1	0	1.0
116	Brazoria	Main	138	138	Frame	9.5	0	1.0
117	SCLP Cogen	Main	138	138	Frame	9.5	0	1.0
118	SCLP Cogen	Main	138	138	Pole	9.2	0	1.0
119	Brazoria	Sweeny	138	138	Pole	7.1	0	1.0
120	Sweeny	FM 524	138	138	Pole	3.7	0	1.0
121	FM 524	Linville	138	138	Pole	0.7	0	1.0
122	Linville	SCLP	138	138	Pole	0.4	0.7	1.0
123	PH Robinson	Freeway Park	138	138	Frame	6.9	0	1.0
124	PH Robinson	Heights	138	138	Frame	9.3	0	1.0
125	PH Robinson	ISP	138	138	Single Pole	4.4	0	1.0
126	PH Robinson	Hidden Lakes	138	138	Pole	3.1	0	1.0
127	69 kV Transmission		69	69		39.8	4.3	44.0
128								
129					TOTAL	953.1	11.1	217



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) 04/04/2022	Year/Period of Report End of <u>2021/Q4</u>
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**TRANSMISSION LINES ADDED DURING YEAR**

- 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.
- 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	SUPPORTING STRUCTURE		CIRCUITS PER STRUCTURE	
	From (a)	To (b)		Type (d)	Average Number per Miles (e)	Present (f)	Ultimate (g)
1	TI	West	5	Steel Single Pole	11	1	1
2	16th Street	Soaptree	33	Steel Single Pole	8	1	2
3	Leon Creek	Tarbush	20	Steel Single Pole	8	1	2
4	Wink	Oncor Wink	1	Steel Single Pole	9	1	1
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
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43							
44	TOTAL		58		36	4	6

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) 04/04/2022	Year/Period of Report End of 2021/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)	
795	ACSS	Delta/12 feet	138	—	—	2,557,298	(45,608)	2,511,690	1
and"	ACSS/TW	Delta/12 feet	138	—	9,572,414	4,733,130	(1,456,821)	12,848,723	2
and"	ACSS/TW	Delta/12 feet	138	—	8,607,263	4,650,970	(664,467)	12,593,766	3
ee"	ACSS/TW	Delta/12 feet	138	—	433,296	444,244	(27,960)	849,580	4
								—	5
								—	6
								—	7
								—	8
								—	9
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								—	42
								—	43
				—	18,612,973	12,385,642	(2,194,856)	28,803,759	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) 04/04/2022	Year/Period of Report End of 2021/Q4
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SUBSTATIONS					
1. Report below the information called for concerning substations of the respondent as of the end of the year. 2. Substations which serve only one industrial or street railway customer should not be listed below. 3. 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. 4. 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	<b>Central Texas Region</b>				
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	Handley, 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	4.00	—
19	Meridan, TX - Meridan Sub	Dist. (unattended)	66.00	22.00	—
20	Gatesville, TX - Sycamore Sub	Dist. (unattended)	66.00	22.00	—
21	Gatesville, TX - Gatesville #2 Sub	Dist. (unattended)	66.00	4.00	—
22	Gatesville, TX - Gatesville #2 Sub	Dist. (unattended)	66.00	22.00	—
23	Hamilton Co., TX - Hamilton County Sub	Dist. (unattended)	66.00	22.00	—
24	Thurber, TX - Thurber Sub	Dist. (unattended)	66.00	12.50	—
25	Thurber, TX - Thurber Sub	Dist. (unattended)	66.00	22.00	—
26	Hico, TX - Hico Sub	Dist. (unattended)	66.00	4.00	—
27	Somervell Co, TX - Tolar Sub	Dist. (unattended)	138.00	22.00	—
28	Coryell Co, TX - Pancake Sta	Trans. (unattended)	66.00	—	—
29					
30	<b>North Texas Region</b>				
31	Collin Co., TX - Climax Sub	Trans. (unattended)	138.00	69.00	13.80
32	Collin Co., TX - Climax Sub	Dist. (unattended)	138.00	22.00	—
33	Collin Co., TX - Farmersville West Sub	Dist. (unattended)	138.00	22.00	—
34	Princeton, Tx - Longneck Sub	Dist. (unattended)	138.00	22.00	—
35	Whitewright, TX - Whitewright Sub	Dist. (unattended)	66.00	12.50	—
36	Leonard, TX - Leonard Sub	Dist. (unattended)	66.00	12.50	—
37	Trenton, TX - Trenton Sub	Dist. (unattended)	66.00	4.00	—
38	Trenton, TX - Frontier Sub	Dist. (unattended)	66.00	4.00	—
39	Blue Ridge, TX - Blue Ridge Sub	Dist. (unattended)	66.00	22.00	—
40	Collin Co., TX - Westminster Tap	Trans. (unattended)	138.00	—	—

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) 04/04/2022	Year/Period of Report End of 2021/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)	
						1
98	1	—				2
14	2	—				3
21	2	—				4
167	1	—				5
21	2	—				6
21	2	—				7
32	3	—				8
12	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
5	1	—				16
5	1	—				17
5	1	—				18
11	1	—				19
14	1	—				20
6	1	—				21
11	1	—				22
5	1	—				23
5	1	—				24
11	1	—				25
7	1	—				26
11	1	—				27
—	—	—				28
						29
						30
140	2	—				31
37	2	1				32
47	1	—				33
47	1	—				34
19	2	—				35
20	2	—				36
5	1	—				37
5	1	—				38
5	1	—				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) 04/04/2022	Year/Period of Report End of <u>2021/Q4</u>
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SUBSTATIONS					
1. Report below the information called for concerning substations of the respondent as of the end of the year. 2. Substations which serve only one industrial or street railway customer should not be listed below. 3. 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. 4. 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	Collin Co., TX - Westminster Sub	Dist. (unattended)	138.00	12.50	—
42	Lewisville, TX - West Sub	Dist. (unattended)	138.00	12.50	—
43	Lewisville, TX - South Sub	Dist. (unattended)	138.00	12.50	—
44	Lewisville, TX - TI Sub	Dist. (unattended)	138.00	12.50	—
45	Lewisville, TX - TI Sub	Dist. (unattended)	138.00	26.00	—
46	Lewisville, TX - Jones St. Sub	Dist. (unattended)	138.00	12.50	—
47	Lewisville, TX - Lakepointe Sub	Dist. (unattended)	138.00	26.00	—
48	Nocona, TX - Nocona Sub	Dist. (unattended)	66.00	12.50	—
49	St. Jo, TX - St. Jo Sub	Dist. (unattended)	66.00	12.50	—
50	Petrolia, Tx - Petrolia Sub	Dist. (unattended)	66.00	12.50	—
51	Lone Oak, TX - Lone Oak Sub	Dist. (unattended)	66.00	12.50	—
52	Red River Co., TX - Red River Sub	Dist. (unattended)	66.00	22.00	—
53	Franklin Co., TX - Talco West Sub	Dist. (unattended)	138.00	12.50	—
54	Lamar Co., TX - Blossom Sub	Dist. (unattended)	138.00	22.00	—
55	Aubrey, TX - Krugerville Sub	Dist. (unattended)	138.00	26.00	—
56	Olney, TX - Olney Sub	Dist. (unattended)	66.00	12.50	—
57					
58	<b>Gulf Coast Region</b>				
59	Texas City, TX-Amoco Sw. Station	Trans. (unattended)	138.00	69.00	13.80
60	Texas City, TX-Apache Sw. Station	Trans. (unattended)	138.00	—	—
61	Texas City, TX-Caddo Sw. Station	Trans. (unattended)	138.00	—	—
62	Texas City, TX-Cherokee Sw. Station	Trans. (unattended)	138.00	—	—
63	Texas City, TX-Comanche Sw. Station	Trans. (unattended)	138.00	—	—
64	Texas City, TX-Greenbelt Sw. Station	Trans. (unattended)	138.00	—	—
65	Texas City, TX-ISP Sw. Station	Trans. (unattended)	138.00	—	—
66	Texas City, TX-Freeway Park Sub.	Trans. (unattended)	138.00	—	—
67	Texas City, TX-Freeway Park Sub.	Dist. (unattended)	138.00	12.50	—
68	Texas City, TX-Heights Sub.	Trans. (unattended)	138.00	69.00	13.80
69	Texas City, TX-Heights Sub.	Dist. (unattended)	138.00	12.50	—
70	Texas City, TX-Northside Sub.	Dist. (unattended)	69.00	12.50	—
71	Texas City, TX-Tejas Sub.	Dist. (unattended)	138.00	12.50	—
72	Texas City, TX- Texas City Main	Trans. (unattended)	69.00	—	—
73	Texas City, Tx- Grant. Ave	Trans. (unattended)	69.00	—	—
74	Texas City, Tx- TC Water	Dist. (unattended)	69.00	4.00	—
75	Texas City, Tx- Intercity	Trans. (unattended)	69.00	—	—
76	Texas City, TX-Linde	Trans. (unattended)	69.00	—	—
77	Texas City, Tx-Praxair	Trans. (unattended)	69.00	—	—
78	Texas City, Tx-Genesis	Trans. (unattended)	69.00	—	—
79	Texas City, Tx-Arco Pipeline	Trans. (unattended)	69.00	—	—
80	Texas City, Tx-Teppco	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) 04/04/2022	Year/Period of Report End of 2021/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)	
11	1	—				41
141	3	—				42
97	2	—				43
94	2	—				44
150	2	—				45
94	2	—				46
168	2	—				47
25	1	—				48
14	2	—				49
11	1	1				50
9	1	—				51
25	1	1				52
33	2	—				53
20	1	—				54
47	1	—				55
50	2	—				56
						57
						58
400	2	—				59
—	—	—				60
—	—	—				61
—	—	—				62
—	—	—	Capacitor Bank	1	30.0	63
—	—	—				64
—	—	—				65
—	—	—	Capacitor Bank	1	30.0	66
94	2	—	Capacitor Bank	2	9.6	67
400	2	1	Capacitor Bank	1	25.2	68
72	2	—	Capacitor Bank	2	9.6	69
100	2	—	Capacitor Bank	2	9.6	70
69	2	—	Capacitor Bank	2	9.6	71
—	—	—	Capacitor Bank	1	25.0	72
—	—	—				73
7	1	1				74
—	—	—				75
—	—	—				76
—	—	—				77
—	—	—				78
—	—	—				79
—	—	—				80

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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-Liquid Carbonics	Trans. (unattended)	69.00	—	—
82	Texas City, Tx- Marathon Pipeline	Trans. (unattended)	69.00	—	—
83	Texas City, Tx-Choctaw	Trans. (unattended)	69.00	—	—
84	Texas City, Tx- Bayview	Trans. (unattended)	69.00	—	—
85	La Marque, TX-LaMarque Sub.	Dist. (unattended)	69.00	12.50	—
86	Dickinson, TX-Dickinson Sub.	Dist. (unattended)	138.00	12.50	—
87	League City, TX-League City Sub.	Trans. (unattended)	138.00	—	—
88	League City, TX-League City Sub.	Dist. (unattended)	138.00	12.50	—
89	League City, TX-Butler Road Sub.	Dist. (unattended)	138.00	12.50	—
90	League City, TX-Magnolia Sub.	Dist. (unattended)	138.00	12.50	—
91	League City, TX-South Shore Sub.	Dist. (unattended)	138.00	12.50	—
92	League City, TX-Hidden Lakes Sub.	Dist. (unattended)	138.00	12.50	—
93	League City, TX Seminole Sub.	Dist. (unattended)	138.00	12.50	—
94	Friendswood, TX-Friendswood Sub.	Dist. (unattended)	138.00	12.50	—
95	Brazoria Co., TX-Hastings Sta.	Trans. (unattended)	138.00	—	—
96	Alvin, TX-Alvin Sub.	Dist. (unattended)	138.00	12.50	—
97	La Marque, TX-Mainland Sub.	Dist. (unattended)	138.00	12.50	—
98	Brazoria Co., Tx- North Alvin Sw Sta	Trans. (unattended)	138.00	—	—
99	Angleton, TX-Angleton Sub.	Dist. (unattended)	138.00	12.50	—
100	Brazoria Co., TX-West Col. Main Sub.	Trans. (unattended)	138.00	—	—
101	West Columbia, TX-West Col. Local Sub.	Dist. (unattended)	138.00	12.50	—
102	Brazoria, TX-Brazoria Sub.	Trans. (unattended)	138.00	69.00	13.80
103	Brazoria, TX-Brazoria Sub.	Dist. (unattended)	138.00	12.50	—
104	Brazoria Co., Tx-Clemons Sub	Dist. (unattended)	69.00	12.50	—
105	Brazoria Co., TX-Clemons Cavern Sta	Trans. (unattended)	69.00	—	—
106	Sweeny, TX-Sweeny Sub.	Dist. (unattended)	138.00	12.50	—
107	Brazoria Co., TX-FM 524 Sub	Trans. (unattended)	138.00	69.00	12.50
108	Brazoria Co., TX-Linville Sta	Trans. (unattended)	138.00	—	—
109	Brazoria Co., TX-Old Ocean Sub.	Dist. (unattended)	69.00	12.50	—
110	Brazoria Co., Tx-Hilcorp	Trans. (unattended)	69.00	—	—
111	Brazoria Co., Tx-Philips Origin Pump	Dist. (unattended)	69.00	4.00	—
112	Brazoria Co., Tx-Philips Tank Farm	Dist. (unattended)	69.00	4.00	—
113	Brazoria Co., TX-Phillips 2 Sta	Trans. (unattended)	69.00	—	—
114	Brazoria Co., TX-Phillips 3 Sta	Trans. (unattended)	69.00	—	—
115	Brazoria Co., TX-Phillips 5 Sta	Trans. (unattended)	69.00	—	—
116					
117	<b>West Texas Region</b>				
118	Winkler Co., TX - Wink Sub	Trans. (unattended)	138.00	69.00	13.80
119	Winkler Co., TX - Winkler Co No. 6 Sub	Dist. (unattended)	66.00	25.00	—
120	Winkler Co., Tx - California	Dist. (unattended)	66.00	12.50	—

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SUBSTATIONS (Continued)

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			Type of Equipment (i)	Number of Units (j)	Total Capacity (In MVA) (k)	
—	—	—				81
—	—	—				82
—	—	—				83
—	—	—				84
50	2	—				85
97	2	—	Capacitor Bank	2	9.6	86
—	—	—	Capacitor Bank	1	30.0	87
141	3	—	Capacitor Bank	2	9.6	88
47	1	—				89
97	2	1	Capacitor Bank	2	9.6	90
94	2	—	Capacitor Bank	2	9.6	91
50	1	—				92
47	1	—				93
94	2	—	Capacitor Bank	2	9.6	94
—	—	—				95
141	3	1	Capacitor Bank	3	14.4	96
50	1	1				97
—	—	—				98
141	3	—	Capacitor Bank	3	14.4	99
—	—	—				100
47	2	1				101
93	1	—				102
77	2	—				103
9	1	1				104
—	—	—				105
45	2	—				106
167	1	—				107
—	—	—				108
22	1	—				109
—	—	—				110
7	1	—				111
7	1	—				112
—	—	—				113
—	—	—				114
—	—	—				115
—	—	—				116
—	—	—				117
191	2	—				118
25	1	—				119
11	1	—				120

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Line No.	Name and Location of Substation (a)	Character of Substation (b)	VOLTAGE (In MVA)		
			Primary (c)	Secondary (d)	Tertiary (e)
121	Kermit, TX -Kermit#1	Dist. (unattended)	66.00	4.00	—
122	Kermit, TX -Kermit#2	Dist. (unattended)	66.00	4.00	—
123	Kermit, TX -Kermit#2	Dist. (unattended)	66.00	12.50	—
124	Winkler Co., TX -Keystone	Dist. (unattended)	69.00	12.50	—
125	Ward Co., Tx-Wickett	Trans. (unattended)	138.00	69.00	12.50
126	Ward Co., Tx-Wickett	Dist. (unattended)	66.00	12.50	—
127	Ward Co., Tx-Pyote	Dist. (unattended)	138.00	25.00	—
128	Ward Co., Tx-Sandstone	Trans. (unattended)	138.00	—	—
129	Reeves Co., Tx-Reward Sta.	Trans. (unattended)	138.00	—	—
130	Reeves Co., Tx-Worsham Field Sub	Dist. (unattended)	138.00	12.50	—
131	Reeves Co., Tx-Harpoon Sta.	Trans. (unattended)	138.00	—	—
132	Reeves Co., Tx-Birds of Prey Sta	Trans. (unattended)	138.00	—	—
133	Reeves Co., TX-Collie Field Sta	Trans. (unattended)	138.00	—	—
134	Reeves Co., TX-Collie Cap Bank Sta	Trans. (unattended)	138.00	—	—
135	Ward Co., TX-Bone Springs Sta	Trans. (unattended)	138.00	—	—
136	Ward Co., Tx-Cedarvale Sta 25 kV	Trans. (unattended)	138.00	—	—
137	Ward Co., Tx-Cedarvale Sta 12.5 kV	Trans. (unattended)	138.00	—	—
138	Ward Co., Tx-Cholla Sta	Trans. (unattended)	138.00	—	—
139	Ward Co., Tx-Lone Star	Dist. (unattended)	138.00	25.00	—
140	Ward Co., Tx-Mi Vida Sta	Trans. (unattended)	138.00	—	—
141	Winkler Co., Tx-Monument Draw Sta	Trans. (unattended)	138.00	—	—
142	Winkler Co., Tx-All Amercian PL	Trans. (unattended)	138.00	—	—
143	Pecos, TX - Pecos Main Sub	Trans. (unattended)	138.00	—	—
144	Pecos, TX - IH 20 Sub	Trans. (unattended)	138.00	—	—
145	Pecos, TX - IH 20 STATCOM Sta	Trans. (unattended)	138.00	—	—
146	Pecos, TX - County Road Sub	Dist. (unattended)	138.00	12.50	—
147	Reeves Co., TX - Salt Draw Sta.	Trans. (unattended)	138.00	—	—
148	Reeves Co., TX - Saddleback Sub.	Dist. (unattended)	138.00	25.00	—
149	Reeves Co., TX - Barilla Draw Sub	Trans. (unattended)	138.00	—	—
150	Reeves Co., Tx - Flat Top	Dist. (unattended)	138.00	25.00	—
151	Pecos Co., TX - Tarbush Sub.	Dist. (unattended)	138.00	25.00	—
152	Reeves Co., Tx - Elm Street Sub	Dist. (unattended)	138.00	12.50	—
153	Reeves Co., Tx - Coyote Spring Sub.	Dist. (unattended)	138.00	12.50	—
154	Reeves Co., Tx - Eagle Claw Sta.	Trans. (unattended)	138.00	—	—
155	Reeves Co., Tx - Billingslea Sta.	Trans. (unattended)	138.00	—	—
156	Reeves Co., Tx - W. D. Faulkner	Dist. (unattended)	138.00	12.50	—
157	Reeves Co., TX - County Road 101 Sta	Trans. (unattended)	138.00	—	—
158	Reeves Co., TX - Trans Pecos Sta.	Trans. (unattended)	138.00	—	—
159	Reeves Co., TX - Delaware Sta.	Trans. (unattended)	138.00	—	—
160	Reeves Co., TX - Wolf Bone Ranch 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)	
13	1	—				121
5	1	—				122
11	1	—				123
11	1	—	Capacitor Bank	1	10.0	124
167	1	—				125
3	1	—				126
25	1	—				127
—	—	—				128
—	—	—				129
25	1	—				130
—	—	—				131
—	—	—				132
—	—	—	Capacitor Bank	6	120.0	134
—	—	—				135
25	1	—				136
25	1	—				137
—	—	—				138
50	1	—				139
—	—	—				140
—	—	—				141
—	—	—				142
—	—	1	Capacitor Bank	4	80.0	143
—	—	—				144
—	—	—	STATCOM	1	190.0	145
53	2	—				146
—	—	—				147
50	1	—				148
—	—	—	Capacitor Bank	1	30.0	149
50	2	—				150
75	2	—				151
56	2	—				152
50	1	—				153
—	—	—				154
—	—	—				155
50	1	—				156
—	—	—				157
—	—	—	Capacitor Bank	3	60.0	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) 04/04/2022	Year/Period of Report End of 2021/Q4
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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)
<b>1</b>	<b>Non-power Goods or Services Provided by Affiliated</b>			
2	Service billings	PNM Resources Inc.	182,922	41,798,418
3	Interest payments	PNM Resources Inc.	430	268
4	Call center	Public Service Company of New Mexico	901	303,861
5	Dispatch Services	Public Service Company of New Mexico	903	63,215
6	Service billings	Public Service Company of New Mexico	590,920	36,496
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
<b>20</b>	<b>Non-power Goods or Services Provided for Affiliate</b>			
21	Intercompany rent	TNP Enterprises, Inc.	455	141,372
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
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